

MINUTES OF 211TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	19 TH APRIL, 2010	

CONFIDENTIAL AND RESTRICTED

The 211th Meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on Monday, 19th April, 2010 at 3.30 p.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. Shahid Rahim Shaikh | Director |
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2. The meeting started with recitation of verses from the Holy Quran by Syed Hur Riahi Gardezi, Director.

3. Mr. Ansar Hussain, Divisional Head(Investment) also attended the meeting to assist the Board in respect of arriving at decision on price to be offered to M/s. TPL Properties (Pvt) Ltd, in respect of Centre Point Project and to answer the queries if any in the matter on documents to be executed and any other technical point regarding valuations and incorporation of various directives of the Board in the documents.

**ITEM (1) CONFIRMATION OF MINUTES OF 210TH
MEETING OF THE BOARD OF DIRECTORS.**

4. The minutes of the 210th meeting of the Board of Directors held on 7th April, 2010 together with implementation report were placed before the Board.

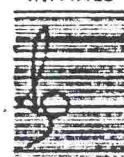
Item No.1, para-6, page-3038 – Confirmation of minutes of 208th and 209th meeting of the Board of Directors.

5. Mrs. Spenta Kandawalla, Director pointed out that it was in the opinion of Syed Hur Riahi Gardezi that State Life because of SECP rules is currently investing 9% of the policyholders fund.

Item No.2, para-14, page No.3041 – Consideration and approval of recommendations in minutes of 9th meeting of Real Estate Committee held on 6-4-2010.

6. Syed Hur Riahi Gardezi pointed out that in the first line after the word "informed", the letter "t" be inserted to correct a typographical error.

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<p>Item No.5(v), para-58, page No.3059 – Remarkable achievement of State Life during the tenure of Mr. Shahid Aziz Siddiqi, present Chairman, State Life.</p> <p>7. Syed Hur Riahi Gardezi pointed out that in the 5th line of para-58, the word "figures" be replaced with the word "chart".</p> <p>Item No.4 of the minutes of 210th meeting of the Board of Directors – Position paper on "Centre Point" Project – current status – report of NESPAK on Centre Point Project.</p> <p>8. Mr. Rasheed Y. Chinoy presented before the Board the minutes of the 6th meeting of Real Estate and Investment Division Committee for Centre Point Project held on 17-04-2010 which was attended by Mr. Rasheed Y. Chinoy, Syed Hur Riahi Gardezi, Mr. Amin Qasim Dada and Mr. Ansar Hussain. The extract of the minutes is reproduced below:-</p> <p>The Members of the Real Estate and Investment Division Committee of Centre Point Project went through the minutes of the 210th meeting of the Board of Directors of State Life held on 7th April, 2010 which is to be confirmed at the 211th meeting of the Board of Directors to be held on 19th April, 2010. The Convenor of the Committee Mr. Rasheed Y. Chinoy and Syed Hur Riahi Gardezi, Member of the Committee submitted before the Committee a list of discrepancies noted in the minutes.</p> <p>The discrepancies submitted before the Committee are as follows:-</p> <p>(I) <u>Page No.3053, para-34(f)</u></p> <p>On the issue of cost over runs, both points of view of State Life and M/s. TPL Properties Ltd were explained to the Committee by M/s. Ansar Hussain and Mr. Ali Jameel.</p> <p>The Committee requests the Board to authorize Mr. Rasheed Y. Chinoy, Convenor to discuss this issue with the Corporation's Lawyer on the project Mr. Mahmood Mandviwalla and revert back to the Board after having obtained a legal opinion.</p> <p>(II) <u>Page No.3054, para-34(g)</u></p> <p>Since State Life is entering into a joint venture and not selling the property, the issue of 10% profit on 1st day of completion is irrelevant as such para 34(g) should be deleted.</p> <p>(III) <u>Para-3055, para-34(p)</u></p> <p>The existing contents of para-34(p) (i) & (ii) be deleted and replaced with the following:</p>			

Action:
DH(Inv)
SH(RE)
H(Legal)

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Not the balance amount of Rs.1.4 billion but the entire amount will be placed in the escrow account and will be released as follows:-

	Milestones	Amount Payable to the seller (Rs.)	Shares to be transferred to the purchaser (State Life) (Rs.)
First Milestone	Delivery of (Initial seller escrow property) i.e. (a) The shares along with the Transfer Deeds; (b) Copy of the Share Register; (c) The Agreement to Sell Assets; (d) The Resolution. To the Escrow Agent.	800,000,000/-	80,000,000/-
Second Milestone	At the time of pouring of slab for 20 th floor	250,000,000/-	25,000,000/-
Third Milestone	At the time of pouring of slab for 24 th floor	100,000,000	10,000,000/-
Fourth Milestone	Upon installation of 04 lifts up to 23 rd floor	100,000,000/-	10,000,000/-
Fifth Milestone	Upon completion of 50% of façade.	100,000,000/-	10,000,000/-
Sixth Milestone	Upon completion of 80% of façade by 30-04-2011.	50,000,000/-	5,000,000/-
	Total	1,400,000,000/-	140,000,000/-

Out of Rs.800 million to be paid at the first milestone, a cheque of Rs.400 million or such outstanding amount of bank mortgage as would be specified by the bank would be paid directly to the bank from the escrow account.

(IV) Para-3055, para-34(r)

M/s.TPL Properties Ltd and not its subsidiary management company will rent out the property either to National or to Multinational companies

(V) Para-3055, para-34(s)

Since it has been agreed that payment from Escrow Account will be released on certificate of architect, verification from independent qualified Project Manager is superfluous and needs to be deleted.

9. The above discrepancies pointed out by the Convenor, Real Estate and Investment Division Committee in its minutes was deliberated upon by the members of the Board, however no decision was arrived at excepting that Board agreed to changes suggested at page-3055, para-34(r) where it was pointed out that M/s. TPL Properties (Pvt) Ltd and not its subsidiary management company will rent out the property either to national or to multi national company.

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<p>Action: DH(Inv) DH(RE) DH(Legal)</p> <p>Action: DH(Inv) DH(RE) DH(Legal)</p> <p>Action: DH(Inv) DH(RE) DH(Legal)</p>	<p>10. Mr. Rasheed Y. Chinoy, Director informed the Board that in case of cost over runs, M/s. TPL Properties (Pvt) Ltd would be issuing right shares to State Life of an amount equivalent to amount of cost over runs. The Board did not agree to the above proposal and felt that issue of right shares would be detrimental to the interest of State Life. M/s. TPL Properties (Pvt) Ltd should be made to transfer shares out of its own share holding in Centre Point Project to State Life equivalent to amount of cost over runs. The issue of right shares would disturb the total paid up capital which the Board had decided to be equivalent to the value of the project.</p> <p>11. On a query from Syed A. Wahab Mehdi, Director, Mr. Ansar Hussain, Divisional Head(Investment) informed the Board that there existed two private limited companies wholly owned by State Life for State Life properties located at Abdullah Haroon Road and Lacky Road.</p> <p>12. The Board further decided that a file on Centre Point Project be prepared by Divisional Head, Investment Division, in coordination with and after incorporating the views of Divisional Head(RE) and Divisional Head(Legal Affairs) and circulated to each member of the Board. The file should contain the following:-</p> <ol style="list-style-type: none"> Implementation report of DH(Investment), GM(RED) and DH(Legal Affairs) on all deliberations and decisions taken by the Board of Directors at its 205th to 211th meetings of the Board. Implementation report of DH(Investment), GM(RED) and DH(Legal Affairs) on all deliberations and decision taken at the 5th, 6th and 8th meetings of the Real Estate Committee. Implementation report of DH(Investment), GM(RED) and DH(Legal Affairs) on all deliberations and decision taken at the 1st to 6th meetings of Real Estate and Investment Division Committee. Copies of all the documents, agreements and correspondence received and exchanged from M/s. A&A Associates and M/s. TPL Properties (Pvt) Ltd and legal consultants of M/s. TPL Properties (Pvt) Ltd and State Life i.e. M/s. Rizvi, Isa, Afridi and Angell and M/s. Mahmood Mandviwalla. The documents will include ownership documents, site plan, master plan, approved building plan from KBCA, approval letter from SSGC, sanction letter from KWSB/Civil Aviation Authority, Environmental Protection Agency and drafts of all agreements to be executed by M/s. TPL Properties (Pvt) Ltd and State Life in respect of the above project duly vetted and cleared by Legal Consultants of both the parties and Legal Affairs Division, Real Estate Division and Investment Division of State Life. The documents should cover all the directives given by the Board in respect of the project at its various meetings including directives given in respect of powers of the Chairman and CEO, penalty clauses, cost over runs, certification of bills for work to be done, etc. The documents should be in line with requirements laid down in the Insurance Ordinance 2000 as well as SECP Rules and guidance issued by Ministry of Finance and Ministry of Commerce in respect of investments and the property documents be scrutinized and examined to ensure that it gives a valid legal title to the joint venture and that it is free from all encumbrances. 		


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<p>e) Valuation reports of Oceanic Surveyors, Ernst & Young and NESPAK.</p> <p>f) Project grading report.</p> <p>g) Valuation workings of Investment Division.</p> <p>h) Certificate of the architect in respect of the covered area and rentable area and percentage of civil work completed given by ARCOP.</p> <p>i) List of equipments including elevators, co-generation plant and air-conditioning plant and their valuations.</p> <p>Action: DH(Inv) DH(RE) DH(Legal)</p> <p>13. Syed Hur Riahi Gardezi pointed out that on page-3055, para-34(r) the word "the management of the property shall be at no cost to State Life."</p> <p>14. Mr. Aslam Faruque, Syed A. Wahab Mehdi and Mrs. Spenta Kandawalla were of the view that State Life should offer a price of Rs.2.75 billion for the Centre Point Project. Mr. Ali Jameel of M/s. TPL Properties (Pvt) Ltd insisted on Rs.2.85 billion. The Chairman broke the deadlock by arriving at a figure of Rs.2.8 billion which was agreed to by all concerned.</p> <p>Item No.2, para-14, page-3040 – Consideration and approval of recommendations in minutes of 9th meeting of Real Estate Committee held on 6-4-2010.</p> <p>Action: ED(RE) DH(RE)</p> <p>15. Syed A. Wahab Mehdi pointed out that the following should be included in para-14 " a detailed spread sheet should be prepared by Real Estate Division in which all the properties owned by State Life should be listed giving the following details:-</p> <p>Name of the property, acquisition cost, estimated market value, further investment made in the property, income generated on an annual basis, percentage of property unoccupied, action plan to improve yield on investment, litigation involved if any and adverse position if any required to be informed to the Board.</p> <p>Action: DH(Inv) DH(RE) DH(Legal)</p> <p>16. The Chairman State Life placed before the Board a note dated 16-04-2010 received from Mr. Mohammad Yahya, ED(RE/P&GS) on issues regarding investment and joint venture company viz. Centre Point which is reproduced below:-</p> <p>I being Executive Director(RE) have reviewed the entire process regarding the investment in Joint Venture Company with M/s. TPL Properties (Pvt) Ltd. My review has led me to believe that the entire process is suffering from serious infirmities and lacunas. There are chances that we may end-up with serious audit objections. Moreover, the process may also be questioned as non-transparent.</p> <p>Some of the concerns which I have is as under:-</p> <p>a) The valuation done by M/s. Oceanic Surveyors (Pvt) Ltd for the project has not been supported by any concrete material evidence. Apparently the value is on the higher side. No document has ever mentioned cost of land and the BOQ.</p>			

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	<p>b) The valuator have relied on the properties on I. I. Chundrigar Road, Shahrah-e-Faisal and Clifton which are far prestigious areas than Centre Point.</p> <p>c) The valuator have not mentioned the cost/make of equipment i.e. the elevators, co-generation plant and air-conditioning plant in their evaluate report.</p> <p>d) Another serious concern which needs to be brought in the notice of Board of Directors is the exact rentable area because it appears that M/s. TPL Properties (Pvt) Ltd have increased the total saleable area from 161,722 square feet to 196,618 square feet without any increase in the carpet area. It needs due-diligence as to how an area can increase without increase in number of floors.</p> <p>e) Another important factor is that when State Life was considering the outright purchase of the building M/s. TPL Properties (Pvt) Ltd had given assurance about the definite income stream from the day one through M/s. Uni Lever Pakistan, which is now missing. The terms show that before April, 2011 all payment of Rs.1.4 billion will have been released, thus how will State Life protect the default?</p> <p>f) The agreement should have a clause that in case of misrepresentation and concealment of facts as it stands before signing of the agreement should render the agreement null and void ab-initio.</p> <p>g) State Life will have no control over the quality of work/cost. Therefore it is suggested that all expenses subsequent to the agreement with State Life should be certified by a Project Manager to be appointed by State Life and checked with BOQ before release of payment to the Contractors.</p> <p>h) The capacity in which the Jamil Group would be executing the agreement should be clear as to who would make the payment of stamp duty on increase in authorized and paid up capital from Rs. 10 million to Rs. 3 billion.</p> <p>i) Copy of audited accounts of M/s. TPL Properties (Pvt) Ltd should be kept on record.</p> <p>j) There should be no encumbrances and lien on the property before State Life enters into agreement.</p> <p>k) Transfer of property from A&A Associates to TPL Properties (Pvt) Ltd should be completed before the deal is executed.</p> <p>l) All legal documents to be executed by State Life should be vetted/verified and cleared by Legal Affairs Division of State Life and Legal Consultants of State Life.</p>		
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	<p>m) The Joint Venture Company should be listed on the Stock Exchange before any initial payment is released.</p> <p>In the nutshell, the decisions pertaining to the Joint Venture Company have not been discreetly examined nor proper due diligence have been made.</p> <p>In the light of the above observations, I being Executive Director(RE) and a member of the Real Estate and Investment Division Committee respectfully refuses to sign any agreement in this context with any entity.</p> <p>It is further proposed that the Real Estate Division and M/s. NESPAK the Real Estate Consultants be advised to technically evaluate the entire project especially keeping in view the nature/make/origin of equipments that will be installed at Centre Point.</p>		
Action: DH(Inv) DH(RE) DH(Legal)	<p>17. The Board decided that the objections raised by ED(RE) should be addressed and the Real Estate and Investment Division Committee should put up its views on objections raised by ED(RE) for Board consideration at the next meeting of the Board to be held on 18th May, 2010.</p>		
Action: DH(Inv) DH(RE) DH(Legal)	<p>18. The Board was pleased to observe that all legal and other issues raised by the Board from time to time should be clearly elaborated and explained by all those who have been delegated responsibility to carry out due diligence of the project i.e. all the members of the Real Estate and Investment Division Committee comprising of 1) Mr. Rasheed Y. Chinoy, Mr. Amin Qasim Dada, Syed Hur Riahi Gardezi, Mr. Mohammad Yahya (representing RE Division) and Mr. Ansar Hussain(representing Investment Division), before the matter is finally concluded.</p>		
Action: DH(Inv) DH(RE) DH(Legal)	<p>19. The Board also decided that two separate escrow account be operated of Rs.400 million each.</p>		
Action: DH(Inv) DH(RE) DH(Legal)	<p>20. The Board also directed Mr. Ansar Hussain, Divisional Head(Investment) to obtain, check and submit revenue stream of co generation plant of Centre Point Project to the Board of Directors at its next meeting.</p>		
Action: DH(Inv) DH(RE) DH(Legal)	<p>21. The Board further directed Mr. Ansar Hussain, Divisional Head(Investment), to submit legal documents containing the powers of CEO and Chairman to the Board to review at its next meeting. The Board was also informed by Mr. Ansar Hussain that the transfer cost of the property from M/s. A&A Associates to M/s. TPL Properties (Pvt) Ltd would be borne by Jameel Group themselves. The stamp duty for increase in authorized and paid up capital of M/s. TPL Properties (Pvt) Ltd would also be borne by Jameel Group.</p>		
Action: DH(Inv) DH(RE) DH(Legal)	<p>22. The Board also directed Mr. Ansar Hussain, Divisional Head(Investment) to let the Board know at its next meeting, the amount of stamp duty that would be levied on the shares of Rs.1.4 billion to be issued to State Life</p>		

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Action: DH(Inv) DH(RE) DH(Legal)	<p>23. The Board desired that the legal consultant of State Life on Centre Point Project Mr. Mahmood Mandviwalla should be available at the next Board meeting to answer any queries and guide the Board on matters relating to Centre Point Project.</p>		
Action: ED(RE)	<p>24. The Board further desired that Mr. Mohammad Yahya, ED(RE) should also be present in the next Board meeting to brief the Board on observation made by him on the Centre Point Project in his Note Sheet to the Chairman which was submitted to the Board for information.</p>		
	<p>25. Implementation report of 210th meeting of the Board of Directors were noted.</p>		
	<p>26. Syed Hur Riahi Gardezi, Director proposed and Mr. Amin Qasim Dada, Director seconded that the minutes of 210th meeting of the Board of Directors be confirmed.</p>		
	<p>27. Accordingly, it was resolved as under:-</p>		
Action: Secretary (Board)	<p>RESOLVED: "that the Minutes of 210th meeting of Board of Directors held on 7th April, 2010 are confirmed."</p>		
	<p>ITEM (2) POSITION PAPER ON LAST THREE YEARS REINSURANCE EXPENSES.</p>		
Action: ED(Act) DH(Act)	<p>28. Due to paucity of time, the above item was deferred to the next meeting of the Board.</p>		
	<p>ITEM (3) STATE LIFE'S ANNUAL ACCOUNTS TOGETHER WITH AUDITORS REPORT AND MANAGEMENT LETTER THEREON FOR THE YEAR ENDED 31ST DECEMBER, 2009</p>		
	<p>29. Executive Director(F&A) presented before the Board, a memorandum dated 21-04-2009 regarding State Life Audited Annual Accounts for the year ended December 31, 2009 together with the auditor's report to the members thereon and the auditor's letter to the Board of Directors containing their observations on the audited accounts.</p>		
	<p>30. Divisional Head(F&A) submitted to the Board, the 37th Annual Report on the operations of State Life Insurance Corporation of Pakistan for the year ended 31st December, 2009 comprising of the audited financial statements/regulatory returns: (a) Financial Statements: Balance Sheet, Profit & Loss Account, Statement of Changes in Equity, Revenue Account, Statement of Premium, Statement of Claims, Statement of Investment Income, Statement of Expenses, Statements of Cash Flows and (b) Regulatory Returns: Statement of Assets for Solvency, Classified Summary of Assets in Pakistan, Statement of Maximum Management Expenses limits U/S 22(9) and 23(9) of Insurance Ordinance, 2000 prescribed by SECP.</p>		

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<p>31. He informed that the accounts of the Corporation for the year ended 31st December, 2009 were jointly audited by a panel of statutory auditors namely:</p> <ul style="list-style-type: none"> i) M/s. Riaz Ahmad & Co., Chartered Accountants, Lahore. ii) M/s. Anjum Asim Shahid Rahman, Chartered Accountants, Karachi. <p>32. The panel of auditors was appointed by Federal Government, pursuant to Article 28 of Life Insurance (Nationalization) Order, 1972. Accounts for 2009 of Gulf Zone of the Corporation were audited by M/s. Sajjad Haider & Co., Chartered Accountants, Dubai, UAE.</p> <p>33. Operating results of State Life Insurance Corporation of Pakistan for 2009 were submitted to the Board showing a comparison of figures for 2009 with 2008 as given in Annex-1, Annex-2, Annex-3 and Annex-4 of the Memorandum.</p> <p>34. Annex-5 to the Memorandum contained details of Investment Portfolio of Pakistan Life Fund, Overseas Life Fund and for the Corporation as a whole.</p> <p>35. Annex-6 to the Memorandum showed provisions, adjustments and additions to Investment Portfolio made during 2009 for which specific approval of the Board of Directors was required.</p> <p>36. Annex-7 to the Memorandum showed maximum management expenses limits prescribed by SECP under section 22(9) and 23(9) of Insurance Ordinance, 2000.</p> <p>37. Annex-8 to the Memorandum showed comparative figures for profit and loss account of Shareholders' Fund for 2008 and 2009.</p> <p>38. A set of audited Annual Financial Statements/Regulatory Returns for 2009 as mentioned in the Memorandum, duly initialed by the Statutory Auditors, alongwith Notes to accounts and Auditors' Report thereon, was enclosed for consideration of the Board. A copy of letter addressed to the Board of Directors received from auditors alongwith initialed accounts containing their observations was also submitted for perusal of the Board.</p> <p>39. The Board was requested to consider and approve financial statements/regulatory returns for 2009, 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.</p> <p>40. Chairman, Board Audit Committee informed the Board that the Board Audit Committee in its 33rd meeting held on 19th April, 2010 had considered the audited accounts in detail. Letter of the Auditors to Board of Directors was also discussed at length. The Board Audit Committee accordingly had made certain observations and recommendations which have been recorded in the Minutes of the Board Audit Committee. The minutes of the Board Audit Committee of the 33rd meeting would be submitted to the Board at its next meeting to be held on 10th May, 2010.</p>			

Action:
Secretary
(BAC)


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<p>41. The Board of Directors noted and discussed the points contained in the letter of the auditors to the Board of Directors which contained the observations and comments of the auditors on the Corporation's financial statements, underlying accounting records, control and related matters.</p> <p>42. ED(F&A) stated that as per Board Audit Committee's recommendations, the Board was requested to approve the financial statements/regulatory returns for the year ended 31st December, 2009 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.</p> <p>43. The Board was also requested to nominate two directors to sign alongwith Chairman, State Life and Executive Director (F&A), financial statements/regulatory returns for 2009 after consideration and approval by the Board.</p> <p>44. The Statutory Auditors were present in the Board meeting in which the audited accounts and letter of the auditors to the Board were discussed and necessary directions were issued to the Management for improvement as suggested by the external auditors. Chairman Board Audit Committee recommended to the Board of Directors that the accounts may kindly be approved.</p> <p>45. The auditors in their audit report have reported the following:-</p> <p>a) Securities and Exchange Commission(Insurance) Rules, 2002, require subsequent re-measurement of available for sale investments at lower of cost or market value where the market value is to be taken as lower if the fall is other than temporary. The Corporation follows the accounting policy to determine the "lower of cost or market value" on aggregate portfolio basis (refer note 4.13 to the financial statements), which practice, in our view is not in conformity with the aforesaid Rules. Further, as allowed by the SECP vide its Circular No.3/2009 dated February 16, 2009, the Corporation as at December 31, 2008 considered impairment of Rs.7,958 million in certain available for sale securities as temporary, which was to be recognized in next calendar year after adjustment of subsequent price fluctuations. However, the Corporation did not follow the requirements of the aforesaid circular. As at December 31, 2009, market value of certain available for sale investments was lower than the cost by Rs.3,317.532 million for which no impairment has been recorded in the accompanying financial statements.</p> <p>The Board directed that a letter be written to SECP for exemption for one more year in this regard. The Chairman also explained that loss in shares of individual companies have not been provided for, however the market value of the shares on an aggregate basis is much higher and needs no provision.</p>			
<p>Action: ED(F&A) DH(Inv) H(F&A)</p>			
			<p>CHAIRMAN'S INITIALS</p> 


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<p>Action: ED(F&A) DH(Inv) DH(F&A)</p>	<p>b) Moreover, the certificates of investment of Rs. 100 million invested with First Dawood Investment Bank Limited were overdue since January 13, 2009 and are doubtful of recovery, for which impairment has not been recorded in the accompanying financial statements. In the absence of required actuarial calculations, we are unable to ascertain the financial impacts on reported surplus, profit, policyholders' liabilities, statutory funds and equity.</p> <p>The Chairman informed the Board that the management of First Dawood Investment Bank had initially offered some properties price of which was to be adjusted against their dues, however the management of the bank have now offered some equities listed on the Stock Exchange for settlement of the outstanding amount.</p> <p>c) The Corporation had signed a 'Fund Management Agreement' with Bureau of Emigration and Overseas Employment ("the Bureau") in the previous years to retain and invest the refundable premiums pertaining to various emigrants and to provide the Bureau with the agreed returns thereon. As at December 31, 2009 the outstanding amount held under the said agreement was Rs.1,029.28 million on which the Corporation provided the agreed return of Rs.123.624 million during the year. The outstanding amount has been wrongly grouped in claims payable in the accompanying financial statements. During the year, the Corporation obtained specific legal opinion as to its legal capacity to manage the aforesaid fund on behalf of the Bureau, according to which, such fund management is not authorized by the mandate of the Corporation under the Life Insurance (Nationalization) Order, 1972. The impact of this non compliance on the amounts reported in the accompanying financial statements cannot presently be determined.</p> <p>The Chairman informed the Board that a letter has been written to Ministry of Commerce in this regard for disposal of the above fund which the Ministry of Commerce has taken up with the Ministry of Finance. The Chairman further informed that G&P Division has been directed to follow up the matter with Ministry of Commerce for early disposal of the fund as per the directives of the Ministry of Finance.</p>		
<p>Action: ED(F&A) DH(F&A) DH(G&P)</p>	<p>46. The letter of the auditors to the Board of Directors reference AB5910 dated 17th April, 2010 was presented before the Board by the representatives of the auditors of State Life and discussed in detail with members of the Board. The summary of points and discussions and decision thereon are given below:-</p> <p>1. Receivable of Employees Pension Fund</p> <p>It was mentioned in the letter, that last year auditor report was qualified because there was an amount of Rs.409 million receivable from Employee Pension Fund, which was not recognized in the previous years' financial</p>		
			<p>CHAIRMAN'S INITIALS</p> 

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<p>statement of State Life, resulting in understatement of the said amount in the revenue account in those years. The Corporation has recognized the total amount of Rs.364 million in the current year financial statement as per the actuarial advice which include both the effect of the current and previous year's pension obligation. Non reorganization of this amount in prior years constitutes an error and requires restatement of prior years' financial statements affected by this non-recognition in accordance with the requirements of para 42 of International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". However, the auditors were given to understand by the management that it is impracticable to restate the prior year's financial statements and therefore, the adjustment has been effected in the current year financial statements only. Accordingly, the modification from the audit report has been removed during the year. This is for information purpose only.</p> <p>2. <u>Receivable from Government of Punjab</u></p> <p>Last year's audit report was also qualified on the matter of non-provision for impairment of Rs.627,462 million, out of total receivable from Government of Punjab, on account of premium due but unpaid amounting to Rs.1,360.088 million. During the current year, the Corporation has written off receivable from provincial government to the extent of Rs.736 million, including receivable from Government of Punjab, which resulted in removal of modification from the audit report during the year as well. This is for information purpose only.</p> <p>3. <u>Taxation</u></p> <p>The tax provision for the current year has been computed under section 113 (minimum tax based on turnover) of the Income Tax Ordinance, 2001 whereby the tax charge attributable to shareholder's fund and policyholder's fund amounts to Rs.177.7 million and Rs.75 million respectively. It should be noted that the Corporation, is already contesting the charge of minimum tax in the Honorable High Court of Sindh for the assessment years 1992 to 2002, on the plea that minimum tax is not applicable on the total turnover attributed to the policy holder's paid. Therefore, we understand that by recording the provision under minimum tax, the Corporation is itself weakening its stance on the appeals being filed in the Honorable Court.</p> <p>Syed Hur Riahi Gardezi, Director pointed out that it was prudent to make provision in the accounts, though the case was in the court of law. State Life has filed an appeal in the court against the decision of FBR against State Life. The provision in the accounts would allow the spreading of the tax charge to a number of years rather than a charge in a particular year in case State Life lost the appeal before the Honorable Court.</p>			
<p>Action: ED(F&A) DH(F&A)</p>			
			<p>CHAIRMAN'S INITIALS</p> 

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<p>Action: ED(F&A) DH(F&A) DH(Act)</p>	<p>4. <u>Staff retirement benefits</u></p> <p>It was pointed out that the Corporation is not carrying out actuarial valuation for determination of present value of the liability relating to unfunded gratuity scheme of the employees and compensated absences for those employees who have not opted for rule 32 of the Employees Service Regulations, 1973. Due to the uncertainties, including the duration of employment, inflation factor, mortality rate, and estimation of future salary levels etc., it is imperative that such a valuation should be carried out using an independent actuary. The auditors recommended that management should involve an independent actuary to determine the present value of the liability related to unfunded gratuity scheme and compensated absences as aforesaid.</p> <p>On a query, DH(F&A) informed the Board that the above practice existed which has resulted in excess provision. The Board directed Divisional Head(F&A) to carry out an actuarial valuation from next accounting year to determine the present value of the liability related to unfunded gratuity scheme and compensated absences as aforesaid and make provision accordingly.</p> <p>The Auditors also drew the attention of the members of the Board towards treatment of recognition of liability for compensated absences. In the case of policy relating to employees who have not opted for rule 32 of the Employees Service Regulations, 1973, the liability is being recognized on the basis of total earned leave balances as at the year end which in some cases exceeds the maximum ceiling of three sixty five days. This is resulting in the recognition of excess provision. Furthermore, in case of employees who have opted for rule 32 of the said regulations, the liability is being recognized on the basis of total earned leaves whereas, only two third of those leaves are encashable in the next year.</p> <p>5. <u>Reclassification of Investment</u></p> <p>✓ The Board was informed that the Corporation has reclassified its investments in certificates of investment (COIs) and term finance certificates(TFCs) amounting to Rs.166 million and Rs.972 million respectively from "available for sale" to "held to maturity" category. This is only for information purpose.</p> <p>6. <u>Anti Fraud Programme and Control</u></p> <p>The auditors recommended that the Corporation needs to develop and implement a formal, comprehensive and robust system of anti-fraud programs and controls (including a whistle-blowing policy for reporting of frauds and protection of whistle blower) that are considered an integral part of effective internal control system. Such programs and controls are basically responses to the results of a formal periodic risk assessment procedure which is carried out by the management to develop the risk repository of the Corporation and possible mitigating controls.</p>		
<p>Action: ED(F&A) DH(IA&C) DH(F&A)</p>	<p>CHAIRMAN'S INITIALS</p> 		

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	<p>A 'whistle-blower' program allows a supplemental confidential communication channel for employee to lodge complaints, submit concerns regarding questionable matters, or report fraudulent behavior. This, coupled with strong communication of the message to employees to encourage reporting irregularities, can prove to be the most effective anti-fraud control mechanism. In absence of a whistle-blower program, malpractices concealed through undue influence or coercion could go unnoticed as the employees are not provided with a secure communication medium.</p> <p>Other aspects of anti-fraud programs and controls could include:</p> <ol style="list-style-type: none"> a written policy on fraud conveying the expectation of Board and senior management regarding managing the risk of fraud and a clear message of "zero tolerance for fraud"; periodic fraud risk assessment that entails identification of potential schemes of fraud and their exposure that the Corporation needs to mitigate; prevention techniques to avoid key fraud risk events to mitigate possible impact on the Corporation.; detection techniques and processes are established to uncover fraud events when preventive measures fail; a comprehensive fraud reporting process, including setting up some hot lines, protection of whistle blowers, appointing senior officers to whom instances of fraud and irregularities are to be reported, maintaining a proper log of complaints including anonymous complaints; and comprehensive policies of reporting and managing conflict of interest situations. <p>In the absence of anti-fraud programs and control, any concerns relating to fraud and irregularities, breaches of ethics, internal control issues and other related matters may not be highlighted or submitted, investigated and dealt with appropriately. This in turn undermines the confidence of stakeholders and provides an opportunity for wrong-doers.</p> <p>The Board directed F&A/IA&C Division to come up with a proposal to address the above recommendation of the auditors.</p> <p>7. Investment properties</p> <p>The Auditors pointed out that the Corporation has classified certain lands, buildings and related assets used for administrative purpose as investment properties which is against the principles laid down IAS40. The Corporation has occupied approximately 22% of the total rentable area in the buildings classified as investment properties for its administrative use.</p> <p>Additionally, the Real Estate Division of the Corporation is charging notional interest/rent on the other departments of the Corporation which is being shown in the expenses of the concerned departments. Although the effect is nullified, but the treatment being carried out is questionable, as the financial statements are prepared for the Corporation as a whole and this treatment should only be valid for the management reporting purposes.</p>		

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<p>Action: ED(F&A) DH(F&A) DH(IT)</p>	<p>DH(F&A) explained that as statutory funds are not legal entity, therefore assets can not be held in the name of statutory funds. The Board directed that the matter should be taken up with the legal advisor and SECP so that a standard policy can be formulated in this regard.</p> <p>11. <u>Enterprise Resource Planning (ERP) information system</u></p> <p>The auditors further mentioned in their letter that The Corporation currently utilizes centralized computerized processing with no means / resources of processing at zones, which causes substantial delay in processing the data and generating reports such as ledgers, policyholders' reports etc. These reports contain certain processing errors, which make them ineffective for the zonal offices and the true picture of the records at zonal offices cannot be obtained at any point of time. Moreover, the current information system is not adequately fulfilling the accounting and reporting requirements. There is a limitation in issuing new accounting codes in different heads of accounts like assets, liabilities, revenue etc. The Corporation usually issues numeric codes of three digits. Due to the above limitation, new codes are issued using alphanumeric numbers.</p> <p>The auditors stressed the need for rolling out a new enterprise resource planning information system, addressing all the reporting and information needs of the Corporation. The master scheme of chart of accounts should also be revised in view of current and future requirements of the Corporation, so that new account codes can easily be assigned whenever required. The new information system should also be complemented by updated Operational and Procedural manuals for effective and efficient conduct of operations and better control.</p> <p>The Board mentioned that short term and long term strategies for computerization of State Life was under process and it is expected that the matter would be resolved during the course of the exercise. DH(IT) in coordination with other Divisions submit an action plan to address the above issue to the Board of Directors.</p> <p>12. <u>Un-reconciled subsidiary records</u></p> <p>The auditors mentioned that some of the policy-holders services related schedules are un-reconciled since long mainly due to inefficient information system, as mentioned above, and lack of proper efforts. These schedules include account codes 383, 426, 536, 568, 570 and 571. In these account codes balances as per general ledger are not matched with balances as per subsidiary record of respective zones. The Auditors submitted that the management have informed them that computerized subsidiary records contain certain errors due to various reasons including incorrect opening balances of previous years.</p>		
<p>Action: ED(F&A) DH(F&A) DH(PHS)</p>	<p>CHAIRMAN'S INITIALS</p> 		

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<p>tion: ED(F&A) DH(F&A) DH(IT)</p>	<p>The auditors recommended that the management should take appropriate measures, on a priority basis, to ensure reconciliation of these differences so that the recorded balances in the ledger are correctly stated.</p> <p>DH(F&A) informed the Board that an exercise was in process for reconciliation of the above subsidiary record which would be completed by end of the year.</p> <p>13. <u>Information Technology (IT) security policy</u></p> <p>The auditors submitted that the Corporation does not have a security policy eliciting the commitment of the management on the information technology. Moreover, there do not exist any standards, procedures and guidelines that translate the security policy into rules and compliance criteria. The information systems security policy is the responsibility of the top management which may delegate its implementation to the appropriate level of management with permanent control. The policy contributes to the protection of information assets. Its objective is to protect the information against all types of risks accidental or intentional. It was recommended that the Corporation should formulate and disseminate these policies to the employees to show its commitment on the area of information technology. The policy should include the following minimum components:</p> <ul style="list-style-type: none"> • Management support and commitment • Access philosophy • Compliance with relevant legislation and regulations • Access authorization • Reviews of access authorization • Security awareness • Role of the security administrator • Security committee <p>DH(IT) was directed to submit a position paper on their view points in this regard to the Board of Directors</p> <p>14. <u>Internal audit</u></p> <p>Internal Audit (IA) is a key element of a Corporation's internal control system, and acts as eyes and ears for senior management and the audit committee in their ongoing monitoring activities. During the audit, they had noted that the Corporation's internal audit function needs significant improvement to make it effective. The Auditors observed that the activities of internal audit are only restricted to verification of payments before disbursement and these do not encompass activities of new business while underwriting new insurance policies and commission payments to agents. A formal risk-based planning process is not currently used to ensure that areas / business processes of greatest risk receive adequate IA focus.</p>		
<p>Action: ED(F&A) DH(IA&C) DH(F&A)</p>	<p>CHAIRMAN'S INITIALS</p> 		

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<p>Action: ED(F&A) DH(P&GS) DH(F&A) DH(IT)</p>	<p>The auditors recommended that the Corporation should consider adopting a formal documented risk assessment process to ensure that the IA department has adequately addressed the key risks in the Corporation. In order to establish an effective internal audit, we consider that the internal audit function needs to comply with the international standards on internal auditing issued by the Institute of Internal Auditors Inc. It was further recommended that the Board should take steps to enhance the effectiveness of internal audit function, so that it is able to contribute more effectively in improving the Corporation's Governance, Risk Management and Internal Control Systems.</p> <p>The external auditors had a view that the internal audit department should be appropriately manned by suitably qualified and skilled persons who have the required practical training and experience of auditing. The management should also organize appropriate training courses for the internal audit staff to abreast them with professional developments.</p> <p>DH(IA&C) was directed to submit a position paper to the Board of Directors explaining their view points in this regard.</p> <p>15. <u>Tangible fixed assets – Coding and physical verification</u></p> <p>The auditors pointed out that the Corporation does not maintain fixed asset register properly as required by section 230 of the Companies Ordinance, 1984 read together with Technical Release 6 (TR-6) 'Fixed assets inventory and records' issued by the Institute of Chartered Accountants of Pakistan.</p> <p>The aforesaid TR states that adequate itemized record of fixed assets should be maintained and suggests minimum particulars. Further, it requires physical verification of fixed assets on a cyclical basis (perpetual inventory) according to a formal plan once in every five year. The physical inventory should be reconciled with the fixed assets records and adjusted accordingly.</p> <p>Fixed asset register is an important record which enables management to provide item-wise control over the fixed assets of the Corporation. The Auditors recommended that the fixed assets register should be properly maintained to provide the following details for exercising physical as well as accounting controls:</p> <ul style="list-style-type: none"> • Assets identification number • Description of the assets • Class of the assets • Date of acquisition • Cost of the asset • Depreciation rate, useful life and method of depreciation • Accumulated depreciation • Book value of the assets • Date of disposals • Gain or loss on disposals • Mode of disposals 		
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Further, the Corporation maintains a register which contains particulars, cost and date of purchase of assets. Depreciation is calculated separately using Microsoft Excel Spreadsheets. However, neither the fixed assets are physically reconciled with this register nor depreciation is recorded in this register.

The Corporation does not have any practice of periodic physical verification of fixed assets. In the absence of periodic physical verification there is a risk that the fixed assets may not be properly safeguarded. Further, the fixed assets are not appropriately coded which makes it difficult to locate and physically verify such assets at the time of disposal and for test of impairment. The Board should also consider designing a policy for physical verification and reconciliation of fixed assets on a cyclical basis at least once in every five years.

The Board of Directors directed that P&GS Division ensure a physical reconciliation of fixed assets as suggested by the external auditors and reconcile the same with the fixed assets record and report its compliance to the Board.

The Board also desired that a proper fixed assets register as suggested by the auditors should be properly maintained by P&GS Division in coordination with IT Division who can develop a computer software for fixed assets register in this regard and a report be submitted to the Board in this regard.

16. Corporation occupied properties

As per Life insurance (Nationalization) Order, 1972, certain properties were vested to the Corporation by operation of law. These properties are still in the name of old insurance companies. However, the auditors have been given to understand, that rentals are regularly being received by the Corporation and legal action may be initiated in the event of non recovery from the tenants. During the current and previous years, the titles of a number of properties have been transferred in the name of the Corporation and only 24 properties remained in the name of old insurance companies.

The auditors suggested that management should expedite its efforts to ensure that titles of all the remaining properties are also transferred in the name of the Corporation.

The auditors were informed that Real Estate Committee was seized of the matter and a legal consultant was already working on Lahore properties.

17. Lack of co-ordination between departments

The auditors noted that the coordination between the Real Estate Division (RED) and Legal Department (LD) is not satisfactory and the record of LD is not updated. The details of cases provided by the RED are not matched with the details provided by LD. The auditors further mentioned that since they have not received confirmations from legal advisors, therefore they were unable to judge the authenticity and the financial impact of these cases.

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<p>The auditors recommended that these differences should be reconciled and if required, provision should be made against the same.</p> <p>The Board directed Legal Affairs Division to carry out an exercise as suggested by the auditors and reconcile the same within six weeks and submit its report to the Board with regard to contingent liabilities, potential assets, potential liabilities, unlawful occupation, cases pending with regulatory/fiscal authorities/ registrars/excise department and guaranteed issued and prepare a single schedule where all the contingent are recorded.</p> <p>18. Contingencies</p> <p>The auditors also noted, that there existed no policies and procedures for identification, evaluation, recording and disclosure of contingent liabilities in financial statements. A comprehensive system should be put in place covering, including other things, capturing of all contingent items, their details evaluation, proper record keeping and follow up. The Board agreed to the above proposal and directed that necessary steps be taken in this regard by F&A Division in coordination with other Divisions.</p> <p>19. Related party transactions</p> <p>The auditors mentioned that they have been informed by the management that there have been no transactions with related parties other than those stated in note 28 to the financial statements and that these transactions have taken place at arm's length basis.</p> <p>Mr. Rasheed Y. Chinoy mentioned that M/s. Alpha Insurance Company, a subsidiary of State Life Insurance Corporation of Pakistan, had taken on rent spaces in various State Life Buildings, which should be taken as a related party and transaction and reported accordingly.</p> <p>47. After thorough discussions, the Board resolved as under:</p> <p>RESOLVED:</p> <p>a) "that the (a) Financial Statements comprising of Balance Sheet, Profit & Loss Account, Statement of Changes in Equity, Revenue Account, Statement of Premium, Statement of Claims, Statement of Investment Income, Statement of Expenses and Statements of Cash Flows and (b) Regulatory Returns comprising of 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 alongwith notes to the Accounts and Auditor report thereon for the year ended 31st December, 2009, are approved."</p> <p>b) "that the transactions and adjustments incorporated in the financial statements mentioned at Annexure-A to the audited account for the year ended 31st December, 2009 and Annexure-6 to the Memorandum and Annexure-A-1 to Annexure-8 to the minutes, are approved."</p>			

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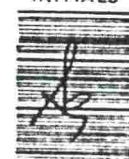
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	<p>c) "that the Chairman, State Life Mr. Shahid Aziz Siddiqi, Syed Hur Riahi Gardezi, Director, Mrs. Spenta Kandawalla, Director and Mr. Allah Rakha Aasi, Executive Director(F&A) are hereby authorized to sign the financial statements and regulatory returns for the year 2009 approved by the Board of Directors at (a) above."</p>		
	<p>ITEM (4) ACTUARIAL VALUATION FOR THE YEAR ENDED 31ST DECEMBER, 2009 TOGETHER WITH RECOMMENDED BONUS TO POLICYHOLDERS</p>		
	<p>48. Mr. Shujat Siddiqui, Appointed Actuary and Mr. Shahrukh Sabzwari, Divisional Head(Actuarial) joined the meeting. Mr. Shujat Siddiqui gave a presentation on the salient features of Actuarial Valuation for the year 2009.</p>		
	<p>49. Appointed Actuary presented before the Board, a Memorandum dated 15th April, 2010, for consideration and approval of Actuarial Valuation report of the insurance policies of the Corporation as on 31st December, 2009. The Appointed Actuary, briefed the members of the Board on the salient features of the memorandum. He explained about surplus figures of Pakistan Business, Overseas Business and Pension Fund. The Appointed Actuary further informed the Board regarding salient features of bonuses for Rupee business as well as for foreign currency business for the year 2009. The Appointed Actuary felt that there was potential for achieving better results, provided SLIC was able to procure I.T. capabilities and trained manpower.</p>		
	<p>50. The Actuarial Valuation of policyholders liabilities as at 31st December, 2009 in terms of Section 50(1) of the Insurance Ordinance 2000, is based on audited balance sheet as at 31st December, 2009, and revenue account for the year ended 31st December, 2009 respectively, initialed by the Auditors and provided to the Actuarial Division and all other relevant information required for carrying out the actuarial valuation of the policyholders liabilities as at 31st December, 2009. All policies except those valued by accumulation of premiums have been valued in terms of the minimum valuation basis prescribed by SECP in Rule 20 framed under Sub Section 5 of Section 50 of the Insurance Ordinance, 2000 and Section 34 of Insurance Ordinance 2000 read with paragraph 1.7 of SECP guidelines on compliance with specific aspects of IFRS 4.</p>		
	<p>51. The position of surplus figures for Pakistan Life Fund, Overseas Life Fund and Pension Fund for last four years is given at Annexure-B-1 to the Minutes.</p>		
	<p>52. The statistical summary of annualized yield on fund, renewal expense ratio, overall expense ratio, number of individual life policies, and gross premium in respect of Pakistan Life Fund, Overseas Life Fund and Pension Fund is given at Annexure-B-2 to the minutes.</p>		
	<p>53. The Appointed Actuary submitted that the Corporation has achieved a growth of about 40% in the individual life first year premium which has increased from Rs.5,181,032 thousand to Rs.7,225,141 thousand whereas second year</p>		

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	<p>renewals have increased Rs.3,311,935 thousand to Rs.4,493,715 thousand and subsequent renewals Rs.10,768,998 to Rs.13,303,597 and group premium from Rs.3,564,149 to Rs.3,559,773 thousand, in the year 2009 from the year 2008.</p> <p>54. The Appointed Actuary informed the Board that the Corporation's performance was commendable, in the light of the high inflationary pressures experienced in the 1st two quarters of 2009, which eased towards the end of the year. The Corporation is taking part regularly in the PIB auction and has been able to place sizable amount at good yields. Since the Corporation liabilities are long term, investment is being made mainly in long term PIBs.</p> <p>55. The Board was informed that SECP have prescribed maximum expense limit vide their circular dated 28th April, 2006(circular 6 of 2006), according to which the expense limits will gradually reduce each year until 2012, where after they will remain fixed. The relevant limits are given in table at Annexure-C to the minutes. The Appointed Actuary pointed out, that for 2009, the Corporation's expenses were within the prescribed limit, but in future as the maximum limits taper down, it will be difficult for the Corporation to remain within this limit and if the management expenses exceed the prescribed limits, then an adjustment will have to be made in the surplus allocated to shareholders. To ensure compliance with the prescribed limit, the Corporation will have to control its business, acquisition cost and management expenses, improve efficiency, productivity and persistency coupled with a growth in business.</p> <p>56. The Corporation operates a reversionary bonus system under which bonuses are paid together with the sum assured at maturity or death. Surrender value of attaching bonuses is also payable on surrenders subject to policy conditions. Bonus rates depend on the type of policy and its tenor. In addition to reversionary bonuses, the Corporation also declares terminal bonuses of different types. It is important that the bonus system remains equitable as far as practicable.</p> <p>57. The details of recommended bonuses for Pakistan Rupee Business, Foreign Currency Policies and Specified Major Surgical Benefits are included as Annexure-C-1 to C-3 to the minutes. The Appointed Actuary has recommended, that in the light of valuation results as at 31st December, 2009, the existing bonus rates including the terminal bonuses be continued without change, whereas the loyalty bonus declared for the first time in 2007 will remain valid for the valuation year ended 31st December, 2009. The bonuses applicable to the Middle East business will also be continued without change.</p> <p>58. The Chairman informed the Board that State Life would soon be entering into a contract with National Bank of Pakistan for bancassurance.</p> <p>59. Syed A. Wahab Mehdi pointed out that all the conditions spelled out by the Appointed Actuary for disbursement of bonuses should be followed.</p> <p>60. The Appointed Actuary informed the Board that the 2008 figures, included an amount receivable of Rs.737 million representing outstanding group premiums</p>		

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<p>billed in 2008 and earlier years, which has been written off by the Corporation this year, as bad debt arising out of in correct billing. The decline of 0.2% in group premium for the year 2009 over the year 2008, is due to over statement of group premium in the year 2008. During the year, the group claim marginally exceeded the group premium, which is largely attributable to additional claims resulting from the army operation in Swat, South Waziristan etc.</p> <p>61. The Appointed Actuary highlighted the issues to be addressed by the Corporation which are as follows:-</p> <p>a) The Corporation is currently writing conventional business only. To keep pace with the changing times and the needs of the potential policyholders, the Appointed Actuary suggested, that the management may consider embarking on investment linked products, which are presently in high demand. This line of business will help the Corporation to maintain its market share.</p> <p>b) The Corporation has recently established a bancassurance cell. It is hoped that this distribution channel will in due course become an important source of high quality business for the Corporation.</p> <p>c) The average premium size of the Corporation is much smaller than the levels prevailing in the market. The lower premium size is partly responsible for the high expense ratio of the Corporation. With the advent of bancassurance, the average premium size of new business is expected to increase.</p> <p>62. The UAE and Saudi Arabian Government have introduced new insurance laws. The legal status of the Corporation's business in these countries may be studied by the Legal Affairs Division and the possible implications examined.</p> <p>63. The Appointed Actuary concluded that on a solvency and capital adequacy basis, the Corporation has sufficient reserves to support policyholders liabilities.</p> <p>64. Accordingly, the Board was resolved as under:</p> <p>RESOLVED:</p> <p>(a) "that the Actuarial Valuation and recommendations in respect of bonuses for Pakistan Rupee business, Foreign Currency Policies and Specified Major Surgical Benefits to policyholders as on December 31, 2009 at Annexures-C-1 to C-3 to the Minutes, (amounting to Rs.14.574 billion) as proposed by Appointed Actuary in his Memorandum dated 15th April, 2010 are approved."</p> <p>(b) "that an action plan on the issues highlighted by the Appointed Actuary, be prepared by Actuarial Division, to keep pace with the changing time and the needs of the potential policyholders in the highly competitive insurance market."</p>			

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DIRECTORS	HELD AT	ON	TIME								
MINUTE BOOK	KARACHI	19 th APRIL, 2010									
Action: ED(Act) ED(G&P) DH(Act) DH(G&P)	<p>(c) "that a critique meeting be held jointly by G&P and Actuarial Division periodically, wherein an analysis be carried out of various groups lost and reason for loss be arrived at and steps be taken for the future. Furthermore, new groups be targeted and strategy be worked out to obtain its business."</p> <p>ITEM (5) REQUEST FOR MAKING PROVISION IN 2009 ACCOUNTS FOR WRITING OFF OUTSTANDING UNRECOVERABLE PREMIUM IN GROUP LIFE PORTFOLIO.</p> <p>65. Executive Director(F&A) presented before the Board, a Memorandum requesting for making provision in 2009 accounts for writing off outstanding unrecoverable premium in Group Life Portfolio.</p> <p>66. The Board was informed, that during the audit of accounts for 2008, statutory auditors of State Life observed that "premium due but unpaid" includes a receivable balance of Rs.1,360.088 million from Govt. of Punjab. This amount included Rs.627.462 million for previous years. The auditors have pointed out that this amount was substantial, recovery of which was doubtful and provision for impairment of such doubtful recoverable should have been made.</p> <p>67. The Board Audit Committee and Board of Directors, while reviewing and approving the accounts for the year 2008, had shown their concern on audit qualification and directed Divisional Head (G&P) to look into the matter.</p> <p>68. During the year 2009, Divisional Head (G&P) carried out a detailed study of such outstanding/unpaid premium which revealed that the actual amount which is not recoverable from Govt. of Punjab is Rs.555.131 million. This amount has accumulated in the accounts of State Life due to the over-billing of premium to the Govt. of Punjab made on budgeted strength. The actual strength of employees by the Govt. of Punjab has not been made available to State Life. Similarly, an amount of Rs.159.520 million is irrecoverable from the Govt. of NWFP for the same reason.</p> <p>69. The Board was also informed that an amount of Rs.22.118 million is also appearing in the book of accounts of G&P Division against the lapsed policies and as such would not be recovered.</p> <p>70. Divisional Head (G&P) vide his IOC dated 9th April, 2010 has requested F&A Division to make a provision in the books of accounts for the year 2009 of above amounts as per break down given below:</p> <table><tr><td>• G&P, Lahore Zone</td><td>Rs.555.131 million</td></tr><tr><td>• G&P, Karachi Zone</td><td>Rs. 22.118 million</td></tr><tr><td>• G&P, Peshawar Zone</td><td><u>Rs.159.520 million</u></td></tr><tr><td>Total:</td><td><u>Rs.736.769 million</u></td></tr></table>			• G&P, Lahore Zone	Rs.555.131 million	• G&P, Karachi Zone	Rs. 22.118 million	• G&P, Peshawar Zone	<u>Rs.159.520 million</u>	Total:	<u>Rs.736.769 million</u>
• G&P, Lahore Zone	Rs.555.131 million										
• G&P, Karachi Zone	Rs. 22.118 million										
• G&P, Peshawar Zone	<u>Rs.159.520 million</u>										
Total:	<u>Rs.736.769 million</u>										
			CHAIRMAN'S INITIALS 								

MINUTES OF 211TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	19 TH APRIL, 2010	
<p>71. ED(F&A) requested the Board that the request of Divisional Head (G&P) may kindly be acceded and approval may kindly be accorded for making a provision in the accounts for 2009 to write off the amount of Rs.736.769 million.</p> <p>72. Accordingly, the Board was resolved as under:</p> <p>RESOLVED: "that as recommended by ED(F&A) at the request of DH(G&P), the write off of the following premium amounts which are not likely to be received by G&P Division is approved:-</p> <ul style="list-style-type: none"> • G&P, Lahore Zone Rs.555.131 million • G&P, Karachi Zone Rs. 22.118 million • G&P, Peshawar Zone Rs.159.520 million <p style="text-align: right;">Total: <u>Rs.736.769 million</u></p> <p>ITEM (6) PRESENTATION OF BUSINESS REVIEW FOR THE PERIOD ENDED 31ST MARCH, 2010.</p> <p>73. Due to paucity of time, the above item was deferred to the next meeting of the Board.</p> <p>ITEM (7) PRESENTATION ON OBJECTIVES AND STRATEGY TO BE ADOPTED BY GM(BANCASSURANCE)</p> <p>74. Due to paucity of time, the above item was deferred to the next meeting of the Board.</p> <p>ITEM (8) PRESENTATION ON OBJECTIVES AND STRATEGY TO BE ADOPTED BY GM(REAL ESTATE)</p> <p>75. Due to paucity of time, the above item was deferred to the next meeting of the Board.</p> <p>ITEM (9) ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR</p> <p>(I) MEMORANDUM OF UNDERSTANDING WITH M/S. TRANSPARENCY INTERNATIONAL PAKISTAN.</p> <p>76. The Chairman informed the Board that a Memorandum of Understanding has been signed with M/s. Transparency International Pakistan and State Life Insurance Corporation of Pakistan on 19th April, 2010 for the implementation of the "Integrity Pact" and transparency in its procurement system.</p>			

CHAIRMAN'S INITIALS



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

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

Action:
ED(Mkt)
GM(Banc)

Action:
ED(RE)
GM(RE)

Action:
ED(RE)
DH(Inv)
DH(RE)
DH(Legal)

MINUTES OF 211TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	19 th APRIL, 2010	
<p>77. The contents of the memorandum of the understanding is given below:-</p> <p>This Memorandum of Understanding is signed on this 19th day of April 2010 between Transparency International Pakistan (TIP) functioning under the laws of Pakistan Trust Act – 1886 having its registered office at 5-C, 2nd Floor, Khayaban-e-Ittehad, Phase VII, D.H.A. Karachi and the Pakistan State Life Insurance Corporation of Pakistan (SLIC) functioning under Companies Ordinance, 1980 having its office at State Life building No. 9, Dr. Ziauddin Ahmed Road, Karachi for Implementation of the "Integrity pact" and Transparency in its procurement Systems.</p> <p>Transparency International is a non-governmental organization, dedicated to government accountability, with the object to curb corruption at the international and national level through over 98 independent National Chapters. Transparency International brings together people of integrity in civil society, business and government, to work as coalitions for Systemic reforms. Transparency International do not "name names" or attach individuals or investigate, but focus on building systems that combat corruption.</p> <p>Transparency International national chapter Transparency International Pakistan aims at Building a coherent National Integrity System, to institutionalize efforts to curb corruption. The ultimate goal of this system is to make corruption a "high risk" and "low return" undertaking. It is designed to prevent corruption from occurring in the first phase, rather than resting on punishment after the event. Because corruption tends to be the result of SYSTEMATIC failures. The primary emphasis of Transparency International Pakistan is on reforming the System rather than blaming the individuals.</p> <p>The integrity Part is a tool developed by Transparency International, which ensures that all activities and decisions of public offices are transparent and that the projects/works are implemented, services are provided or taken, and goods/materials are supplied without giving taking or allowing for any kind of benefit, financial or otherwise. Justification of the decisions taken is provided without discrimination to all parties concerned or to any individual or institution/organization. The "Integrity pact" is an Integral part of the Public Procurement Rules 2004.</p> <p>Considering that all Companies and Organizations in Pakistan share a responsibility to combat bribery in all forms and manifestations, it is agreed:</p> <p>That Public Procurement Rules 2004 are applicable in SLIC including "Integrity pact" prescribed by PPRA.</p> <p>To sign this Memorandum of Understanding between Transparency International Pakistan (TI Pakistan) and the State Life Insurance Corporation of Pakistan (SLIC) for the Implementation of the "Integrity pact" and Transparency in its Procurement Systems.</p>			


CHAIRMAN'S
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MINUTES OF 211TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS MINUTE BOOK	HELD AT KARACHI	ON 19th APRIL, 2010	TIME
	<p>That SLIC alongwith TI-Pakistan will work jointly for the implementation of the Public Procurement Rules 2004.</p> <p>It is also agreed that the SLIC will establish and accountability in all its dealings and try to provide all necessary Checks and Balances in its effort towards a Transparent Procurement System.</p> <p>A Coordination Committee of SLIC & TIP members will be formed, to implement "Integrity Pact" and Transparency in its Procurement Systems.</p> <p>The Coordinating Committee</p> <p>This committee to be set up by SLIC, shall consist of a three members comprising Officials of SLIC, with responsibilities related to Law, Finance and Technical (Procurement & Contracts) Departments, and two Representative of TI-Pakistan. The Chairman TI-Pakistan shall act as its Chairman.</p> <p>B. The coordinating Committee will:</p> <ol style="list-style-type: none"> 1. Identify and list all issues of transparency and evaluation of SLIC tenders' criteria in the procurement bidding documents, including the discretionary conditions existing in the contract documents and make the necessary changes where necessary. 2. Prepare ways and means to be included in Contract Documents to eliminate/reduce delays to a bare minimum (Time base decisions with predicable milestones) and in approvals by providing mandatory time frames for submittals by consultants/contractors and approvals by client/consultants. 3. Introduce approval systems to process and award contracts, as well complete the Projects at the most economical cost and within the scheduled time. 4. Incorporate the Directives of the PPRA with regards to procurement and Contracting. <p>C. Herein after it is agreed that:</p> <ol style="list-style-type: none"> 1. All important decisions be made public. 2. Information on all important activities including auditor's report should be made easily accessible to all. 3. In accordance with the proposed Pact, Transparency International Pakistan will provide experts' services for 3-months beginning from 19th April 2010, which may be renewed on mutual understanding. 4. Team of Experts of TI Pakistan and SLIC will prepare "SLIC Procurement Manual". 5. The "SLIC Procurement Manual" will comprise of all the Standard Bidding Documents on procurement of Works, Goods & Services, based on International Standards, World Bank, FIDIC and Pakistan Engineering Council, duly amended to comply with the Transparent procurement procedures, and fully compliant to the public procurement Rules 2004. 		

CHAIRMAN'S
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MINUTES OF 211TH MEETING OF THE BOARD OF DIRECTORS



DIRECTORS MINUTE BOOK	HELD AT KARACHI	ON 19th APRIL, 2010	TIME
	<p>6. TIP agree to vet all tender document which SLIC prepares on the basis of Procurement Manual for 3 months w.e.f., the date of directive is issued by Chairman SLIC.</p> <p>7. SLIC to hold a press conference/seminar to declare application of SLIC Procurement Manual.</p> <p>8. TIP under its charter will not participate in the SLIC tendering process in any capacity, not even as observer.</p> <p>9. Transparency International Pakistan will provide experts' services to SLIC without any cost to the SLIC.</p> <p>10. That all information relevant to providing Transparency procurement procedures shall be provided to the Coordination Committee by the SLIC and all its related departments. It shall include documents which are in addition to those that are allowed under the Freedom of Information. Ordinance 2002.</p> <p>11. That in case SLIC FAILS TO CARRY OUT THE ABOVE AGREED-UPON RECOMMENDATIONS Transparency International Pakistan has the right to withdraw from this Memorandum of understanding and declare the same through a public announcement. Such withdrawal shall be effective 30-days after the date of the receipt of a notification given by TI-Pakistan to the SLIC to this effect.</p> <p>12. TIP agrees not to charge any kind of professional/service fee in respect of its services rendered under this Memorandum of understanding.</p> <p>13. TIP will include E-Procurement rules for future online bidding by SLIC and incorporate procedure laid by SLIC. However some clauses can be added or if deemed necessary by the TIP to meet requirement of Public Procurement Rule 2004.</p>		
	<div style="display: flex; justify-content: space-between;"> <div style="text-align: center;"> <p>Sd Mr. Shahid Aziz Siddiqui Chairman State Life Insurance Corporation of Pakistan</p> <p>Witness</p> </div> <div style="text-align: center;"> <p>Sd Syed Adil Gilani Chairman Transparency International Pakistan</p> <p>Witness</p> </div> </div>		
	<p>78. The Chairman further informed the Board, that for the sake of transparency, a draft expression of interest has been forwarded to TIP for vetting under the terms of MOU signed on 19th April, 2010. This expression of interest would be advertised, inviting any other party or parties interested in a joint venture of a similar nature.</p>		
	<div style="text-align: right;"> <p>CHAIRMAN'S INITIALS</p>  </div>		

MINUTES OF 211TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	19 TH APRIL, 2010	
<p>79. The expression of interest is reproduced as follows:-</p> <p style="text-align: center;"><u>Expression of Interest</u></p> <p>State Life Insurance Corporation of Pakistan (SLIC) intends to acquire equity shares in new offices/commercial projects for investment purposes in Karachi, Lahore, Islamabad, Quetta and Peshawar on a regular basis. Interested builders/owners may submit their Expression of Interest to SLIC with documentations of the following details:-</p> <ol style="list-style-type: none"> 1) Minimum area of rentable space of the project should be at least 100,000 sq.ft. 2) NOC from various civic and other government regulating authorities including EPA and CAA should be provided. 3) Credit rating of the project from PACRA/JCR of minimum PG-3 4) Financial IRR should be KIBOR+1 or 12% whichever is minimum. 5) Project should have reached at least 50% completion stage and should be ready for operation within 18 months. 6) All ownership documents with clean title to be submitted. 7) Projects under consideration should ensure that the above conditions are met in their proposal. <p>80. Syed A. Wahab Mehdi and Mrs. Spenta Kandawalla, Directors also suggested that the contents of No.5 in the Expression of Interest be reworded as follows so as not to make it Centre Point specific:- "Project should be under construction and should be ready for occupancy within 18 months." Syed A. Wahab Mehdi had also suggested that the city of Quetta and Peshawar be excluded from the Expression of Interest in view of the existing law and order situation and resultant decline in prices but after discussion it was agreed not to delete the city of Quetta and Peshawar from the Expression of Interest.</p> <p>81. A reply dated 19th April, 2010 has been received from Syed Adil Gilani, Chairman, Transparency International Pakistan, informing State Life that the expression of interest also requires to provide following information for the information of entities interested in this policy of SLIC.</p> <p>82. The Expression of Interest also requires to provide following information for the information of entities interested in this policy of SLIC:-</p> <ol style="list-style-type: none"> 8 The proposals may be submitted along with required documents to Real Estate Division, SLIC. 9) SLIC Board will consider all proposal in its monthly meetings. 10) This policy of SLIC will continue for one year. <p>83. The investment in shares by public agencies is not covered in the Public Procurement Rules 2004 and SLIC shall ensure compliance of statutory formalities of investing in equity shares in office/commercial projects.</p>			

CHAIRMAN'S
INITIALS


MINUTES OF 211TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	19 th APRIL, 2010	
Action: ED(P&GS) DH(P&GS)	<p>84. Syed A. Wahab Mehdi, Mr. Aslam Faruque and Mrs. Spenta Kandawalla suggested and which was agreed to by the Board, that the Centre Point Project should be considered alongwith the proposals to be received in response to the Expression of Interest to be advertised in the newspapers. New proposals should be also considered by the Real Estate and Investment Division Committee which exist for real estate matters and investment in properties and which consist of four members of the Board including the Chairman, ED(RE), DH(Inv) and GM(RE), who would also be the Secretary of the Committee.</p> <p>(II) <u>CREATION OF ADDITIONAL POST OF EXECUTIVE OFFICERS</u></p> <p>85. The Chairman requested the Board to approve creation of seven additional post of Executive Officers in view of extended demand from Marketing Division to cover the extended activities to meet the stiff targets set by the Board for the year 2010.</p> <p>86. The Board approved in principle to the above request and desired that a Memorandum be submitted to the Board at its next meeting seeking post facto approval for the creation of seven additional post of Executive Officers.</p> <p>87. The meeting ended with vote of thanks to the chair.</p> <p style="text-align: right;"> (CHAIRMAN)</p>		
			CHAIRMAN'S INITIALS 

MINUTES OF 211TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	19 th APRIL, 2010	

Annexure-A-1

State Life's Account for 2009

OPERATING RESULTS OF CORPORATION AS A WHOLE

Comparison of Actual for 2009 with Actual 2008

(Rs. In Million)			
Description	2009	2008	% change 2009 over 2008 Actual
INCOME			
<i>Individual Life</i>			
First Year Premium(Gross)	7,225.141	5,181.032	39.46
Second Year Premium(Gross)	4,493.715	3,311.935	35.66
Third Year & Over Premium(Gross)	13,303.597	10,768.998	23.54
Sub-Total	25,022.453	19,261.965	29.91
<i>Group Life</i>			
Premium Income (Gross)	3,559.773	3,584.149	(0.12)
Total Premium Income	28,582.226	22,826.114	25.22
Less: Reinsurance	(215.321)	(130.834)	
Net Premium Income	28,366.905	22,695.280	24.99
Investment Income(Net)	21,163.800	18,696.912	13.19
Real Estate Income(Net)	274.152	341.924	(19.82)
TOTAL INCOME	49,804.857	41,734.116	19.34
OUTGO			
Payment to policyholders	15,723.587	12,778.765	23.04
Acquisition costs	8,036.350	5,909.259	36.00
Less Commission from reinsurer	(47.861)	(49.468)	(3.25)
*Administrative Expenses	3,641.943	2,138.696	70.29
TOTAL OUTGO	27,354.019	20,777.252	31.65
Gross Accretion to Life Fund	22,450.838	20,956.864	7.13
Less: Provision for taxation	(75.013)	117.357	(163.92)
Less: Surplus appropriated to Shareholders	(389.671)	(352.393)	10.58
Life Fund at the beginning of year	177,459.130	156,737.302	13.22
Life Fund at the year end	199,445.284	177,459.130	12.39

*Admin. Expenses include Rs.736.847 million in respect of premium written off as per details hereunder

Amount recoverable from Govt. of Punjab	555.131
Amount recoverable from Govt. of NWFP	159.598
Amount again lapsed policies of G&P, Karachi	22.118
	<u>736.847</u>

If this amount may be excluded from Admn. Expenses, the increase in Admn. Expenses over last year would be 35.83%.

CHAIRMAN'S
INITIALS



MINUTES OF 211TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	19 th APRIL, 2010	

Annexure-A-2

State Life's Account for 2009

OPERATING RESULTS OF PAKISTAN LIFE FUND

Comparison of Actual for 2009 with Actual 2008

(Rs. In Million)			
Description	2009	2008	% change 2009 over 2008 Actual
INCOME			
Individual Life			
First Year Premium(Gross)	6,974.688	4,981.873	40.00
Second Year Premium(Gross)	4,329.226	3,162.124	36.91
Third Year & Over Premium(Gross)	12,606.468	10,265.919	22.80
Sub-Total	23,910.382	18,409.916	29.88
Group Life			
Premium Income (Gross)	3,559.773	3,564.149	(0.12)
Total Premium Income	27,470.155	21,974.065	25.01
Less: Reinsurance	(167.023)	(106.991)	56.11
Net Premium Income	27,303.132	21,867.074	24.86
Investment Income(Net)	20,659.784	17,807.699	16.02
Real Estate Income(Net)	274.152	341.924	(19.62)
TOTAL INCOME	48,237.068	40,016.697	20.54
OUTGO			
Payment to policyholders	15,334.933	12,534.124	22.35
Acquisition costs	7,777.068	5,702.691	36.38
Less Commission from reinsurer	(38.987)	(45.550)	(14.41)
*Administrative Expenses	3,542.776	2,061.845	71.83
TOTAL OUTGO	26,615.790	20,253.110	31.42
Gross Accretion to Life Fund	21,621.278	19,763.587	9.40
Less: Provision for taxation	(75.013)	108.918	(168.87)
Less: Surplus appropriated to Shareholders	(384.498)	(348.133)	10.45
Life Fund at the beginning of year	173,763.036	154,238.664	12.66
Life Fund at the year end	194,924.803	173,763.036	12.18

*Admin. Expenses include Rs.736.847 million in respect of premium written off as per details hereunder

Amount recoverable from Govt. of Punjab	555.131
Amount recoverable from Govt. of NWFP	159.598
Amount again lapsed policies of G&P, Karachi	22.118
	<u>736.847</u>

If this amount may be excluded from Admn. Expenses, the increase in Admn. Expenses over last year would be 36.09%.

CHAIRMAN'S INITIALS



MINUTES OF 211TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	19 th APRIL, 2010	

Annexure-A-3

State Life's Account for 2009

OPERATING RESULTS OF OVERSEAS LIFE FUND

Comparison of Actual for 2009 with Actual 2008

(Rs. In Million)			
Description	2009	2008	% change 2009 over 2008 Actual
<u>INCOME</u>			
<u>Individual Life</u>			
First Year Premium (Gross)	250.453	199.159	25.8
Second Year Premium (Gross)	164.489	149.811	9.8
Third Year & over Premium (Gross)	674.194	492.072	37.0
Total Premium Income (Gross)	1,089.136	841.042	29.5
Less Reinsurance	(48.299)	(23.843)	102.6
Net Premium Income	1,040.837	817.199	27.4
Investment Income (Net)	490.084	876.064	(44.1)
TOTAL INCOME	1,530.921	1,693.263	(9.6)
<u>OUTGO</u>			
Payment to policyholders	373.781	231.015	61.8
Acquisition costs	259.263	206.555	25.5
Commission on re-insurance	(8.874)	(3.918)	126.5
Administrative Expenses	99.006	76.749	29.0
TOTAL OUTGO	723.176	510.401	41.7
Gross Accretion to Life Fund	807.745	1,182.862	(31.7)
Less: Provision for taxation	-	8.439	-
Less: Surplus appropriated to Shareholders	(5.173)	(4.260)	21.4
Life Fund at beginning of the year	3,569.380	2,382.339	49.8
Life Fund at the year end	4,371.952	3,569.380	22.5

CHAIRMAN'S
INITIALS


MINUTES OF 211TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	19 th APRIL, 2010	

Annexure-A-4

State Life's Account for 2009

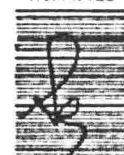
OPERATING RESULTS OF PENSION FUND

Comparison of Actual for 2009 with Actual 2008

Income & Expenses

(Rs. In Million)

Description	2009 Actual	2008 Actual	% change 2009 over 2008
<u>Pensions</u>			
Premium Income	22.935	11.007	108.4
Investment Income	13.932	13.149	6.0
TOTAL INCOME	36.867	24.156	52.6
Payment to policyholders	14.873	13.626	9.2
Acquisition Cost	0.018	-	-
Administrative Expenses	0.160	0.115	39.1
TOTAL OUTGO	15.051	13.741	9.5
Gross Accretion to Life Fund	21.816	10.415	109.5
Life Fund at beginning of the year	126.714	116.299	9.0
Life Fund at the year end	148.530	126.714	17.2

CHAIRMAN'S
INITIALS


MINUTES OF 211TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	19 TH APRIL, 2010	

Annexure-A-5

State Life's Account for 2009

Investment Portfolio

Distribution of investment portfolio in major categories

(Rs. In Million)

Corporation as a whole

DESCRIPTION	2009		2008	
	Amount	% of Total	Amount	% of Total
i) Government Securities	137377	66.22	126188	68.44
ii) Other Fixed Income Securities	12908	6.22	1335	0.72
iii) Shares (Quoted)	22823	11.00	22344	12.12
iv) Shares(Non Quoted/delisted Pref)	1707	0.82	1690	0.92
v) Holding in subsidiaries	164	0.08	63	0.03
vi) Loans to Policyholders	16046	7.73	13268	7.20
vii) Investment Properties(gross)	3941	1.90	3756	2.04
viii) Banks	12485	6.02	15745	8.54
TOTAL	207450	100.00	184388	100.00

Pakistan Life Fund

DESCRIPTION	2009		2008	
	Amount	% of Total	Amount	% of Total
i) Government Securities	135899	67.18	124782	69.25
ii) Other Fixed Income Securities	11806	5.84	1080	0.60
iii) Shares (Quoted)	22747	11.24	22249	12.35
iv) Shares(Non Quoted/delisted Pref)	1707	0.84	1690	0.94
v) Holding in subsidiaries	164	0.08	63	0.03
vi) Loans to Policyholders	15638	7.73	12931	7.18
vii) Investment Properties(gross)	3941	1.95	3756	2.04
viii) Banks	10390	5.14	13641	7.57
TOTAL	202292	100.00	180191	100.00

Overseas Life Fund

DESCRIPTION	2009		2008	
	Amount	% of Total	Amount	% of Total
i) Government Securities	903	21.33	865	25.61
ii) Other Fixed Income Securities	1036	24.46	256	7.57
iii) Shares (Quoted)	76	1.79	95	2.80
iv) Loans to Policyholders	407	9.62	337	9.98
v) Bank	1812	42.80	1825	54.04
TOTAL	4234	100.00	3377	100.00

CHAIRMAN'S
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MINUTES OF 211TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	19 th APRIL, 2010	

Annexure-A-6

State Life's Account for 2009PROVISIONS, ADJUSTMENTS, ADDITION AND DISPOSAL

Approval of the Board of Directors is sought for provisions, adjustments, additions and disposal of Investment Portfolio, fixed assets and other heads of account made in the books of Corporation for the year 2009. Details are as follows:

Provisions made:

(Rs. In Millions)

Against unquoted and de-listed shares	0.353
Against listed shares	54.390
Provision for employees retirement benefits	49.138
Against doubtful debts	736.847
Total:-	840.728

Provisions reversed:

Against unquoted and de-listed shares	5.218
Net Effect of Provision on income:	835.510

2. Additions to and Disposal of Investment during 2009:Additions:

During the year 2009, following additions were made in the Investment portfolios:

Pakistan Investment Bonds	11,125.892
Equity Securities	703.371
Term Finance Certificates	200.002
Certificate of Investments	316.000
Govt. Debt	8,000.000
Preferred Shares	16.928
Total:-	20,362,193

Disposal:

During the year 2009, following disposals were made in the Investment Portfolio:

Equity Securities	104.357
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CHAIRMAN'S
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MINUTES OF 211TH MEETING OF THE BOARD OF DIRECTORS

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3. Additions to and Disposal of other assets during 2009:**Additions:**

During the year 2009 the following additions were made in the assets:

(Rs. In Millions)

Fixed assets	73.678
Real Estate assets including capital work in progress	187.001
Total:	260.679

Disposal:

During the year 2009, following disposals of assets were made:-

Disposal of fixed assets	7.146
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4. Summary of the provisions, additions and disposal of Investment Portfolio and other assets in the year 2009, requiring approval of the Board of Directors.

(i)	Provision made	840.728
(ii)	Provision reversed	5.218
(iii)	Additions at cost	20,622.872
(iv)	Disposal at cost	111.503
(v)	Bonus to employees	197,370

5. Dividend paid to shareholder in 2009 relating to 2008 96.216

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Annexure-A-7

State Life's Account for 2009

OPERATING RESULTS OF CORPORATION AS A WHOLE

Allowable Management Expenses Limit

(Rs. In Million)

Description	Limit for 2009	Premium Income	Allowable Expenses based on prescribed limits
Group Insurance Policies	9.00%	3,560	320
Annual average sum assured inforce Policies where no further premium is Payable	0.08%	6,095	5
First Year Premium	111.00%	7,225	8,020
Renewal years' premium	21.00%	17,798	3,738
(A) Allowable expenses			12,083

Actual Expenses:

Remuneration to insurance intermediaries on IL policies	6,837
Remuneration to insurance intermediaries on group policies	3
Branch Overhead	835
Other acquisition cost	361
Administration expenses	3,564
Other management expenses	81
(B) Total Actual Management Expenses	11,681
(C) Renewal Expense Ratio	18.7%

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Annexure-A-8

State Life's Account for 2009

Profit & Loss Account of Shareholders Fund

Comparison of Actual of 2009 with 2008

(Rs. In Million)

Description	2009	2008	% change 2009 over 2008
Return on Government Securities	53.085	56.223	(5.6)
Interest Income on loans and advances to employees/agents	16.079	13.857	16.0
Interest income on bank deposits	39.994	25.694	55.7
Net Investment Income	109.158	95.774	14.0
Expenses	(2.415)	(1.951)	23.8
Surplus appropriated to shareholders' Fund	389.671	352.393	10.6
Profit before tax	496.414	446.216	11.2
Tax expense	(177.645)	(150.000)	18.4
Profit after tax	318.769	296.216	7.6

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Annexure-B-1

Table 1: Surplus figures for Pakistan Life Fund, Overseas Life Fund and Pension Fund

(All amounts in thousands of Rupees)

	2009				2008	2007	2006	2005
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Total	Total	Total	Total	Total
Total Surplus as per Sec 22 of the Insurance Ordinance	17,151,029	216,324	-	17,367,353	14,620,355	11,080,694	9,501,987	7,510,715
Transfer to Shareholders' account	384,498	5,173	-	389,671	352,393	256,939	228,663	176,186
Cost of recommended Bonuses to Policies	14,377,596	196,715	-	14,574,311	11,528,728	9,503,286	8,033,429	6,566,963
Closing Balance in Account A	2,388,935	14,436	2,924	2,406,295	2,739,234	1,320,468	1,239,895	767,565
Closing Balance in Account B	-	-	-	-	-	-	-	-
Policyholders' liability including cost of recommended bonuses	192,535,868	4,357,516	145,606	197,038,990	174,719,896	155,416,834	136,719,876	122,007,611

Table 2: Expense Limits Prescribed by SECP under Sections 22(9) and 23(9) of the Ordinance

Item	Year					
	2007	2008	2009	2010	2011	2012 and later
	Maximum Management Expenses under S 22(9) and S 23(9) of the Insurance Ordinance, 2000					
Group Insurance Policies	10.00%	9.50%	9.00%	8.50%	8.0%	7.50%
First Year's Premium						
After the tenth year of insurer's life insurance business in Pakistan	125.00%	118.00%	111.00%	104.00%	98.00%	90.00%
Renewal Year's Premium						
After the tenth year of insurer's life insurance business in Pakistan	25.00%	23.00%	21.00%	19.00%	17.00%	15.00%

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Annexure-B-2STATISTICAL SUMMARY

	Pakistan Life Fund	Overseas Life Fund		Pension Fund	Average
		Rupee Accounts	Dollar & Dirham Accounts		
Annualised Yield on Fund					
2004 (including capital gains/losses)	14.26%	7.51%	4.12%	12.20%	14.17%
2004 (excluding capital gains/losses)	11.77%	7.50%	4.11%	12.20%	11.72%
2005 (including capital gains/losses)	12.03%	4.45%	4.04%	11.64%	11.92%
2005 (excluding capital gains/losses)	10.04%	4.54%	4.13%	11.64%	9.97%
2006 (including capital gains/losses)	12.15%	6.85%	5.04%	8.24%	12.07%
2006 (excluding capital gains/losses)	10.77%	6.94%	5.13%	8.24%	10.71%
2007 (including capital gains/losses)	12.62%	8.97%	6.90%	9.78%	12.57%
2007 (excluding capital gains/losses)	11.33%	7.57%	5.51%	9.78%	11.28%
2008 (including capital gains/losses)	11.72%	5.10%	5.14%	11.44%	11.59%
2008 (excluding capital gains/losses)	11.53%	4.42%	4.45%	11.44%	11.40%
2009 (including capital gains/losses)	12.04%	6.12%	6.10%	10.66%	11.91%
2009 (excluding capital gains/losses)	11.99%	6.14%	6.13%	10.66%	11.87%
Renewal Expense Ratio					
2007	10.01%	5.28%			9.76%
2008	11.49%	7.48%			11.30%
2009	19.21%	9.53%			18.73%
Overall Expense Ratio					
2004	40.98%	34.98%	36.78%	3.61%	40.66%
2005	36.39%	34.70%	36.60%	4.32%	36.30%
2006	40.74%	35.45%	35.73%	4.31%	40.52%
2007	33.51%	33.16%	34.35%	1.54%	33.47%
2008	35.30%	34.19%	34.01%	1.04%	35.24%
2009	41.21%	32.89%	33.57%	0.78%	40.86%

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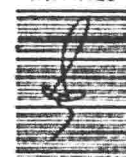

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STATISTICAL SUMMARY (Continued)

	Pakistan Life Fund	Overseas Life Fund		Pension Fund	Total
		Rupee Accounts	Dollar & Dirham Accounts		
Number of Individual Life Policies					
2003	1,841,845	7,280			1,849,125
2004	1,918,288	7,966			1,926,254
2005	2,035,506	8,509			2,044,015
2006	2,174,304	9,479			2,183,783
2007	2,338,512	10,279			2,348,791
2008	2,557,676	11,022			2,568,698
2009	2,883,740	11,614			2,895,354
Gross Premium (000)					
2003	9,482,776	422,415		12,919	9,918,110
2004	10,584,408	514,023		14,565	11,112,996
2005	13,341,351	545,786		12,190	13,899,327
2006	15,461,687	601,332		13,766	16,076,785
2007	18,166,700	660,966		13,872	18,841,538
2008	21,974,065	841,042		11,007	22,826,114
2009	27,470,155	1,089,136		22,935	28,582,226

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Annexure-C-1**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 2009 -

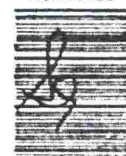
- (i) Reversionary bonuses per thousand sum assured per annum would be as per the following schedule (2008 figures are given for comparison):

	2009			2008		
	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
Whole Life	60	110	150	60	110	150
Endowments						
Term: 20 years and over	50	94	130	50	94	130
Term: 15 to 19 years inclusive	35	81	81	35	81	81
Term: 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.

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<p>(ii) <u>Interim Bonus</u> will be payable in addition to regular bonuses already vested, 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.</p> <p>(iii) <u>Terminal Bonus</u> will be paid on claims by death or maturity in 2010, where more than 10 years' premiums have been paid. The rate will be Rs 50 per thousand sum assured for each year's premium paid in excess of 10 years subject to a maximum of Rs 1,000 (same as 2008 valuation) per thousand sum assured.</p> <p>(iv) <u>Special Terminal Bonus</u> will be paid on claims by maturity in 2010, 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 2008 valuation).</p> <p>(v) <u>Loyalty Terminal Bonus</u> will be paid to those policyholders who have been with State Life since 1990 or earlier. Loyalty Terminal Bonus of Rs 200 per thousand sum assured will be paid on claims by death or maturity in 2010 to policies with risk year 1990 or earlier (same as 2008 valuation).</p> <p>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 2010.</p>			
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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 2009:

- (i) Reversionary bonuses per thousand sum assured per annum would be as per the following schedule (2008 figures are given for comparison).

	2009			2008		
	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>Term: 20 years and over</u>	35	69	100	35	69	100
<u>Term: 15 to 19 years inclusive</u>	25	59	59	25	59	59
<u>Term: 14 years and less</u>	19	53	-	19	53	-

- (ii) Interim Bonus will be payable in addition to regular bonuses already vested, 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 paragraph VIII below.
- (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 1990 or earlier. The Loyalty Terminal Bonus will be calculated on the basic sum assured under the policy, and not on the residual survival benefit.

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- (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 2010, which the policyholder opts to leave, Special Reversionary Bonuses will be allowed as follows (same as 2008 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

For policies in force for the full sum assured as at 31st December 2009:

- (i) Reversionary bonuses per thousand sum assured per annum would be as per following schedule (2008 figures are given for comparison):

Term	2009	2008
	For first five policy years	For first five policy years
	Rs	Rs
20 years and over	44	44
15 to 19 years inclusive	31	31
14 years and less	24	24

- (ii) Interim Bonus will be payable in addition to regular bonuses already vested, 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.

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<p>IV. <u>Super (Table 72), Sunehri (Table 73) & Shehnai (Table 77) policies</u></p> <p>(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.</p> <p>(ii) The rate of bonus is Rs. 105 per thousand per annum of the Adjusted Opening Cash Value. This bonus rate will be allowed till the next valuation.</p> <p>(iii) Reversionary, Terminal or any other bonus declared as a result of this valuation will not be payable under these policies. However, bonus mentioned under VII below, if applicable, will be allowed.</p> <p>V. <u>Personal Pension Scheme (Table 71)</u></p> <p>(i) Bonuses under Personal Pension Scheme where "Pension is being paid" will be allowed on Pension Payments. Pension payments will be increased by bonus from the policy anniversary falling in the year 2010. This increase will also be available on pension payments commencing in 2010.</p> <p>(ii) The rate of bonus is Rs 80 per thousand per annum of the pension payments.</p> <p>(iii) Reversionary, Terminal or any other bonuses recommended as a result of this valuation, will not be payable under these policies.</p> <p>VI. <u>Specified Major Surgical Benefit</u></p> <p>(i) Specified Major Surgical Benefit was announced for the first time in 1992 valuation. This benefit has been retained in 2009 valuation. This benefit is available to all with-profit policies, which have been in full force as at 31st December 2009 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 2009 and have been continuously in force for at least ten complete policy years at the date of surgery then the maximum benefits for these policies will be Rs 500,000.</p> <p>(ii) Under such policies, if the life assured undergoes specified major surgery during the inter-valuation period i.e. from 1st January 2010 to 31st December 2010 on account of a specified dread disease, the Corporation would pay 50% of the basic sum assured (in case of Anticipated Endowment plans, 50% of the remaining sum assured after deducting any due survival benefit(s)), subject to above given maximum amounts. The amount payable will be adjusted against future survival benefit payments, maturity or death claims.</p> <p>(iii) Details are given in Annexure C.</p>			

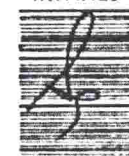
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<p>VII. <u>Family Income Benefits in course of payment (where the life assured has died)</u></p> <p>Family Income Benefit to heirs or nominees of deceased life assureds will be increased by 7.5% from policy anniversaries in the year 2011 under with profit policies.</p> <p>Note: The percentage increase will be allowed on the actual benefit paid on policy anniversaries (including any prior increases) in the year 2010.</p> <p>VIII. <u>Terminal/Loyalty Terminal Bonus for Paid-up Policies</u></p> <p>(i) <u>Terminal Bonus</u> on Whole Life and Endowment type paid-up policies will be paid on claims by death or maturity in 2010, 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 1,000 per thousand paid-up sum assured. Jeevan Sathi and Shadabad policies will be treated as Endowment policies.</p> <p>(ii) <u>Terminal bonus</u> 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 2010.</p> <p>(iii) <u>Loyalty Terminal Bonus</u> 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 1990 or earlier.</p> <p>(iv) <u>Loyalty Terminal bonus</u>, as mentioned in VIII(iii) above will also be paid to Anticipated Endowment paid-up policies on claims by death or maturity in 2010.</p> <p>Note: Bonus for Paid-up policies will be calculated on the Paid-up sum assured and not on the basic sum assured.</p> <p>IX. <u>East West Mutual etc</u></p> <p>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.</p> <p>B: NO CASH VALUE OF BONUSES UNTIL THREE YEARS' PREMIUMS HAVE BEEN PAID</p> <p>The Cash Value of bonuses will be payable on an in force policy if at least one of the following two conditions has been fulfilled:</p> <p>(i) The policyholder has actually paid at least three full years' premiums</p> <p>(ii) The policy has completed at least three policy years.</p> <p>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.</p> <p>"Actual payment" means payment in cash/pay order/bank draft/cheque after it has been</p>			

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Annexure-C-2**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 2009:

I. Policies expressed in Dirham:

Reversionary bonuses per thousand sum insured per annum would be as per following schedule (2008 figures are given for comparison).

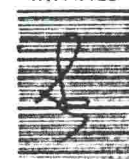
	2009		2008	
	For First Five Policy Years	From Sixth Policy Year Onwards	For First Five Policy Years	From Sixth Policy Year Onwards
<u>Whole Life</u>	Dh 21	Dh 39	Dh 21	Dh 39
<u>Endowments</u>				
20 years and over	17	33	17	33
15 to 19 years inclusive	10	24	10	24
14 years and less	5	17	5	17
<u>Anticipated 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 (2008 figures are given for comparison).

	2009		2008	
	For First Five Policy Years	From Sixth Policy Year Onwards	For First Five Policy Years	From Sixth Policy Year Onwards
<u>Whole Life</u>	\$ 23	\$ 42	\$ 23	\$ 42
<u>Endowments</u>				
20 years and over	17	33	17	33
15 to 19 years inclusive	10	23	10	23
14 years and less	5	16	5	16
<u>Anticipated Endowments</u>				
20 years and over	8	24	8	24
15 to 19 years inclusive	5	17	5	17
14 years and less	3	13	3	13

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<p>Notes:</p> <p>(a) Jeevan Sathi and Shadabad policies will be treated as Endowment policies.</p> <p>(b) For Whole Life by limited payments, bonuses will be allowed at the same rate as for Whole Life. The bonuses are admissible even after the completion of premium paying period for each year the policy has been in force for full sum assured.</p> <p>III <u>Interim Bonus</u> on death and maturity claims will be allowed till the next bonus declaration, at the rates as given in I and II above.</p> <p>IV. <u>Family Income Benefits in course of payment (where the life assured has died)</u></p> <p>Family Income Benefit to heirs or nominees of deceased life assureds will be increased by 4% from policy anniversaries in the year 2011 under with profit policies.</p> <p>Note: The percentage increase will be allowed on the actual benefit payable on policy anniversaries (including any prior increases) in the year 2010.</p> <p>V. <u>No Cash Value of Bonuses Until Three Years' Premiums Have Been Paid</u></p> <p>The Cash Value of bonuses will be payable on an in force policy if at least one of the following two conditions has been fulfilled:</p> <p>(i) The policyholder has actually paid at least three full years' premiums.</p> <p>(ii) The policy has completed at least three policy years.</p> <p>However, in case of a death claim, this condition will be waived and all bonuses whether declared or interim will be payable. Also, in the case of a death claim in the first three policy years, where the premiums are in arrears, in order to determine whether the policy could have been kept in force, cash values of bonuses will be taken into account.</p> <p>"Actual payment" means payment in cash/pay order/bank draft/cheque after it has been realised.</p>			
			<p>CHAIRMAN'S INITIALS</p> 

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<p style="text-align: center;"><u>Annexure C-3</u></p> <p style="text-align: center;"><u>Specified Major Surgical Benefit</u></p> <p style="text-align: center;">Accelerated payment of 50% of survival benefits subject to maximum accelerated payment of Rs250,000 (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)</p> <p>Specified Major Surgical Benefit, which was introduced for the first time at the 1992 valuation, will continue in 2009 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 2010, 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 2009 actuarial surplus.</p> <p>The six "specified surgeries" that are covered, provided they are caused by disease and not traumatic injury, are defined as follows:</p> <ol style="list-style-type: none"> 1. <u>Coronary artery by-pass surgery:</u> 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. <u>Surgery for a disease of the aorta:</u> 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. <u>Replacement of a heart valve:</u> 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. <u>Major organ transplant:</u> The actual undergoing of a transplant of a heart, heart and lung, liver, kidney or bone marrow as a recipient. 			

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<p>5. <u>Craniotomy:</u></p> <p>Any major neuro-surgical procedure on or in the brain, involving craniotomy.</p> <p>6. <u>Cancer surgery:</u></p> <p>Any major surgical procedure which is the direct result of cancer. For this purpose, cancer means a malignant tumour 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 and 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 and Table 74, then 50% of future instalment 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 instalments 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. Instalments 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 and 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 and 76.</p>			
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<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 less will be payable in advance, on undergoing a specified surgery, which is adjustable on maturity or death, if earlier.</p> <p><u>POSITION OF POLICY AFTER SPECIFIED MAJOR SURGICAL BENEFIT IS PAID</u></p> <p>The policy will continue to participate in the profits of the Corporation, and bonus will accrue on the full sum assured as before. Premium payable under the policy, including extra if any, will continue to be paid by the policyholder, unaltered. Any rider attached to the policy and premium payable thereunder, will be unaffected by the payment of specified major surgical benefit.</p> <p><u>CLAIM PROCEDURES</u></p> <p>Evidence of having undergone a specified surgery will have to be provided by the claimant to the satisfaction of, and at no cost to State Life. The claimant will have to send his policy document and submit a personal statement. Confidential statements will also be required from the physician making the original diagnosis and the concerned surgeons, including the surgeon who performed the operation. State Life may require any additional proof to support the claim e.g. reports, test results, medical examination of the life insured etc as it deems fit. The decision of State Life's Doctor, appointed for this purpose, will be final and binding.</p> <p>If policy is assigned then the official discharge and permission in writing of the assignee must be obtained before any amount may be advanced to the insured.</p> <p>If the policy has an irrevocable beneficiary, or the owner of the policy is not the insured then the official discharge and permission in writing must be obtained from the beneficiary/owner in writing before any amount can be advanced to the insured.</p> <p>If the benefit is claimed under Joint Life Assurance Policy or Jeevan Saathi Policy then both the insureds must request that the benefit be paid.</p> <p><u>ELIGIBILITY</u></p> <p>The age of the life insured must be between 20 and 65 at the date of the surgery.</p> <p>The policy must have been continuously in full force for at least 5 years at the date of surgery.</p> <p>The policy must be in force for the full sum assured, (that is not paid up for reduced sum assured) as at 31st December 2009 and at the date of the surgery. The benefit will NOT be available if the policy was lapsed or paid up as at 31st December 2009 and revived subsequently.</p>			
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<p>Benefits are only payable to with-profits Pakistan Rupee policies. Policies issued under Term Insurance plans, Personal Pension Scheme and Annuity plans are specifically excluded.</p> <p style="text-align: center;"><u>MISCELLANEOUS CONDITIONS</u></p> <ol style="list-style-type: none"> To obtain the specified major surgical benefit, the date of surgery must be between 1st January 2010 and 31st December 2010. <p>NB: The question of surgery after 31st December 2010 will be considered at the time of the 2010 actuarial valuation.</p> <ol style="list-style-type: none"> 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. 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. 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. 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). 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. 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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