MINUTES OF 206TH MEETING OF THE BOARD OF DIRECTORS

IRECTORS	HELD AT	ON	TIME
NUTE BOOK	KARACHI	17TH FEBRUARY, 2010	

CONFIDENTIAL AND RESTRICTED

The 206th Meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on Wednesday, 17th February, 2010 at 11.00 a.m. in the Board Room, State Life Building No.9, Dr. Ziauddin Ahmed Road, Karachi.

PRESENT:

1.	Mr. Shahid Aziz Siddiqi	Chairman
2.	Mrs. Spenta Kandawalla	Director
3.	Mr. Aslam Faruque	Director
4.	Mr. Amin Qasim Dada	Director
5.	Mr. Rasheed Y. Chinoy	Director
6.	Syed A. Wahab Mehdi	Director
7.	Syed Hur Riahi Gardezi	Director
8.	Mr. Akbarali Hussain	Secretary Board

LEAVE OF ABSENCE:

1.	Mr. Shafqat Naghmi	Director

2. The meeting started with recitation of verses from the Holy Quran by Syed Hur Riahi Gardezi, Director.

3. The Board expressed their deep sorrow and condolences on the sad demise of brother of Mr. Allah Rakha Aasi, ED(F&A) and wife of Mr. Shaukat A. Kazmi, DH(Marketing) and offered fateha for the departed souls and prayed that Almighty Allah may grant them "maghferat" and grant "sabr-i-jameel" to their family.

4. Syed Arshad Ali, Executive Director(Mkt/G&P) and Mr. Allah Rakha Aasi, Executive Director(F&A/ACT) attended the meeting by invitation to present the Memorandums of their portfolios. Divisional Head(Investment), Divisional Head(Marketing), Divisional Head(F&A) and Divisional Head(PHS) also attended the meeting by invitation to present their Memorandums.

ITEM (1) CONFIRMATION OF MINUTES OF 205TH MEETING OF THE BOARD OF DIRECTORS.

5. The minutes of the 205th meeting of the Board of Directors held on 22nd December, 2009 together with implementation report were placed before the Board.

6. That in para-91 on page-2949 in the 4th line, the following words be added after the date 31-01-2010 "as per the recommendations of SAMCO Board". Implementation report of 205th meeting of the Board of Directors was noted.

7. The Board decided that henceforth the minutes of the meeting duly signed by the Chairman be circulated to all the Members of the Board within ten days of the meeting.

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8. Syed Hur Riahi Gardezi, Director proposed and Mrs. Spenta Kandawalla, Director seconded that the minutes of 205th meeting of the Board of Directors be confirmed.

9. Accordingly, it was resolved as under:-

Action:
Secretary
Board)

RESOLVED:
"that the Minutes of 205th meeting of Board of Directors held on 22nd December, 2009, are confirmed."

ITEM (2) CONSIDERATION AND APPROVAL OF RECOMMENDATIONS IN MINUTES OF 30TH AND 31ST MEETINGS OF BOARD AUDIT COMMITTEE HELD ON 15-10-2009 AND 11-02-2010.

10. The minutes of the 30th and 31st meetings of Board Audit Committee held on 15th October, 2009 and 11th February, 2010 respectively was presented before the Board of Directors for consideration and approval of its recommendations.

11. According to IFSR the valuation of investment may be booked as per actual rate at the close of financial year which as per GM(Investment) would have created problems for State Life in the accounting of earning as well as distribution of bonus to policyholders and higher taxation on reserves i.e. about 35%.

12. The Board Audit Committee requested the Chairman, State Life to take up the matter of IFSR-4 with SECP through Ministry of Commerce in order to obtain a waiver for the SLIC.

13. The Board Audit Committee was of the view that the Chairman State Life be authorized to decide the case of outstanding premium of Rs.516 million payable by the Government of Punjab.

14. The Board Audit Committee also recommended that SLIC may obtain a clarification from SECP whether a presentation and approval of quarterly accounts from the Board Audit Committee and Board of Directors of State Life is mandatory or not as State Life is a Government owned Corporation and not a company.

15. The Board Audit Committee also recommended that in future the matter of appointment of Statutory Auditors be placed before the Board Audit Committee for scrutiny before forwarding it to the Ministry of Commerce and the Auditor General of Pakistan.

16. The Board Audit Committee also made the following recommendations to the Board to expand the role of internal audit:-

(a) To conduct the full review of Internal Audit Process prevalent in SLIC;
(b) Revision of Internal Audit Manual by the Consultants as ten years have passed since the preparation of the last non-operational Internal Audit Manual;
(c) Training of Internal Audit personnel in the modern audit techniques and methods.

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17. Accordingly, the Board resolved as under:

Action: Secretary (BAC)

RESOLVED:

"that the minutes of 30th and 31st meetings of Board Audit Committee held on 15th October, 2009 and 11th February, 2010 together with its *recommendations are approved*."

ITEM (3) CONSIDERATION AND APPROVAL OF RECOMMENDATIONS IN MINUTES OF 8TH MEETING OF SOCIAL RESPONSIBILITY COMMITTEE HELD ON 11-02-2010

Action: Secretary (...C)

18. Due to paucity of time, the above item was deferred to the next meeting of the Board of Directors.

ITEM (4) PRESENTATION OF BUSINESS REVIEW OF MARKETING, GROUP & PENSION AND INVESTMENT DIVISIONS FOR THE PERIOD ENDED ON 31ST DECEMBER, 2009.

19. The business review of Marketing, Group & Pension and Investment Divisions for and upto the period ended on 31st December, 2009 were placed before the Board.

20. ED(Marketing) placed before the Board, Business Review of Individual Life for and upto the Month of December' 2009. The Corporation secured 1st year premium of Rs.6,959 million for the period ended on 31st December, 2009 as against Rs.4,972 million during the corresponding period of last year showing an increase of 40%. The Corporation has collected second year premium of Rs.4,202 million for and upto the month of December, 2009 with second year persistency of 85% as against collection of premium of Rs.3,121 million during the corresponding period of last year with second year persistency of 84%. The third year and over persistency for the period January to December' 2009 was 88% as against 94% for the corresponding period of last year. The number of policies sold for and upto the month of December 2009 was 525,947 as against 400,053 during the corresponding period of last year showing an increase of 31%.

21. Multan Region showed the highest growth in first year premium of 55.93% with 85.36% second year persistency and 89.54% renewal persistency and sale of 146,395 policies.

22. The Chairman informed the Board that presently only 2 to 2.5% of the population of Pakistan is covered by insurance as such there exist vast potential for insurance business. The market share of insurance business of State Life is likely to go up as a result of State Life entering into bancassurance and takaful business. State Life is also launching advertising campaign through print and electronic media to attract young people who are graduates and can do marketing of life insurance urban areas where educated field force is required to tap educated clientele. He also stated that development of new products/plans is the need of the day to face competition from private sector companies and for growth in business and market share.

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Action: ED(PHS) DH(PHS)

23. Syed Hur Riahi Gardezi requested Divisional Head(PHS) to submit a position paper to the Board at its next meeting giving a comparison of surrenders for the last three years and its percentage to total policy payment and highlighting the reasons for surrender of policies and how it can be reduced and controlled. ED(F&A) informed that the surrender could be due to reduction in income stream, economic shock from death of earning member of the family, attractive surrender values and possibility of obtaining policy loan.

24. On a query from Mr. Aslam Faruque, ED(Marketing) informed that the agents were not professional insurance sales men as such they could be effective in rural areas whereas educated agents are required for urban areas. There exist lot of disposable income in the rural areas due to agricultural growth who could be potential policyholders for State Life.

25. ED(Marketing) informed on a query that State Life had male and female agents and that the market share of State Life was 68% in 2009 which was expected to increase to 72% in the year 2010.

26. On a query Syed A. Wahab Mehdi was informed that the gross margin was 17%, 80 and 95% respectively on first year premium, second year premium and renewal premium.

27. ED(Marketing) further placed before the Board, Business Review of Gulf Zone for and upto the month of December, 2009. The Gulf Zone secured 1st year premium of US$:3,194,315 for the period ended on 31st December, 2009 as against US$:2,892,933 during the corresponding period of last year resulting in increase of 10.42%. The Second Year Persistency of Gulf Zone for and upto the month of December, 2009 was 65.86% as against 75.52% achieved during the same period of last year. The third year and over persistency for the period January to December' 2009 was 85.16% as against 93.43% for the corresponding period of last year. The number of policies sold for and upto the month of December 2009 was 2,001 as against 1,748 during the corresponding period of last year showing an increase of 14.47%.

Action: ED(Act) DH(Act)

28. ED(Marketing) informed that inspite of economic recession in the Gulf Zone, the performance was satisfactory. The Board was informed that the marketing force of Gulf Zone were insisting on maintaining of the same premium rate and improved bonus and that the increase in premium rate in Pakistan should not be made applicable to policies in the Gulf Zone where the returns on bank deposit and bonds were less as compared to Pakistan.

29. ED(G&P) presented before the Board the business review for and upto the month of December, 2009 during which G&P Division collected a total premium of Rs.3,451.160 million as against Rs.3,528,419 million for the corresponding period of last year showing a decrease of 2.19%.

30. During the period for and upto the month of December 2009, Karachi Zone collected a total premium of Rs.926,361 million as against Rs.1,385,235 million of last year showing a decrease of 33.13%. Lahore Zone collected a premium of Rs.1,360,802 million as against Rs.1,105,004 million of last year showing an

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increase of 23.15%. Rawalpindi Zone collected a premium of Rs.583,945 million as against Rs.533,617 million last year showing an increase of 9.43%. Peshawar Zone collected a total premium of Rs.580,052 million in 2009 as against Rs.504,563 million in 2008 showing an increase of 14.96%.

31. ED(G&P) informed the Board that during 2009 State Life lost 3 group policies of M/s. WAPDA due to higher premium rate. The annual premium impact of above policies is Rs.288.972 million. Sui Southern Gas Company business has come back to State Life.

32. ED(G&P) informed that the Government of Punjab have agreed to provide the data of number of Punjab Government employees available with the Punjab Police which would help to verify the total number of employees and enable collection of outstanding premium from the Punjab Government.

33. SGM(Investment) presented before the Board, business review of Investment Division for and upto the month of December 2009. The book value of investment portfolio which was Rs.183,070 million as on December 31, 2008 was estimated to have increased to Rs.204,003 million as on December 31, 2009 showing an increase of Rs.20,933 million and a percentage increase of 11.43% over the year ended December 31, 2009. The investments in Government securities, corporate debts, equities, bank deposits, investment property and loans to policyholders were Rs.145,971 million, Rs.3,823 million, Rs.24,608 million, Rs.10,291 million, Rs.2,510 million and Rs.16,800 million respectively.

34. State Life earned Rs.21,380 million on its Investment portfolio excluding unrealized gain on Investment for and upto the month of December, 2009 as compared to Rs.19,158 million earned during the same period of last year. The book value of quoted equity portfolio stood at Rs.22,632 million at 31st December, 2009 while its market value was Rs.42,461 million showing an appreciation of Rs.19,829 million as on December 31, 2009. State Life purchased shares in the amount of Rs.597.573 million during the period under review and sold shares costing Rs.105.048 million for Rs.183.094 million, realizing capital gain of Rs.78.046 million.

35. The Board was informed that the total investment of the Corporation in Pakistan Investment Bonds(PIBs) floated by Government of Pakistan since December 2000 including accrued interest as at December 31, 2009 was Rs.135,997 million. This constituted 66.66% of the total investment portfolio. The total investments in Government Securities amounted to Rs.145,971 million which constituted 71.55% of the total portfolio. As advised by Appointed Actuary of the Corporation, the Corporation purchased PIBs of 10, 15, 20 and 30 years duration with a face value of Rs.12.050 billion at a cost of Rs.11.126 billion.

36. The corporate debts included investments in TFCs of different companies such as Pakistan Mobile Communication Ltd., Engro Chemicals Ltd., and Pak Arab Fertilizer Ltd, etc. This also includes Rs.2,100 million paid to NITL under State Enterprise Fund guaranteed by GOP. The total investment in Corporate Bonds was Rs.3,823 million as on December 31, 2009.

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Action:
DH(Mkt)
DH(G&P)
DH(Inv)

37. The Board noted the business figures of Marketing, Group & Pension and Investment Divisions for the period ended on 31st December, 2009 and directed that henceforth a forecast be fixed for each Zone and activity so that a realistic growth rate is reflected and actual performance is compared there against and reasons given for non performance.

ITEM (5) BUDGET PROPOSALS FOR THE YEAR 2010 AND FORECASTED BUDGET FOR THE YEAR 2009.

38. The Executive Director(F&A) presented before the Board a Memorandum dated 2nd and 10th February, 2010 regarding budget proposals for the year 2010 and forecasted budget for the year 2009 showing all necessary details of first year premium, second year and third year and above renewal premium in respect of individual life business within Pakistan and Overseas, group life premium, investment income, Real Estate income, exchange gain and other income, payment to policyholders and field workers, group life claims and profit commission, administrative expenses including personnel cost of officers and staff, Area Managers expenses alongwith headwise details of other revenue and administrative expenses. The headwise details of administrative expenses of Investment and Real Estate were also put up to the Board. Forecast of capital expenditure for 2010 for each operating activity were also submitted.

39. DH(F&A) explained the salient features of the budget proposals in his presentation on multi media and replied to the different queries raised by the members of the Board.

40. Board of Directors were requested to kindly consider and approve budget proposals for 2010 and forecasted budget for 2009, as proposed in para-9, 10 and 11 of the Memorandum dated 2nd and 10th February, 2010 together with detailed breakdown given in para-4-8 of the Memorandum in the light of recommendations of the Board Audit Committee.

41. The Board was also requested to consider and authorize re-appropriation of budget among different heads for revenue expenses/capital expenditure, in case a need for such re-appropriation arises, of course, within the overall total amount of budget approved by the Board of Directors.

42. To a query as to whether the percentage of investment income could be increased, the Chairman informed the Board that State Life has suggested to the government for insurance cover of every railway passenger and group insurance for compulsory education upto matriculation whereby the students on completion of matriculation would be getting Rs.50,000 for continuing education in a vocational institute or furthering higher education.

43. The Chairman also informed the Board that currently State Life was in the process of developing its real estate properties at Karachi, Davis Road, Lahore and Islamabad Tower for which efforts are being made to hire an experienced General Manager to handle Real Estate Development project which would increase real estate income. An American company representative would be visiting Pakistan to discuss the possibility of looking after maintenance of State Life properties.

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44. The Chairman informed that due to a conservative investment strategy, State Life was saved of the repercussion of global melt down in the form of impairment in value of stocks/shares

45. State Life has also suggested that it would be willing to invest in construction of silos for storage if State Life could be guaranteed a reasonable return on its investment.

46. ED(F&A) informed the Board that the first year premium expense ratio i.e. acquisition cost would be brought down to 98% from 104% whereas second year premium expense ration would be brought down 17% from the prevailing 19% in the year 2010.

47. Accordingly, the Board resolved as under:

RESOLVED:

Action: ED(F&A) DH(F&A)

(a) **"that as proposed by ED(F&A), the budget proposals in respect of Income, Outgo, Life Fund and capital expenditure for the year 2010 and forecasted budget for the year 2009 given in para 9 and 11 of the memorandum dated 2nd and 10th February, 2010 and Annexure-A to the minutes with detailed break down given in para-4-8 of the Memorandum , are approved."**

Action: ED(F&A) DH(F&A)

(b) **"that carry forward of capital expenditure budget of Rs.573.632 million not utilized and requested to be carried forward to the year 2010 was approved."**

Action: SGM(Inv)

(c) **"that a critical analysis of the investment strategy suggested by M/s. Sidat Hyder Morshed Associates (Pvt) Ltd be carried out by SGM(Investment) and a comparison be given of each type of investment currently made by State Life and a reason be given as to why such investment is being made. The percentage of earnings of such investments prevalent in the market be compared with the earnings of State Life and a position paper in this regard be submitted to the Board at its next meeting."**

Action: ED(F&A) DH(F&A)

(d) **"that ED(F&A) is authorized to make re-appropriation of budget among different heads of revenue expenses/capital expenditure, in case a need for such re-appropriation arises within the overall total amount of budget approved by the Board."**

Action: ED(F&A) DH(F&A)

(e) **"that calendar events for preparation of budget given at Annexure-A to the Memorandum dated 2nd February, 2010 and Annexure-B to the minutes are approved."**

Action: ED(Mkt) DH(Mkt)

(f) **"that the expenditure on field force is a cause of concern and Management is advised to work out an equitable commission structure so that the expenses are brought to a sustainable level."**

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Action: Secretary (Board) Secretary (BAC)

(g) "that the scheduling of Board meetings preferably once in two months basis with a minimum of 4 to 6 meetings in a year was approved."

Action: Secretary (BAC)

(h) "that the Board Audit Committee shall meet prior to each Board meeting for approval of accounts."

Action: Secretary (HRC)

(i) "that the scheduling of meeting of the HR Committee and RE Committee on need basis was approved. "

Action: ED(PHS) DH(PHS)

(j) "that a breakdown of last three years in respect of reinsurance premium, claims received from reinsurance companies, administrative expenses charged by reinsurance companies and profit commission be prepared by DH(PHS) and submitted to the Board."

ITEM (6) ESTABLISHMENT OF NEW ZONES BY UPGRADING SECTORS/SUB-ZONES.

Action: ED(Mkt) DH(Mkt)

48. Due to paucity of time, the above item was deferred to the next meeting of the Board of Directors.

ITEM (7) DETAILED REPORT ON INVESTMENT STRATEGY AND SYSTEMS PREPARED BY M/S. SIDAT HYDER MORSHED ASSOCIATES (PVT) LIMITED.

Action: DH(Inv)

49. Due to paucity of time, the above item was deferred to the next meeting of the Board of Directors.

ITEM (8) FINALIZATION OF INVESTMENT POLICY FOR REAL STATE DIVISION.

Action: DH(Inv)

50. Due to paucity of time, the above item was deferred to the next meeting of the Board of Directors.

ITEM (9) REPORT/STATUS OF THE REAL ESTATE COMMITTEE FOR "CENTRE POINT" PROJECT.

51. Mr. Rasheed Y. Chinoy, Director and Convenor of the Committee of the Real Estate Division and Investment Division informed that the Board at its 205th meeting held on 22-12-2009 had considered the proposal of Mr. Ansar Hussain, SGM/DH(Investment) and had agreed in principle to the option of outright purchase of the Centre Point Project rather than accepting the option of creating a Special Purpose Vehicle (SPV) since it was felt that partial shareholding in properties create future complications. The Chairman State Life had constituted a Committee of the Real Estate Division and Investment Division

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consisting of Mr. Rasheed Y. Chinoy, Convenor, Mr. Amin Qasim Dada, Member, Syed Hur Riahi Gardezi, Member, Mr. Mohammad Yahya, ED(RE)/Member and Mr. Ansar Hussain, DH(Investment)/Member to negotiate and determine an acceptable price for purchase of "Centre Point" Project.

52. The terms of reference of the Committee to carry out due diligence of the proposal of purchase of "Centre Point" by State Life would be as follows:-

i) To determine and negotiate an acceptable price with M/s. TPL Properties (Pvt) Ltd, the owners of Centre Point.
ii) Examine the legal implications of outsourcing the management of a State Life property to a private sector company.
iii) Examine whether a valid agreement of M/s. TPL Properties (Pvt) Ltd with Lever Brothers has been effected to ensure that a long term income stream is being offered with purchase of the property.
iv) The examination and vetting and finalization of a draft agreement regarding purchase of Centre Point for approval of the Board.

Action:
ED(Legal)
DH(Legal)

53. Mr. Rasheed Y. Chinoy informed the Board that the following documents have been received by Mr. Nabil Ghafoorzada, Deputy General Manager(Project & Maintenance) State Life through Mr. Ansar Hussain, SGM/DH(Investment) from Mr. Mustafa Ali, Vice President, Finance A & A Associates which have been vetted by Real Estate Division and found in order, however the documents have been sent for examination and vetting to Legal Affairs Division:-

a) Ownership Documents
b) Site Plan
c) Approved building plan from KBCA
d) Drawing from Master Plan
e) Work Completion Schedule
f) Approval letter from SSGC
g) Sanction order from KW&SB
h) List of imported items and approved manufacturers
i) Approval letter of Civil Aviation Authority regarding the height of the building.
j) Approval letter of Environmental Protection Agency
k) Sale agreement
l) Agreement to lease
m) Indicative term sheet

54. Mr. Ansar Hussain, SGM/DH(Investment) informed the Board that M/s. TPL Properties (Pvt.) Ltd., (the owners of Centre Point), have offered the said project on outright sale and have also given an option of creation of a Special Purpose Vehicle for the project whereby M/s. TPL would sell its 45% share at a rate of Rs 27.00 per share as against face value of Rs.10.00. He also added that the total outflow of cash as per working of Investment Division in case of SPV will be around Rs. 920.00 million. These figures were based on the original price prior to negotiation where the Investment Division on discounted cash flow basis had valued the Centre Point Project at Rs.2.25 billion; based on rentable area of

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161,722 sq.ft. and total covered area of 347,976 sq.ft. Mr. Ansar Hussain informed the Board that since the Board has now decided to purchase share holding rather than out right purchase of the project and since State Life can purchase shares of unlisted companies to the extent of 2.5%, the Investment Committee of the Investment Division can undertake the above transaction being purchase of shares of unlisted companies. .

55. Mr. Ansar Hussain further informed the Board that if State Life opted for outright purchase of the property CVT would have to be payable at 9% of the sale value.

56. Mr. Rasheed Y. Chinoy informed the Board that Mr. Ali Jameel had originally quoted Rs.19000 per sq.ft. for a rentable area 161,722 sq.ft. which totalled Rs.3.073 billion whereas M/s. Oceanic Surveyors (Pvt) Ltd had evaluated the project and submitted that the estimated project value on selling price totaled Rs.2.43 billion in the prevalent ongoing global economic recession for gross saleable area of 161,722 sq.ft. at Rs.15000 per sq.ft. which could be plus or minus 5% to 10% .

57. Mr. Rasheed Y. Chinoy informed the Board that the original rentable area of 161,722 sq.ft. had been increased making the rentable area to 191,932 sq.ft. which has been certified by the Architect.

58. Mr. Ansar Hussain, SGM/DH(Investment) informed the Board M/s. Unilever one of the prospective tenant was not willing to take on tenancy in the project if the building was sold out in its entirety to a government organization. Mr. Rasheed Y. Chinoy informed that Mr. Ali Jameel had responded that he would commit to getting multi national companies quoted on the Karachi Stock Exchange as replacement tenants on the same terms and conditions as committed by M/s. Lever Brothers for 130,000 sq.ft.

59. The Board was also informed by Mr. Rasheed Y. Chinoy that Mr. Ali Jameel of M/s. TPL the owner of Centre Point Project had reduced the original quoted price from Rs.19000 per sq.ft. to Rs.16500 per sq.ft. and has also committed that his company would bear any cost over runs upto 25% of the quoted price. Mr. Ali Jameel had also confirmed that the project would be completed by April 30,2011 failing which he would be agreeable to the imposition of penalty equivalent to rent lost by State Life on a month to month basis on time over run of the project. M/s. TPL had also agreed for appointment of an independent qualified Project Manager to check the quality, measurement and specifications as given by the architect in the bill of quantities and that payment would be made on certification of the Project Manager.

60. Mr. Rasheed Y. Chinoy, Convenor of the Committee submitted before the Board that the Real Estate and Investment Division Committee on Centre Point Project after deliberation on the terms and conditions and negotiation with Mr. Ali Jameel of M/s. TPL on the two options i.e. a) outright purchase at Rs.16500 per sq.ft. totaling Rs.3,166,878,000 and b) creation of a joint venture company wherein State Life would own 45% share and M/s. TPL Properties (Pvt) Ltd would own 55% share of the company recommends to the Board as follows:-

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i) that a joint venture company be formed by creating a Special Purpose Vehicle (SPV) for the project as outlined by Mr. Ansar Hussain, DH(Investment) for which the revised figures after negotiation would be that M/s. TPL would sell its 45% shares to State Life at a rate of Rs.30 per share against a face value of Rs.10 and that the total cash outflow to State Life would be Rs.1.2 billion approximately.

ii) That the Board of Directors of the joint venture company would have seven members, three of whom would be nominees from State Life Insurance Corporation of Pakistan and four of whom would be from M/s. TPL Properties (Pvt) Ltd.

iii) That the Chairman of the company would be elected by rotation from amongst the seven nominated Directors every three years i.e. one term, the Chairman will be a State Life nominee, whereas in the next term, the Chairman would be a nominee of M/s. TPL Properties (Pvt) Ltd.

61. Mr. Ansar Hussain informed the Board that if the above option of joint venture company as recommended is accepted, the following advantage would accrue to State Life:-

a) State Life will not have to pay 9% CVT resulting in the saving of Rs.276.382 million which it would otherwise have had to pay on the offered price of outright purchase of Rs.3.4 billion.

b) The outflow of cash would only be Rs.1.2 billion approximately as against Rs3.4 billion for outright purchase.

c) The Committee had negotiated a price with Mr. Jameel at Rs.16,500 per sq.ft. for outright purchase which total Rs.3.4 billion whereas the total value of the project based on joint venture basis would work out to Rs.2.666 billion. State Life investment would be 45% of the equity at a purchase price of Rs.30 per share. The total equity of the project worked out at Rs.2.666 billion will result in a additional saving of Rs.0.74 billion.

62. Mrs. Spenta Kandawalla pointed out that the main concern of Lever Brothers for renting out the above project was security rather than ownership which if redressed would result in Lever Brothers agreeing to rent the property.

63. Syed Hur Riahi Gardezi pointed out that before taking any decision on the project it should be ensure that they should not be any lien on the property. It was also suggested that State Life should invest only if full tenancy was confirmed.

64. Syed A. Wahab Mehdi suggested that State Life and TPL Properties (Pvt) Ltd should have equal share holding in the project i.e. 50:50 and that there should be equal number of Directors on the Board of the joint venture company whereby three members would be State Life's nominee and the other three members from M/s. TPL Properties (Pvt) Ltd.

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65. It was also suggested that the Chairman should be for all times a State Life nominee.

66. After deliberation, it was resolved as under:-

<u>RESOLVED:</u>

Action: DH(Inv)

"that the Board has approved in principle the proposal of the SGM/DH(Investment) as recommended by the Real Estate and Investment Division Committee of Centre Point Project for State Life and TPL Properties (Pvt) Ltd to have equal 50:50 shareholding in the project and that State Life would purchase 50% of the share at Rs.30 per share(negotiable) and that M/s. TPL Properties (Pvt) Ltd would bear cost over runs to the extent of 25% of the project cost and pay a penalty equivalent to rent lost for any time over runs beyond 30th April, 2011 subject to the following observations before formal ratification of the project by the Board:-

Action: DH(Inv)

a) that the Board of Directors of a joint venture company would consist of six Directors out of which three would be nominee Directors of State Life and three would be nominee Directors of M/s. TPL Properties (Pvt) Ltd.

Action: DH(Inv)

b) That the Chairman of the joint venture company would for all times be from State Life.

Action: DH(Inv)

c) That the payment be made as soon as legal formalities are completed protecting the financial interest of the Corporation.

Action: DH(Inv)

d) That a cost benefit analysis and risk and return analysis be submitted by SGM(Investment) to the Board at its next meeting on the above project. The estimation of appraisal price of Centre Point be submitted by SGM(Investment) to the Board highlighting the assumption on which the appraisal price is arrived at.

Action: DH(Inv)

e) That the project be got evaluated by an independent government valuer M/s. Nespak other than M/s. Oceanic Surveyors (Pvt) Ltd and its report submitted to the Board.

Action: DH(Inv)

f) That all the documents including the draft agreement of the above project be got vetted from a legal firm specializing in project documentation such as M/s. Kabraji, M/s. Vellani & Vellani & M/s. S.M.Rizvi.

Action: DH(Inv)

g) That there should be no lien on the property.

Action: DH(Inv)

h) That the maintenance of the property would be carried out by a separate subsidiary company.

Action: DH(Inv)

i) That the income stream should start within reasonable time.

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IRECTORS	HELD AT	ON	TIME
NUTE BOOK	KARACHI	17TH FEBRUARY, 2010	

ITEM (10) REVISION OF PROFIT/RETURN CHARGED ON POLICY LOANS AND OUTSTANDING PREMIUM FOR PAKISTAN RUPEE POLICIES.

Action: ED(PHS) DH(PHS)

67. Due to paucity of time, the above item was deferred to the next meeting of the Board of Directors.

ITEM (11) ELEVATION/PROMOTION OF MR. KASSIM JEHAN IN VIEW OF INJUSTICE SUSTAINED BY HIM AT THE TIME OF HIS APPOINTMENT IN STATE LIFE AND HIS CURRENT EFFICIENT PERFORMANCE.

68. Executive Director(P&GS) presented before the Board, a Memorandum regarding elevation/promotion of Mr. Kassim Jehan in view of injustice sustained by him at the time of his appointment in State Life and his current efficient performance.

Action: ED(P&GS) DH(P&GS)

69. The Board referred the above Memorandum to the Human Resources Committee for examination and submission of its recommendations to the Board at its next meeting for consideration.

ITEM (12) INCREASE IN BUDGET FOR LOANS AND ADVANCES TO EMPLOYEES (OFFICERS & STAFF), AREA MANAGER & FIELD WORKERS.

70. Executive Director(F&A) presented before the Board, a Memorandum regarding increase in budget for loans and advances to employees(officers and staff), Area Managers and Field Workers.

71. Budget for loans and advances to employees (Officers & Staff), Area Managers and Field Workers is sanctioned out of Shareholders' Fund in terms of Section 37(9) of the Insurance Ordinance, 2000, which provides that no loan and advance can be granted to employees or agents except from the Shareholders' Fund.

72. After creation of Shareholders Fund, and in implementation of decision of the Board of Directors taken in its 159th meeting held on 26th January, 2001, the management allocated budget of Rs.200 million out of Shareholders' Fund in February, 2001 for grant of loans and advances to (a) all employees (Staff and Officers including Area Managers and Development Executives) and (b) to Agents. The paid up capital of State Life was Rs.350 million at that time.

73. Total budget for loans and advances was further enhanced from Rs.200 million to Rs.450 million after increase in paid up capital from Rs.350 million to Rs.750 million and then to Rs.900 million, as decided by Board of Directors in its 173rd meeting held on 27th December, 2003.

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RECTORS	HELD AT	ON	TIME
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74. With the passage of time, funds allocated for loans and advances for employees (Officers and Staff), Area Managers and Field Workers have become inadequate as compared to their requirements. The representatives of Employees Federation have been requesting the management from time to time to increase the budget under all type of loans and advances admissible to them.

75. Keeping in view the repeated requests of the Employees Federation and also to meet the demands of Officers, Area Managers and Field Staff, it is proposed that an increase of Rs.100 million in overall budget for loans and advances to employees (officers & staff), Area Managers and Field Workers may be allowed raising the present budget of Rs.450 million to Rs.550 million. Paid up capital of the Corporation has been enhanced from Rs.900 million to Rs.1,100 million in 2009.

76. Rest of the terms and conditions including mix of amount between employees and agents/EOA, rate of mark up, non-mark up categories of loan/advance, authorization of ED (F&A) for making necessary appropriation/re-appropriation within approved budget, etc.

Action:
ED(P&GS)
DH(P&GS)

77. The Board referred the above Memorandum to the Human Resources Committee for examination and submission of its recommendations to the Board at its next meeting for consideration.

ITEM (13) ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR

(I) FUND MANAGEMENT AT UAE

Action:
DH(Inv)

78. Due to paucity of time, the above item was deferred to the next meeting of the Board of Directors.

(II) RECRUITMENTS

Action:
ED(P&GS)
DH(P&GS)

79. The Chairman informed the Board that vacant posts in State Life for the position of Manager, Deputy Manager, Assistant Manager and Executive Officer were advertised in November, 2009 for which applications were received, scrutinized and short listed by P&GS Division. Currently interviews are being held at Principal Office and other Regional Offices after which appointment letters would be issued. The employees who are currently working in State Life on contract basis have also applied for the above position and are competing with the applicants who have applied based on advertisement for the above posts.

80. The meeting ended with vote of thanks to the chair.

Sasiddiqi

CHAIRMAN

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Annexure-A

BUDGET PROPOSALS FOR THE YEAR 2010 AND FORECASTED BUDGET FOR THE YEAR 2009.

9. A table showing comparison on corporate basis for income, outgo, contribution to Statutory Funds and Renewal Expense Ratio on the basis of actual expenses of 2008, approved and revised estimates of 2009 and budget estimates for 2010 is given hereunder:-

A. Income

Rupees in Million

Description	Actual 2008	Budget 2009	Forecasted Budget 2009	Forecasted 2009 vs Actual 2008	Budget 2010	Inc/(Dec) over Forecasted 2009
(a) First Policy Year	5,181	6,252	7,236	39.66%	10,315	42.55%
(b) 2nd Policy Year	3,312	4,264	4,358	31.58%	6,137	40.82%
(c) 3rd and later policy years	10,758	12,747	12,480	16.01%	15,154	21.43%
(e) Total	**19,251**	**23,263**	**24,074**	**25.05%**	**31.606**	**31.29%**
Group Life Premium	3,564	4,063	3,451	(3.17%)	4,153	20.34%
Total Premium (Gross)	**22,815**	**27,326**	**27,525**	**20.64%**	**35,759**	**29.91%**
Less: Re-Insurance	(131)	(131)	(131)	0%	(131)	0%
Total Premium (Net)	**22,684**	**27,195**	**27,393**	**20.76%**	**35,628**	**30.06%**
Investment Income	18,009	18,906	20,665	14.75%	22,666	9.68%
Real Estate Income	713	791	741	3.93%	813	9.72%
Investment & Real Estate Income	**18,722**	**19,697**	**21,406**	**14.34%**	**23,478**	**9.68%**
Exchange Gain	728	-	476	(35%)	265	(44.30%)
Other Income (from Pension Fund)	-	409	-		-	
Total Income	**42,134**	**47,301**	**49,276**	**16.95%**	**59,372**	**20.48%**

B. Outgo

Rupees in Million

Description	Actual 2008	Budget 2009	Forecasted Budget 2009	Forecasted 2009 vs Actual 2008	Budget 2010	Inc/(Dec) over Forecasted 2009
a) Death, Maturity & Annuities	6,965	8,894	9,574	37.46%	11,207	17.06%
b) Surrenders	2,45 4	2,903	2,727	11.12%	3,096	13.53%
c) Total	**9,419**	**11,797**	**12,301**	**30.60%**	**14,302**	**16.27%**
Group Life Claims	3,346	3,234	3,846	14.94%	4,193	9.02%
Total Policy Outgo	**12,765**	**15,031**	**16,146**	**26.49%**	**18,495**	**14.55%**
Field Expenses	5,122	6,783	7,334	43.19%	10,240	39.62%
Area Managers Exp.	528	615	691	30.87%	1,014	46.74%
Total acquisition Cost	**5,650**	**7,398**	**8,025**	**42.04%**	**11,254**	**40.24%**
Admin. Expenses	2,352	3,079	3,161	34.40%	3,810	20.53%

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Investment Expenses	54	26	28	(48.15%)	30	7.14%
Real Estate expenses	371	422	468	26.15%	518	10.68%
Total Admin Exp.	**2,777**	**3,527**	**3,657**	**31.69%**	**4,358**	**19.17%**
Total Management Expenses	**8,427**	**10,925**	**11,682**	**38.63%**	**15,612**	**33.64%**
Income Tax Provision	(114)	-	153	(234.21%)	170	11.11%
Govt. share of surplus	351	355	375	6.84%	400	6.67%
Total outflow + Provisions	**21,429**	**26,311**	**28,357**	**32.33%**	**34,678**	**22.29%**

C. Life Fund

(Rupees in Millions)

Description	Actual 2008	Budget 2009	Forecasted Budget 2009	Forecasted 2009 vs Actual 2008	Budget 2010	Inc/(Dec) over Forecasted 2009
Accretion to Statutory Funds	20,722	20,991	20,919	1%	24,694	18.04%
Opening Statutory Funds	156,737	177,459	177,459	13.22%	198,378	11.78%
Closing Statutory Funds	177,459	198,450	198,378	11.78%	223,072	12.44%

10. Renewal Expense Ratio

The Securities & Exchange Commission of Pakistan (SECP), vide their circular No. ID-SECP/2/06 dated 28th April, 2006 has prescribed maximum management expense limits under Section 22(9) and Section 23(9) of the Insurance Ordinance, 2000 in a phased manner. These limits shall be applied from 2007 and would gradually be reduced year by year till 2012. Some concessions have been granted in comparison to the expense limits which were given under repealed Insurance Act 1938. The limits prescribed for 2007 onwards for the items relating to State Life are as follows:

S.#	Item	2007	2008	2009	2010	2011	2012
i)	Single Premium including immediate and deferred annuities	7.50%	7.00%	6.50%	6.00%	5.50%	5.00%
ii)	Group Insurance Policies	10.00%	9.50%	9.00%	8.50%	8.00%	7.50%
iii)	First Year Premium (after 10th year of insurer in the business)	125.00%	118.00%	111.00%	104.00%	98.00%	90.00%
iv)	Renewal year's premium	25.00%	23.00%	21.00%	19.00%	17.00%	15.00%

Renewal Expense ratio of State Life Insurance Corporation of Pakistan on actual results for the year 2008, revised budget 2009 and projected budget 2010 are as under:-

Descriptions	2008	2009	2010
Renewal Expense Ratio	10.7%	17%	18.8%

It is evident that if this trend of increase in the Renewal Expense Ratio continues, we will be crossing the prescribed limits of permissible expense ratio and as a consequence, State Life will no more be a profitable organization for the Govt. as it may not be able to pay any dividend for long time to come, unless the acquisition/administrative costs are controlled.

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11. **Capital Expenditure:**

Estimates for Capital Expenditure for 2010 and comparison with approved for 2009 is summarized as follows:

(Rupees in Millions)

Portfolio	Approved 2009	Estimated 2010	
i) Individual Life (within Pakistan – Zones/Regions)	204.410	287.379	
ii) Group Life Division	7.069	9.155	
iii) Real Estate Division	837.535	*670.605	
iv) Field Manpower Development Department	7.663	7.684	
v) I.T. Division	249.132	**307.250	
vi) Principal Office	26.219	45.276	
viii) Overseas	3.774	8.897	
Total:-	**1,335.802**	**1,336.246**	

* Real Estate Division has made estimates for 2010 as follows:-

Description	Budget Approved	Budget Utilized	Budget Not utilized and requested for carry forward in 2010
Major renovation initially approved by Board in 184th meeting held on 15.03.2006 and was allowed to carry forward for utilization in 2007 vide 188th meeting held on April 10th 2007.	765.000	191.368	573.632

Budget proposed by R.E.D. for 2010

Civil works	28.000
Electric works	30.733
Security Equipments	9.800
HVAC, Lift, etc.	22.000
Office Furniture	1.660
Computers + Laptops	0.980
Staff Van	3.800
Capital Budget required for 2010	**96.973**
Total Capital Budget including unutilized balance of last year	**670.605**

**I.T. Division has requested for Rs.307.250 millions for I.T. strategy for the Corporation approved by the Board. Break up is as follows:

Hardware and other equipment	130.439
RDBMS and other software etc.	142.626
Application Software by SHMA	30.237
Office Equipment etc. for newly recruited 15 Officers	3.947
Total:	307.249

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Annexure-B

Calendar of Events for Preparation of Budget

1.	Budget proforma to be sent to Zones/Regions/Division.	1st week of July
2.	Budget proposals to be submitted by Zones/Regions/Divisions.	31st August
3.	Scrutiny and clarification from Zones.	20th September
4.	Response from Zones on clarifications.	30th September
5.	Compilation of the budget proposal	20th October
6.	Preparation of budget summary and submission to the Management.	15th November
7.	Finalization of budget proposal for submission to the Board after incorporation of the changes (if any)	30th November
8.	Submission to the Board for approval.	2nd week of December