

MINUTES OF 215TH MEETING OF THE BOARD OF DIRECTORS

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

CONFIDENTIAL AND RESTRICTED

The 215th Meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on Tuesday, 19th October, 2010 at 10.30 a.m. in the Board Room, State Life Building No.9, Dr. Ziauddin Ahmed Road, Karachi.

PRESENT:

- | | |
|----------------------------|-----------------|
| 1. Mr. Shahid Aziz Siddiqi | Chairman |
| 2. Mr. Shahid Rahim Shaikh | Director |
| 3. Mrs. Spenta Kandawalla | Director |
| 4. Mr. Aslam Faruque | 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:

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| 1. Mr. Amin Qasim Dada | Director |
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2. The meeting started with recitation of verses from the Holy Quran by the Syed Hur Riahi Gardezi.

ITEM (1) CONFIRMATION OF MINUTES OF 214TH MEETING OF THE BOARD OF DIRECTORS.

3. The minutes of the 214th meeting of the Board of Directors held on 7th September, 2010 together with implementation report were placed before the Board.

4. The Board of Directors at its 214th meeting had authorized ED (G&P) to do all such acts as are necessary for implementing of Health Insurance for the Recipients of Benazir Income Support Programme (BISP) Waseela-e-Sehat including signing of the Memorandum of Understanding with the Managing Director/Secretary Benazir Income Support Programme duly vetted by Legal Affairs Division.

5. DH(G&P) submitted before the Board that under Regulation 11 of State Life Insurance Corporation (General) Regulations, 1972, subject to any general or special directions of the Chairman, contracts of insurance and contracts with agents and employers of agents shall be made and signed on behalf of the Corporation by an Executive Director or an officer incharge of a Zone established by the Corporation or by any other class or category of officers who may, from time to time, be authorized by an Executive Director."

6. All contracts required by Law to be in writing shall be signed by such officer as may be authorized in this behalf by the Board.

- ⑦ Executive Director(G&P) requested the Board to authorize DH(G&P) to sign the Memorandum of Understanding in respect of above Health/Life Insurance Programme instead of ED(G&P). The Board felt that there was no need for change of

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

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<p>authorization from ED(G&P) to DH (G&P) as additional charge could be given to DH(G&P) in case ED(G&P) was not available for the above purpose or till such time that ED (G&P) was posted. Such a proviso should be made part of chart of Delegation of Financial Powers.</p> <p>Action: ED(G&P) ED(Act) DH(G&P) DH(Act)</p> <p>Action: ED(G&P) ED(Act) DH(G&P) DH(Act)</p> <p>Action: ED(P&GS) DH(P&GS) DH(Legal)</p> <p>Action: Secretary (Board)</p>	<p>(8.) The Chairman informed the Board that funds have been requested for the Health Insurance Scheme from the Ministry of Finance through the Ministry of Commerce.</p> <p>(9.) The Chairman further informed the Board that the Secretary/Managing Director of Benazir Income Support Programme has further requested State Life to develop a Life Insurance Scheme for the Bread Winners. The lives to be covered under this scheme would initially be about 500,000 which could increase further. A quotation of above scheme is under preparation and will be sent to the Benazir Income Support Programme/Ministry of Commerce.</p> <p>(10.) P&GS Division had informed the Board that a letter has been sent to M/s. Alpha Insurance Co. Ltd. conveying the decision of the Board for extending the indemnity cover to the Board Directors and requesting to provide the premium rate for the said policy M/s. Alpha Insurance has communicated that the rate would be intimated soon to State Life after consultation with Reinsurers. The Directors expressed their concern that a month and half has passed since the last meeting of the Board and the Director Liability Insurance policy has still not been finalized. The Board directed that the insurance policy should be finalized and got issued before the next Board Meeting to be held on the 6th of December' 2010. DH(P&GS) is also directed to take a necessary opinion in this regard from Mr. Mohsin Tayyab Ali through DH(LAD) as to whether such indemnity policy can be obtained for its Directors by a public sector Corporation.</p> <p>(11) Implementation report of 214th meeting of the Board of Directors were noted.</p> <p>(12) Mrs. Spenta Kandawalla, Director proposed and Syed Hur Riahi Gardezi, Director seconded that the minutes of 214th meeting of the Board of Directors be confirmed.</p> <p>(13.) Accordingly, it was resolved as under:-</p> <p>RESOLVED: "that the Minutes of 214th meeting of Board of Directors held on 7th September, 2010 are confirmed."</p> <p>ITEM (2) CONSIDERATION AND APPROVAL OF RECOMMENDATIONS IN MINUTES OF 35TH MEETING OF BOARD AUDIT COMMITTEE HELD ON 17TH SEPTEMBER, 2010.</p> <p>14. The minutes of the 35th meeting of Board Audit Committee held on 17th September, 2010 was presented before the Board of Directors for consideration and approval of decisions/recommendations made by the Committee.</p>		

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<p>Action: ED(PHS) DH(PHS)</p>	<p>15. The minutes also contained the following implementation/compliance reports relating to the 34th meeting of the Board Audit Committee:-</p> <p><u>Un-reconciled balances</u> BAC desired that as decided upon in the 34th BAC meeting, the remaining work on the above subject be completed by the end of the year and a report there on be submitted by PHS Division. A presentation on the progress to date be submitted to the BAC at its meeting to be held early next year.</p> <p><u>Application of IFRS-4</u> DH(F&A) informed that no significant progress on the above subject has yet been made by ICAP as consensus could not be reached due to heavy taxation that would be leviable on the applications of IFRS-4. The application of IFRS-4 was being opposed by all the Life Insurance Companies in Pakistan, whereas the IFRS-4 has been implemented in the Gulf because of the tax free regime there.</p> <p>DH(F&A) further told that in case IFRS-4 is enforced, 90% of the required work has already been completed by the F&A Division.</p> <p>Action: ED(F&A) DH(F&A)</p> <p>BAC desired that DH(F&A) submit a position paper at its next meeting as to what would be the implication of IFRS-4 on SLIC and what type of 90% contingency plan has been prepared by F&A Division to cope with this impending legislation.</p> <p><u>Examination of Budget Proposals for the year 2010 and revised budget estimates for the year 2009(Progress of Curtailing Acquisition Cost Committee).</u> The Board Audit Committee directed that a report be prepared and submitted on proposals finalized by the Curtailing the Acquisition Cost Committee for resolving this issue and a memorandum be submitted to the Board of Directors at their meeting to be held on 19-10-2010.</p> <p><u>Enterprise Resource Planning (ERP) Information System</u> BAC showed its concern for not convening of the meeting of I.T. Steering Committee on the above subject despite instructions of the BAC given to I.T. Division at its last meeting for referring the matter for exclusive discussion.</p> <p>The Board Audit Committee directed ED(IT) to convene a meeting of I.T. Committee and minutes of the outcome be submitted in the next BAC meeting.</p> <p><u>Contingencies</u> DH(F&A) explained that a meeting was held by him with DH(L.A.), who presented statement of pending cases for and against State Life. DH(L.A.) was optimistic about winning all the court cases in favour of SLIC, as such DH(L.A.) felt that no contingent liability would arise, therefore no provision was required in the accounts.</p>		

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Action: ED(F&A) DH(F&A)	<p>The Board Audit Committee directed DH(F&A) for taking up the matter with the External Auditors for removal of their observation under intimation to BAC.</p>		
Action: DH(Inv)	<p><u>Investment Portfolio</u></p> <p>✓ The Board Audit Committee desired that DH, Investment Division should submit a detailed report to the Board of Directors at its meeting to be held on 19-10-2010 about the investment activities during the last three years in Pakistan and Gulf Regions.</p>		
Action: DH(Inv)	<p>The investment report should specifically mention the procedure for decision making and who is responsible for taking investment decisions in Pakistan and Gulf countries as to Capital Market for ordering the sale and purchase of securities including treasury bills, PIBs, TFCs, Corporate Debts, placement of funds in banks etc.</p>		
Action: ED(F&A) DH(F&A)	<p><u>Observations of Government Auditors</u></p> <p>DH(F&A) informed BAC that Government Audit had been just completed for the financial year 2009 and that they have given twenty paras pertaining to various Divisions. The replies from the concerned Divisions are in finalization stage after which replies would be firmed up.</p> <p>BAC desired that Government Audit Report should be submitted in the next BAC meeting.</p>		
Action: DH(IA&C)	<p><u>Presentation by DH(IA&C) Division for enhancing the scope of internal audit in State Life Insurance Corporation of Pakistan.</u></p> <p>DH(IA&C) informed BAC that a Committee comprising of DH(IA&C), DH(Corporate Affairs), DGM(F&A), AGM(IA&C) & AGM(F&A) has been constituted with the approval of the Chairman SLIC to review the Internal Audit Manual prepared by M/s. Yousuf Adil & Co. and submit their recommendations in the light of new Insurance Ordinance, 2000, on going automation in SLIC and revised Chart of Delegation of Financial Powers and change in Investment & Real Estate policies subsequent to the preparation of Internal Audit Manual. DH(IA&C) informed BAC that a telephonic contact has also been made with the CEO of M/s. Sidat Omer Murshid Company for submission of estimated cost of the work if the work of review of existing Internal Audit Manual and revision thereof in the light of above mentioned changes, implementation and training of Audit Managers is awarded to them.</p> <p>BAC directed for the submission of a progress report by DH(IA&C) in the next BAC meeting.</p>		
	<p><u>G&P Premium Receivable from the Punjab Government</u></p> <p>BAC was informed by DH(F&A) that uncollectable premium of Rs.736.769 of G&P Division has already been written off by the BOD in 211th meeting held on 19-04-2010 as recommended by F&A Division in its memorandum, but G&P Division was un-ware about the outcome of their proposal till July, 2010.</p>		

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<p>Action: DH(G&P) DH(F&A)</p> <p>Action: ED(F&A) DH(F&A)</p> <p>Action: ED(RE) DH(RE)</p> <p>Action: ED(RE) DH(RE)</p> <p>Action: ED(RE) DH(RE)</p>	<p>BAC showed its concern for lack of coordination between the G&P and F&A Division and directed DH(F&A) and DH(G&P) for improving the intra-divisional coordination.</p> <p><u>Revised Chart of Delegation of Financial Powers</u> BAC directed DH(F&A) to arrange a meeting of all the Executive Directors for review and finalization of Revised Chart of Delegation of Financial Powers and its submission to the Board of Directors at its next meeting to be held on 19-10-2010 for approval.</p> <p><u>Information Technology (IT) Security Policy</u> BAC desired that I.T. Division should convene a meeting of the I. T. Steering Committee on the above subject and submit its report in the next BAC meeting giving details of the expenditure incurred and updated progress of work.</p> <p><u>Corporation Occupied Properties</u> BAC took a serious note for not bringing this item in the last R.E. Committee meeting despite clear instructions of the BAC. However, BAC directed DH(RE) that, this item must be placed before the R.E. Committee in its next meeting and outcome be forwarded in the BAC meeting.</p> <p><u>Investment Properties</u> BAC took a serious note on the observations of Mr. Rasheed Y. Chinoy that "some of the buildings are in mess and shambles" therefore, BAC desired for a meeting of the Real Estate Committee on 18-10-2010 and for submission of a report of DH(RE) in the next BOD meeting having following information:</p> <p>Details of renovation of buildings in last four years and details of expenditure of Rs.718 million incurred with each building wise break up of budget estimate and expenditure:</p> <ol style="list-style-type: none"> Total rentable area, Vacant area Area occupied by SLIC offices Area let out to private parties. <p>BAC also desired that R.E. Division must revisit the occupancy area of SLIC offices and suggest how much occupancy should be kept by SLIC for doing the business efficiently and how much additional area can be let out from the area presently occupied by the SLIC offices.</p> <p>BAC also desired that the Record Spaces (Policy Files) of the buildings may be separated in order to know that how much space is in use for record storage by PHS, F&A, P&GS, Investment, I.T., Corporate Affairs, IA&C Division, etc.</p>		

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<p>Action: DH(LA&C) DH(F&A)</p> <p>Action: DH(Mkt) DH(G&P) DH(Inv) DH(P&GS) DH(RE)</p> <p>Action: DH(RE)</p> <p>Action: DH(P&GS)</p> <p>Action: DH(G&P)</p>	<p>Discussion on Anti Fraud Program BAC was informed that a meeting of DH(LA&C) and DH(F&A) with the External Auditors was held on 07-09-2010 for obtaining their view point on the subject. In the light of the meeting the framing of anti-fraud program is in progress in F&A and LA&C Division.</p> <p>BAC desired for submission of progress report by DH(LA&C) and DH(F&A) jointly in the next BAC meeting.</p> <p>Review of six monthly accounts and consideration of any deviation to approved budget. DH(F&A) gave a presentation on six monthly accounts and informed that no major deviation from the budget was noted.</p> <p>BAC directed for submission of following information in the next BAC meeting by respective Divisional Heads of Marketing, G&P, Investment, P&GS and Real Estate Divisions:</p> <ol style="list-style-type: none"> Five years graph of the following areas for Marketing, G&P, Investment, Real Estate Division: <ol style="list-style-type: none"> Overall performance. First Year Premium, Second Year Premium, Renewal Premium & Second Year and Third Year and later persistency. Group Insurance Premium received, claims paid, profit commission paid to policyholders and administrative expenses recovered. Rent received. Details of six monthly expenditure on rental buildings amounting to Rs.62.828 million for the period January to June, 2010. Details of six monthly training expenditure amounting to Rs.3.242 million for the period January to June, 2010. <p>Review of G&P Business Performance & Expenditure during the year 2009 DH(G&P) explained the premium and expense ratio of his Division during the years 2008-2009, wherein the premium is almost stagnant and expenses were showing a rising trend. DH(G&P) informed that expenses are within the permissible limit of expense ratio. He further added that the Investment Division was not passing on the profits to G&P Division, earned on the investment of its funds, which resulted in under statement of its performance after payment of profit commission to the policyholders and deduction of the claims and recovery of administrative expenses by SLIC allowed as per contract.</p> <p>BAC directed that it must be made as an agenda item for BOD meeting of 19-10-2010 and DH(G&P) would make a thorough presentation.</p>		

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<p>Action: DH(Act)</p> <p>Action: DH(IA&C)</p> <p>Action: Secretary (C)</p> <p>Action: ED(RE) DH(RE)</p> <p>Action: ED(RE) DH(RE)</p>	<p><u>Actuarial Valuation of Policies</u> DH(Actuarial) briefed the BAC about the 26% increase in bonus on individual life policies and the current position of Pakistan Life Fund.</p> <p>BAC desired for submission of breakup of ratio of policies of rural and urban areas.</p> <p>✓ <u>Appointment of Statutory Auditors for audit of accounts for the period ending 31st December, 2009</u> DH(F&A) explained that the Statutory Auditors Riaz Ahmed & Co. and Anjum Asim Shahid Rahman were getting Rs.690,000 audit fee plus Rs.400,000 out of pocket expenses since the year 2006 and that they have now quoted the rate of Rs.900,000 plus Rs.500,000 out of pocket expenses. The total audit fee for the year 2010 would be Rs.1400,000 for Pakistan, which is 28% higher than the audit fee for the previous year.</p> <p>For Gulf Region, DH(F&A) recommended the negotiated audit fee of Dh. 40,000 and Dh.10,000 out of pocket expenses in favour of Sajjad Hyder & Co. which is 50% higher than the last year audit fee of Dh.33,350/-.</p> <p>BAC agreed to the recommendations of DH(F&A) for appointment of Statutory Auditors at increase of 28% audit fee for Pakistan and 50% increase for Gulf Region.</p> <p>BAC directed that next BAC meeting would be held on 10th November, 2010.</p> <p>16. Accordingly, the Board resolved as under:</p> <p><u>RESOLVED:</u> "that the minutes of 35th meeting of Board Audit Committee held on 17th September, 2010 together with observations/recommendations are approved."</p> <p>ITEM (3) CONSIDERATION AND APPROVAL OF RECOMMENDATIONS IN MINUTES OF 14TH MEETING OF REAL ESTATE AND INVESTMENT DIVISION COMMITTEE.</p> <p>17. The minutes of the 14th meeting of Real Estate and Investment Division Committee held on 18th October, 2010 were presented before the Board of Directors for consideration and approval of its recommendations, however the minutes required some corrections as such it would be submitted to the Board at its next meeting to be held on 6th December, 2010 after getting it confirmed from the members of the Real Estate and Investment Division Committee at its meeting to be held on 29th November, 2010.</p> <p>18. The Board directed DH(RE) to submit to Real Estate and Investment Division Committee a strategic plan for Real Estate Division including management and maintenance of properties, construction of new buildings, purchase of plots and properties, mutation of properties, restructuring and rationalization of personnel and steps to be taken to maximize yield on properties.</p>		

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<p>Action: ED(RE) DII(RE)</p> <p>Action: ED(RE) DII(RE)</p> <p>Action: ED(RE) DII(RE)</p>	<p>19. The Board also directed that a Memorandum be submitted to the Board giving therein details of procedure to be followed for hiring of services of brokerage consultant for renting out of vacant areas. The Board desired that efforts should be made to ensure that rental yield on properties should be at least 5% of the market value of the property.</p> <p>20. The Board also desired that a Memorandum be put up before the Board giving therein details of seismic zoning of Islamabad Tower so that the Board can review the same and take necessary decision as to change in design of Islamabad Tower Building. The view point of consultant, contractors and legal advisor be also incorporated in the Memorandum. The saving that would arise out of the recommendation of the Real Estate Division be also put up before the Board.</p> <p>21. The Board further advised that in future at the time of appointment of consultants PPRA Rules should be strictly followed and selection of consultants be based on proper competition.</p> <p>ITEM (4) REPAIR/REPLACEMENT OF COMMON SEAL OF THE CORPORATION.</p> <p>22. Secretary Board presented before the Board, a Memorandum for repair/replacement of Common Seal of the Corporation.</p> <p>23. The Corporation is required vide Article 11(2) of the Life Insurance Nationalization Order, 1972 to have a Common Seal.</p> <p>24. The design for the Common Seal was approved by the Board of Directors of State Life at its 2nd meeting held on Thursday, the 2nd November, 1972 at Karachi. It was then decided that the Common Seal would be on the same pattern as the official seal though somewhat larger in size. The Board had then decided that Mr. D. M. Qureshi, the then Director would get it prepared from the Mint after consulting the ICP Office where a common seal was also in use.</p> <p>25. The design for the official seal vide Article 33(1) of the Life Insurance Nationalization Order, 1972, tentatively approved by the Board was circular in shape with the words "State Life Insurance Corporation of Pakistan" printed all along the inner circumference and the words "State Life" at the centre.</p> <p>26. Under Article 49 of Table-A of First Schedule of the Companies Ordinance, 1984 the common seal shall not be affixed to any instrument except by the authority of a resolution of the Board of Directors or by a Committee of Directors authorized in that behalf by the Directors and in the presence of atleast two Directors and of the Secretary or such other person as the Directors may appoint for the purpose; and those two Directors and Secretary or other person as aforesaid shall sign every instrument to which the seal of the company is so affixed in their presence.</p>		
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<p>Action: ED(P&GS) DH(P&GS) Secretary Board)</p> <p>Action: Chairman ED(P&GS) DH(P&GS) Secretary (Board)</p>	<p>27. The common seal available in the Corporate Affairs Division and presently in use is not giving proper print on affixation on official documents and needs to be repaired or replaced if repair is not possible. The Chairman, State Life be authorized to approve repair/replacement of the common seal as the case may be. The existing common seal if replaced will be destroyed in the presence of a Board Director.</p> <p>28. Accordingly, the Board was resolved as under:</p> <p>RESOLVED: "that since the common seal available in the Corporate Affairs Division and presently in use is not giving proper print on a affixation on official documents, its repair or replacement if not repairable is hereby approved."</p> <p>"that the Chairman State Life is authorized to approve repair/replacement of the common seal and any change therein as the case may be. The existing common seal if replaced will be destroyed in the presence of a Board Director."</p> <p>ITEM (5) BUSINESS REVIEW OF MARKETING, G&P, INVESTMENT AND REAL ESTATE DIVISIONS FOR THE PERIOD ENDED 30-09-2010.</p> <p>29. The business review of Group & Pension and Investment Divisions for and upto the period ended on 30th September, 2010 were placed before the Board.</p> <p>30. ED(G&P) presented before the Board the business review for and upto the month of September, 2010 during which G&P Division collected a total premium of Rs.2,647.178 million as against Rs.2,405.045 million for the corresponding period of last year showing an increase of 10.07%. The forecast for the year 2010 for G&P Division is Rs.4,318.607 million. The total premium collected upto 30th September, 2010 represents 61.3% of the forecast of the year. The number of new policies sold so far during the year 2010 is 167 as against 160 during the year 2009.</p> <p>31. During the period for and upto the month of September, 2010, Karachi Zone collected a total premium of Rs.947.749 million as against Rs.647.835 million of last year showing an increase of 46.29%. Lahore Zone collected a premium of Rs.980.908 million as against Rs.1,115.854 million of last year showing a decrease of 12.09%. Rawalpindi Zone collected a premium of Rs.348.095 million as against Rs.308.043 million last year showing an increase of 13.00%. Peshawar Zone collected a total premium of Rs.370.426 million as against Rs.333.313 million showing an increase of 11.13%. The premium forecast for the year 2010 for Karachi Zone, Lahore Zone, Rawalpindi Zone and Peshawar Zone is 1,477.931 million, 1,423.489 million, 750.128 million and 667.05 million respectively.</p>		

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	<p>32. The reasons giving by G&P Division for variances as compared to last year is as follows:-</p> <ul style="list-style-type: none"> • Lapsation of two groups i.e. Muslim Commercial Bank and Habib Bank resulted into a deficit of Rs. 54 million. • Loss of Wapda's Group Policies resulted into a negative impact of Rs.87 million in 2010. • A premium of Rs. 200 million is yet to be received from Government of Punjab. • Last year premium collected by Sui Northern Gas was about Rs. 22.977 million but in 2010 adhoc premium of Rs. 12.8 million was received. • A premium of Rs. 33 million is yet to be received from Fauji Foundation. <p>33. SGM(Investment) presented before the Board, business review of Investment Division for and upto the month of September 2010. The book value of investment portfolio which was Rs.205,805 million as on December 31, 2009 was estimated to have increased to Rs.220,804 million as on September 30, 2010 showing an increase of Rs.14,999 million and a percentage increase of 7.29% during the period ended September 30, 2010. The investments in Government securities, corporate debts, equities, bank deposits, investment property and loans to policyholders were Rs.155,373 million, Rs.4,850 million, Rs.25,471 million, Rs.14,781 million, Rs.2,733 million and Rs.17,596 million respectively.</p> <p>34. State Life earned Rs.17,661 million on its Investment portfolio excluding unrealized gain on Investment for and upto the month of September, 2010 as compared to Rs.15,018 million earned during the same period of last year. The book value of quoted equity portfolio stood at Rs.23,502 million at 30th September, 2010 while its market value was Rs.43,162 million showing an appreciation of Rs.19,659 million as on September 30, 2010. State Life purchased shares in the amount of Rs.793,786 million during the period under review and sold shares costing Rs.88 million for Rs.306 million, realizing capital gain of Rs.218 million.</p> <p>35. The Board was informed that the total investment of the Corporation in Pakistan Investment Bonds(PIBs) floated by Government of Pakistan since December 2000 including accrued interest as at September 30, 2010 was Rs.144,764 million. This constituted 65.56% of the total investment portfolio. The total investments in Government Securities amounted to Rs.155,373 million which constituted 70.37% of the total portfolio. As advised by Appointed Actuary of the Corporation, the Corporation purchased PIBs of 10, 20 and 30 years duration with a face value of Rs.6.900 billion at a cost of Rs.6.704 billion.</p> <p>36. The corporate debts included investments in TFCs of different companies such as Pakistan Mobile Communication Ltd., Engro Chemicals Ltd., and Pak Arab Fertilizer Ltd, etc. This also includes Rs.2,100 million paid to NITL under State Enterprise Fund guaranteed by GOP. The total investment in Corporate Bonds was Rs.4,850 million as on September 30, 2010.</p> <p>37. The Board noted the business figures of Group & Pension and Investment Divisions for the period ended on 30th September, 2010.</p>		

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

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ITEM (6) PURCHASE OF COMPUTER HARDWARE.

(38) Executive Director(P&GS) presented before the Board, a Memorandum to consider and approve the purchase of computers and peripherals at a total cost of Rs.21,853,618(Rupees twenty one million eight hundred fifty three thousand six hundred and eighteen).


(39) The implementation of Pre-packaged software solution (core insurance and ERPs) at State Life Insurance Corporation at State Life Insurance Corporation of Pakistan is underway. The Board of Directors in its 205th meeting held on December 22, 2009 had approved 'total current revised budget' of Rs.472.15 million for current procurement of Hardware, Software, Network Infrastructure and related revenue expense (copy of the minutes was placed at Annexure-A to the Memorandum).

(40) The Board was informed that essential equipment required for implementation of pre-packaged software at this stage and requirement of various Divisions/Departments in Principal Office is as under:-

Category	Description of Equipment	Quantity
1-Type-1	Desktop PC Core-i3 with MS Windows OS and MS Office	100
1-Type-2	Desktop PC Core-i5 with MS Windows OS	100
2	Laptop Core-i3 with MS Windows OS and MS Office and anti-virus	06
3-Type-1	Laser Jet Printer	55
3-Type-2	Laser Jet Network Printer	04
4	Laser Jet color Printer	01
5	Dot Matrix Printer	05
6	Line Matrix Printer	02
7	Data Communication Switch	12

(41) ED(P&GS) submitted that as per standard procedure, Tender Document was prepared which contains configuration of each type of equipment along with general terms & conditions. The criterion for technical and financial evaluation of the bids was set to 60% and 40% respectively by using weighted average formula. As per criterion, firms securing less than 50% points in the technical evaluation are disqualified and their financial bids are not opened. The firm securing highest points (technical and financial combined) is selected for supply and installation of respective equipment category. The criterion is compliant with open bidding process of PPRA Rules.

(42) The advertisement was published in leading newspapers on July 05, 2010; it was also placed on PPRA and State Life websites as per rules. Tender Document was issued to all interested firms / vendors. In total, 13 firms submitted financial and technical bids for various categories of equipment. Central Procurement Committee(CPC) opened technical Bids on 30.07.2010 and technical evaluation was completed by IT Division on 18.08.2010. Subsequently financial bids were opened by CPC in presence of potential bidders already invited on the same day.

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Comparative statement of bids collected for each category of equipment containing technical & financial scores was prepared and placed at Annexure-B to the Memorandum).

43. ED(P&GS) submitted before the Board that based on technical & financial evaluation report, central procurement committee has recommended the bids of following firms as 'lowest evaluated bid' in different categories:-

Category Sr. No.	Category of Equipment	Lowest Evaluated Bidder's Name	Quantity Required	Unit Price (Rupees)	Total Price (Rupees)
1-1	PC Core-I3	Micro Innovations & Tech.	100	87,250	8,725,000
1-2	PC Core-i5	Micro Innovations & Tech.	100	80,450	8,045,000
2	Laptop	Micro Innovations & Tech.	06	80,950	485,700
3-1	Laser Printer	Jaffar Brothers (Pvt.) Ltd.	55	31,849	1,751,695
3-2	Network Laser Printer	Jaffar Brothers (Pvt.) Ltd.	04	204,159	816,636
4	Color Laser Printer	New Horizon Computers	01	122,363	122,363
5	Dot Matrix Printer	Kontinental Establishment	05	54,750	273,750
6	Line Matrix Printer	Computer Marketing Co.	02	799,637	1,599,274
7	Data Comm. Switch	Micro Innovations & Tech.	12	2,850	34,200

44. The Board of Directors is requested to consider and approve the purchase of computers and peripherals mentioned above at a total cost of Rs.21,853,618/= (Rupees twenty one million eight hundred fifty three thousands six hundred and eighteen).


45. Accordingly, the Board resolved as under:

RESOLVED:

"that as recommended by ED(P&GS) in his Memorandum and Central Procurement Committee(CPC) based on technical and financial evaluation reports, the bids of the following firms as (lowest evaluated bid) in different categories of computers and peripherals at a total cost of Rs.21,853,618/= (Rupees twenty one million eight hundred fifty three thousands six hundred and eighteen) is hereby approved."

Category Sr. No.	Category of Equipment	Lowest Evaluated Bidder's Name	Quantity Required	Unit Price (Rupees)	Total Price (Rupees)
1-1	PC Core-i3	Micro Innovations & Tech.	100	87,250	8,725,000
1-2	PC Core-i5	Micro Innovations & Tech.	100	80,450	8,045,000
2	Laptop	Micro Innovations & Tech.	06	80,950	485,700
3-1	Laser Printer	Jaffar Brothers (Pvt.) Ltd.	55	31,849	1,751,695
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6	Line Matrix Printer	Computer Marketing Co.	02	799,637	1,599,274
7	Data Comm. Switch	Micro Innovations & Tech.	12	2,850	34,200

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tion:
ED(P&GS)
ED(IT)
DH(P&GS)
DH(IT)

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The laid down criteria for the above decision is compliant with open bidding process of PPRA rules. "

ITEM (7) APPOINTMENT OF STATUTORY AUDITORS FOR AUDIT OF ACCOUNTS FOR THE YEAR ENDING 31ST DECEMBER, 2010.

46. General Manager(F&A) presented before the Board, a Memorandum dated September 27, 2010 for approval of appointment of Statutory Auditors for audit of accounts of State Life Pakistan and Gulf Zone operations for the year ending 31st December, 2010 and their audit fees and out of pocket expenses.

47. A proposal was submitted to the Board Audit Committee for appointment of statutory auditors for audit of accounts for the year ended 31st December, 2010, which was considered in its meeting held on 17th September, 2010. The main points of the proposal are as follows:

- i) The following firms have audited accounts for 2009:
 - M/s. Riaz Ahmad & Co., Chartered Accountants, Lahore.
 - M/s. Anjum Asim Shahid Rahman, Chartered Accountants, Karachi.
 - M/s. Sajjad Haider & Co., Dubai [for Gulf Zone]
- ii) For Pakistan Business, it was proposed to retain and appoint both the firms who have audited the accounts for 2009 because none of the firms has completed its five years cycle. M/s. Riaz Ahmad & Co., were appointed for audit of accounts for the years 2008 and 2009 while M/s. Anjum Asim Shahid Rahman were appointed for the audit of accounts for 2009.
- iii) BAC was further informed that both the firms have shown their willingness but have requested for increase in their remuneration. The audit fee and out of pocket expenses for previous five years are as under:-

Year	Name of firm	Fees (Rs)		
		Audit Fee	Out of pocket expenses	Total
2005	M/s. Anjum Asim Shahid Rehman	600,000	360,000	960,000
" "	M/s. Avals Hyder Nauman Rizwani	600,000	350,000	950,000
2006	M/s. Anjum Asim Shahid Rehman	690,000	414,000	1,104,000
" "	M/s. Avals Hyder Nauman Rizwani	690,000	402,500	1,092,500
2007	M/s. Anjum Asim Shahid Rehman	690,000	414,000	1,104,000
" "	M/s. Avals Hyder Nauman Rizwani	690,000	402,500	1,092,500
2008	M/s. Avals Hyder Nauman Rizwani	690,000	402,500	1,092,500
" "	M/s. Riaz Ahmad & Co.	690,000	400,000	1,090,000
2009	M/s. Anjum Asim Shahid Rehman	690,000	402,500	1,092,500
" "	M/s. Riaz Ahmad & Co.	690,000	400,000	1,090,000

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- iv) BAC was informed that the audit fee and out of pocket expenses were revised in 2006 which remained almost the same upto 2009. The request of Statutory Auditors for a reasonable increase in their audit fee/out of pocket expenses seems to be genuine. It was proposed to retain and appoint both firms and to increase the Audit Fee and out of pocket expenses in respect of both the auditors to Rs.900,000/- and Rs.500,000/- respectively.
- v) For Gulf Zone, M/s. Sajjad Haider & Co., Dubai, were appointed to audit accounts for the year 2009 and were paid audit fee/out of pocket expenses of Dh.25,300/- and Dh.8,050. They have been auditing accounts of Gulf Zone since 2005 and the same audit fee/out of pocket expenses are being paid to them from 2006 to 2009.
- vi) They are willing to audit the accounts of Gulf Zone for 2010 and have demanded for Dh.60,000 and Dh.10,000/- as audit fee/out of pocket expenses. The increase in audit fee/out of pocket expenses has been demanded because the UAE authorities have made it mandatory for all insurance companies to implement IFRS-4.
- vii) It is worth mentioning here that the Corporation paid Dh.40,300/- against Dh.25,300/- as audit fee for the year 2009. This deviation from approved audit fee of Dh.25,300/- was due to implementation of IFRS-4 to the fullest in Gulf for insurance companies. The extra amount of Dh.15,000 was paid with the approval of Chairman, State Life.
- viii) The Board Audit Committee was requested to retain the firm and increase audit fee and out of pocket expense to Dh.40,000/- and Dh.10,000/- respectively, as against Dh.25,300/- and Dh.8,050/- for 2009.

48. The Board Audit Committee considered the above proposal and recommended to retain and appoint M/s. Riaz Ahmad and Co., and M/s. Anjum Asim Shahid Rahman for audit of accounts of Pakistan Business for 2010 and M/s. Sajjad Haider & Co., for Gulf Zone at the following fee/out of pocket expenses:

Name of Firm	Existing Fee			Proposed Fee			% Inc.
	Audit fee	Out of pocket exp	Total	Audit fee	Out of pocket exp	Total	
Riaz Ahmad & Co.	690,000	400,000	1,090,000	900,000	500,000	1,400,000	28%
Anjum Asim Shahid Rahman	690,000	402,500	1,092,500	900,000	500,000	1,400,000	28%
Sajjad Haider & Co.	Dh. 25,300	Dh. 8,050	Dh. 33,350	Dh. 40,000	Dh. 10,000	Dh. 50,000	50%

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<p>49. Based on the recommendations of Board Audit Committee, a letter was written on 20th September, 2010 to the Ministry of Commerce for obtaining concurrence of the Auditor General of Pakistan regarding appointment of auditors for Pakistan Business as well as their audit fee/out of pocket expenses. A copy of the letter written to the Ministry is enclosed as Annexure-A to the Memorandum for kind perusal please.</p> <p>50. The Board was requested to approve the appointment of all three firms of Chartered Accountant on receipt of concurrence from the Auditor General of Pakistan through Ministry of Commerce.</p> <p>51. Accordingly, the Board resolved as under:</p> <p>RESOLVED:</p> <p>"that the recommendation of Board Audit Committee for appointment of M/s. Riaz Ahmad & Co. and M/s. Anjum Asim Shahid Rahman as Statutory Auditors for audit of accounts of State Life Pakistan Business for the year ended 31st December, 2010 at a fee of Rs.900,000 and out of pocket expenses of Rs.500,000 each is hereby approved. The concurrence for their appointment be obtained from the Auditor General of Pakistan through Ministry of Commerce."</p> <p>"that the recommendation of Board Audit Committee for appointment of M/s. Sajjad Haider & Co. as Statutory Auditor for audit of accounts of State Life Gulf Zone Business for the year ended 31st December, 2010 at a fee of Dh.40,000 and out of pocket expenses of Dh.10,000 is hereby approved. The concurrence for their appointment be obtained from the Auditor General of Pakistan through Ministry of Commerce."</p> <p>"that a written undertaking be obtained from the Auditors that they will not ask for further increase in audit fee or out of pocket expenses for the remainder term."</p> <p>"that in future, fee for each year of the term be clearly specified in the bid and no subsequent escalation be allowed."</p> <p>ITEM (8) INCREASE IN AUTHORIZED CAPITAL AND PAID UP CAPITAL</p> <p>52. General Manager(F&A) presented before the Board, a Memorandum for approval of increase in authorized and paid up capital of State Life.</p> <p>53. State Life operates in Gulf States (UAE, Saudi Arabia and Kuwait) through its Gulf Zone which not only provides life insurance coverage to Pakistanis living in these countries but also helps in building positive image of the country in Gulf States.</p> <p>54. After the establishment of Gulf Zone, steady progress has been made in the business of State Life. The progress of the Zone is apparent from increase in total premium from Rs.3.33 million in 1978 to Rs.1,088 million in 2009. Premium of the zone for last five years is as under:</p>			

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

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

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

Action:
ED(F&A)
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Secretary
(BAC)

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(Rs. in million)

Premium	2005	2006	% Inc	2007	% Inc	2008	% Inc	2009	% Inc
FYP	141	160	13%	159	-1%	199	25%	250	26%
2 nd year	112	118	5%	115	-3%	150	30%	164	9%
Renewal	293	323	10%	387	20%	492	27%	674	37%
Total	546	601	10%	661	10%	841	27%	1,088	29%

55. UAE Government revises paid up capital of insurance companies operating in UAE from time to time. Lastly, the UAE Govt. has fixed paid up capital of insurance companies as AED 50 million. This is equivalent to the present paid up value of State Life of Rs.1,100 million.

56. As and when the UAE authorities made a law to raise the paid up capital of insurance companies, State Life had to enhance its authorized and paid up capital to cope with the requirements of UAE Government. In 1972, the paid up capital of the Corporation was Rs.10 million which was raised to Rs.30 million by converting Federal Govt.'s loan of Rs.20 million into equity. Except this increase, all subsequent increases in authorized and paid up capital of the Corporation were made to meet the legal requirements of UAE Govt. The history of increases in paid up capital is narrated in following paragraphs.

57. In 1984, the Govt. of UAE promulgated a Federal Law which prescribed the minimum Paid up capital limit of Dh.10 million for all insurance companies operating in UAE which was revised to Dh.50 million by June, 2001. To comply with the requirement of law of UAE and to cater for any future devaluation of Pak Rupee, the Paid up Capital of State Life was revised in phases as under:

Year	Increase in Paid up Capital		How the increase was met
	From	To	
1986	30 million	55 million	By conversion of Govt. loan
1992	55 million	75 million	By conversion of actuarial surplus
1994	75 million	100 million	By conversion of actuarial surplus
1999	100 million	350 million	By Grant of Rs.200 Mn by Govt.
2000	350 million	750 million	By Grant of Rs.400 Mn by Govt.
2003	750 million	900 million	Corporation's own resources
2009	900 million	1,100 million	By conversion of actuarial surplus

58. The authorized capital was also increased from Rs.100 million to Rs.200 million in 1994. It was further enhanced to Rs.1,000 million in 2000 and Rs.1,500 million in 2009.

59. The UAE Govt. has now issued directives vide Resolution No.42 of 2009 for all insurance companies to raise their paid up capital equivalent to AED 100 million in three years period ending by 2012. The copy of notification downloaded through internet and provided by General Manager (Investment) is placed at Flag "A" to the Memorandum.

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Action: ED(F&A) DH(F&A)	<p>60. DH(F&A) submitted that in order to keep the presence of State Life in UAE and safeguard interest of overseas Pakistanis in Gulf States, it is mandatory that the paid up capital of the Corporation be enhanced to cater to the requirement of UAE laws. Keeping in view the present and future exchange rate of Dirham vs Rupee, it is estimated that the paid up capital will have to be raised to Rs.2,500 million so that it may meet the requirement of UAE law of AED 100 million in 2012. Likewise the authorized capital will also require upward revision from Rs.1,500 million to at least Rs.3,000 million.</p> <p>61. DH(F&A) further informed that since the requirement of increase in paid up capital is more than double, it will not be possible for the Corporation to meet the entire requirement from the Govt. share of surplus/dividend. The requirement will therefore have to be met partially by withholding the Govt. share of surplus/dividend and partly by injection of funds by Govt. of Pakistan.</p> <p>62. The Board was therefore requested to approve the increase in paid up capital and authorized capital to Rs.2,500 million and Rs.3,000 million respectively in phased manner equally in 2010, 2011 and 2012 and allow to refer the matter to Ministry of Finance through Ministry of Commerce for concurrence/approval.</p> <p>63. Accordingly, the Board was resolved as under:</p> <p>RESOLVED: "that the recommendation of DH(F&A) for increase in paid up capital and authorized capital of State Life to Rs.2,500 million and Rs.3,000 million respectively in phased manner equally in 2010, 2011 and 2012 and to allow referral of the matter to the Ministry of Finance through Ministry of Commerce for concurrence/approval is hereby approved."</p> <p>ITEM (9) POSITION PAPER ON FIXED ASSETS REGISTER AND PHYSICAL VERIFICATION – DEVELOPMENT OF COMPUTER SOFTWARE.</p> <p>64. The Board Audit Committee at its 34th meeting held on 8th July, 2010 had instructed IT Division to obtain a letter from M/s Sidat Hyder Murshid & Co. to explain as to how the coding system on IT would be different from the existing system. Accordingly, IT Division was informed, as such a clarification note has been received from IT Division in this regard which was enclosed at Annex.-A to the Memorandum.</p> <p>65. As instructed by BAC, letters were written by GS Department to the Zonal Heads to confirm completion of Fixed Assets Registers and their physical verification. Confirmation have been received from most of the zones, excepting Karachi Eastern, Sukkur, Bahawalpur and Lahore Western Zones which is being followed up by GS at Principal Office.</p> <p>66. The BAC had also directed for drafting a Policy Paper governing fixed assets as to their acquisition and disposal. The Policy Paper has been prepared, details of which was given in the Memorandum for review and consideration of the Board.</p>		

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<p>67. GS Department of P&GS Division at present proceed for procurement of capital items as per requirements of the Divisions at Principal Office and is made as per procedure mentioned in the Memorandum as defined by PPRA & the Corporation:-</p> <p>After getting administrative approval of the competent authority, quotations are called as per financial limits directly or via website/print media. On receipt of quotations, CPC recommended the lowest quoted rates and send the same for soliciting financial approval to the competent authority, as per Delegation of Financial Powers (i.e. ED(F&A), Chairman, Board of Directors).</p> <p>68. On acquisition of assets, inventory numbers are recorded on the assets as well as in the Fixed Assets Register maintained by GS Department in Principal Office and in the Zones.</p> <ol style="list-style-type: none"> All assets purchased with cost and class of asset, date of acquisition, assets identification number, description of the assets, depreciation rate, accumulated depreciation and book value of the assets will be recorded in the primary register maintained by GS Department in principal Office and in the Zones. Items with book value of Rs.1/- because of depreciation are transferred to the secondary assets register maintained by GS Department in Principal Office and in the Zones. Those assets with book value of Rs.1/- and has been declared obsolete, after the approval of competent authority, will be disposed off as per prescribed procedure and fixed Assets Register updated. <p>69. The explanation of IT Division with respect to coding system is given below:</p> <p>This refer to 213th meeting of Board of Directors held on July 22, 2010 wherein minutes of 34th meeting of Board Audit Committee (held on July 8th 2010) were approved. Board Audit Committee instructed IT Division to obtain a letter from M/s Sidat Hyder Morshed Associates (Pvt.) Ltd (SHMA) explaining therein as to how the fixed Assets Coding System on IT would be different from existing system.</p> <p>It is submitted that SLIC has a large inventory of multiple types of Fixed Assets which are geographically spread all over Pakistan; it is presently being managed manually. The design of chart of Fixed Assets does not facilitate proper reporting and reconciliation. However the 'Pre Packaged Software Solution' currently under implementation by SHMA also contains Fixed Asset Software Module. This software module is flexible and it can accommodate up to twenty digits with even number of levels for coding which can facilitate adequate MIS reports and reconciliation. Although existing chart of Fixed Assets can be implemented as it is in SHMA's software module, but to get benefit of flexible design IT Division in collaboration with General Services, F&A, Real Estate and SHMA has proposed a Fixed Asset Coding format which is based on currently used best practices and will result in effective reporting and tracing of the asset across its life.</p>			

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Existing Coding Scheme and Proposed Coding Scheme along with their merits and demerits are furnished below:

Existing Fixed Assets Coding Format

Office Code	Departments Code	Classification	Serial No.	*Final Code
951 Principal Office	44 Computer Dept.	0297 Pedestal Fan	00244	951-44-0297-00244
001 Karachi South Zone	43 Claims Dept.	0297 Pedestal Fan	00244	001-43-0297-00244

* Fixed Asset code label 951-44-0297-00244 and 001-43-0297-00244 are placed on the Fixed Asset respectively

Disadvantages of existing coding Format:

- Asset Classification is not detailed and has currently 4 levels. The first 2 levels are used for office code and department code while the last 2 levels are used for classification and serial No. Since classifications of fixed assets are very large and only 2 levels are used for asset classification & its serial number, this results in inefficient reporting.
- Codes of Office and Department (for which fixed asset was purchased) are part of the Asset Code. In case when an asset moved from one office/dept. to another, either the asset code of the item has to be changed or the asset placed at new office/dept. contain wrong/misleading information. This is resulting in confusion in reconciliation and physical verification.
- Serial No. generation is not centralized which results in repetition of the serial no.
- There exists no standard Chart of Fixed Assets pertaining to all fixed assets of Corporation, i-e. the coding schemes of General Services and Real Estate are separate.

Proposed Fixed Assets Coding Format

Group	Sub-group-1	Sub-group-2	Sub-group-3	Serial No.	* Final Code
1 Move-able	001 Furniture	0001 Chairs	0001 Chair revolving with arm & Cushion	00001	10010001000100001
1 Moveable	001 Furniture	0002 Tables	0007 Center Table	00001	10010002000700001

* Fixed Asset code label 10010001000100001 and 10010002000700001 will be placed on the Fixed Asset respectively

Advantages of Proposed Coding Format:

- Office code and Department code are not part of Fixed Asset coding format; rather they are part of Fixed Assets Information System record.
- Asset Classification is detailed to five (5) levels which make it more meaningful, This classification has been fully utilized keeping in view our large types of assets and will make the reporting meaningful and efficient.

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Action: ED(P&GS) DH(P&GS) Secretary (BAC)	<ul style="list-style-type: none"> Asset Serial Number generation will be centralized which will result in non duplication of serial number across the organization. Fixed Assets record will contain revised Location Codes (Office Codes) and Cost Center Codes (dept. code) and are aligned with GL module. Unique codes will be issued per Location and Cost Center basis. For example Location Code 10001 for Principal Office and Cost Center Code 01501 for IT Division. These new 'Location' and 'Cost Center' Codes as proposed by F&A will be 'Loosely Coupled' with each Asset Code. When the Asset is required to be moved from one Location/Cost Center to another, the Asset Code will not require any change and the System will keep complete track of the Asset movement. This is a Central Chart of Fixed Asset which consolidates assets from General Services and Real Estate. 		
	70. The Board directed that the above Memorandum be submitted in the meeting of the Board Audit Committee for detailed review and examination.		
	ITEM (10) REVISION IN MONTHLY RETAINERSHIP FEE OF CHIEF MEDICAL ADVISORS (UNDERWRITING)		
	71. Executive Director(PHS) presented before the Board, a Memorandum for approval of revision in monthly retainership fee of Chief Medical Advisors (Underwriting).		
	72. The Board was informed that PHS Division hires the services of Medical professionals either on permanent, or temporary/contractual basis for the purpose of Medical Underwriting, known as Chief Medical Advisor (CMA). These CMAs are medical professionals having qualifications of FRCS, FRCP, FCPS, MCPS and Diploma in Cardiology and Medicine. Since 1972, State life has employed services of CMAs, a few of whom are still with the Corporation. Medical Advisors provide the expert advice/opinion on medical cases, on the basis of medical reports, Pathological Tests and ECGs / Ex-ECGs conducted by our authorized medical examiners and laboratories. Since the health condition of the proposed is of fundamental importance for accurate risk assessment, these CMAs play an integral role in helping the underwriter; calculate the rate of extra mortality which in turn determines the eligibility and the premiums. Thus the role of the CMA becomes 'pivotal' in the proper assessment of the risk involved and their advice; imperative, for minimizing that risk.		
	73. The last revision in the CMAs remuneration was approved as per circular PHS/PO/CIR-13/2007 dated Oct 10 th 2007, as under;		
	<ul style="list-style-type: none"> That minimum remuneration of newly appointed CMAs would be Rs.7000/- per month. That an increment of Rs.1000/- per annum depending upon the performance of the respective Chief Medical Advisors would be allowed by the ED (PHS) at the beginning of each year. 		

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	<ul style="list-style-type: none"> An additional increment of Rs.3000/-was granted to all Medical Advisors, who are working with us for last three years or more. <p>74. Continuous requests have been received from various CMA's due to the deep dissatisfaction shown over the current terms and conditions. Several CMAs have expressed their inability to continue to work with our Corporation on the existing remuneration.</p> <p>75. Chief Medical Officers of Sialkot, Swat and Gujranwala are just a few of the most recent examples of such cases where CMAs associated with the Corporation for several years have finally tendered their resignations due to the above reason. Likewise the "Refusal to Accept" letters by the newly appointed CMAs due to insufficient monetary compensation are also provided for reference.</p> <p>76. At present State Life has 34 CMAs serving in various Zones, Regions and Principal Office. A statement showing the qualifications, their period of affiliation with State life and their existing retainer ship was enclosed with the Memorandum at Annex-A.</p> <p>77. ED(PHS) submitted before the Board that keeping in view all the above mentioned facts, to keep up with the increase in business the resource allocation has to be increased proportionally, in order to maintain the quality and avoid questionable dedication resulting in unnecessary risk, It is feared that unless steps are taken in the near future to address and resolve the situation, a strong possibility exists that we might face a serious problem with CMAs ceasing to perform their services due to reasons highlighted above.</p> <p>78. ED(PHS) suggested that the monthly Retainership Fee and yearly increment of existing Medical Advisors may be revised and increased on the basis of case workload of that particular CMA and is as under;</p> <ul style="list-style-type: none"> No. of cases (average) per month 300 and above Increase of Rs. 8000/month No. of cases (average) per month 200 and above Increase of Rs. 7000/month No. of cases (average) per month 100 and above..... Increase of Rs. 6000/month No. of cases (average) per month under 100 Increase of Rs. 5000/month <p>79. The detailed chart of increase per CMA was enclosed at Annex-A to the Memorandum.</p> <p>80. ED(PHS) also requested that the proposed increments / year of CMAs maybe increased from existing Rs 1000 to Rs.1200 per month.</p> <p>81. ED(PHS) also suggested that in future, the new CMA appointments may be made only in categories "A" and "B" (categories defined in Annex. A) i.e. only specialists in Cardiology and Medicine.</p> <p>82. In future, for new appointments as CMA, the minimum starting retainer ship fee may be raised from existing Rs. 7000 to Rs. 15000.</p>		

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	<p>83. The Finance and Accounts (F&A) Division has been informed and consulted as well, on the matter of the additional Budget Allocation required for the remaining two months of 2010. The excess expense under the account head 854 will be incorporated in the Budget Allocation for 2011.</p> <p>84. Accordingly, the Board resolved as under:</p> <p>RESOLVED:</p> <p>"that the recommendation of ED(PHS) for revision and increase in the monthly retainership fee and yearly increment of existing medical advisors on the basis of case work load at that particular CMA as given below is hereby approved w.e.f. 1st November, 2010:-</p> <ul style="list-style-type: none">No. of cases (average) per month 300 and above Increase of Rs. 8000/monthNo. of cases (average) per month 200 and above Increase of Rs. 7000/monthNo. of cases (average) per month 100 and above Increase of Rs. 6000/monthNo. of cases (average) per month under 100 Increase of Rs. 5000/month <p>"that the recommendation of ED(PHS) that the yearly increments of CMA's be increased from existing Rs.1,000 to Rs.1,200 per month is hereby approved w.e.f. 1st November, 2010."</p> <p>"that the recommendation of ED(PHS) that new CMA's appointment be made only in categories 'A' and 'B' i.e. only Specialists in Cardiology and Medicines as given below is hereby approved w.e.f. 1st November, 2010:-</p> <table><tr><th>Qualification</th><th>Country of Qualification</th><th>Category assigned</th></tr><tr><td>MRCP, FRCP, MRCS, FRCS, FCPS</td><td>UK/US/PK</td><td>A</td></tr><tr><td>Dip Cardiology, DTCD, DCH, MD, MCPS</td><td>Other</td><td>B</td></tr></table> <p>"that the proposal of ED(PHS) that in future for new appointments as CMA, the minimum starting retainership fee be raised from existing Rs.7000 to Rs.15000 is hereby approved w.e.f. 1st November, 2010."</p> <p>"that F&A Division is hereby authorized to allocate the additional budget for the above decision in the budget allocation for the remaining two months of the year 2010 and for the year 2011."</p> <p>ITEM (11) POSITION PAPER ON HIRING OF CONSULTANT FOR DEVELOPMENT OF INTERNAL AUDIT MANUAL.</p> <p>85. A Position Paper of General Manager(IA&C) was presented before the Board on hiring of Consultant for development of Internal Audit Manual.</p> <p>86. The Board was informed that TORs for hiring of the Consultants were prepared and approved by the Chairman SLIC and a Committee comprising of Divisional Heads Investment, F&A, IA&C and DGM(GS) was formed for review and finalization of the Contract Papers. In a meeting, it was estimated that an expenditure of Rs. Four to five million would be involved in accomplishing this job. Neither a budget provision was provided under this head of account during the current year nor expense ratio permitted for any provision of extra expenditure outside the approved budget.</p>			Qualification	Country of Qualification	Category assigned	MRCP, FRCP, MRCS, FRCS, FCPS	UK/US/PK	A	Dip Cardiology, DTCD, DCH, MD, MCPS	Other	B
Qualification	Country of Qualification	Category assigned										
MRCP, FRCP, MRCS, FRCS, FCPS	UK/US/PK	A										
Dip Cardiology, DTCD, DCH, MD, MCPS	Other	B										


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	<p>87. Since the Corporation is in the process of automation, the outsourcing for preparation of Manual at this stage could be a wasteful expenditure, because the automation of operations may make the Manual obsolete. In order to find an alternative for performing the job; consensus was developed among all the Committee members for engaging the own officers of SLIC having qualifications of CA, ACMA with ten years of experience of Finance and Audit matters to carry out this task and work as indigenous Consultants to review the existing Audit Manual and incorporate the changes in the light of Life Insurance Ordinance, 2000 and Modern Audit Techniques as per requirements of SLIC. For this purpose, a proposal for forming a committee comprising of DH(IA&C), DH(Corporate Affairs), DGM(F&A), AGM(F&A) and AGM(IA&C) to work as Indigenous Consultants for development of Internal Audit Manual was approved by the Chairman SLIC.</p> <p>88. The DH(IA&C) informed the Board in his position paper that the above Committee had started its work, three chapters of the Manual have been revised and work on the rest of the fifteen chapters is in progress, which will take at least six months to complete.</p> <p>89. DH(F&A) was asked by the Board to give his opinion on the above matter. DH(F&A) submitted that the existing manual was prepared in the year 1999 before the promulgation of Insurance Ordinance, 2000 which laid down various compliances therein. Furthermore, the original manual was never implemented as it was based on post payment audit of transaction which made it very difficult for recovery of any wrong payments. Therefore it was suggested by DH(F&A) that it would be better if the task of review of the existing manual and its updation as per requirements of Insurance Ordinance, 2000 and International Accounting Standard and International Audit Guidelines be given to an outside consultant who would be well versed and familiar with preparation of audit manuals and audit trails in an automated environment which State Life would be in the year 2011/2012. At present SLIC is in the process of implementing ERP system for its operation therefore it would be better if the Internal Audit Manual is outsourced preferably to the Consultant for automation.</p> <p>90. Accordingly, it was resolved as under:</p> <p>RESOLVED:</p> <p>"that the task of review and updation of the existing audit manual be assigned to an outside Consultant keeping in view, the ongoing process of automation of State Life systems, the compliances laid down in the Insurance Ordinance, 2000 and the current audit techniques prevalent in the corporate sectors and ERP which is currently under implementation."</p> <p>"that the necessary TOR be prepared and advertised in the newspaper for hiring of a Consultant for the above task."</p> <p>"that the audit manual should cover internal checks and controls laid down in the ERP System, define the audit organizations."</p>		
Action: DH(IA&C)			
Action: DH(IA&C)			
Action: DH(IA&C)			
	<div style="text-align: right;"> CHAIRMAN'S INITIALS  </div>		

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<p>ITEM (12) POSITION PAPER ON CURRENT STATUS OF GUIDELINES AND CHART TO DELEGATION OF FINANCIAL POWERS.</p> <p>91. General Manager(F&A) presented before the Board, a Position Paper on current status of guidelines and chart of delegation of financial powers.</p> <p>92. GM(F&A) informed the Board that a proposal regarding amendments, insertion, deletion, corrections, etc.; in guidelines to delegation of financial powers and the chart thereof was submitted to Executive Committee, which was considered in its 276th meeting held on 20th November, 2008. The Executive Committee directed that the proposed changes be discussed by all Executive Directors minutely regarding financial powers of various Divisions and final version be submitted to the Board for consideration. Subsequently, the Board of Directors in its 213th meeting and Board Audit Committee in its 35th meeting issued identical instructions to F&A Division. The Board further directed F&A Division that the Internal Audit & Compliance Consultant may also be asked to look into this matter.</p> <p>93. Accordingly, the matter was discussed with Executive Directors and all Divisional Heads individually. Division-wise discussions were held with all concerned Divisional Heads. Proposal regarding P&GS Division were discussed with ED(P&GS), ED(Mktg/G&P), ED(PHS/IT) while for other Divisions, Divisional Heads (Investment), (Marketing), (PHS), (Information Technology), (G&P) were consulted and their valuable feedback received and incorporated in the proposed changes.</p> <p>94. The discussions have been completed and F&A Division has obtained feedback from all concerned Division. However, F&A Division are now facing some hardships to link various items/guidelines with each other.</p> <p>95. GM(F&A) further submitted that the Board had also directed that the Internal Audit & Compliance Consultant may also be asked to look into this matter. M/s. Sidat Hyder Morshed Associates (Pvt) Ltd., and M/s. A. F. Ferguson have also been requested to assist State Life in reviewing the Manual of Delegation of Financial Powers. Mr. Omer Morshed, Chief Executive Officer of M/s. Sidat Hyder Morshed Associates vide his letter dated 7th October, 2010, has accepted to review the chart and guidelines and quoted fee as Rs.500,000/-. He estimates that the job will be completed in three to four weeks. Copy of their proposal was placed at Annex "A" to the Memorandum.</p> <p>96. The Board was further informed that a meeting was held with one of the partners of M/s. A. F. Ferguson regarding review of guidelines and chart of delegation of financial powers, who had promised to submit terms and condition of their firm for revision of the guidelines. However, State Life has not as yet received any response from them.</p> <p>97. The above position is submitted to Board of Directors with the request to guide/advice F&A Division in this matter.</p>			
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<p>Action: ED(F&A) DH(F&A)</p>	<p>98. The Board advised that F&A Division should complete the remaining work in respect of revision in delegation of financial powers for officers of State Life relating to link various items/guidelines with each other and get it reviewed by a Consultant who should be asked to go through the same so that only fine tuning is required at the time of migration to automated system with special reference to ERP controls.</p>		
<p>Action: ED(Mkt) DH(Mkt)</p>	<p>ITEM (13) APPROVAL OF WRITE OFF OF EXCESS COST OF AREA MANAGERS DURING THE PERIOD 1993 TO 1996.</p> <p>99. Due to paucity of time, the above item was deferred to the next meeting of the Board.</p> <p>ITEM (14) POSITION PAPER ON RECOMMENDATION OF THE CURTAILING THE ACQUISITION COST COMMITTEE PREPARATION OF BUDGET PROPOSALS FOR 2011</p> <p>100. General Manager(F&A) presented before the Board, a Memorandum on recommendation of the curtailing the Acquisition Cost Committee.</p> <p>101. The Board Audit Committee in its 35th meeting had directed F&A Division to prepare and submit budget proposals for 2011 and revised budget for 2010 on the basis of report finalized by Acquisition Cost Curtailment Committee for resolving the issue of growing Renewal Expense Ratio.</p> <p>102. F&A Division informed the Board that it had not yet received any recommendations finalized by Acquisition Cost Curtailment Committee. However, Divisional Head (Marketing) vide his IOC dated 6th October, 2010(enclosed with the Memorandum) had provided F&A Division a proposal of Marketing Division for curtailment of certain expenses. It has been stated that these recommendations were finalized in a recent Regional Chiefs' Forum meeting. Marketing Division has also submitted revised business targets. The main features of recommendations of Marketing Division regarding curtailment in acquisition cost are as under:</p> <p><u>Curtailments:</u></p> <ul style="list-style-type: none"> • Present Slab of commission rates of FYP to SR is proposed to be revised from 26.25%, 29.75% & 35% to 22.5%, 25.50% & 30%, as result of which they expect a saving of Rs.450 million. • S&AF (in kind) may be withdrawn from SOs and S&AF (in cash) be increased from 4.35% to 5%. A saving of Rs.200 million is envisaged by them. • Condition for payment of Additional Productivity Bonus to SO may be tightened and linked with number of policies and recruitment of agents. A saving of Rs.30 million is projected. • Condition for achieving 25% increase in FYP be also imposed for release of better performance perks to Area Managers may be modified. The decrease in cost will be Rs.20 million. • Achievement of 90% renewal persistency may be linked to additional incentive bonus to Area Managers, which will entail a saving of Rs.10 million. <p>Gross saving ... Rs.710 million</p>		

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Increase in privileges:

- Car/Motor cycle loan limit may be enhanced from Rs.100,000/- to Rs.200,000/-. No financial impact
- Driver's subsidy to SM be increased from Rs.2,000 to Rs.3,500, the impact of which will be Rs.7.5 million.
- Car rental may introduced to be linked with FYP production. They estimate the impact to be Rs.4 million
- An increase of 50% in staff subsidy be allowed. There will be an impact of Rs.8 million

Gross out go ... Rs.19.5 million

Net saving projected by Marketing Division ... 690.5 million, or 7.5% in FYP's acquisition cost.

103. DH(F&A) informed the Board that on the basis of above proposals of Marketing Division and business targets provided by Marketing Division and expenses demanded by the Zone for 2011, F&A Division has projected budget figures for 2011. By using the same rate of growth in FYP/SYP and Renewal Premium for 2012 and an increase of 12% in Administrative expenses, F&A Division has also projected figures for 2012.

104. Renewal expense ratio has been worked out on the following assumptions in two different scenarios i.e. by (a) applying Standard Rates for field expenses and (b) by continuing on actual commission rates based on the past experience:

- If existing field channel to be continued.
- If the proposal of Marketing Division is incorporated.
- If Sales Officer's channel is eliminated

105. Impact on Renewal Expense Ratio in above three assumptions in two scenarios will be as under:

a) By applying Standard Commission Rates:

Scenario	Description	Renewal Exp. Ratio	
		2011	2012
Scenario 1	If existing field channel to be continued	27.42%	28.54%
Scenario 2	If the proposal of Mktg. Div is incorporated	23.60%	24.91%
Scenario 3	If Sales Officers' channel is eliminated	14.02%	15.35%

b) By applying Actual Commission Rates on past experience:

Scenario	Description	Renewal Exp. Ratio	
		2011	2012
Scenario 1	If existing field channel to be continued	25.06%	26.23%
Scenario 2	If the proposal of Mktg. Div is incorporated	21.32%	22.67%
Scenario 3	If Sales Officers' channel is eliminated	12.10%	13.47%

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<p>ction: D(F&A) ED(Mkt) DH(F&A) DH(Mkt)</p> <p>Action: ED(F&A) ED(Mkt) DH(F&A) DH(Mkt)</p>	<p>106. SECP's limit of renewal expense ratio for 2011 and 2012 is 17% and 15% respectively. Keeping in view the above facts, F&A Division is facing difficulties in preparing budget for 2011.</p> <p>107. DH(F&A) requested the Board of Directors to please issue guidelines to F&A Division in this respect so that the budget exercise can be commenced and completed within the time frame given by the Board Audit Committee..</p> <p>108. Accordingly, the Board resolved as under:</p> <p>RESOLVED:</p> <p>"that a letter be written by Chairman to SECP requesting that the renewal expense ratio be either frozen at the 2009 level or State Life be allowed to achieve the permissible limit within the next three years considering that the objective of State Life is to widen the area of operation of life insurance and making it available to as large section of the population as possible, extending it from the comparatively more affluent section of society to the common man in town and villages. The SECP should be requested to allow a benchmark to State Life different from the private sector. DH(F&A) and DH(Marketing) to vigorously follow up the matter with SECP and inform the Board of progress in the matter at its next meeting."</p> <p>"that the Committee for curtailment of acquisition cost should continue its negotiations with the field workers to bring the cost within the permissible limit as laid down by SECP."</p> <p>ITEM (15) CONTINUATION OF BEARINGPOINT AS IT CONSULTANT.</p> <p>109. Executive Director(IT) presented before the Board, a Memorandum for retaining of M/s. BearingPoint as IT Consultant.</p> <p>110. ED(IT) informed the Board that M/s BearingPoint Pakistan (Pvt) Ltd was appointed as IT consultant in December 2004 after processing through open tender; the agreement (placed at Flag-A to the Memorandum) between State Life & BearingPoint was signed in February 2005. Summary of the terms of reference of agreement is as follows:</p> <p>111. The scope of work of M/S BearingPoint (Pvt.) Ltd. was divided in two phases.</p> <p>Phase-I System Study & Planning Phase</p> <ul style="list-style-type: none"> Existing System Study Business Process Re-engineering Proposals for Different Software Solutions Road Map Short term & Long term IT Strategy for State Life on the basis of approved solution 		

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	<ul style="list-style-type: none"> • Preparation of Contracts • Evaluation Criteria of Contracts <p>Phase-II Implementation Phase – Clause-A/2 of agreement is reproduced as under:</p> <p>“The tasks mentioned in Phase-II will be implemented either through in-house resources or through third party contract(s). BearingPoint will not directly or indirectly compete for any of such contract(s). The role of BearingPoint will be controlling / monitoring / advisory and contains following tasks:</p> <p>2.1 Project Co-Ordination. BearingPoint will coordinate between State Life Management and the firm(s), to whom the different jobs/contracts would be assigned, for effective implementation to IT Strategy.</p> <p>2.2 Project Management. BearingPoint will be responsible for monitoring the phases and modules falling within the scope of IT Strategy.</p> <p>2.3 Time Management. BearingPoint will ensure that entire project within IT Strategy would be completed. In pre-defined phases on a targeted time schedule. It will report all bottlenecks to State Life Management and to third parties (if applicable) to overcome such bottlenecks.</p> <p>2.4 Quality Assurance. BearingPoint will monitor the quality assurance in coordination with technical team of State Life, Computer Division for all deliverables by the third parties.</p> <p>2.5 Involvement of State Life Team. BearingPoint will ensure that State Life's Team is ready and competent to take on responsibility for maintaining these systems.</p> <p>2.6 Training to State Life Team. BearingPoint will schedule the training programs for the software acquired / developed, hardware purchased and / or infrastructure provided by the third parties to the technical team of State Life, Computer Division to meet the maintenance required in future.</p> <p>2.7 Documentation. BearingPoint will ensure that proper documentation is being prepared / provided as per International standards.</p> <p>2.8 Delivery of Goods. BearingPoint will clearly mention and list all the deliverables under various contracts at the time of preparation of contracts as mentioned in 1.5 of Clause-A. It will ensure that all deliverables are delivered as per targets with appropriate quality standards.</p> <p>112. ED(IT) submitted before the Board that BearingPoint had quoted a total of Rs. 5,816,810 for this project; breakup of which is as under:</p> <p>Phase-I: Rs. 2,591,870</p> <p>Phase-II: Rs. 2,466,200</p> <p>Out of Pocket Expenses for Phase-I & Phase-II: Rs. 758,740</p>		
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<p>113. The following amounts of BearingPoint, related to the above mentioned contract, are with State Life:</p> <ul style="list-style-type: none"> Bid Bond @ 2% of the total contract value (of both phases): Rs. 101,162 20% of the amount for Phase-I retained as per Clause L 5 of the agreement Rs. 518,374 5% of the total Contract Value retained as Performance <p>Bond/Bank Guarantee: <u>Rs. 290,841</u></p> <p style="text-align: right;">Total <u>Rs. 910,377</u></p> <p>During Phase-I, BearingPoint recommended to the Board of Directors about Acquisition of Pre-packaged Software Solution, which was approved in November 2007. Bids were called and the selected bid was approved by the Board of Directors on 04.11.2009. Bid of M/S Sidat Hyder Morshed Associates (Pvt.) Ltd. (SHMA) was selected / approved. An agreement with M/S SHMA was signed in February 2010. Phase-I of the assignment of M/S BearingPoint was completed and due payments were made to them. However as per various clauses of agreement, the amounts mentioned at above para are still with State Life.</p> <p>114. Phase-II of the M/S BearingPoint agreement was to begin after purchase of the Pre-packaged Software Solution. In this phase BearingPoint was to play roles mentioned above. The Clause-L/6 of the agreement with M/s. BearingPoint (Flag A to the Memorandum) reads as under:</p> <p>"The price quoted for Phase-II (i.e., Rs. 2,466,200) will be paid in accordance with the payment schedule to be mutually agreed between the two parties on the culmination of Phase-I and before the start of Phase-II. Since it will depend upon the IT strategy prepared by BearingPoint and approved by State Life, therefore, the supplementary contract will be made describing schedule of payment for Phase-II."</p> <p>115. During August 2009, BearingPoint sent a letter (Flag B to the Memorandum) regarding revised financial calculations for their professional fee for Phase-II. The officials of BearingPoint also met Executive Director (IT); wherein their letter was discussed. As per the letter the proposed adjusted value of the contract was Rs. 8,124,218. Executive Director (IT) instructed DH (IT) to discuss with BearingPoint and report. The proposal of BearingPoint was discussed in detail and it was resolved that BearingPoint would submit a rationalized proposal. Subsequently another proposal (Flag C) was received in October 2009, whereby BearingPoint asked for enhancement in contract cost of Phase-II from Rs. 2,466,200 to 5,656,863; the reasons mentioned were inflation and increase in the span of Project. It was also mentioned in the proposal that a minimum of two (2) full time resources would be required for the entire duration of the Phase-II.</p>			

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	<p>116. ED(IT) submitted before the Board that there were two view points regarding role of M/s BearingPoint.</p> <p>i) First one is that as pointed out by Legal Affairs Division of State Life, the agreement with BearingPoint does not contain any Cost Escalation Clause therefore State Life is not bound to accept request of BearingPoint to increase the consultancy charges'. Further more, since IT project team is on board, it can look after implementation as well as monitoring of IT Project and the desired objectives can be achieved without involving M/s BearingPoint in the implementation phase.</p> <p>ii) The second one is that the role of third party IT consultants is very important for large projects of this size. The third party consultants will ensure independent, unbiased review and monitoring of IT project whereas team(s) cannot sustain various pressures and may deviate from the roles and responsibilities assigned to them.</p> <p>117. The matter was discussed in the IT Steering Committee meeting held on October 12, 2010. The IT Steering committee agreed in principle that for projects of this size, role and significance of a consultant firm can not be ignored. It was advised by the Committee to submit the matter before Board of Directors for consideration of decision.</p> <p>118. ED(IT) submitted that the Board of Directors may, please, consider and approve one of the following options:</p> <p>i) Revised cost (rs. 5,656,863) for Phase-II submitted by M/S BearingPoint may be approved.</p> <p>ii) Agreement with M/S BearingPoint may please be terminated and its retained amount (Rs. 910,377) be released. Appointment of a new consultant firm may please be allowed.</p> <p>119. Accordingly, it was resolved as under:</p> <p>RESOLVED:</p> <p>"that as agreed to in principle by State Life IT Steering Committee and recommended to the Board, the revised cost of Rs.5,656,863 for Phase-II submitted by M/s. BearingPoint is hereby approved considering the size, role and significant of a Consultant Firm for a project of this size who would ensure independent, unbiased monitoring of IT Project without any outside pressure and to avoid deviation from the roles and responsibilities assigned and to ensure that the right items are procured for the project as per given specifications. IT Division to ensure that there would be no further escalation asked for by the consulting firm."</p>		

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

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Action:
ED(IT)
DH(IT)

"that the following schedule of major activities under the project implementation of pre-packaged software solution as per project plans submitted by M/s. Sidat Hyder Morshed Associates (SHMA) is strictly followed, documented and signed off by each user department and a progress report submitted to the Board at its next meeting. The gaps should be filled up, documented, software modified and user acceptance obtained after testing:-

Schedule for the Major Activities

Under the Project Implementation of Pre-package Software Solution

As per Project Plan submitted by M/S. Sidat Hyder Morshed Associates (SHMA)

S.No	Module	Milestones	Start Date	End Date
1	Individual Life Administration System (ILAS)	Walk Through & Gap Analysis	17/08/2010	8/11/2010
		Customization	09/11/2010	15/03/2011
		User Acceptance test(UAT)	23/05/2011	05/08/2011
2	Group Life Administration System (GLAS)	Walk Through & Gap Analysis	23/09/2010	24/12/2010
		Customization	27/12/2010	14/06/2011
		User Acceptance test(UAT)	13/07/2011	13/10/2011
3	General Ledger System (GL)	Walk Through & Gap Analysis	19/07/2010	8/10/2010
		Customization	11/10/2010	25/02/2011
		User Acceptance test(UAT)	25/04/2011	29/07/2011
4	Investment Portfolio Management and account system (IPAMS)	Walk Through & Gap Analysis	19/01/2011	06/04/2011
		Customization	14/04/2011	05/09/2011
		User Acceptance test(UAT)	30/09/2011	16/10/2011
5	Human Resource Management System (HRMS)	Walk Through & Gap Analysis	03/08/2010	29/11/2010
		Customization	30/11/2010	06/04/2011
		User Acceptance test(UAT)	26/05/2011	20/07/2011
6	Fixed Assets & Inventory Management	Walk Through & Gap Analysis	19/08/2010	17/12/2010
		Customization	20/12/2010	08/04/2011
		User Acceptance test(UAT)	30/05/2011	22/07/2011
7	Real Estate	Requirement Analysis	17/05/2010	29/07/2010
		Walk Through & Gap Analysis	Not yet provided	
		Customization		
		User Acceptance test(UAT)		

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

"that Director Fee be paid to the Members of the Board for attending the meeting of State Life IT Steering Committee as approved by the Board at its 203rd meeting held on 30th September, 2009."

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<p>Action: DH(Inv) DH(RE) DH(Legal)</p>	<p>ITEM (16) POSITION PAPER – CURRENT STATUS OF PROPERTIES/SECURITIES OFFERED FOR ADJUSTMENT OF DUES BY FIRST DAWOOD INVESTMENT BANK LTD.</p> <p>120. DH(Investment) informed the Board that First Dawood Investment Bank had settled all its outstanding excepting for HBFC and SLIC. The valuation of the properties offered by First Dawood Investment Bank is pending with M/s. Iqbal Nanji & Co. and M/s. NESPAK. The legal examination of the property documents have been assigned to M/s. Sultan Allana. A Memorandum would be submitted by DH(Investment) together with recommendations for consideration of the Board at its next meeting after the valuation has been completed and the property documents have been examined by the Legal Counsel.</p> <p>ITEM (17) POSITION PAPER ON PROFITS ON INVESTMENT OF FUNDS OF G&P DIVISION NOT PASSED ON TO G&P DIVISION RESULTING IN SUBDUED PERFORMANCE OF G&P DIVISION.</p> <p>121. Due to paucity of time, the above item was deferred to the next meeting of the Board.</p> <p>ITEM (18) ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.</p> <p>(I) CHILDREN EDUCATION RELIEF/ALLOWANCE TO OFFICERS POSTED ABROAD.</p> <p>122. Executive Director(P&GS) presented before the Board, a Memorandum for children education relief/allowance to officers posted abroad.</p> <p>123. The Board was informed that Officers of State Life are being posted/appointed at Zonal Office UAE for running the business of the Corporation in the Middle East. The terms and conditions of their posting/appointment have been determined by the Management of the Corporation in 1984 and subsequently in 1999 and thereafter the rationalization of pay structure and other facilities were determined by the Board in its 152 meeting held on 4/5 March, 2000, which were effective from 01-07-1999. The provision of Children Education Relief/Allowance to officers posted abroad has been determined by the Board as under:-</p> <p><u>EDUCATION ALLOWANCE</u> "50% of the actual school fee or US\$ 50 per month whichever is less subject to maximum of three Children provided the family was shifted abroad."</p> <p>124. ED(P&GS) submitted that officers posted/working at Gulf Zone are representing that the limit of the facility was approved way back in 1984 and since then no revision has ever been allowed. The trend of school fee in the area has jumped to US\$ 150 to US\$ 200 per month. They have therefore requested for increase/revision in the education allowance from US\$ 50 to US\$ 150 to properly manage the cost of education of children abroad.</p>		

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125. ED(P&GS) further informed the Board that as per details given by the Gulf Zone at present three are eight officers working abroad in Gulf Zone and in case the request for increase in education allowances from US\$ 150 per month to US\$ 450 per month for a maximum of three children per officer is allowed, the additional financial impact per annum for eight officers at Gulf Zone would be as under:-

Existing Facility US\$50 per child per month for 3 children US\$50x12x3x8=US\$14,400 p.a.
Requested facility US\$150 per child per month for 3 children US\$150x12x3x8=US\$13,200p.a.
Difference US\$28,800 per annum

126. The Board may allow increase in the Education Allowance of the children of each officer posted abroad from US\$ 50/month to US\$150/month per child (maximum three children of each officer).

127. Accordingly, the Board resolved as under:

RESOLVED:

"that the recommendation of ED(P&GS) that the Education Allowance presently being allowed for the children of officers posted abroad be increased from US\$ 50 per month to US\$ 150 per month per child, for a maximum of three children of each officer is hereby approved. The financial impact of the above increase would amount to US\$ 28,800 per annum."

(II) EXTENSION OF CONTRACT FOR ANOTHER YEAR

128. Executive Director(P&GS) presented before the Board, a Memorandum for deciding the matter of contractual employees who have completed of a period of one year.

129. The Board of Directors at its 202nd meeting had resolved that "in the event of the Corporation requiring appointment of any person on contractual basis, the Chairman is authorized to appoint such person for a period of six month and extendable to a period of an additional six months only". It was also resolved that the contractual employees so appointed may complete with such applicants applying for the above post to be filled up through advertisement at the end of the total contractual period allowed.

130. The staff was appointed on contract basis all over Pakistan in various cadre of staff to meet the shortage arising out of enormous business performance. The details of staff appointed on contract basis who have completed one year of contract is as follows:-

S.No.	Name	Designation	Place of Posting	Date of Offer Letter	Expiry Date of One year Contract
1	M. Ehsan Khan	R. Sorter	Gujranwala	27-07-2009	26-07-2010
2	Muhammad Soomar	N. Quasid	Islamabad	24-07-2009	28-07-2010
3	Aslam	R. Sorter	P&GS, P.O.	27-07-2009	28-07-2010

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

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4	Muhammad Irfan	N. Qasid	Islamabad	24-07-2009	30-07-2010
5	Ghulam Fareed	R. Sorter	Hyderabad	17-08-2009	17-08-2010
6	Muhammad Salfar	O.A.	R.Yar Khan	19-08-2009	19-08-2010
7	Uaquat Ali	N. Qasid	Hyderabad	27-07-2009	06-09-2010
8	Vikram Kumar	R. Sorter	Hyderabad	07-09-2009	07-09-2010
9	Jumma Khan	Driver	P.O.	15-09-2009	14-09-2010
10	Muhammad Akram	Driver	G.S. - P.O.	17-09-2009	17-09-2010
11	Muhammad Hassan	N. Qasid	P.O.	18-09-2009	23-09-2010
12	Saeed Ullah Khan	R. Sorter	P&GS, P.O.	18-09-2009	28-09-2010
13	Salra Iqbal	R. Sorter	Rawalpindi	18-09-2009	28-09-2010
14	Mukhtar Hussain	N. Qasid	PHS-P.O.	30-09-2009	29-09-2010
15	Shamim Ara	R. Sorter	Peshawar	30-09-2009	30-09-2010
16	Karam Ali Shah	O.A.	Hyderabad	17-09-2009	01-10-2010
17	Muhammad Ali	O.A.	Islamabad	17-09-2009	04-10-2010
18	Akmal Sardar	Qasid	RE-P.O.	06-10-2009	05-10-2010
19	Shoaib Muhammad	N. Qasid	P&GS, P.O.	07-10-2009	06-10-2010
20	Mr. Ahmed Gul	N. Qasid	Multan	01-10-2009	08-10-2010
21	Tajamul Hussain	N. Qasid	Multan	06-10-2009	08-10-2010
22	Imran Iqbal	N. Qasid	Rawalpindi	01-10-2009	08-10-2010
23	Syed Hassan Ali	R. Sorter	Hyderabad	06-10-2009	08-10-2010
24	Shah Faisal	N. Qasid	P&GS, P.O.	12-10-2009	11-10-2010
25	Attaullah Chana	O.A.	Hyderabad	02-10-2009	11-10-2010
26	Iqbal Ahmed Shah	O.A.	Hyderabad	06-10-2009	11-10-2010
27	Nadeem Hussain	R. Sorter	Larkana	08-10-2009	11-10-2010
28	Majid Abbas	R. Sorter	Hyderabad	06-10-2009	11-10-2010
29	Azhar Ali Mirani	N. Qasid	Larkana	12-10-2009	13-10-2010
30	Qamaruddin	O.A.	Sukkur Zone	19-10-2009	18-10-2010
31	Fazal Karim	R. Sorter	R.Yar Khan	12-10-2009	18-10-2010
32	Sohail	R. Sorter	Hyderabad	13-10-2009	18-10-2010
33	Umer Mehmood	R. Sorter	F&A (RE)	22-10-2009	27-10-2010
34	Waqas Mehmood	N. Qasid	Mkt, P.O.	27-10-2009	28-10-2010
35	Mumtaz Ali	R. Sorter	Sukkur Zone	29-10-2009	28-10-2010
36	Naveed Akhtar	R. Sorter	Peshawar	26-10-2009	29-10-2010
37	Shahid	Driver	Medical, P.O.	02-11-2009	01-11-2010
38	Syed Aamir Ali	N. Qasid	Hyderabad	22-10-2009	03-11-2010
39	Abdul Hameed	N. Qasid	Actuarial	04-11-2009	04-11-2010
40	M. Sarfaraz	R. Sorter	P&GS, P.O.	04-11-2009	04-11-2010
41	Abdul Shakoor	R. Sorter	Mirpur Khas	23-10-2009	09-11-2010
42	Arshad	N. Qasid	P&GS, P.O.	13-01-2010	12-01-2011
43	Waqas Tariq	R. Sorter	Hyderabad	14-01-2010	13-01-2011

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

131. The Board decided that the above matter was within the purview of the Chairman who had made the appointment on contractual basis as per decision of the Board at its 202nd meeting therefore the Chairman can decide in the matter and needs no referral to the Board. DH(P&GS) was advised to submit the note for extension of contract of the above employees to the Chairman for decision under Clause-10, Part-III relating to appointments/ probation, confirmation, increments and promotions of State Life Service Regulations. The Board desired that while making a decision the Industrial Relation Ordinance should be taken care of and that renewal expense ratio is not drastically affected.

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<p>(III) <u>OPERATIONS OF STATE LIFE IN KSA</u></p> <p>132. General Manager(Investment) and General Manager(Marketing) presented before the Board, a Memorandum for operations of State Life in KSA.</p> <p>133. The Board at its 214th meeting held on 7th September, 2010 had decided as under:</p> <p>"That Chairman State Life is hereby authorized to negotiate with M/s. Warba Insurance Company, State Life Insurance Corporation's sponsor in Kuwait for taking up 10% shareholding in Albayraq Cooperative Insurance Company set up by M/s. Warba Insurance Company in partnership with Ritaj Takaful Insurance with a share capital of Saudi Riyal 200 million. The investment will be made out of shareholder fund in UAE".</p> <p>134. GM(Investment) informed the Board that a letter was sent to M/s. Warba Insurance Company seeking some clarifications on certain issues copy of which was placed at Annexure-A to the Memorandum. The response received from M/s. Warba Insurance Company was placed at Annexure B to the Memorandum which is summarized below:</p> <p>a) The new law does not allow marketing of products not registered with SAMA.</p> <p>The products of State Life can be marketed as that of new company. Majority of the same can be reinsured with State Life to compensate State Life for the loss of revenue.</p> <p>b) The full time employees of State Life will be considered by the new company.</p> <p>c) The field force of State Life can be attached as marketing arm of the new company.</p> <p>d) The new company will provide one seat on the Board of State Life.</p> <p>e) The new company will seek help of State Life in getting some executives.</p> <p>135. The letter from Warba was discussed in various meetings. A team consisting of GM (Investment), GM (Marketing) and Mr. Mohammad Nafees Advisor State Life were assigned this task of meeting with Warba officials which was held in Dubai. Proceedings of the meeting alongwith background history and recommendation of the committee was attached as Annexure C to the Memorandum.</p> <p>136. The conclusion of the Committee consisting of Mr. Ansar Hussain, GM(Investment), Mr. SH.Kazmi, GM(Marketing), Mr. Khalid M. Shahid, Zonal Chief(Gulf) and Mr. M. Nafees, Consultant is given below:-</p> <p>a. Saudi Market is very critical for State Life Gulf operation. There are about 1.7 million Pakistani working in Saudi Arabia with a high disposable income. Once a proper legal set up for State Life operation in Saudi Arabia is established, its business is expected to grow at a much faster rate.</p>			


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<p>b. In case of arrangement with Warba, State Life has a much lower exposure and it will be responsible for it life business. The Warba business model appear more sustainable and the feasibility report shows a return from the second year. We can compensate for the loss of direct premium with re-insurance premium. It is not necessary for State Life to retain the entire reinsurance premium. It can easily cede it to other companies and earn a commission on it.</p> <p>c. Saudi economy is in very good shape and has been least affected by global credit crisis. With a price of \$75 to \$85 per barrel of oil, it will continue to have a steady flow of revenues in the future years. Saudi Government has embarked on several infrastructure development projects which will offer more job opportunities to Pakistan Nationals in the near future. For the benefit of its Pakistan population, State Life has to find a way to continue to operate in the Saudi Arabia.</p> <p>137. GM(Investment) informed the Board that the new company will be conducting life, general and reinsurance business. The products of State Life will become products of the new company, whereas the general business consisting of health insurance and automobile insurance will be carried out by the other subsidiary company. It was informed by Mr. Tawfik, Managing Director of Warba Insurance Company, that the life insurance products will only be marketed by State Life. Since products of the new company will become part of the new company, these will not be guaranteed by the Government of Pakistan. State Life is paying 97.5% of the actuarial surplus to the policy holders. According to SAMA Rules, insurance companies have to pay minimum 10% of the surplus to the policy holders and 90% can be paid to the shareholder. It is thus unlikely that the new company will pay 97.5% of the surplus to the policy holders. It will therefore not be advisable to use our logo on the policy documents as this will create a misconception.</p> <p>138. State Life field force will get commission from the new company and will work as its marketing arm. However, the State Life field force will continue to get instructions and guidance from State Life. The new company will work out its financial results at the end of each year. State Life will only share in profit or loss to the extent of 10% being our shareholding. This will be incorporated in investment results of the Corporation.</p> <p>139. Since Warba desires to reinsure with State Life, this issue will have to be considered by our actuaries and auditors as at present State Life is not in reinsurance business.</p> <p>140. It was pointed out by Warba that even in case every thing goes smooth, it will take at least 6 months for SAMA to give approval and another 6 months to the Council of Ministers to issue license to the new company.</p> <p>141. The Board is, therefore, requested to consider opening of office in Bahrain from where State Life can target a few areas of Saudi Arabia as Damam and al Riyadh etc. with this arrangement our field force in Bahrain can collect premium from Saudi Arabia and State Life can issue policies from Bahrain office.</p>			

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<p>Action: DH(Inv) DH(Mkt)</p> <p>Action: DH(Inv) DH(Mkt)</p>	<p>142. The Bahrain office will be a branch of our UAE office. According to Bahrain laws a sum of BD 400,000 will have to be deposited with banks in Bahrain as security deposit. This is equivalent to UAE DH 4 million which can be transferred from Dubai to Bahrain. The profit on this deposit will form income of our UAE operations. Since interest rates in Bahrain are higher than in UAE, the income from UAE operations will increase. Further a licensing fee equivalent to BD 50,000 or UAE DH 500,000 will also be required to be paid to start operations in Bahrain. This amount can also be paid from our Dubai office and can be amortized over a period of five to ten years.</p> <p>143. In the light of above submissions, the Board is requested to consider collaboration with Warba in KSA and also opening of branch office in Bahrain. A feasibility report and business plan for Bahrain office with consultants proposals have already been submitted to the Principal Office for final approval. We can complete the formalities for opening of Bahrain office within 2 months.</p> <p>144. After deliberation, the Board resolved as under:-</p> <p>RESOLVED:</p> <p>"that a business plan for setting up an office at Bahrain be submitted to the Board at its next meeting giving details of cost of opening office and its justification and comparative financial projection for a period of 3 to 5 years of business under both the scenarios i.e. if the business was to be continued on as it is basis i.e. from Dubai and if the business was to be carried out from Bahrain Office."</p> <p>"that a letter be written by DH(Investment) to M/s. Warba that it would not be possible for State Life to agree to its proposal for taking up 10% shareholding in Albayraq Cooperative Insurance Company set up by M/s. Warba Insurance Company in partnership with Ritaj Takaful Insurance with a share capital of Saudi Riyal 200 million."</p> <p>(IV) INVESTMENT ACTIVITIES FROM 2007 TO 2009</p> <p>145. The Board Audit Committee at its 35th meeting held on 17th September, 2010 desired that General Manager(Investment) present a detailed report about the investment activities during last three years in Pakistan and the Gulf Region to the Board of Directors at its meeting to be held on 19th October, 2010.</p> <p>146. General Manager(Investment) presented before the Board, a Memorandum in respect of Investment Activities from 2007 to 2009 covering the following aspects:-</p> <ol style="list-style-type: none"> Investment Procedure Investment Portfolio and Investment Income 		
	<p>CHAIRMAN'S INITIALS</p> 		

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<p>Investment Procedure:</p> <p>Decisions concerning to invest or divest are made in respective meetings of Investment Committee i.e. Overseas Committee and Domestic Investment Committee which comprises of following:</p> <table><tr><td>Chairman State Life</td><td>Convenor</td></tr><tr><td>Executive Director</td><td>Member</td></tr><tr><td>Divisional Head(Investment)</td><td>Member</td></tr><tr><td>Divisional Head(Actuarial)</td><td>Member</td></tr><tr><td>Divisional Head of a Division</td><td>Member</td></tr><tr><td>Head of Research</td><td>Member, (Domestic Inv. Committee)</td></tr><tr><td>Head of Overseas Investment</td><td>Member, (Overseas Inv. Committee)</td></tr></table> <p>Investment proposals, once scrutinized and approved by the Divisional Head(Investment), are submitted to the respective Committee for consideration.</p> <p>Domestic Investment:</p> <p>Investment in Pakistan Investment Bonds:</p> <p>In case of investment in Pakistan Investment Bonds, an assessment on interest environment is carried out internally which is further fine tuned after having views of various Primary Dealers on the same. The views on tenure and bid pattern are also discussed with Appointed Actuary. Assimilation of information from all sources leads to defining bids pattern for PIBs of various tenures for upcoming bonds auction by the State Bank of Pakistan. Once approved by the Investment Committee the Corporation bids accordingly.</p> <p>Bank Placements:</p> <p>Quotations for placement of funds for various tenures are received from the banks. Banks only with sound financials and meeting criteria imposed internally and externally, such as theirs profitability during the last three years and concurrent Credit Rating, which must be A or above, are considered for placement of funds. Investment Division after scrutinizing and analyzing the banks approaching for deposit, places its report before the Investment Committee for approval.</p> <p>Investment in Term Finance Certificate:</p> <p>Investment in Term Finance Certificates is subject to the outcome of Credit Analysis of issuing entity. Report covering Risk and Return analysis is first presented before the Investment Committee for deliberation and once approved; the same is presented before the Board for approval.</p> <p>Investment in shares of listed companies:</p> <p>Research section of the Investment Division conducts in-house research on companies listed at Stock Exchanges. The section also monitors eco-political</p>				Chairman State Life	Convenor	Executive Director	Member	Divisional Head(Investment)	Member	Divisional Head(Actuarial)	Member	Divisional Head of a Division	Member	Head of Research	Member, (Domestic Inv. Committee)	Head of Overseas Investment	Member, (Overseas Inv. Committee)
Chairman State Life	Convenor																
Executive Director	Member																
Divisional Head(Investment)	Member																
Divisional Head(Actuarial)	Member																
Divisional Head of a Division	Member																
Head of Research	Member, (Domestic Inv. Committee)																
Head of Overseas Investment	Member, (Overseas Inv. Committee)																

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	<p>environment affecting stock market sentiments. The section maintains strong liaison with various brokerage houses in order to keep itself abreast on the latest developments in companies of Investment Committee which reviews and approves the proposals. Transactions are executed in line with the Committee's decision with respect to quantity, price floor & ceiling concerning to particular stock.</p> <p>Overseas Investment:</p> <p>Overseas investments are made in consultations with ABN AMRO Bank and M/s. Sajjad Haider & Company Chartered Accounts. Though both are our Investment Advisors at United Arab Emirate but ABN AMRO has extended functional scope by virtue of having additional responsibility of executing the decisions of Overseas Investment Committee. Investment proposals are routed through M/s. Sajjad Haider & Company to Investment Division which, after initial assessment, places those finally before the Overseas Investment Committee for consideration and approval.</p> <p>Investment Portfolio & Investment Income:</p> <p>It is to be noted that investment portfolio and investment income are the permanent features of the report submitted to Board of Directors in their respective meetings. Annexed documents relate to Investment Portfolio and its performance from 2007 to 2009 as desired.</p> <p>147. To a query, GM(Investment) informed that the meeting of Investment Committee is usually held once a week at least and approvals is given for purchase of shares of companies recommended by the Investment Division within a certain price range based on the closing price of the shares on that day. The orders are placed on the subsequent day. The minutes of the meeting are signed by all the members of the Committee. The rationale for purchase of the shares is given in the minutes. The investment strategy is prepared on the research report received from independent brokerage houses and in house study. The members of the Investment Committee are also allowed to record their dissent if they disagree with the majority decisions. However decisions are taken in the Investment Committee on consensus basis within the laid down parameters. The Board also informed that NIT is being requested to have a nominee of State Life on its Board since a substantial investment has been made by State Life in its certain specific funds.</p> <p>148. The Board directed GM(Investment) for preparing investment manual which should contain the following:-</p> <ol style="list-style-type: none"> Copies of Government circulars and directives including SRO 309K of 1970 and Office Memorandum of Ministry of Finance dated 2nd July, 2003. Investment policy and directives from the Board from time to time Requirements of Insurance Ordinance for investment of funds as per Section-32 of the Insurance Ordinance, 2000 read with Insurance Rules, 2002 framed vide SRO 498(1)/2002 dated August 8, 2002. 		

Action:
DII(Inv)

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<p>d. Criteria for selection of brokers and placement of orders</p> <p>e. Recommendation of the study carried out by Asian Development Bank.</p> <p>f. Development of software covering ERP system and recording of all decisions of the Investment Committee and recording of exceptions to non compliance of directives.</p> <p>Action: DII(Inv)</p> <p>149. The Board further desired that the manual should also take into account the ERP system.</p> <p>150. The meeting ended with vote of thanks to the chair.</p> <p> (CHAIRMAN)</p> <p>CHAIRMAN'S INITIALS</p> 