

**MINUTES OF 219<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

| DIRECTORS   | HELD AT | ON  | TIME |
|-------------|---------|---|------|
| MINUTE BOOK | KARACHI | 22 <sup>ND</sup> APRIL, 2011 AND 25 <sup>TH</sup> APRIL, 2011 |      |

**CONFIDENTIAL AND RESTRICTED**

The 219<sup>th</sup> Meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on Friday, 22<sup>nd</sup> April, 2011 at 11.00 a.m. and Monday 25<sup>th</sup> April, 2011 at 3.00 p.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. Mr. Akbarali Hussain    | Secretary Board |

**ABSENT:**

- |                           |          |
|---------------------------|----------|
| 1. Mr. Amin Qasim Dada,   | Director |
| 2. Syed Hur Riahi Gardezi | Director |

2. The Securities & Exchange Commission of Pakistan, Company Law Division has issued circular No.6 of 2010 No.CLD/RD/602(180)/2000 dated 24<sup>th</sup> February, 2010 in order to facilitate the companies and their management and enabling them to get optimum benefit with the use of latest technology has permitted to allow all the Directors of the listed and unlisted public companies whether in Pakistan or abroad to participate in the Board of Directors meetings through tele/video conferencing and it would not be essential for the companies to secure the tele/video recording of the proceedings of the meeting as it involves undue expenditure of the companies. However as per the circular the draft minutes of the meeting shall be sent to those Directors who had participated in the proceedings of the meeting through tele/video conference for his/their confirmation.

3. Mr. Shahid Rahim Shaikh had expressed his inability through telephone to attend the above meeting due to health problem since he had undergone surgery and was not in a position to undertake travel, therefore he attended the meeting through tele conferencing. Furthermore, the draft minutes of the meeting were sent to him for his confirmation which was need fully done. The Board decided that henceforth Director's Fee will be payable to those Directors also who would be attending the meeting through tele conference.

4. The meeting started with recitation of verses from the Holy Quran by the ED(P&GS).

**ITEM (1) CONFIRMATION OF MINUTES OF 218<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS.**

5. The minutes of the 218<sup>th</sup> meeting of the Board of Directors held on 21<sup>st</sup> March, 2011 together with implementation report were placed before the Board.

CHAIRMAN'S  
INITIALS

*[Handwritten Signature]*

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| <p>6. Implementation report of 218<sup>th</sup> meeting of the Board of Directors were noted.</p> <p>Item No.7 , page-3350 of 218<sup>th</sup> meeting para-46 – consideration and approval of recommendations in minutes of 17<sup>th</sup> meeting of Real Estate and Investment Committee held on 18<sup>th</sup> March, 2011.</p> <p>7. The Board pointed out that the following recommendation which was erroneously left out be included in the minutes of the 218<sup>th</sup> meeting as para-46 (vii):-</p> <p>(vii) "that the return on real estate should be maximised by optimum utilization of assets and usage of space for office use by State Life and renting out to the maximum of available rentable area in the existing State Life buildings before going for construction on existing unutilized plots for which a building-wise feasibility study should be carried out and submitted to the Board for approval. This would also include projects which have already been cleared by the DWP for which also a feasibility study be presented to the Board for approval before ground breaking of the project. However, the ongoing projects be expedited and completed at an early date."</p> <p>8. Syed A. Wahab Mehdi, Director proposed and Mr. Aslam Faruque, Director seconded that the minutes of 218<sup>th</sup> meeting of the Board of Directors be confirmed subject to the incorporation of the recommendations mentioned at para-7 above.</p> <p>9. Accordingly, it was resolved as under:-</p> <p><b>RESOLVED:</b><br/>"that the Minutes of 218<sup>th</sup> meeting of Board of Directors held on 21<sup>st</sup> March, 2011 are confirmed subject to the incorporation of the recommendations mentioned at para-7 above."</p> <p><b>ITEM (2) CONSIDERATION AND APPROVAL OF RECOMMENDATIONS IN MINUTES OF 6<sup>TH</sup> MEETING OF HUMAN RESOURCES COMMITTEE HELD ON 21-03-2011.</b></p> <p>10. The minutes of the 6<sup>th</sup> meeting of Human Resources Committee held on 21<sup>st</sup> March, 2011 was presented before the Board of Directors for consideration and approval of decisions/recommendations made by the Committee for which respective memorandums were placed before the Board. A copy of the minutes duly signed by the Chairman is placed at Annexure-A to the Minutes.</p> <p>11. Accordingly, the Board resolved as under:</p> <p><b>RESOLVED:</b><br/>"that the minutes of 6<sup>th</sup> meeting of Human Resources Committee held on 21<sup>st</sup> March, 2011 together with observations/recommendations are approved subject to the following:-</p> |         |   |      |

Action:  
Secretary  
(Board)

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


CHAIRMAN'S  
INITIALS





MINUTES OF 219<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS

| DIRECTORS<br>MINUTE BOOK | HELD AT<br>KARACHI   | ON<br>22 <sup>ND</sup> APRIL, 2011 AND 25 <sup>TH</sup> APRIL, 2011 | TIME |
|--------------------------|--|---|------|
|                          | <p>a) The matter relating to amendment in Rule-32 of the revised leave rule 1989 for officers of State Life would be re-examined in the financial impact if any in the next HRC and recommendation submitted to the Board for review and decision.</p> <p>b) The contractual employment under Prime Minister's Assistance Package for sons/daughters of the deceased employees would be attended to by the HR Committee on case to case basis as and when applied by son/daughter of deceased employees and recommendation submitted to the Board.</p> <p>c) The proposal relating to establishment of a position of Human Resources Development Manager and workshop/training of AGMs and DGMs through appropriate in-house resources and through negotiated packages with PIM and any other reputable institutions for making them eligible for promotion be resubmitted at the next HRC meeting for its review and recommendations to the Board.</p> <p>d) The Memorandums relating to i) incentive on acquiring Ph.D Degree, ii) promotion of Mr. Fakeer Mohammad Baloch as Deputy Manager, iii) Mobile set purchases policy of SLIC, iv) Executive Development Programme – club facilities for the Executives of State Life Insurance Corporation, v) Performance Based Bonus Scheme – 2010 for Officers of State Life Insurance Corporation of Pakistan and vi) approval of creation of additional post of DGM in IT Division would be submitted to the Board alongwith the recommendations of the HRC for consideration and approval. The Memorandums were submitted to the Board at Item-3, 13, 12, 4, 5 and 6 of the agenda of 219<sup>th</sup> meeting.</p> <p>e) The Memorandums relating to i) Performance Based Bonus Scheme for G&amp;P Division for the year 2010 and ii) Restructuring of Legal Affairs Division which were required to be submitted to the Board alongwith the recommendations of the HRC at its 6<sup>th</sup> meeting for consideration and approval would be presented at the next meeting of the Board."</p> <p><b>ITEM (3) <u>INCENTIVE ON ACQUIRING THE PH.D DEGREE</u></b></p> <p>12. Executive Director (P&amp;GS) presented before the Board, a Memorandum for incentive on acquiring the Ph.D. Degree.</p> <p>13. The Board was informed that the contemporary profit-oriented organization heavily rely on proper planning, process designing and evaluation of results to achieve excellence and organizational effectiveness both in terms of survival and profitability. To meet this end, such organizations engage services of Ph.Ds either in form of consultant/advisor or induct them on permanently basis.</p> <p>14. The State Life Insurance Corporation has been market leader in life Insurance industry and has earned a reputation of beating its competitors especially private sector, so much so that SLIC is the only Insurance Organization to earn "AAA" rating by PACRA for consecutive 2<sup>nd</sup> term. However to continue its history of success and excellence, it needs to encourage Ph.D. degree holders having acquired Ph.D. in business disciplines like H.R. Finance, Economics, Management Science, Marketing, etc.</p> |   |      |

CHAIRMAN'S  
INITIALS


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| MINUTE BOOK | KARACHI  | 22 <sup>nd</sup> APRIL, 2011 AND 25 <sup>TH</sup> APRIL, 2011 |      |
|             | <p>15. ED(P&amp;GS) submitted that in order to encourage employees to acquire this highest education degree, it is required to approve some incentives in this regard for those who have already acquired this degree and for those who are aspirant to acquire the Ph.D. Degree in future and in this regard submitted the following suggestions:-</p> <ul style="list-style-type: none"> <li>i. Any one from staff who has acquired the Ph.D. degree may be upgraded as Asst. Manager subject to consideration of a constituted committee after analyzing his / her ACRs of last three years unblemished service record and availability of vacancy in the cadre.</li> <li>ii. Any one from Middle Management (i.e. E.O., A.M., D.M., Mgr.) who has acquired the Ph.D. Degree may be given one grade up elevation subject to consideration of a constituted committee after analyzing his/her ACRs of last three years unblemished service record and availability of vacancy in the cadre.</li> <li>iii. Any one from Senior Management (i.e. A.G.M., D.G.M., G.M.) who has acquired the Ph.D. degree may be given Ph.D. Allowance @ Rs: 10,000/- per month in lieu of one grade elevation because in cadres of Senior Management availability of vacant positions for elevation always remain scarce.</li> <li>iv. Those employees who are aspirant to acquire the Ph.D. Degree in future may seek permission from the management before starting his education. However, State Life will not bear any financial / administrative burden of the studies.</li> <li>v. Ph.D. Allowance will not be admissible to those who were benefitted of promotions on the basis of Ph.D. in the entire career even after reaching in the cadres of Senior Management.</li> </ul> <p>16. The subject memorandum was submitted in 6th meeting of Human Resources Committee held on 21-03-2011.</p> <p>17. The HR Committee agreed to the proposal contained in the Memorandum and had resolved that the Memorandum be submitted to the Board of Directors for approval.</p> <p>18. The matter is therefore submitted for consideration and approval by the Board.</p> <p>19. Accordingly, the Board resolved as under:</p> <p><b>RESOLVED:</b><br/>"that as proposed by ED(P&amp;GS) in his Memorandum and recommended by the HR Committee at its 6<sup>th</sup> meeting the following suggestions were approved:-</p> |   |      |

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

CHAIRMAN'S  
INITIALS





MINUTES OF 219<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS

| DIRECTORS<br>MINUTE BOOK | HELD AT<br>KARACHI   | 22 <sup>nd</sup> APRIL, 2011 AND 25 <sup>TH</sup> APRIL, 2011 | TIME |
|--------------------------|--|---|------|
|                          | <p>i. Any one from staff who has acquired the Ph.D. degree may be upgraded as Asst. Manager subject to consideration of a constituted committee after analyzing his / her ACRs of last three years unblemished service record and availability of vacancy in the cadre.</p> <p>ii. Any one from Middle Management (i.e. E.O., A.M., D.M., Mgr.) who has acquired the Ph.D. Degree may be given one grade up elevation subject to consideration of a constituted committee after analyzing his/her ACRs of last three years unblemished service record and availability of vacancy in the cadre.</p> <p>iii. Any one from Senior Management (i.e. A.G.M., D.G.M., G.M.) who has acquired the Ph.D. degree may be given Ph.D. Allowance @ Rs: 10,000/- per month in lieu of one grade elevation because in cadres of Senior Management availability of vacant positions for elevation always remain scarce.</p> <p>iv. Those employees who are aspirant to acquire the Ph.D. Degree in future may seek permission from the management before starting his education. However, State Life will not bear any financial/administrative burden of the studies.</p> <p>v. Ph.D. Allowance will not be admissible to those who were benefitted of promotions on the basis of Ph.D. in the entire career even after reaching in the cadres of Senior Management.</p> <p>vi. The PhD Degree should have been acquired in business disciplines of Human Resources, Finance, Economics, Management Science, Actuarial Science, Insurance, Policyholder Service, Insurance Underwriting, Marketing, Investment, Audit, IT and Corporate Governance to qualify for the incentives in i) to v) above. However only one qualification allowance can be availed.</p> <p><b>ITEM (4) EXECUTIVE DEVELOPMENT PROGRAM "CLUB FACILITIES FOR OFFICERS OF SLIC".</b></p> <p>20. Executive Director (P&amp;GS) presented before the Board, a Memorandum for Executive Development Program "Club" facilities for officers of State Life.</p> <p>21. ED(P&amp;GS) submitted that it is a well-known fact, the officers of the State Life Insurance Corporation are striving hard to frame, launch and monitor various schemes, which have earned laurels for the prestige of the Corporation by achieving the 30 to 40% growth rate per annum as well as making it a triple-A rating organization. But there are no recreation and sports facilities for the Executives of the State Life Insurance Corporation of Pakistan, which resulted in to their lack of confidence, un- healthy life styles and limited vision.</p> <p>22. Following are the benefits of the sports and recreation facilities on the personality build-up of the people:-</p> |   |      |

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1. Physical and mental well-being
2. Develops leadership qualities and fosters a team spirit
3. Happier –Feel great
4. Build family unity
5. Diminish chance of disease – Live longer
6. Build self-esteem
7. Reduce stress – relax
8. Promote sensitivity to cultural diversity
9. Eliminate Loneliness – Conquer boredom
10. Enhance relationship skills – teach vital life skills
11. Offer place for social interaction.

23. Keeping in view the above benefits, following Policy for Provision of Club Membership for the Executives is proposed.

| S.No. | Designation        | No. of Clubs | Amount of Membership                                 | Monthly Club Subscription Fee                        |
|-------|--------------------|--------------|--|--|
| 1.    | Chairman           | 02           | Actual amount of Membership                          | Reimbursement of actual amount maximum of Rs.5,000/- |
| 2.    | Executive Director | 01           | Actual amount of Membership                          | Reimbursement of actual amount maximum of Rs.2,000/- |
| 3.    | General Manager    | 01           | Actual amount of Membership maximum to Rs.6,00,000/- | Reimbursement of actual amount maximum of Rs.2,000/- |

24. In the first year, the estimated expenditure is to be around Rs.10 million and in subsequent years, it will be in the range of two to three million.

25. In order to introduce corporate culture in the State Life and enhance the capabilities and physical health of the Executives, availing the club and sports facilities might bring very positive impact on their mental capabilities and vision.

26. It is worth to mention here that the Policy of Club Facilities to the Executive is already in practice in other corporations of Ministry of Commerce viz.; Trading Corporation of Pakistan (TCP), Pakistan Reinsurance Corporation of Pakistan (PRCL).

CHAIRMAN'S  
INITIALS

|           |          |
|-----------|----------|
| Signature | Initials |
|           |          |



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27. ED(P&GS) submitted that the Ministry of Finance, Government of Pakistan vide letter No. F-8 (1) Exp. IV/2004/204 dated 27.03.2007 has allowed the "Board of Directors of the Government established/owned companies under the Companies Ordinance may use full powers in the extent given in the Companies Ordinance provided their decision do not impact the Federal Budget in any way." ED(F&A) confirmed that provision for the above expenses have already been made in the budget of the Corporation for the year 2011.

28. The subject memorandum was submitted in 6th meeting of Human Resources Committee of the Board held on 21-03-2011 which agreed to the above proposal and recommended that the matter be submitted to the Board in its meeting for consideration and approval. .

29. Accordingly, the Board resolved as under:

**RESOLVED:**

"that as proposed by ED(P&GS) in his Memorandum and recommended by the HR Committee at its 6<sup>th</sup> meeting the following policy for Club Membership for the Executives were approved:-

| Designation        | No. of Clubs | Amount of Membership                                | Monthly Club Subscription Fee                        |
|--------------------|--------------|---|--|
| Chairman           | 02           | Actual amount of Membership                         | Reimbursement of actual amount maximum of Rs.5,000/- |
| Executive Director | 01           | Actual amount of Membership Maximum to Rs.1,300,000 | Reimbursement of actual amount maximum of Rs.2,000/- |
| General Manager    | 01           | Actual amount of Membership maximum to Rs.600,000/- | Reimbursement of actual amount maximum of Rs.2,000/- |

"that the Executive Directors and General Managers on deputation would be eligible for the facility of Club Membership in the second year of stay with the Corporation."

**ITEM (5) APPROVAL OF PERFORMANCE BASED BONUS FOR THE YEAR 2010.**

30. Executive Director (P&GS) presented before the Board, a Memorandum for approval of Performance Based Bonus for the year 2010.

31. ED(P&GS) informed the Board that Performance Based Bonus Scheme for officers of State Life was introduced in the year 2001 with the approval of the Board of Directors of State Life. This Scheme is continued with some changes to improve the business performance of the Corporation. The aim of the Scheme is to develop "competitive go" among the officers so that they could do their best in the respective areas of action. The Scheme also helps to develop team spirit amongst the officers working in the office as well as in the field.

CHAIRMAN'S INITIALS



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

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|             | <p>have direct interest in promotion of the business of the Corporation and they will work as a team and motivate their colleagues for better and enhanced performance.</p> <p>32. The Board had in its 202<sup>nd</sup> meeting held on 02.03.2010 approved the recommendations of the 4<sup>th</sup> meeting of the H.R. Committee dated 01.03.2010 that the Performance Based Bonus Scheme-2009 for officers be continued on the same line as was approved and announced for the year 2008 and circulated vide No.PL-24(104) PBB-08 dated 07.08.2008.</p> <p>33. The Group &amp; Pension Division however submitted separate memorandum to the H.R. Committee for revisiting the Scheme for 2009 onwards. However, the Marketing Division has recommended that the existing Performance Based Bonus Scheme for Individual Life may be continued for the year 2010. Therefore, proposed Performance Based Bonus Scheme-2010 for officers of Individual Life, Gulf Zone, Investment Division and Real Estate was placed at Annexure- A to D to the Memorandum for perusal of the Board and Annexure-B to the minutes.</p> <p>34. The Human Resources Committee at its 6<sup>th</sup> meeting held on 21-3-2011 considered the proposal at para 3 of the Memorandum for approval of the Performance Based Bonus Scheme-2010 to determine the actual quantum of bonus achieved by each officer on the business performance of the Corporation for the year ended 31.12.2010 and for its adjustment/ recoveries, if any, towards the payments already made during the year 2010 on two Eid occasions vide order No. P&amp;GS/PO/232/2010 dated 16.08.2010 and Order No. P&amp;GS/PO/ 294/2010 dated 03.11.2010 respectively.</p> <p>35. The Committee agreed to the proposal for the year 2010 and recommended for submission of memorandum to the Board of Directors for consideration and approval.</p> <p>36. Accordingly, the Board resolved as under:</p> <p><b>RESOLVED:</b><br/>         "that the proposal of ED(P&amp;GS) in his Memorandum and recommendation of HR Committee at its 6<sup>th</sup> meeting held on 21<sup>st</sup> March, 2011 that the performance based bonus scheme for the year 2010 as given in annex-A to D of the Memorandum be continued on the same line as the existing scheme for the year 2009 which was notified by P&amp;GS Division's circular No. P&amp;GS/PO/294/2010 dated 03.11.2010 was approved i.e. bonus would be paid to the officers for officers of Individual Life, Gulf Zone, Investment Division and Real Estate Division on the basis of points earned by the Divisions in which the officer is posted."</p> <p><b>ITEM (6) APPROVAL OF CREATION OF ADDITIONAL POST OF DGM (IT).</b></p> <p>37. Executive Director (P&amp;GS) presented before the Board, a Memorandum for approval of creation of additional post of Deputy General Manager(IT).</p> |   |      |

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

CHAIRMAN'S  
INITIALS

*[Signature]*



MINUTES OF 219<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS

| DIRECTORS   | HELD AT | ON  | TIME |
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| <p>38. ED(P&amp;GS) submitted that I.T. Division is passing through transition stage in which in-house developed legacy software are being replaced with the Pre-Packaged Software comprising of Core Insurance and Business Support ERP Systems are being provided and implemented by M/s Sidat Morshid Associates under an agreement with State Life. This system will provide integrated data and reporting with multiple features of timeliness and efficiency improvement.</p> <p>39. The Board was informed that presently the team of officers in I.T. Division comprises of two senior approved posts of Deputy General Managers (DGM) besides other junior officers. Currently three DGMs are posted in this Division, out of which one of them will retire in October 2011, while other DGM (Mr. Pervaiz Tahir) is abroad and is un-authorized absent from duty and may not join for duty.</p> <p>40. The Board of Directors in its 192<sup>nd</sup> meeting approved fifteen IT Professionals for the IT Project. A team headed by Project Director and eight other IT officials were appointed in 2010 and are presently working on the IT Project on contract basis.</p> <p>41. The Scope of work in this Division has increased substantially as all functions of all divisions are being computerized. Few other major activities like Document Management System, Implementation of Call Centre and Management of Communication Systems would require senior management IT officers to successfully implement software applications and new technologies in State Life.</p> <p>42. ED(P&amp;GS) submitted that keeping in view the delicacy of the new assignments and safeguard the heavy investment involved in the project, it is imperative that, we may proceed for appointment of a DGM from the market to boost existing IT manpower. Following are the proposed TORs of this job:-</p> <ul style="list-style-type: none"> <li>• Age limit between 27 to 40 years</li> <li>• Minimum 8 years of experience [4 years post graduate experience is mandatory] in computer / IT related field.</li> <li>• Must have worked in IT related organizations at senior managerial role and must have supervised a team of 03 technical professionals.</li> <li>• Must hold Master degree in Computer Science from a HEC recognized university and Masters Degree in Business Administration/Communication will be an additional point.</li> <li>• Knowledge in Oracle Database, Project Management, Software Quality Assurance and Business Analyst is a plus point; and certification from International Organizations would be an additional point;</li> <li>• MUST have excellent knowledge of Microsoft Windows Operating system and Oracle Data base tools.</li> <li>• Strong IT skills; comfortable with computer-based tools, processes and workflows;</li> </ul> |         |   |      |

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|             | <ul style="list-style-type: none"> <li>Advanced-level experience with MS Word and Excel; PowerPoint, MS Project; Web/HTML/XML skills a plus.</li> <li>Demonstrated ability to successfully manage projects, schedules and budgets;</li> <li>Excellent organizational, planning and analytical skills;</li> <li>Excellent problem-solving skills; able to formulate creative solutions for day-to-day problems and make good decisions on the fly;</li> <li>Excellent communication skills; comfortable working directly with clients;</li> <li>Highly self-motivated with a confidence, "do the right thing" attitude;</li> <li>Demonstrated ability to make good decisions;</li> <li>Able to work independently or as part of a team;</li> <li>Able to multitask and think clearly on your feet;</li> <li>Open to learning new skills;</li> </ul> <p>43. ED(P&amp;GS) proposed to the Board that applications may be invited through advertisement in leading Urdu and English newspapers and the appointment procedure may be processed through P&amp;GS Division and a selection committee to be constituted for this purpose as per underlying procedure for regular appointments.</p> <p>44. The subject memorandum was submitted in the 6th meeting of Human Resources Committee held on 21-03-2011. The HR Committee has agreed in principle to advertise the post and instructed the matter be submitted to the Board with the following recommendations for consideration:-</p> <p>(i) A post of DGM (IT) be advertised and filled up in following the appointment policy for the regular post.</p> <p>(ii) Applications be invited through P.O. Box to avoid the political influence for the appointment.</p> <p>45. After deliberation, the Board resolved not to approve the above suggestion of ED(P&amp;GS) and recommendation of the HR Committee as the above proposal was based on Microsoft system whereas State Life was currently in the process of automation of ERP based system.</p> <p><b>ITEM (7) APPROVAL OF BUDGET PROPOSALS FOR THE YEAR 2011 AND EXPECTED ACTUALS/ACTUALS FOR FOR THE YEAR 2010.</b></p> <p>46. Executive Director (F&amp;A) presented before the Board a Memorandum dated 4<sup>th</sup> April, 2011 regarding budget proposals for the year 2011 and expected actual/actual for 2010 showing all necessary details of first year premium, second year and third year and later year renewal premium in respect of individual life</p> |   |      |

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

CHAIRMAN'S  
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|             | <p>business within Pakistan and Overseas, group life premium, investment income, Real Estate income, exchange gain and other income, payment to policyholders and field workers, group life claims and profit commission, administrative expenses including personnel cost of officers and staff, Area Managers expenses alongwith head-wise details of other revenue and administrative expenses. The head-wise details of administrative expenses of investment and Real Estate were also put up to the Board. Forecast of capital expenditure for 2011 for each operating activity were also submitted.</p> <p>47. ED(F&amp;A)/DGM(F&amp;A) explained the salient features of the budget proposals in the presentation on multi media and replied to the different queries raised by the members of the Board.</p> <p>48. Board of Directors were requested to kindly consider and approve budget proposals for 2011 and expected Estimates for 2010, as proposed in para-9 and 11 of the Memorandum.</p> <p>49. The Board of Directors is also requested to consider and authorize Executive Director (F&amp;A) to make re-appropriation of budget among different heads for revenue expenses/capital expenditure, in case a need for such re-appropriation arises, of course, within the overall total amount of budget approved by the Board.</p> <p>50. ED(F&amp;A) informed the Board that a budget has been prepared under the revised limit of SECP but the Corporation has to be very cautious in minimizing curtailing and controlling its expenses so that the limits are not exceeded. F&amp;A Division have already taken the measures in budget proposal 2011, highlighted at para-10 to the Memorandum and Annexure-B to the Minutes.</p> <p>51. ED(F&amp;A) further suggested a high powered Committee be constituted, terms of reference of which would be to suggest ways and means for minimizing curtailing and controlling of expenses of the Corporation as suggested by the F&amp;A Division such as reduction in commission on FYP by 19.5% reduction seating and allied facilities by 5%, reduction in SYP commission by 4.5% and reduction in commission on renewal premium by 1%.</p> <p>52. The Board was informed that the current budget was based on the presumption that the renewal expense ratio would be 18.6% which was within the prescribed limit described by SECP for the year 2011 which was 19%. The maximum expense limit of first year premium for the year 2011 was retained at 104% by SECP. SECP has however prescribed limit of 100% and 18% for first year premium and renewal premium for the year 2012 and 90% and 15% respectively for subsequent years as per circular No.7 of 2011 dated 18<sup>th</sup> March, 2011.</p> <p>53. To a query from a Board Member that the reduction in renewal expense ratio be phased out in 2011 and 2012, ED(Marketing) and DH(Marketing) explained that the reduction could be brought about by abolishing the SO tiers or across the Board reduction in commission of all the tiers of the field force. The Chairman State Life pointed out that if the ratio would not be brought within the prescribed limits, the Government may have no option but to privatize State Life.</p> |   |      |

CHAIRMAN'S INITIALS





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54. The Board was informed that the premium figures included Rs.180 million to be generated through bancassurance. The growth in group premium/group claims would be generated through Benazir Income Support Programme. The budget also provide for expenses related to promotion of 187 Area Managers and other promotions on the administrative side in the various Divisions/Departments of State Life who have met the requisite criteria.

55. DH(RE) informed the Board that the expenses of RE Division have gone up due to increase in rates of janitorial and security services because of increase in minimum wages, increase in rates of utilities.

56. The Board directed that the budget exercise should be carried out keeping in mind objective conditions and ground realities like availability of disposal income in the rural areas.

57. After deliberations, the Board resolved as under:

**RESOLVED:**

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

(a) "that as proposed by ED(F&A), the budget proposals in respect of Income, Outgo, Life Fund and Capital Expenditure for the year 2011 and Expected Estimates for 2010 given in para 9 and 11 of the Memorandum dated 4<sup>th</sup> April, 2011 and Annexure-B to the minutes with detailed break down in para 4-8 of the Memorandum are approved. The Real Estate Division's budget approval would be subject to approval of strategic plan to be submitted to the Board within 30 days."

(b) "that F&A Division submit a detailed break down of each item of capital expenditure budget approved for the year 2010 and its comparison with actual expenditure for the year 2010. The above information be given in respect of each cost centre i.e. Divisions, Regions and Zones. Similar break down be given in respect of each item of revenue expenses comparing budget with actual expenses for the year 2010 audited accounts."

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

(d) "that calendar of event for preparation of budget given at Annexure-B to the minutes of 206<sup>th</sup> meeting of the Board of Directors be continued for future budget exercise."

(e) "that as recommended by ED(F&A) in his Memorandum, the constitution of a high powered Committee comprising of ED(F&A) as Convenor and ED(Marketing) and ED(PHS) as Members was approved. The terms of reference of the Committee would be to meet the representatives of the field workers and associations and submit its recommendations to the Board for minimizing curtailing and controlling of the expenses to bring the renewal expense ratio within the prescribed limit of SECP. The

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| <p>Committee was directed to submit the report to the Board within six weeks."</p> <p>(f) "that comparison of last five years trend of income and expenses of actual vs budget be submitted to the Board for their review. The trends be explained through use of charts and graphs. The historical growth of individual zone for the last five years be also submitted to the Board highlighting first year premium, second year premium and renewal premium and persistency and break down of various expenses."</p> <p>(g) "that the Board approves the measures recommended by ED(F&amp;A) in his Memorandum i.e. no provision for fresh recruitment of officers and staff, no hiring on contract basis, curtailment of Rs.20 million in advertisement expenses and increase in salaries of staff be restricted to the equivalent of 50% ad-hoc allowance already allowed by the Government."</p> <p><b>ITEM (8) APPROVAL OF STATE LIFE'S ANNUAL ACCOUNTS TOGETHER WITH AUDITORS REPORT AND MANAGEMENT LETTER THEREON FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2010.</b></p> <p>58. Executive Director(F&amp;A) presented before the Board, a Memorandum dated 20<sup>th</sup> April, 2011 regarding State Life Audited Annual Accounts for the year ended December 31, 2010 together with the auditor's report to the members thereon and the auditor's letter to the Board of Directors containing their observations on the audited accounts.</p> <p>59. Divisional Head(F&amp;A) submitted to the Board, the 38<sup>th</sup> Annual Report on the operations of State Life Insurance Corporation of Pakistan for the year ended December, 31, 2010 comprising of the audited financial statements/regulatory returns: (a) Financial Statements: Balance Sheet, profit &amp; Loss Account, Statement of Changes in Equity, Revenue Account, Statement of Premium, Statement of Claims, Statement of Investment Income, Statement of Expenses, Statements of Cash Flows and (b) Regulatory Returns: Statement of Assets for Solvency, Classified Summary of Assets in Pakistan, Statement of Maximum Management Expenses limits U/S 22(9) and 23(9) of Insurance Ordinance, 2000 prescribed by SECP.</p> <p>60. Chairman, Board Audit Committee informed the Board that the Board Audit Committee in its 39<sup>th</sup> meeting held on 22<sup>nd</sup> April, 2011 and 25<sup>th</sup> April, 2011 had considered the audited accounts in detail. Letter of the Auditors to Board of Directors was also discussed at length. The Board Audit Committee accordingly had made certain observations and recommendations which have been recorded in the Minutes of the Board Audit Committee. The minutes of the Board Audit Committee of the 39<sup>th</sup> meeting held on 22<sup>nd</sup> April, 2011 and 25<sup>th</sup> April, 2011 would be submitted to the Board at its next meeting.</p> <p>61 ED(F&amp;A) informed that the accounts of the Corporation for the year ended 31<sup>st</sup> December, 2010 were jointly audited by a panel of statutory auditors namely:</p> <p>i) M/s. Riaz Ahmad &amp; Co.,<br/>Chartered Accountants, Lahore.</p> |         |   |      |

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| <p>ii) M/s. Anjum Asim Shahid Rahman,<br/>Chartered Accountants, Karachi.</p> <p>62. The panel of auditors was appointed by Federal Government, pursuant to Article 28 of Life Insurance (Nationalization) Order, 1972. Accounts for 2010 of Gulf Zone of the Corporation were audited by M/s. Sajjad Haider &amp; Co., Chartered Accountants, Dubai, UAE.</p> <p>63. Operating results of State Life Insurance Corporation of Pakistan for 2010 can be examined by comparison of figures for 2010 with 2009 as given in Annex-1, Annex-2, Annex-3 and Annex-4 of the Memorandum.</p> <p>64. Annex-5 to the Memorandum contained details of Investment Portfolio of Pakistan Life Fund, Overseas Life Fund and for the Corporation as a whole.</p> <p>65. Annex-6 to the Memorandum showed provisions, adjustments and additions to Investment Portfolio made during 2010 for which specific approval of the Board of Directors was required.</p> <p>66. Annex-7 to the Memorandum showed maximum management expenses limits revised by SECP for the year 2010 and 2011.</p> <p>67. Annex-8 to the Memorandum showed comparative figures of profit and loss account of Shareholders' Fund for 2009 and 2010.</p> <p>68. A set of audited Annual Financial Statements/Regulatory Returns for 2010 mentioned in the Memorandum, duly initialed by the Statutory Auditors, alongwith Notes to accounts and Auditors' Report thereon, was enclosed with the Memorandum for consideration of the Board. A copy of letter addressed to the Board of Directors received from auditors alongwith initialed accounts containing their observations was also submitted for perusal of the Board.</p> <p>69. The Board was requested to consider and approve financial statements/regulatory returns for 2010, mentioned in the Memorandum, alongwith notes to the Accounts and Auditors Report thereon as well as amount of provisions, adjustments and additions to Investment Portfolio mentioned in Annex-6 to the Memorandum.</p> <p>70. The Board was also requested to nominate two Directors to sign alongwith Chairman, State Life and Executive Director (F&amp;A), financial statements/regulatory returns for 2010 after consideration and approval by the Board.</p> <p>71. The Statutory Auditors were present in the Board meeting in which the audited accounts and letter of the auditors to the Board were discussed and necessary directions were issued to the Management for improvement as suggested by the external auditors.</p> |         |   |      |

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72. The auditors in the audited report have reported the following:-

**3.1 Fair valuation and impairment testing of investments in unlisted securities**

As per Securities and Exchange Commission (Insurance) Rules, 2002, the available for sale investments are to be stated at lower of cost or market value. In respect of unlisted securities, no market values are available for such an analysis. International Accounting Standard (IAS)-39 'Financial Instruments: Recognition and Measurement' discusses certain valuation techniques for determining the fair values of unlisted equity securities, and does not consider the break-up values to be the appropriate measure of fair values.

The auditors noted that the Corporation has no practice of determining the fair value of the shares of unlisted companies using appropriate valuation techniques. For determining the impairment, it only bases its conclusion with respect to the break-up values of the unlisted shares as at the reporting date, which is not an appropriate measure of determining the fair value.

**3.2 Taxation**

**(a) Provision for taxation**

The Corporation has computed income tax related to current year on the basis of taxable income determined under Fourth Schedule of the Income Tax Ordinance, 2001. Last year, the Corporation made provision for its income tax under section 113 of the Income Tax Ordinance, 2001 and accrued Rupees 75 million in statutory life fund. It is pertinent to mention that the Corporation has been contesting against the charge of minimum tax in the Honorable High Court of Sindh for assessments years 1992 to 2002 on the plea that minimum tax is not applicable on the total turnover attributed to the policy holders' fund. We have been informed that based on the views of its tax advisors, the management believes that the Corporation would not be liable to minimum tax under Section 113 of the Income Tax Ordinance 2001. However, provision of Rupees 75 million as aforesaid has not been reversed on a prudence basis.

**(b) Quarterly advance income tax payments and income tax receivable**

The Corporation does not compute the quarterly advance income tax liability in accordance with the formula prescribed in section 147 of the Income Tax Ordinance, 2001, as amended by the Finance Act, 2009. The revised formula requires calculating the quarterly tax by multiplying the latest tax year's assessed tax liability with the quarterly turnover and divided by the latest tax year's annual turnover. To the contrary, the Corporation simply computes the quarterly tax by dividing last year's assessed tax liability into four quarters, which formula has been modified. Although the impact is not material, yet we suggest that the Corporation should obtain specific legal opinion with respect to the appropriateness of its practice for determining the

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|             | <p>quarterly tax liability.</p> <p>Further, the auditors drew the attention towards the income tax receivable which, after adjusting all income tax liabilities till the reporting date, stood at Rupees 1,435.977 million. The receivable amount of income tax is piling up continuously. The auditors suggested that this matter should be taken up with the taxation authorities for any possible refund or adjustment.</p> <p><b>3.3 Accrued income on APL loan</b></p> <p>During the current year, the Corporation reversed accrued income of Rupees 105.702 million on non-commissionable Auto-Premium Loan pertaining to the year 2008. We understand that such a reversal of accrual should have been made during the year 2009. The above reversal is not in conformity with the matching principle. The auditors recommended that the management should be careful to incorporate such adjustments when due.</p> <p><b>3.4 Write back of long outstanding commission payable to agents</b></p> <p>Commission payable to agents, includes balances amounting to Rupees 150 million (approximately), outstanding for more than 3 years. Further, an amount of Rupees 8 million is receivable from such agents on account of loans advanced to them. These balances mostly pertain to those agents who have left the Corporation in previous years. The auditors noted that there is no formalized policy to write back or write off such long standing balances.</p> <p>The auditors recommended that besides formalizing such a policy, the management should also look into the reasons for these long outstanding balances and take corrective measures to avoid such accumulation of balances.</p> <p><b>3.5 Audit of Mirpurkhas Zone</b></p> <p>During visit of Mirpurkhas Zone for audit purposes the auditors noted that bank ledgers are not updated and consequently not reconciled with the balances as per bank statements. Bank reconciliation statements were not available for reconciliation of these differences. The auditors were represented that this happened due to sickness of concerned accountant and were asked to depute audit team again for verification of these differences after the management has worked upon the same. The audit team was again deputed with the consultation of management for verification of these differences and it was noted that the differences have reduced and the management is working on to resolve all the differences. Following major differences are still outstanding:</p> <div style="text-align: right;">Rupees</div> <p>Un-identified difference in four <i>collection accounts</i><br/>(net book balance in excess of bank balance)</p> <div style="text-align: right;">7,718,387</div> |   |      |

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| <p>Un-matched cheques/amounts in four <i>disbursement accounts</i></p> <p style="text-align: right;">5,166,309</p> <p style="text-align: center;">Total</p> <p style="text-align: right;"><u>12,884,696</u></p> <p>The auditors understand that the bank reconciliation statements are important tool to control bank balances, management should look into the reasons for such a material control weakness and controls should be put in place to avoid such instances in future.</p> <p><b>3.6 Staff retirement benefits</b></p> <p>The Corporation is not carrying out actuarial valuation for determination of present value of the liability relating to compensated absences.</p> <p>Further, the auditors would like to draw your attention towards treatment of recognition of liability for compensated absences. In the case of policy relating to employees who have not opted for rule 32 of the Employees Service Regulations, 1973 the liability is being recognized on the basis of total earned leave balances as at the year-end which in some cases exceeds the maximum ceiling of one eighty days. This is resulting in the recognition of excess provision. Furthermore, in case of employees who have opted for rule 32 of the said regulations, the liability is being recognized on the basis of total earned leaves whereas, only two third of those leaves are encashable in the next year. The auditors recommended that management should determine the present value of the liability relating to compensated absences using actuarial calculations and a provision should be made accordingly.</p> <p><b>3.7 Anti-fraud programs and controls</b></p> <p>The Corporation needs to develop and implement a formal, comprehensive and robust system of anti-fraud programs and controls (including a whistle-blowing policy for reporting of frauds and protection of whistle-blower) that are considered an integral part of effective internal control system. Such programs and controls are basically responses to the results of a formal periodic risk assessment procedure which is carried out by the management to develop the risk repository of the Corporation and possible mitigating controls.</p> <p>A 'whistle-blower' program allows a supplemental confidential communication channel for employees to lodge complaints, submit concerns regarding questionable matters, or report fraudulent behavior. This, coupled with strong communication of the message to employees to encourage reporting irregularities, can prove to be the most effective anti-fraud control mechanism. In absence of a whistle-blower program, malpractices concealed through undue influence or coercion could go unnoticed as the employees are not provided with a secure communication medium. Other aspects of anti-fraud programs and controls include:</p> <p>i) a written policy on fraud conveying the expectation of Board and senior management regarding managing the risk of fraud and a clear</p> |         |   |      |

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|             | <p>message of "zero tolerance for fraud";</p> <p>ii) periodic fraud risk assessment that entails identification of potential schemes of fraud and their exposure that the Corporation needs to mitigate;</p> <p>iii) prevention techniques to avoid key fraud risk events to mitigate possible impact on the Corporation;</p> <p>iv) detection techniques and processes are established to uncover fraud events when preventive measures fail;</p> <p>v) a comprehensive fraud reporting process, including setting up some hot line, protection of whistle blowers, appointing senior officers to whom instances of fraud and irregularities are to be reported, maintaining a proper log of complaints including anonymous complaints; and</p> <p>vi) comprehensive policies of reporting and managing conflict of interest situations.</p> <p>In the absence of anti-fraud programs and control any concerns relating to fraud and irregularities, breaches of ethics, internal control issues and other related matters may not be highlighted or submitted, investigated and dealt with appropriately. This in-turn undermines the confidence of stakeholders and provides an opportunity for wrong-doers.</p> <p><b>3.8 Investment properties</b></p> <p>The Corporation has classified certain land, building and related assets, used for administrative purposes, as 'Investment Properties' which is against the principles laid down in International Accounting Standard (IAS) 40 'Investment Property'. The Corporation has been occupying approximately 22 percent of the total rentable area in the buildings classified as investment properties for its administrative use.</p> <p>Following is the definition of investment property as contained in para 5 of IAS 40 'Investment Property':</p> <p><i>Investment property</i> is property (land or building-or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:</p> <p>(a) use in the production or supply of goods or services or for administrative purposes; or</p> <p>(b) sale in the ordinary course of business.</p> <p>Additionally, the Real Estate Division of the Corporation is charging notional interest on the other departments of the Corporation which is being shown in the expenses of the concerned departments. Although the effect is nullified but</p> |   |      |

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the treatment being carried out is questionable as the financial statements are prepared for the Corporation as a whole and this treatment should only be valid for the management reporting purposes.

### 3.9 Amount due to Life Insurance Corporation of India (LICI)

Balance payable to LICI amounting to Rs. 15.362 million has been accumulating as a liability in Principal Office Division for more than 28 years. This represents dividend on certain shares received in previous years that were in the name of LICI. Management has informed us that the matter has been taken up with the Ministry of Commerce, Government of Pakistan, in the last years. Correspondence has been in process regarding the settlement of this long outstanding liability.

Nonetheless, the auditors recommended that the management should expedite its efforts by pursuing the Ministry to resolve this matter.

### 3.10 Assets not held in the name of statutory funds

Section 39 of Insurance Ordinance, 2000 states that, "None of the assets in Pakistan of any insurer shall, except in the case of deposits made with the State Bank of Pakistan under section 29, or in the case of assets, other than deposits, with a scheduled bank acting as a custodian, be kept otherwise than in the corporate name and under the direct control of the insurer and, in the case of assets of a statutory fund of a life insurer, in the name of the statutory fund."

During the current year, SECP vide its circular No. 11/2010 required all life insurance companies to clearly designate their assets between various funds and obtain separate opinion from statutory auditors regarding compliance with this aforesaid requirement. The circular also specifies that the investments could be made in the name of the Corporation but it should be clearly designated in the accounting records.

The auditors noted that the Corporation is following a clear demarcation in its accounting codification schemes for each fund. However, there is a need to mention the titles of each of the fund on its vouchers, supporting documents and other internal documents. The auditors were told that such an exercise is under progress and will be completed shortly.

### 3.11 Enterprise Resource Planning (ERP) information system

The Corporation currently utilizes centralized computerized processing with no means / resources of processing at zones which causes substantial delay in processing the data and generating reports such as ledgers, policyholders' reports etc. These reports contain certain processing errors, which make them ineffective for zonal offices and the true picture of the records at zonal offices cannot be obtained at any point of time. Moreover, the current information system is not adequately fulfilling the accounting and reporting requirements. There is a limitation in issuing new accounting codes in different heads of accounts like assets, liabilities, revenue etc. The Corporation usually issues numeric codes of three digits. Due to the above limitation, new codes are issued

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using alphanumeric numbers.

However, during the current year, the Corporation entered into an agreement with vendors/consultants to acquire an ERP system and to provide related customization, implementation, maintenance and ongoing support services. We have been informed by management that, the consultants have obtained a complete understanding of the existing system and the requirements of the users. Currently the consultants are making the gap analysis between the existing and proposed system for which periodic meetings are being held.

The auditors stressed the need for the management to pursue for ERP implementation within the expected time frame so that the current problems in the existing system are avoided. Further, the master scheme of chart of accounts should also be revised keeping in mind current and future requirements of the Corporation so that new account codes can easily be assigned whenever required. The new information system should also be complemented by updated Operational and Procedural Manuals for effective and efficient conduct of operations and better control.

**3.12 Un-reconciled subsidiary records**

Some of the policy-holders services related schedules are un-reconciled since long mainly due to inefficient information system, as mentioned above, and lack of proper efforts. These schedules include account codes 383, 426, 536, 568, 570 and 571. In these account codes balances as per general ledger are not matched with balances as per subsidiary record of respective zones. The auditors were informed by the management that computerized subsidiary records contain certain errors due to various reasons including incorrect opening balances of previous years.

The auditors recommended that the management should take appropriate measures, on a priority basis, to ensure reconciliation of these differences so that the recorded balances in the ledger are correctly stated.

**3.13 Information Technology (IT) security policy**

The Corporation does not have a security policy eliciting the commitment of the management on the information technology. Moreover, there do not exist any standards, procedures and guidelines that translate the security policy into rules and compliance criteria. The information systems security policy is the responsibility of the top management which may delegate its implementation to the appropriate level of management with permanent control. The policy contributes to the protection of information assets. Its objective is to protect the information against all types of risks accidental or intentional. We recommend that the Corporation should formulate and disseminate these policies to the employees to show its commitment on the area of information technology. The policy should include the following minimum components:

- Management support and commitment
- Access philosophy
- Compliance with relevant legislation and regulations

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|             | <p>Access authorization<br/>Reviews of access authorization<br/>Security awareness<br/>Role of the security administrator<br/>Security committee</p> <p><b>3.14 Internal audit</b></p> <p>Internal Audit (IA) is a key element of the Corporation's internal control system, and acts as eyes and ears for senior management and the audit committee in their ongoing monitoring activities. During the audit, we noted that the Corporation's internal audit function needs significant improvements to make it effective. The auditors observed that the activities of internal audit are only restricted to verification of payments before disbursement and these do not encompass activities of new business while underwriting new insurance policies and commission payments to agents. A formal risk-based planning process is not currently used to ensure that areas / business processes of greatest risk receive adequate IA focus.</p> <p>The auditors recommended that the Corporation should consider adopting a formal documented risk assessment process to ensure that the IA department has adequately addressed the key risks in the Corporation. In order to establish an effective internal audit, the auditors consider that the internal audit function needs to comply with the international standards on internal auditing issued by the Institute of Internal Auditors Inc. The auditors have further recommend that the Board should take steps to enhance the effectiveness of internal audit function, so that it is able to contribute more effectively in improving the Corporation's governance, risk management and internal control systems.</p> <p>The auditors feel that in their view the internal audit department should be appropriately manned by suitably qualified and skilled persons who have the required practical training and experience of auditing. The management should also organize appropriate training courses for the internal audit staff to abreast them with latest professional developments.</p> <p><b>3.15 Tangible Fixed assets</b></p> <p><i>(a) Contents of fixed assets register and periodic physical verification</i></p> <p>The Corporation does not maintain fixed assets register properly as required by section 230 of the Companies Ordinance, 1984 read together with Technical Release 6 (TR-6) 'Fixed assets inventory and records' issued by the Institute of Chartered Accountants of Pakistan. The said TR states that adequate itemized record of fixed assets should be maintained and suggests certain minimum particulars. Further, it requires physical verification of fixed assets on a cyclical basis (perpetual inventory) according to a formal plan once in every five years. The physical inventory should be reconciled with the fixed assets records and adjusted accordingly.</p> |   |      |

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|             | <p>The Corporation maintains a fixed assets register which only contains the particulars, cost and date of purchase of assets. Depreciation is calculated separately using Microsoft Excel Spreadsheets. Neither the fixed assets are physically verified and reconciled with this register nor is the depreciation recorded in it. The auditors recommended that the fixed assets register of the Corporation should be properly maintained to provide the following minimum details for exercising physical as well as accounting controls:</p> <ul style="list-style-type: none"> <li>• Assets identification number</li> <li>• Description of the assets</li> <li>• Class of the assets</li> <li>• Date of acquisition</li> <li>• Cost of the asset</li> <li>• Depreciation rate, useful life and method of depreciation</li> <li>• Accumulated depreciation</li> <li>• Book value of the assets</li> <li>• Date of disposals</li> <li>• Gain or loss on disposals</li> <li>• Mode of disposals</li> </ul> <p>The auditors also recommended that the Corporation should formalize a policy of periodic physical verification of fixed assets and the reconciliation of its results with the fixed assets register on a cyclical basis at least once in every five years.</p> <p><i>(b) Reassessment of useful lives and residual values, and Impairment testing</i></p> <p>International Accounting Standard (IAS)-16 'Property, Plant and Equipment' requires that the residual value and the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. However, no such mandatory practice is being followed by the Corporation. Further, we have not been shown the results of any impairment testing of the fixed assets as at the reporting date.</p> <p><b>3.16 The Corporation occupied properties</b></p> <p>As per Life Insurance (Nationalization) Order, 1972 certain properties were vested to the Corporation by operation of law. These properties are still in the name of old insurance companies. However, the auditors have been given to understand that rentals are regularly being received by the Corporation and legal action may be initiated in the event of non recovery from the tenants. During the current and previous years, the titles of a number of properties have been transferred in the name of the Corporation and only 21 properties (2009: 24 properties) remained in the name of old insurance companies.</p> <p>The auditors suggested that management should expedite its efforts to ensure that titles of all the remaining properties are also transferred in the name of the Corporation.</p> |   |      |

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| <p><b>3.17 Lack of co-ordination between departments</b></p> <p>The auditors noted that the coordination between the Real Estate Division (RED) and Legal Department (LD) is not satisfactory and the record of LD is not updated. The details of cases provided by the RED are not matched with the details provided by the LD. This is despite the fact that the auditors were requested by the management through letter dated December 23, 2010 to withdraw this observation as this matter was satisfactory resolved. Since the auditors have not received confirmations from legal advisors, they were unable to judge the authenticity and the financial impact of these cases.</p> <p>The auditors understand that these differences should be reconciled and if required, provision should be made against the same.</p> <p><b>3.18 Contingencies</b></p> <p>The auditors noted that there exist no policies and procedures for identification, evaluation, recording and disclosure of contingent liabilities in financial statements. The auditors understand that a comprehensive system should be put in place covering, including other things, capturing of all contingent items; their detailed evaluation, proper record keeping, follow up and financial reporting.</p> <p>The External Auditors informed the Board that a letter dated 12<sup>th</sup> July, 2010 regarding re-measurement of available for sale investment was written by GM(Investment) to the Director, SECP, Insurance Division seeking confirmation from SECP whether provision should be made in the accounts in respect of security whose market value is less than the cost on case to case basis or no provision is required in case market value on an aggregate basis is more than the cost. SECP in its reply dated July 29, 2010 confirmed that the view point of the statutory auditors of the Corporation is correct that under Regulation 16(1)9a) of Part A to Annexure II of the Securities and Exchange Commission (Insurance) Rules, 2002, requires subsequent re-measurement of available for sale investments at lower of cost or market value, where the market value is to be taken lower, if the fall is other than temporary. The available for sale investments should not be taken on aggregate or portfolio basis because the condition, (if the fall is other than temporary) can not be ascertained on aggregate or portfolio basis; instead the nature of the fall, either temporary or permanent, can only be ascertained on a case to case basis. In view of the above clarification of SECP, the Directors felt that provision should be made in the accounts for impairment and necessary clarification should be taken from SECP whether it was possible not to provide for the impairment in the light of advices given by Actuaries, Tax Consultant and Legal Consultah for which a case should be prepared and submitted to SECP by a Committee to be constituted by the Chairman. The advice so received should be incorporated in the accounts.</p> |         |   |                     |
|  |         |   | CHAIRMAN'S INITIALS |

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73. After thorough discussions, the Board resolved as under:

**RESOLVED:**

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

(i) "that the (a) Financial Statements of State Life Insurance Corporation of Pakistan – UAE Branches comprising of statement of financial position as at 31<sup>st</sup> December, 2010, the statement of comprehensive income, statement of underwriting results – life, statement of changes in equity and statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes mentioned at Annexure-C1 to C7 to the minutes together with the report of the independent auditors M/s. Sajjad Haider & Co., Chartered Accountants thereon for the year ended 31<sup>st</sup> December, 2010, are approved."

(ii) "that the Chairman, State Life Mr. Shahid Aziz Siddiqi, Syed A. Wahab Mehdi, Director, Mr. Aslam Faruque, Director and Malik Asrar Hussain, Executive Director(F&A) are hereby authorized to sign the financial statements and regulatory returns for the year 2010 approved by the Board of Directors at (i) above."

Action:  
ED(F&A)  
ED(Act)  
DH(F&A)  
DH(Inv)  
DH(Act)  
Appointed  
Actuary

(iii) "that a Committee consisting of DH(F&A), DH(Inv), DH(Act) and Appointed Actuary is constituted to prepare State Life's case to be submitted to SECP in the light of advice received from various Actuaries, Tax Consultant and Legal Counsel on providing in the accounts for impairment of Rs.3,317.532 million arising from shortfall in market value of available for sale investments on individual script basis and clarification be sought from SECP as to whether it is necessary to provide for the same in the accounts."

(iv) "that after taking necessary clarification from SECP, necessary effect be given in the accounts and the accounts be re-submitted to the Board Audit Committee at its next meeting to be held on Saturday, 28<sup>th</sup> May, 2011."

(v) "that a letter be written by DH(F&A) in consultation with DH(Inv) and DH(Act) to SECP seeking extension of one month in submission of approved audited accounts and other regulatory returns."

vi) "that for the purposes of adequate disclosure and transparency that listed equity securities and mutual fund units be segregated on a individual company/entity basis rather than showing them on sectoral basis in the audited accounts."

**ITEM (9) ACTUARIAL VALUATION FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2010 TOGETHER WITH RECOMMENDED BONUS TO POLICYHOLDERS.**


74. Mr. Shujat Siddiqui, Appointed Actuary and Mr. Faisal Mumtaz, Divisional Head(Actuarial) joined the meeting. Mr. Shujat Siddiqui gave a presentation on the salient features of Actuarial Valuation for the year 2010 for State Life Insurance Corporation of Pakistan, UAE Branches..

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|             | <p>75. Appointed Actuary presented before the Board a Memorandum dated 19<sup>th</sup> April, 2011 for consideration and approval of Actuarial Valuation report of the insurance policies of the Corporation, UAE Branches as on 31<sup>st</sup> December, 2010. The Appointed Actuary briefed the members of the Board on the salient features of the memorandum. He explained about surplus figures of Overseas Business. The Appointed Actuary further informed the Board regarding salient features of bonuses for foreign currency business for the year 2010.</p> <p>76. The Actuarial Valuation of policyholders liabilities as at 31<sup>st</sup> December, 2010 in terms of Section 50(1) of the Insurance Ordinance 2000 is based on Corporation's UAE Branches audited statement of financial position and statement of comprehensive income and underwriting results as at 31<sup>st</sup> December, 2010, respectively initialed by the Auditors and provided to the Actuarial Division and all other relevant information required for carrying out the actuarial valuation of the policyholders liabilities as at 31<sup>st</sup> December, 2010. All policies except those valued by accumulation of premiums have been valued in terms of the minimum valuation basis prescribed by SECP in Rule 20 framed under Sub Section 5 of Section 50 of the Insurance Ordinance, 2000 and Section 34 of Insurance Ordinance 2000 read with paragraph 1.7 of SECP guidelines on compliance with specific aspects of IFRS 4.</p> <p>77. The Board was informed that SECP have prescribed maximum expense limit vide their circular dated 28<sup>th</sup> April, 2006(circular 6 of 2006), according to which the expense limits will gradually reduce each year until 2012, where after they will remain fixed. Recently the SECP has revised these limits for the years 2011 and 2012 vide Circular dated 18<sup>th</sup> March, 2011 (Circular No. 7 of 2011).</p> <p>78. The Corporation operates a reversionary bonus system under which bonuses are paid together with the sum assured at maturity or death. Surrender value of attaching bonuses is also payable on surrenders subject to policy conditions. Bonus rates depend on the type of policy and its tenor. In addition to reversionary bonuses, the Corporation also declares terminal bonuses of different types. It is important that the bonus system remains equitable as far as practicable.</p> <p>79. The details of recommended bonuses for Foreign Currency Policies are included as Annexure-E5(i) and E5(ii) to the Minutes. The Appointed Actuary has recommended that bonuses applicable to the Middle East business will be continued without change.</p> <p>80. The UAE and Saudi Arabian Government have introduced new insurance laws. The legal status of the Corporation's business in these countries may be studied by the Legal Affairs Division and the possible implications examined.</p> <p>81. The Appointed Actuary concluded that on a solvency and capital adequacy basis, the Corporation has sufficient reserves to support policyholders liabilities.</p> |   |      |
|             | <div style="text-align: right;">CHAIRMAN'S INITIALS</div>    |   |      |

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82. Accordingly, the Board was resolved as under:

**RESOLVED:**

- (a) "that the Actuarial Valuation and recommendations in respect of bonuses for Foreign Currency Policies for the year ended December 31, 2010 at Annexures- D1 to D2) to the Minutes, as proposed by Appointed Actuary in his Memorandum dated 19<sup>th</sup> April, 2011 are approved."

**ITEM 10(i) APPROVAL OF INVESTMENT MANUAL.**

83. The Board at 215<sup>th</sup> meeting held on 19<sup>th</sup> October, 2010 directed preparation of investment manual which should contain copies of Government circulars and directives, investment policy, directives of the Board, requirements of Insurance Ordinance and Rules, criteria of selection of brokers, recommendations of ADB etc.

84. As per above directive of the Board, Divisional Head(Investment) submitted a Memorandum of investment activities containing therein summary of various documents and investment manual for consideration of the Board.

85. The Board had directed that the Investment Division should ensure that the investment manual submitted to the Board is as per the guidelines given in the investment strategy suggested by M/s. Sidat Hyder Morshed Associates (Pvt) Ltd and approved by the Board at its 207<sup>th</sup> meeting held on 2<sup>nd</sup> March, 2010.

86. DH(Investment) submitted before the Board, a Memorandum relating to approval of Investment Manual containing therein all the requirements suggested by the Board, however the matter was deferred due to non-availability of Mr. Omar Morshed due to his pre-occupation.

**ITEM 10(ii) POSITION PAPER ON VARIOUS STEPS TAKEN BY INVESTMENT DIVISION DURING THE YEAR 2000 TO 2010 TO MAXIMIZE INCOME.**

87. The Board at its 216<sup>th</sup> meeting held on 15<sup>th</sup> December, 2010 while reviewing business position of Investment Division desired that the Investment Division should submit a position paper to the Board at its next meeting on the steps taken for realization of capital gains during the years 2000 to 2010 to enable payment of bonus to the policyholders including sale of equities.

88. In compliance of the above directive, Divisional Head (Investment) presented before the Board, a Position Paper on various steps taken by Investment Division during the year 2000 to 2010 to maximize income.

89. DH(Investment) submitted that it has been our practice to buy stocks coming within our parameters on dips. Similarly non performing stocks are sold when prices are reasonable to avoid taking of losses. The practice of selling of equities for realizing capital gains for maintenance of bonus rates on the advice of Actuaries started from 2004 when interest rates were very low,

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90. A draft paper prepared by DH(Actuarial), reviewed and finalized by Appointed Actuary with minor changes and additions is placed at Annexure-A1 and A2 to the Memorandum. It has been pointed out by Appointed Actuary that the Corporation is recording its assets at cost. In case the assets are recorded at market value, the surplus can either be taken to the balance sheet or to the profit and loss account. In case the surplus is taken to the balance sheet, the entire amount will be taxed at the corporate rate. In case the surplus is taken to profit and loss account, the entire amount will be distributed to the policyholders in one year and nothing will be left for the subsequent years. In case the equity market falls in the next year, the Corporation will have to book a loss which it can not recover from the policyholders. A statement showing sale and purchase of shares along with capital gains realized from 2001 to 2010 is placed at Annexure-B to the Memorandum.

91. It is pertinent to note that maintenance of bonus rates or an improvement therein, not only reflects the Corporation's solvency and financial stability but also acts as a prime source of marketing for attracting new customers. Their reduction would not only imply creating a bad impression in the market but would also create challenges for the sales force as they would be facing difficulties in meeting their targets thus, affecting the new business growth. Further, the reduction is also likely to benefit the Corporation's competitors who may benefit from a shift to them of prospective customers searching for better returns.

92. Bonus rates are usually determined on the basis of various Actuarial studies such as Bonus Earning Power and computation of Asset Shares. These studies take into account the nature of the contract, the term of assurance and the duration for which the policy has been in-force. The process of determining bonus rates is subject to various factors such as interest rates and expense levels, which in turn are dependent upon political, social and economic circumstances. These factors change from time to time. It is therefore, imperative to ensure that the Corporation is able to maintain these rates in the prevalent market conditions.

93. For this purpose, the Actuarial Division conducts a Business Projection study well before the close of the year to estimate the surplus and the amount that the Corporation would require to maintain the bonus rates in the year following the valuation date. The study encompasses assumptions that reflect best estimates which are developed in light of the previous trends and experiences, the Corporation's future targets and consultations with the relevant Divisions of the Corporation. The assumptions are then used to project the Corporation's expected in-force business as of the end of the year. Based on these estimates, the actuarial surplus and the cost of bonus are determined. The study brings out the amount of surplus required to maintain the bonuses at the prevalent rates.

94. The estimated amount thus obtained is compared with the expected net earnings (i.e. total income less expenses, claims and increase in policyholder liabilities). If the cost of bonuses exceeds the net estimated earnings, the Corporation will not be able to distribute bonuses at existing rates.

95. As per current practice, the Corporation measures its assets at the lower of cost and market value. The unrealized capital appreciation therefore cannot be used to support the bonuses. In life insurance it is important to maintain equity

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*[Signature]*

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| <p>Action:<br/>DH(Inv)</p> | <p>among policyholders. The bonuses given to a policyholder should reflect the share of his contribution to the surplus. The policyholders have contributed to the capital appreciation of the Corporation's assets over the years. If because of the Corporation's accounting policy of not accounting for unrealized capital gains and because of the new business strain the bonus rates cannot be maintained, the policyholder should not be penalized. Hence, the need for realizing sufficient capital gains to cover the shortfall observed in the net earnings. However, the realization of capital gains should be controlled and the current market conditions should be taken into account in addition to the perception about the future movement in share prices.</p> |   |      |
|                            | <p>96. The deliberation on the above Memorandum was deferred by the Board due to non-availability of Mr. Omar Morshed due to his pre-occupation.</p>   |   |      |
| <p>Action:<br/>DH(Inv)</p> | <p><b>ITEM 10(iii) <u>YIELD ON INVESTMENTS OF OTHER INSURANCE COMPANIES.</u></b></p>   |   |      |
|                            | <p>97. Divisional Head (Investment) presented before the Board, a Memorandum regarding yield on investments of other insurance companies.</p>  |   |      |
| <p>Action:<br/>DH(Inv)</p> | <p>98. The Board at its 218<sup>th</sup> meeting held on March 21, 2011 desired to have a comparative statement showing yield on portfolio of life insurance companies as against that of State Life. The desired information is being submitted in Annexure-A to C to the Memorandum.</p>   |   |      |
|                            | <p>99. It may be noted that only State Life is paying policy loans. Further only State Life has investments in properties. In order to make the comparison meaningful, policy loans and investment in properties as also income derived there from has been deleted from portfolio and income of State Life. The yield has been worked out using the following formula:-</p>   |   |      |
| <p>Action:<br/>DH(Inv)</p> | $\text{Yield} = \frac{2i}{(a+b-i)}$  |   |      |
|                            | <p>Where</p> <p>a is the opening balance of the portfolio</p> <p>b is the closing balance of the portfolio and</p> <p>i is the portfolio income</p>  |   |      |
| <p>Action:<br/>DH(Inv)</p> | <p>100. Annexure-A shows yield on portfolio of other life insurance companies. Annexure-B shows yield of State Life both at cost and at market price of its portfolio and Annexure-C shows breakup of the portfolio. It may be pointed out that annual accounts of ALICO for 2010 are still not available as they have not yet declared their results. Hence financial statements of ALICO for 2009 have been used. Further the accounts of State Life for 2010 are still being audited.</p>   |   |      |
|                            | <p>101. The deliberation on the above Memorandum was deferred by the Board due to non-availability of Mr. Omar Morshed due to his pre-occupation.</p>  |   |      |

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| DIRECTORS   | HELD AT | ON  | TIME |
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| <p><b>ITEM (11) <u>POSITION PAPER ON SETTLEMENT OF OUTSTANDING OF FIRST DAWOOD INVESTMENT BANK LTD.</u></b></p> <p>102. Divisional Head (Investment) presented before the Board, a Position Paper regarding settlement of outstanding of First Dawood Investment Bank Limited.</p> <p>103. The Board at its last meeting while discussing out of court settlement proposal received from First Dawood Investment Bank Ltd decided that preferred stock of FDIBL should not be accepted. Amount of Rs.100 million paid to FDIBL along with markup be settled through shares of Dawood Family Takaful at an adjusted price worked out by the auditors with a management control of Dawood Takaful.</p> <p>104. The decision of the Board was conveyed to the management of FDIBL vide our letter dated 24<sup>th</sup> March, 2011. In response to our letter the management of the bank has given a fresh proposal summarized as under:-</p> <ul style="list-style-type: none"> <li>a) FDIBL will offer 11 million shares of DFTL @ Rs.10/- share to settle COL of Rs.100/- million plus accrued interest thereon.</li> <li>b) State Life will have to sign an Strategic Alliance Agreement and will inject Rs.250/- million in the DFTL @ Rs.10- per share to reach 36% of the total holding in DFTL.</li> <li>c) State Life will be allowed to nominate two Directors on the Board of DFTL out of which one will be the Chairman of DFTL.</li> <li>d) Dawood Group will remain management partner in the company.</li> </ul> <p>105. The Board may consider the proposal of Dawood Group in view of our intention to enter a new line of business as State Life was not allowed to go for Takaful till end of 2010.</p> <p>106. The deliberation on the above Memorandum was deferred by the Board due to paucity of time and non-availability of Mr. Ansar Hussain, GM(Investment).</p> <p><b>ITEM (12) <u>MOBILE SET PURCHASE POLICY OF STATE LIFE.</u></b></p> <p>107. Executive Director(P&amp;GS) presented before the Board, a Memorandum regarding Mobile Set Purchase Policy of State Life.</p> <p>108. ED(P&amp;GS) informed the Board that the Federal Government has issued a policy for the facility of mobile telephone dated 23-12-2004, according to which a mobile telephone set worth Rs.5,500/- is allowed to only BS-21 officers plus monthly bill reimbursement of phone bill maximum of Rs.4,000/-</p> <p>109. ED(P&amp;GS) further informed that in State Life Insurance Corporation, the scheme of mobile phone set facility is not in vogue except reimbursement of mobile bills subject to the provision available in the monthly entitlement on office phone.</p> <p>110. It was mentioned that since State Life Insurance Corporation is a business entity, therefore, the communication is life blood of the organization for the prompt</p> |         |   |      |

Action:  
DH(Inv)

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INITIALS

*[Handwritten Signature]*

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business decisions. Communication is main input of insurance business and it is carried out through the public relationship and top Executives and Marketing officers are supposed to remain in touch with each other and perform their duties round the clock.

111. ED(P&GS) submitted that in view of above, following proposals for making the policy for provision of mobile telephone sets are submitted :-

| S.No. | Designation  | Brand                                 | Period            | Amount  |
|-------|--|---------------------------------------|-------------------|---|
| 1.    | Chairman   | Blackberry, Nokia, Samsung, Sony etc. | Once in 2.5 years | Actual Purchase Price subject to maximum of Rs.60,000/- |
| 2.    | Executive Director   | Blackberry, Nokia, Samsung, Sony etc. | Once in 2.5 years | Actual Purchase Price subject to maximum of Rs.20,000/- |
| 3.    | General Managers/<br>Divisional Heads/<br>Regional Chiefs/<br>Zonal Heads. | Blackberry, Nokia, Samsung, Sony etc. | Once in 2.5 years | Actual Purchase Price subject to maximum of Rs.10,000/- |

Officers have to purchase the new mobile telephone sets from their own pocket and the amount will be reimbursed to them on production of original receipts.

Monthly bill will be reimbursed to them, if saving is available in their monthly office telephone entitlements.

If the officer is transferred/retired prior to his post of entitlement, he can retain the phone set by depositing its book value.

112. The subject memorandum was submitted in 6<sup>th</sup> meeting of HR Committee held on 21-3-2011. The HR Committee had then resolved that the matter be examined further taking into consideration similar facilities provided by the Federal Government in latest policy and other Corporations of the Ministry of Commerce.

113. ED(P&GS) informed the Board that as per directives of HR Committee, different Government organizations were contacted. Reportedly, the policy of mobile set purchases to the Executive is already in practice in other Corporation of Ministry of Commerce viz, Trading Corporation of Pakistan (TCP), National Insurance Company Limited (NICL). Details are as under:-

| S.No. | Organization | Designation  | Amount of Purchasing Of Mobile Set                      | Bill reimbursement limit   |
|-------|--------------|--|---|--|
| 1.    | NICL         | Chairman and Executive Directors                   | Actual purchase price subject to Maximum of Rs.15,000/- | Unlimited  |
| 2.    | TCP          | Chairman, Executive Directors and General Manager. | None  | Unlimited to Chairman and Executive Director Rs.10,000 to General Manager. |

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114. The matter was submitted to the Board for consideration and approval.

115. Accordingly, the Board resolved as under:-

**RESOLVED:**

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

"that as proposed by ED(P&GS) in his Memorandum and recommended by the HR Committee for making a policy after taking into account similar facilities provided by the Federal Government and other Corporations of the Ministry of Commerce, the following policy for provision of mobile telephone was hereby approved as per rules and practices followed by the Government:-

| Designation  | Brand                                       | Period               | Amount   |
|--|---|----------------------|--|
| Chairman   | Blackberry,<br>Nokia, Samsung,<br>Sony etc. | Once In 2.5<br>years | Actual Purchase<br>Price subject to<br>maximum of<br>Rs.60,000/- |
| Executive Director   | Blackberry,<br>Nokia, Samsung,<br>Sony etc. | Once In 2.5<br>years | Actual Purchase<br>Price subject to<br>maximum of<br>Rs.20,000/- |
| General Managers/<br>Divisional Heads/<br>Regional Chiefs/<br>Zonal Heads. | Blackberry,<br>Nokia, Samsung,<br>Sony etc. | Once In 2.5<br>years | Actual Purchase<br>Price subject to<br>maximum of<br>Rs.10,000/- |
| PROs   | Blackberry,<br>Nokia, Samsung,<br>Sony etc. | Once In 5<br>years   | Actual Purchase<br>Price subject to<br>maximum of<br>Rs.10,000/- |

"that officers have to purchase the new mobile telephone sets from their own pocket and the amount will be reimbursed to them on production of original receipts."

"that monthly bill will be reimbursed to them, if saving is available in their monthly office telephone entitlements."

"that if the officer is transferred/retired prior to his post of entitlement, he can retain the phone set by depositing its book value. This will not apply to PROs."

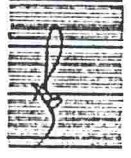
**ITEM (13) UPGRADATION/ELEVATION OF MR. FAKEER M. BALOCH FROM ASSISTANT MANAGER TO DEPUTY MANAGER.**

116. Executive Director(P&GS) presented before the Board, a Memorandum for upgradation/elevation of Mr. Fakeer M. Baloch from Assistant Manager to Deputy Manager.

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INITIALS


*[Signature]*

**MINUTES OF 219<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

| DIRECTORS  | HELD AT  | ON  | TIME |
|--|--|---|------|
| MINUTE BOOK                                      | KARACHI  | 22 <sup>nd</sup> APRIL, 2011 AND 25 <sup>TH</sup> APRIL, 2011 |      |
| <p>Action:<br/>ED(P&amp;GS)<br/>DH(P&amp;GS)</p> | <p>117. ED(P&amp;GS) submitted that a memorandum regarding up-gradation/elevation of Mr. Fakeer M. Baloch was presented in the 214<sup>th</sup> meeting of the Board held on 7-9-2010 and it was resolved as under:-</p> <p>"that the recommendation of Human Resources Committee, authorizing the Chairman to consider the case of Mr. Fakeer M. Baloch, Protocol Officer for promotion to Deputy Manager, keeping in view (i) his performance reflected in the last three years ACRs (b) Balochistan's representation in SLIC in the cadre of Assistant Manager and Deputy Manager and (c) provision of rules/policy for such like up-gradation/elevation is approved."</p> <p>118. In compliance with the above decision, the Chairman approved the promotion of Mr. Fakeer M. Baloch from Assistant Manager to Deputy Manager, which was notified vide Office Order No.P&amp;GS/PO/107/2011 dated 11<sup>th</sup> April, 2011 which was annexed to the Memorandum.</p> <p>119. ED(P&amp;GS) therefore placed the matter before the Board for ratification of his promotion.</p> <p>120. Accordingly, the Board resolved as under:-</p> <p><b>RESOLVED:</b><br/>"that the proposal of ED(P&amp;GS) contained in his Memorandum was approved in principle subject to supplementary ACR for the year 2011 to be filled in by the Chairman."</p> <p><b>ITEM (14) INCREASE IN AUTHORIZED CAPITAL AND PAID UP CAPITAL.</b></p> <p>121. Executive Director(F&amp;A) presented before the Board, a Memorandum regarding increase in authorized capital and paid up capital.</p> <p>122. The Board of Directors, in its 215<sup>th</sup> meeting held on 19<sup>th</sup> October, 2010 had considered the matter of increase in Authorized and Paid up Capital of the Corporation to cope with the requirement of regulatory authorities at UAE so that the Gulf Zone of the Corporation may remain operative in Gulf States (UAE, Saudi Arabia and Kuwait).</p> <p>123. The Board had then resolved that the authorized capital and paid up capital of the Corporation may be increased in phased manner i.e. in three equal installments for the year 2010, 2011 and 2012 by utilizing dividends of Govt. of Pakistan for enhancement of Paid up Capital of State Life after obtaining concurrence from Ministry of Finance through Ministry of Commerce.</p> <p>124. Accordingly, a letter was written to the Section Officer, Ministry of Commerce on 23<sup>rd</sup> November, 2010 (Annex "A" to the Memorandum) requesting the Govt. of Pakistan to increase Authorized Capital from 1,500 million to Rs.3,000 million and Paid up capital from Rs.1,100 million to Rs.2,500 million in three equal installments after utilizing dividend income for the year 2010, 2011 and 2012. The Government was further requested for sanction of grant to State</p> |   |      |
|  | <p>CHAIRMAN'S INITIALS</p>    |   |      |




MINUTES OF 219<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS

| DIRECTORS                     | HELD AT  | ON | TIME |
|-------------------------------|--|----|------|
| MINUTE BOOK                   | KARACHI 22 <sup>nd</sup> APRIL, 2011 AND 25 <sup>TH</sup> APRIL, 2011  |    |      |
| Action:<br>ED(F&A)<br>DH(F&A) | <p>Life, if any, in the year 2012 to meet any shortfall between Govt. share of dividend and paid up capital. However, no reply has been received from the Ministry to-date. Two reminders dated 31<sup>st</sup> January, 2011 and 11<sup>th</sup> April, 2011 (Annexes "B" &amp; "C" to the Memorandum) were also sent but no response has so far been received.</p>   |    |      |
|                               | <p>125. ED(F&amp;A) further submitted that the accounts of the Corporation for the year 2010 have been finalized and would be approved by the Board in its meeting. Soon after, the Finance Division will press us hard to release the Govt. share of dividend. However, since no decision has so far been made by the Govt. regarding withholding of dividend income for the year 2010 and onward, the Corporation may not be able to retain the dividend for the year 2010. If the dividend for the year 2010 is not retained, the dividends for rest of two years will not be sufficient for increase in paid up capital to meet the requirement of UAE Government i.e. Rs.1,400 million.</p> |    |      |
|                               | <p>126. It is pertinent to mention here that it is mandatory to increase the paid up capital by the end of 2012 as per requirement of UAE Govt. If the Corporation is not able to increase paid up capital within the stipulated time frame, it is most likely that the Corporation has to wind up its UAE operations.</p>   |    |      |
|                               | <p>127. Position is submitted for information of the Board.</p>  |    |      |
|                               | <p>128. The Board directed F&amp;A Division to write a letter to the Ministry of Commerce requesting the Government of Pakistan requesting to increase Authorized Capital from 1,500 million to Rs.3,000 million and Paid up capital from Rs.1,100 million to Rs.2,500 million in three equal installments after utilizing dividend income for the year 2010, 2011 and 2012. The Government be further requested for sanction of grant to State Life, if any, in the year 2012 of an amount equivalent to meet any shortfall between Govt. share of dividend and paid up capital.</p>  |    |      |
|                               | <p>129. The meeting ended with vote of thanks to the chair.</p>  |    |      |
|                               | <div><div></div><div>(CHAIRMAN)</div></div>   |    |      |
|                               | <div>CHAIRMAN'S INITIALS<div></div></div>  |    |      |

MINUTES OF 219<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS

| DIRECTORS  | HELD AT               | ON  | TIME |                         |          |                       |          |                         |          |                         |                    |                          |                       |
|--|-----------------------|---|------|-------------------------|----------|-----------------------|----------|-------------------------|----------|-------------------------|--------------------|--------------------------|-----------------------|
| MINUTE BOOK  | KARACHI               | 22 <sup>nd</sup> APRIL, 2011 AND 25 <sup>TH</sup> APRIL, 2011 |      |                         |          |                       |          |                         |          |                         |                    |                          |                       |
| <p style="text-align: right;"><b><u>Annexure-A</u></b></p> <p>The 6<sup>th</sup> meeting of the Human Resources Committee of the Board of Directors of State Life Insurance Corporation of Pakistan was held on 21<sup>st</sup> March 2011 at 3.30 p.m. in Board Room, State Life Building No. 9, Principal Office, Karachi.</p> <p>2. The following attended the meeting:</p> <table><tbody><tr><td>Mr. Shahid Aziz Siddiqi</td><td>Chairman</td></tr><tr><td>Mr. Rasheed Y. Chinoy</td><td>Director</td></tr><tr><td>Mr. Shahid Rahim Shaikh</td><td>Director</td></tr><tr><td>Mr. Abdul Hafeez Shaikh</td><td>ED (P&amp;GS) / Member</td></tr><tr><td>Mr. Attaullah A. Rasheed</td><td>DH (P&amp;GS) / Secretary</td></tr></tbody></table> <p>ITEM (01) <b><u>CONFIRMATION OF MINUTES OF 5<sup>th</sup> MEETING OF HUMAN RESOURCES COMMITTEE HELD ON 10<sup>th</sup> AUGUST, 2010</u></b></p> <p>3. The minutes of 5th meeting held on 10th August 2010 were placed before the Committee.</p> <p>4. The Committee unanimously confirmed the minutes.</p> <p>ITEM (02) <b><u>IMPLEMENTATION REPORT OF 5<sup>th</sup> MEETING OF HUMAN RESOURCES COMMITTEE HELD ON 10<sup>TH</sup> AUGUST, 2010.</u></b></p> <p>5. While examining the progress of compliance and action taken with regard to implementation of 5<sup>th</sup> meeting, members expressed their satisfaction on the issuance of following circulars/orders.</p> <ul style="list-style-type: none"><li>(i) Office order No. P&amp;GS/PO/261/2010 dated 24-09-2010 issued regarding extension in contract employment of engineer Anwar Ali Baloch, AGM (Real Estate-P.O)</li><li>(ii) Order No: P7GS/P.O/329/2010 dated 30.12.2010 modified by Order No: P7GS/P.O/333/2010 dated 31.12.2010 issued in compliance with the letter of Ministry of Commerce approved conveyed vide MOC O.M. No. F-4 (14) R - 4 / 2008 dated 27<sup>th</sup> December 2010 regarding revision of Pay Scale of Officers.</li><li>(iii) Letter dated 25-10-2010 issued regarding appointment of Ms. Mumtaz Moosa as Unit Head Operations / Administrator Back-End Bancassurance Office SLIC for a period of two years on contract basis.</li><li>(iv) Office Order No: P7GS/ P.O./46/2011 dated 25-02-2011 was issued regarding adjustment of staff strength.</li></ul> <p>ITEM (03) <b><u>AMENDMENT IN RULE-32 OF THE REVISED LEAVE RULES 1989 FOR OFFICERS OF STATE LIFE</u></b></p> <p>6. A detailed memorandum on Amendment in Revised Leave Rules 1989 for Officers of State Life effective from 01.01.1989 was submitted to HR Committee by DH (P&amp;GS)/ SYC HRC.</p> <p>7. State Life introduced Revised Leave Rules 1989 for its Officers effective from 01.01.1989. These leave rules were the same as applicable for civil servants since 1980. This was done with the approval of Federal Government as contained in the Ministry of Finance O.M. No. No. F.4(1)-R4/89/1152 (II) dated 30.12.1989 and Ministry of Commerce letter No. 1(21)/88-Ins-I dated 09.01.1990.</p> <p>8. The Board of Directors of State Life in 167th meeting held on 13.07.2002 approved amendment in the Revised Leave Rules-1989, so as to allow encashment against the leave credit of each individual by retaining 60 days LFP to be paid at the time of retirement.</p> |                       |   |      | Mr. Shahid Aziz Siddiqi | Chairman | Mr. Rasheed Y. Chinoy | Director | Mr. Shahid Rahim Shaikh | Director | Mr. Abdul Hafeez Shaikh | ED (P&GS) / Member | Mr. Attaullah A. Rasheed | DH (P&GS) / Secretary |
| Mr. Shahid Aziz Siddiqi  | Chairman              |   |      |                         |          |                       |          |                         |          |                         |                    |                          |                       |
| Mr. Rasheed Y. Chinoy  | Director              |   |      |                         |          |                       |          |                         |          |                         |                    |                          |                       |
| Mr. Shahid Rahim Shaikh  | Director              |   |      |                         |          |                       |          |                         |          |                         |                    |                          |                       |
| Mr. Abdul Hafeez Shaikh  | ED (P&GS) / Member    |   |      |                         |          |                       |          |                         |          |                         |                    |                          |                       |
| Mr. Attaullah A. Rasheed   | DH (P&GS) / Secretary |   |      |                         |          |                       |          |                         |          |                         |                    |                          |                       |

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**MINUTES OF 219<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

| DIRECTORS   | HELD AT   |  | ON             | TIME |
|-------------|---|--|----------------|------|
| MINUTE BOOK | KARACHI   | 22 <sup>nd</sup> APRIL, 2011 AND 25 <sup>th</sup> APRIL, 2011  |                |      |
| 9.          | Accordingly, Rule-32, in the Revised Leave Rules 1989 for Officers of State Life was inserted through circular No. P&GS/PO/11/2002 dated 20.08.2002. Rule 12 of the Revised Leave Rules 1989 for officers have the provision of Disability Leave.   |  |                |      |
| 10.         | The present financial impact of the amount of leave liability for officers including Area Managers those who had opted Rule-32 of the Revised Leave Rules-1989 as at 31.12.2010 is as under:-   |  |                |      |
|             | OFFICERS  | 1130   | Rs.127,163,103 |      |
|             | AREA MANAGERS   | 665  | Rs. 30,500,821 |      |
| 11.         | In the memorandum it was suggested that :   |  |                |      |
|             | a)  | The limit of Retained leave may be increased from 60 days to 180 days.   |                |      |
|             | b)  | The availed leave can be replenished from the leaves of subsequent years. Those officers who could not avail the mandatory leave 12 days due to detainment in official duties may be allowed carry forward the same in the retained leave now extended to 180 days. This should be supported with the specific recommendations of the competent authorities. |                |      |
|             | c)  | If, leaves are not utilized, the encashment will be made of 180 days at the time of death and or retirement.   |                |      |
| 12.         | The committee discussed the suggestions and it was resolved as under:   |  |                |      |
|             | <b>RESOLVED:</b>  |  |                |      |
|             | "that the matter may be re-examined In the llight of financial Impact, If any and be placed before the HR Committee in Its next meeting".   |  |                |      |
|             | <b>ITEM (04)      <u>Incentive on Acquiring Ph.D. Degree.</u></b>   |  |                |      |
| 13.         | A memorandum of Divisional head (P&GS) regarding incentive on acquiring Ph. D degree was placed before the HR Committee.  |  |                |      |
| 14.         | It was submitted in the memorandum that in order to encourage employees to acquire this highest education degree, some incentives in this regard be approved for those employees who have already acquired this degree and also for those employees who are aspirant to acquire the Ph.D. Degree in future. |  |                |      |
| 15.         | Following incentives were suggested:-   |  |                |      |
|             | i.  | Any one from staff who has acquired the Ph.D. degree may be upgraded as Asst. Manager subject to recommendation by the committee, to be constituted, after analyzing his / her ACRs of last three years having unblemished service record and availability of vacancy in the cadre.  |                |      |
|             | ii.   | Any one from Middle Management (i.e. E.O., A.M., D.M., Mgr.) who has acquired the Ph.D. Degree may be given one grade up elevation subject to recommendation by the committee, to be constituted, after analyzing his / her ACRs of last three years having unblemished service record and availability of vacancy in the cadre                              |                |      |
|             | iii.  | Any one from Senior Management (i.e. A.G.M., D.G.M., G.M.) who has acquired the Ph.D. degree may be given Ph.D. Allowance @ Rs: 10,000/- per month in lieu of one grade elevation because in cadres of Senior Management availability of vacant positions for elevation always remain scarce.  |                |      |
|             | iv.   | Those employees who are aspirant to acquire the Ph.D. Degree in future may seek permission from the management before starting his/ her education. However, State Life will not bear any financial / administrative burden of the studies.   |                |      |

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MINUTES OF 219<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS

| DIRECTORS<br>MINUTE BOOK | HELD AT<br>KARACHI  | 22 <sup>nd</sup> APRIL, 2011 AND 25 <sup>TH</sup> APRIL, 2011 | TIME |    |                  |                                      |     |                            |   |      |                            |   |
|--------------------------|---|---|------|----|------------------|--------------------------------------|-----|----------------------------|---|------|----------------------------|---|
|                          | <p>v. Ph.D. Allowance will not be admissible to those who were benefitted of promotions on the basis of Ph.D. in the entire career even after reaching in the cadres of Senior Management.</p> <p>16. The matter is placed before the Human Resources Committee for consideration and decision of the proposals given in para 15 (i, ii, iii, iv &amp; v).</p> <p>17. Accordingly, it was resolved as under:</p> <p><b>RESOLVED:</b><br/>"that The Committee agreed with the proposal and recommended that the matter be placed before BOD in the next Board meeting for approval."</p> <p><b>ITEM (05) <u>SETTING UP OF PROTOCOL CELL AND ITS MANPOWER</u></b></p> <p>18. A memorandum of Divisional Head (P&amp;GS) regarding setting up of Cell and its manpower was placed before HRC for decision.</p> <p>19. It was submitted in the memorandum that frequent travelling either by State Life senior management / officers or by its guests requires presence of qualified / experienced officials for planning tours, making tour as well as boarding &amp; lodging arrangements for these officers and keeping a liaison with Ministry and Standing Committees of Senate &amp; National Assembly. It has been felt / reported that existing system arranged for such activities needs improvement. As such the existing system is working under P&amp;GS Division.</p> <p>20. To address this issue there is a dire and immediate need of setting up an independent protocol cell directly reporting to Executive Director (P&amp;GS) / Chairman for performing protocol related jobs in professional manner. The cell may be manned with appropriate &amp; suitable personnel by posting existing Officers of the Corporation or recruiting from outside the organization by observing codal formalities. It is worth mentioning here that a memorandum to this effect was submitted in 5th HR Committee meeting of the Board held on 10-08-2010 and the Committee had deferred the matter.</p> <p>21. It was proposed that a protocol cell at Principal Office, Karachi, may be set up and following posts for the cell may be created:</p> <table><tr><td>i.</td><td>Protocol Officer</td><td>Equivalent to post of Deputy Manager</td></tr><tr><td>ii.</td><td>Assistant Protocol Officer</td><td>Equivalent to post of Assistant Manager</td></tr><tr><td>iii.</td><td>Assistant Protocol Officer</td><td>Equivalent to post of Assistant Manager</td></tr></table> <p>22. According to regulation 6 of State Life Employees (Service) Regulations 1973, the Board of Directors is competent to create permanent posts.</p> <p>23. Accordingly, it was resolved as under:</p> <p><b>RESOLVED:</b><br/>"that the Committee declined the proposal and recommended to the Chairman to promote Mr. Fakeer Muhammad Baloch as Dy. Manager as allowed him as per minutes of 214<sup>th</sup> Board of Directors held on 07.09.2010".</p> <p><b>ITEM (06) <u>REPORT ON CONTRACT EMPLOYMENT UNDER PRIME MINISTER'S ASSISTANCE PACKAGE FOR SONS/DAUGHTERS OF DECEASED EMPLOYEES</u></b></p> <p>24. The matter of contract employment for a period of two years for sons / daughters of employees who die during service, under Prime Minister's Assistance Package announced vide Establishment Division's Letter dated 13-06-2006 (F/A) was put up in 3rd meeting of HR Committee. The package included employment for the posts in BS-01 to BS-15. The Committee had directed to resubmit it, supported by documents, in its next meeting.</p> <p>25. The matter was again placed before HR Committee in the 4th meeting dated 1st March, 2010, with necessary supporting documents. The committee had directed that in the first instance data</p> |   |      | i. | Protocol Officer | Equivalent to post of Deputy Manager | ii. | Assistant Protocol Officer | Equivalent to post of Assistant Manager | iii. | Assistant Protocol Officer | Equivalent to post of Assistant Manager |
| i.                       | Protocol Officer  | Equivalent to post of Deputy Manager                          |      |    |                  |                                      |     |                            |   |      |                            |   |
| ii.                      | Assistant Protocol Officer  | Equivalent to post of Assistant Manager                       |      |    |                  |                                      |     |                            |   |      |                            |   |
| iii.                     | Assistant Protocol Officer  | Equivalent to post of Assistant Manager                       |      |    |                  |                                      |     |                            |   |      |                            |   |

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MINUTES OF 219<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS

| DIRECTORS  | HELD AT | ON  | TIME |
|--|---------|---|------|
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| <p>pertaining to employees died during service in the last 5 years be gathered and submitted in the next HR meeting.</p> <p>26. A report of Divisional Head (P&amp;GS) regarding contract employment for a period of two years for sons / daughters of employees who died during service, under Prime Minister's Assistance Package was placed before the HR Committee.</p> <p>27. The matter was discussed by the Committee and resolved as under:</p> <p><b>RESOLVED:</b></p> <p>"that the matter be attended on case to case basis as and when applied by son/daughter of deceased employees".</p> <p><b>ITEM (07) WORKSHOP / TRAINING OF AGMs AND DGMS FOR MAKING THEM ELIGIBLE FOR PROMOTION</b></p> <p>28. A memorandum of Divisional Head (P&amp;GS) regarding Workshop/ Training of AGMs and DGMS for Making them Eligible for Training was placed before HRC for decision.</p> <p>29. Criteria for promotions from AGM to DGM and DGM to GM was submitted in 3<sup>rd</sup> and 4<sup>th</sup> meeting of Human Resources Committee of the Board of Directors held on December 4, 2009 and March 1<sup>st</sup>, 2010 respectively. The matter was again discussed in 5<sup>th</sup> meeting of Human Resources Committee of the Board of Directors dated August 10<sup>th</sup>, 2010. The Committee had resolved that training with respect to (a) Public Management, (b) Business promotion, (c) Marketing, (d) Insurance Management, (e) Policy Holder's Services, (f) Business Communication Skills &amp; Report Writing, and (g) Officers Management be imparted through appropriate in-house recourses i.e. in-service employees and ex-officers of SLIC.</p> <p>30. Regarding training in the below mentioned fields the Executive Director (P&amp;GS) is authorized to negotiate with Pakistan Institute of Management (PIM) or any other reputable institution to organize a 3 - 5 days seminar / workshop encompassing (a) Financial Planning &amp; Policy (b) Advanced Financial Management and (c) Corporate &amp; Business Law.</p> <p>31. It was submitted in the memorandum that in the first phase, 16 DGMS and 68 AGMs will attend the training(s) and seminar(s). After every promotion exercise the new addition in the list of AGM and DGM within the 50 % seniority will be considered for training. Training would be an ongoing process for promotion exercise of AGMs &amp; DGMS.</p> <p>32. In case of conducting training on the same lines decided in the 5<sup>th</sup> meeting of HR Committee total expenses are Rs.9,054,000/-</p> <p>33. It was proposed in ' Proposal A' that SLIC being a Life Insurance Organization and having different professional dimensions, its financial policies and business law demands are distinctive. it is deemed appropriate that the seminars / workshops on (a) Advanced Financial Management, (b) Financial Planning &amp; Policy and (c) Corporate &amp; Business Laws may be arranged internally by SLIC Senior Officers having expertise in the fields relevant to the areas of seminars / workshops.</p> <p>34. In case of conducting all the training(s) in-house, total expenses may be Rs.5,991,000/-</p> <p>35. Accordingly, it was resolved as under:</p> <p><b>RESOLVED:</b></p> <p>"that the Committee directed to review the proposal and establish a position of Human Resources Development Manager and re-submit in next meeting of HRC".</p> |         |   |      |

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MINUTES OF 219<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS

|             |   |      |
|-------------|---|------|
| DIRECTORS   | KARACHI 22 <sup>nd</sup> APRIL, 2011 AND 25 <sup>TH</sup> APRIL, 2011 | TIME |
| MINUTE BOOK |   |      |

## ITEM (08) MOBILE SET PURCHASES POLICY OF SLIC

36. A memorandum on workshop/ training of AGM and DGM for making them eligible for promotion was submitted to HR Committee by DH (P&GS)/ SYC HR.

37. As stated in the memorandum that the Federal Government has issued a policy for the facility of mobile telephone dated 23.12.2004. According to which, a mobile telephone set worth Rs.5,500/- is allowed to only BS-21 officers plus monthly bill reimbursement of phone bill maximum of Rs. 4,000/-

38. In the light of above, following proposals for making the policy for provision of mobile telephone sets are submitted as under;

| SNo | DESIGNATION  | BRAND                                 | PERIOD            | AMOUNT  |
|-----|--|---------------------------------------|-------------------|---|
| 1.  | Chairman   | Blackberry, Nokia, Samsung, Sony etc. | Once in 2.5 years | Actual Purchase Price subject to maximum of Rs.60,000/- |
| 2.  | Executive Directors  | Blackberry, Nokia, Samsung, Sony etc. | Once in 2.5 years | Actual Purchase Price subject to maximum of Rs.20,000/- |
| 3.  | General Managers/ Divisional Heads/ Regional Chiefs /Zonal Heads | Blackberry, Nokia, Samsung, Sony etc. | Once in 2.5 years | Actual Purchase Price subject to maximum of Rs.10,000/- |

39. Officers have to purchase the new mobile telephone sets from their own pockets and amount will be reimbursed to them on production of original receipts. Monthly bill will be reimbursed to them, if saving is available in their monthly office telephone entitlements. The financial impact will be Rs 500,000/- in 2.5 years means  $500,000/2.5 = \text{Rs. } 200,000/-$  per annum. If the officer is transferred /retired prior to his post of entitlement, he can retain the phone set by depositing its book value.

40. Matter is placed before the HR Committee for consideration and approval to place the matter before the BOD.

41. Accordingly, the matter was resolved as under:

Resolved:

"that matter be examined further taking into consideration similar facilities provided by the Federal Government in latest policy and other Corporations of the Ministry of Commerce".

## ITEM(09) EXECUTIVE DEVELOPMENT PROGRAMME- CLUB FACILITIES FOR THE EXECUTIVES OF THE STATE LIFE INSURANCE CORPORATION,

42. A memorandum on Executive Development Programme-Club Facilities For The Executives Of The SLIC was submitted to HR Committee by DH (P&GS)/ SYC HRC.

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**MINUTES OF 219<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

| DIRECTORS   | HELD AT | ON  | TIME |
|-------------|---------|---|------|
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43. The following Policy for Provision of Club Membership for the Executives is proposed;

| S.No | Designation        | No. of Clubs | Amount of Membership                               | Monthly Club Subscription Fee                        |
|------|--------------------|--------------|--|--|
| 1.   | Chairman           | 02           | Actual amount of Membership                        | Reimbursement of actual amount maximum of Rs.5,000/- |
| 2.   | Executive Director | 01           | Actual amount of Membership                        | Reimbursement of actual amount maximum of Rs.2,000/- |
| 3.   | General Manager    | 01           | Actual amount of Membership maximum to Rs.6,00,000 | Reimbursement of actual amount maximum of Rs.2,000/- |

44. In the first year, the estimated expenditure is to be around Rs.10 million and in subsequent years, it will be in the range of two to three million.

45. It is worth to mention here that the Policy of Club Facilities to the Executive is already in practice in other corporations of Ministry of Commerce viz.; Trading Corporation of Pakistan (TCP), Pakistan Reinsurance Corporation of Pakistan (PRCL).

46. The matter is placed before the HR Committee for consideration and approval to place the matter before the BOD.

47. Accordingly, the matter was resolved as under:

Resolved:

"that the Committee agreed with the proposal and recommended to submit the matter to the Board in its next meeting for approval".

**ITEM(10) Performance Based Bonus Scheme (PBBS) for G&P Division**

48. A memorandum on Performance Based Bonus was submitted to HR Committee by DH (G&P) & DH (Actuary).

49. State Life has been announcing Performance Based Bonus Scheme for its officers. The purpose of this scheme is to judge the performance of officers against criteria that takes into account the performance of key Divisions such as Marketing, Group, Real Estate, Investment and Gulf Region. This scheme is significantly different from that of staff where the payment of bonus is guaranteed.

50. Under the existing PBBS for G&P Division, the criteria were built around 3 factors namely as Real Business Growth (35 Points), Persistency (20 Points) and Profitability (25 Points). The proposed criterion involves the same factors except an additional factor namely Expense Ratio has been introduced considering the expense limits introduced by SECP.

51. The nature of Group Business is significantly different from that of Individual Life Business. Over the last 5 years, the average annual real growth of the Individual Life New Business Premium is around 13.43 % as compare to 4.58% in case of Group Life. There are a number of factors that led to slow growth such as slow expansion of working industry, aggressive pricing, poor economic conditions, decrease in insurance coverage of consumer loans due to interest hike etc. Thus, in case of Group Business, measuring performance against criteria built around inflation will not depict fair picture. It is quite likely that for getting growth more than inflation, insurance companies may have to lower their rates & thus indirectly hurting their profitability.


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*[Signature]*

MINUTES OF 219<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS

| DIRECTORS   | HELD AT   | ON  | TIME |
|-------------|---|---|------|
| MINUTE BOOK | KARACHI   | 22 <sup>nd</sup> APRIL, 2011 AND 25 <sup>TH</sup> APRIL, 2011 |      |
| 52.         | Owing to these reasons, a level growth rate criterion has now been proposed. According to this criterion, for each 1% growth 1 point shall be awarded subject to a maximum of 12.5 points each for Government as well as Commercial sector, which was not being done previously.  |   |      |
| 53.         | Under the existing system, points are awarded for maintaining persistency above the minimum level of 90%. For each 1% persistency over the 90%, 2 points are given. The maximum points that can be earned under such portion are 20. It is proposed that the existing criteria may be continued to be used. However, in order to monitor the persistency effectively, it is proposed that persistency be calculated separately for Government sector as well as Commercial sector subject to a maximum of 10 points each.   |   |      |
| 54.         | In 2006, a circular was issued by SECP under which the maximum management expenses that a company can incur were defined in terms of Premium. For example, in case of Group Life, this limit is 7.5% of Group Premium. Thus a new parameter based on the expense limit as defined by SECP is being introduced. Under this parameter, if the total expense of group life is under 7.5% then 10 points shall be awarded. In case the expenses are greater than 7.5%, no point shall be awarded. The expenses will include the total expenses related to G&P Division as well as a portion (based on ratio of total G&P Premium to the cumulative sum of the total G&P premium and Total New Business IL premium) of expenses of the offices of Executive Director (G&P) and Chairman. |   |      |
| 55.         | Under the existing system, 25 points are awarded in case the profitability is greater than 2.5%. Further, the profitability of zones is calculated separately. Due to factors such as aggressive price competition, profit commission clause, slow growth etc. it has been proposed that existing profitability factor be continued but there should not be any minimum qualifying criteria of 2.5%. Further, profitability be calculated separately for Commercial as well as Government sector on overall basis instead of zonal level. For example, for each 1%, 5 points may be awarded up to a maximum of 12.5 points each for both sectors.   |   |      |
| 56.         | Under the proposed Performance Based Bonus Scheme, the points on which Bonus is to be calculated will be determined on overall basis for the whole Division from 2009 onwards. Accordingly, all zones shall be given the same amount of bonus by considering the overall performance of the Division.   |   |      |
| 57.         | Submitted before the Human Resource Committee for consideration & approval.   |   |      |
| 58.         | Accordingly, the matter was resolved as under:  |   |      |
|             | <b>RESOLVED:</b>  |   |      |
|             | "that the Committee agreed with the proposal for the year 2010 without any retrospective effect of previous years and recommended to submit the matter to the Board in its next meeting for approval".  |   |      |
| ITEM(11)    | <b><u>PERFORMANCE BASED BONUS SCHEME-2010 FOR OFFICERS OF STATE LIFE INSURANCE CORPORATION OF PAKISTAN</u></b>  |   |      |
| 59.         | A memorandum on Performance Based Bonus was submitted to HR Committee by DH (P&GS)/ SYC HRC.  |   |      |
| 60.         | The Board in its 202 <sup>nd</sup> meeting held on 02.03.2010 approved the recommendations of the 4 <sup>th</sup> meeting of the H.R. Committee dated 01.03.2010 that the Performance Based Bonus Scheme-2009 for officers be continued on the same line as was approved and announced for the year 2008 and circulated vide No.PL-24(104) PBB-08 dated 07.08.2008.   |   |      |
| 61.         | The Group & Pension Division however submitted separate memorandum to the H.R. Committee for revisiting the Scheme for 2009 onwards.  |   |      |
| 62.         | The Human Resources Committee is requested to please consider the proposal for approval of the Performance Based Bonus Scheme-2010 to determine the actual quantum of bonus achieved by each officer on the business performance of the Corporation for the year ended 31.12.2010 for its adjustment/ recoveries, if any, towards the payments already made during the year 2010 on two Eid occasions vide order No.P&GS /PO/232/2010 dated 16.08.2010 and Order No. P&GS/PO/294/2010 dated 03.11.2010 respectively.  |   |      |

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63. Accordingly, the matter was resolved as under:

**RESOLVED:**

"that the Committee agreed with the proposal for the year 2010 and recommended to submit the matter to the Board in its next meeting for approval".

**ITEM(12) RE-STRUCTURING OF LEGAL AFFAIRS DIVISION.**

64. A memorandum on Performance Based Bonus was submitted to HR Committee by Executive Director (Law Division).

65. There are about 1200 (Twelve Hundred) court cases pending in different courts all over Pakistan including Supreme Court of Pakistan, High Courts, Labour Courts, Insurance Tribunals and Civil/District Courts. Whereas, the present strength of Legal Affairs Division is inadequate to deal with the burden of the litigations as well as rendering of legal opinion inclusive of vetting of documents and preparing of para-wise comments to be provided to the Advocates for filing the same in the Court after giving legal shape.

66. The present approved and existing staff strength of Legal Affairs Division at Principal Office and Legal Affairs Departments station-wise is given as under:

**PRESENT STAFF STRENGTH**

| P.O/Zones    | DGMS      |           | AGMs      |           | Managers  |           | Dy. Managers |           | Asst. Managers |           |
|--------------|-----------|-----------|-----------|-----------|-----------|-----------|--------------|-----------|----------------|-----------|
|              | A         | E         | A         | E         | A         | E         | A            | E         | A              | E         |
| P.O.         | 01        | —         | 01        | 01        | 01        | —         | —            | 03        | 02             | 01        |
| Lahore       | —         | —         | 01        | —         | —         | 01        | 01           | —         | 01             | 01        |
| Rawalpindi   | —         | —         | —         | —         | 01        | —         | —            | 01        | —              | —         |
| Multan       | —         | —         | —         | —         | —         | —         | 01           | 01        | 01             | —         |
| <b>TOTAL</b> | <b>01</b> | <b>00</b> | <b>02</b> | <b>01</b> | <b>02</b> | <b>01</b> | <b>02</b>    | <b>05</b> | <b>04</b>      | <b>02</b> |

67. In view of pendency of a large number of court cases vis-à-vis thin manpower of Legal Affairs Division, it is hereby proposed that Legal Deptt(s) at Regional Level may be created which will be headed by the Managers and assisted by Assistant Managers. They will be responsible for rendering legal advices as well as monitoring performance of the advocates etc.

68. Legal Affairs Division at Principal Office may be divided into two (2) sections namely Opinion Section and Litigation Section. Each section to be headed by Manager/AGM and reporting to DGM/DH. Each section also be assisted by Deputy Managers/Assistant Managers. The Opinion Section shall be responsible for rendering opinion, vetting documents, preparing para-wise comments etc. while the Litigation Section shall be responsible for monitoring Court proceedings by attending various Courts and submitted daily reports in this regard to the Divisional Head.

69. At Regional Level, two (2) additional posts of Managers and four (4) post of Assistant Managers are to be created.

70. At Principal Office, two (2) additional posts of Deputy Managers and two (2) posts of Assistant Managers to be created.

71. The manpower with legal acumen is not available in State Life so either to be recruited or to be posted on deputation.

72. Since good lawyers cannot be recruited in view of low salary package offered by State Life, therefore we may request Law, Justice and Parliamentary Division to depute the lawyers having ten (10) years standing in State Life.

73. Accordingly, the matter was resolved as under:

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**RESOLVED:**

"that the Committee recommended to submit the matter to the Board with following recommendations:

- (i) Law Division be re-organized/ re- structured.
- (ii) 05 posts for Executive Officers and 05 posts for Assistant Managers with the title of Law officer and Sr. Law Officer respectively be advertised. Terms of Reference to be defined by Legal Affairs Division.

**ITEM(13) Approval for Appointment of Additional Post of DGM in IT**

74. A memorandum on Performance Based Bonus was submitted to HR Committee by DH (P&GS)/ SYC HRC.

75. It is submitted that I.T. Division is passing through transition stage in which in-house developed legacy software are being replaced with the Pre-Packaged Software comprising of Core Insurance and Business Support ERP Systems are being provided and implemented by M/s Sidat Morshid Associates under an agreement with State Life. This system will provide integrated data and reporting with multiple features of timeliness and efficiency improvement.

76. The team of officers in I.T. Division comprises of two senior approved posts of Deputy General Managers (DGM) besides other junior officers. At present, three DGMs are posted in this division, one of them will retire in October 2011, while other DGM (Mr. Pervaiz Tahir) is in abroad and un-authorized absent from duty and may not join for duty.

77. The Board of Directors in its 192nd meeting approved fifteen IT Professionals for the IT Project. A team headed by Project Director and eight other IT officials are appointed in 2010 and are presently working on the IT Project on contract basis.

78. The Scope of work in this Division has increased substantially as all functions of all divisions are being computerized. Few other major activities like Document Management System, Implementation of Call Centre and Management of Communication Systems would require senior management IT officers to successfully implement software applications and new technologies in State Life.

79. Keeping in view the delicacy of the new assignments and safeguard the heavy investment involved in the project, it is imperative that, we may proceed for appointment of a DGM from the market to boost existing IT manpower. Following are the proposed TORs of this job;

- Age limit between 27 to 40 years
- Minimum 8 years of experience [4 years post graduate experience is mandatory] in computer / IT related field.
- Must have worked in IT related organizations at senior managerial role and must have supervised a team of 03 technical professionals.
- Must hold Master degree in Computer Science from a HEC recognized university and Masters Degree in Business Administration/Communication will be an additional point.
- Knowledge in Oracle Database, Project Management, Software Quality Assurance and Business Analyst is a plus point; and certification from International Organizations would be an additional point;
- MUST have excellent knowledge of Microsoft Windows Operating system and Oracle Data base tools.
- Strong IT skills; comfortable with computer-based tools, processes and workflows;
- Advanced-level experience with MS Word and Excel; PowerPoint, MS Project, Web/HTML/XML skills a plus.
- Demonstrated ability to successfully manage projects, schedules and budgets;
- Excellent organizational, planning and analytical skills;
- Excellent problem-solving skills; able to formulate creative solutions for day-to-day problems and make good decisions on the fly;
- Excellent communication skills; comfortable working directly with clients;
- Highly self-motivated with a confidence, "do the right thing" attitude;
- Demonstrated ability to make good decisions;
- Able to work independently or as part of a team;

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| <p>• Open to learning new skills;</p> <p>80. It is proposed that applications may be invited through advertisement in leading Urdu and English newspapers and the appointment procedure may be processed through P&amp;GS Division and a selection committee to be constituted for this purpose as per underlying procedure for regular appointments.</p> <p>81. The matter is placed before the Human Resource Committee for kind consideration and approval.</p> <p>82. Accordingly, the matter was resolved as under:</p> <p><b>RESOLVED:</b><br/>that the Committee agreed in principle to advertise the post and submit the matter to the Board with the following recommendations:</p> <p>(i) A post of DGM (IT) be advertised and filled up in following the appointment policy for the regular post".</p> <p>(ii) Applications be invited through PO. Box to avoid the political influence for the appointment".</p> <p>83. The meeting ended with a vote of thanks to the Chair.</p> <p style="text-align: right;"><i>Santay</i><br/>(Chairman)</p> |         |   |      |
| <p style="text-align: right;"><b>CHAIRMAN'S INITIALS</b></p> <p style="text-align: right;"><i>Santay</i></p>   |         |   |      |

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**Annexure-B**

**BUDGET PROPOSALS FOR THE YEAR 2011 AND  
EXPECTED ACTUALS/ACTUALS FOR THE YEAR 2010.**

9. A table showing comparison on corporate basis for income, outgo, contribution to Statutory Funds and Renewal Expense Ratio on the basis of actual expenses of 2009, approved and expected actuals of 2010 and budget estimates for 2011 is given hereunder:-

**A. Income**

Rupees in Million

| Description                                   | Actual<br>2009 | Budget<br>2010 | Expected<br>Actual 2010 | Expected<br>Actual 2010<br>vs Actual<br>2009 | Budget<br>2011 | Inc/(Dec)<br>over<br>Expected<br>Actual 2010 |
|---|----------------|----------------|-------------------------|--|----------------|--|
| (a) First Policy Year                         | 7,225          | 10,431         | 9,670                   | 34%  | 13,621         | 41%  |
| (b) 2 <sup>nd</sup> Policy Year               | 4,494          | 6,050          | 6,247                   | 39%  | 8,205          | 31%  |
| (c) 3 <sup>rd</sup> and later policy<br>years | 13,304         | 15,975         | 16,154                  | 21%  | 20,161         | 25%  |
| (d) Total                                     | 25,023         | 32,456         | 32,071                  | 28%  | 41,987         | 31%  |
| Group Life Premium                            | 3,560          | 3,822          | 3,609                   | 1%   | 4,885          | 35%  |
| Total Premium<br>(Gross)                      | 28,583         | 36,278         | 35,680                  | 25%  | 46,872         | 31%  |
| Less: Re-Insurance                            | (216)          | (235)          | (138)                   | (36%)  | (255)          | 85%  |
| Total Premium (Net)                           | 28,367         | 36,043         | 35,542                  | 25%  | 46,617         | 31%  |
| Investment Income                             | 21,235         | 23,822         | 26,195                  | 23%  | 34,125         | 30%  |
| Real Estate Income                            | 723            | 772            | 721                     | 0%   | 839            | 16%  |
| Investment & Real<br>Estate Income            | 21,958         | 24,594         | 26,916                  | 23%  | 34,964         | 30%  |
| Total Income                                  | 50,325         | 60,637         | 62,458                  | 24%  | 81,581         | 31%  |

**B. Outgo**

Rupees in Million

| Description                       | Actual<br>2009 | Budget<br>2010 | Expected<br>Actual 2010 | Expected<br>Actual 2010<br>vs Actual<br>2009 | Budget<br>2011 | Inc/(Dec)<br>over<br>Expected<br>Actual<br>2010 |
|-----------------------------------|----------------|----------------|-------------------------|--|----------------|---|
| a) Death, Maturity &<br>Annuities | 9,131          | 10,282         | 9,819                   | 8%   | 11,307         | 15%   |
| b) Surrenders                     | 2,832          | 3,239          | 3,561                   | 26%  | 4,055          | 14%   |
| c) Total                          | 11,963         | 13,521         | 13,380                  | 12%  | 15,362         | 15%   |

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|                           |        |        |        |       |          |     |
|---------------------------|--------|--------|--------|-------|----------|-----|
| Group Life Claims         | 3,761  | 3,718  | 3,778  | 0%    | 4,589    | 21% |
| Total Policy Outgo        | 15,724 | 17,239 | 17,158 | 9%    | 19,951   | 16% |
| Field Expenses            | 6,786  | 10,209 | 9,550  | 41%   | ✓ 13,197 | 38% |
| Area Managers Exp.        | 848    | 1,252  | 1,115  | 31%   | ✓ 1,732  | 55% |
| Total acquisition Cost    | 7,634  | 11,461 | 10,665 | 40%   | 14,929   | 40% |
| Admin. Expenses           | 3,996  | 3,723  | 3,939  | (1%)  | ✓ 4,908  | 25% |
| Investment Expenses       | 72     | 25     | 25     | (65%) | 30       | 20% |
| Real Estate expenses      | 448    | 494    | 446    | 0%    | 576      | 29% |
| Total Admin Exp.          | 4,516  | 4,242  | 4,410  | (2%)  | 5,514    | 25% |
| Total Management Expenses | 12,150 | 15,703 | 15,075 | 24%   | 20,443   | 36% |
| Income Tax Provision      | 75     | -      | -      | -     | -        | -   |
| Govt. share of surplus    | 389    | 405    | 405    | 4%    | 406      | 0%  |
| Total outflow + Provn.    | 28,338 | 33,347 | 32,638 | 15%   | 40,800   | 25% |

**C. Life Fund**

(Rupees in Millions)

| Description                  | Actual 2009 | Budget 2010 | Expected Actual 2010 | Expected Actual 2010 vs Actual 2009 | Budget 2011 | Inc/(Dec) over Expected Actual 2010 |
|------------------------------|-------------|-------------|----------------------|-------------------------------------|-------------|-------------------------------------|
| Accretion to Statutory Funds | 21,986      | 27,290      | 29,820               | 36%                                 | 40,781      | 37%                                 |
| Opening Statutory Funds      | 177,459     | 199,445     | 199,445              | 12%                                 | 229,265     | 15%                                 |
| Closing Statutory Funds      | 199,445     | 226,735     | 229,265              | 15%                                 | 270,046     | 18%                                 |

**10. Renewal Expense Ratio**

After the hectic efforts and continuous follow up by the Honorable Chairman with the Securities & Exchange Commission of Pakistan (SECP) and Ministry of Commerce, the SECP has revised its circular No.6 of 2006 through its circular No.7 of 2011 dated 18<sup>th</sup> March, 2011. They have relaxed FYP and Renewal Expense Ratio for the year 2011 and 2012 as under while the renewal expense ratio for the years after 2012 will be prescribed by the SECP later on:-

| S.# | Item  | Limits as per circular # 6 of 2006 |      | Amended Maximum Limits |      |
|-----|---|------------------------------------|------|------------------------|------|
|     |   | 2011                               | 2012 | 2011                   | 2012 |
| i)  | First Year Premium (after 10 <sup>th</sup> year of Insurer in the business) | 98%                                | 90%  | 104%                   | 100% |
| ii) | Renewal year's premium  | 17%                                | 15%  | 19%                    | 18%  |

Renewal Expense ratio of State Life Insurance Corporation of Pakistan on actual results for the year 2009, expected actuals 2010 and projected budget 2011 are as under:-

| Descriptions          | 2009  | 2010  | 2011  |
|-----------------------|-------|-------|-------|
| Renewal Expense Ratio | 18.5% | 18.9% | 18.6% |

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The Corporation has prepared budget under the revised limits of SECP. But, the Corporation has to be very cautious in minimizing, curtailing and controlling its expenses and should adopt such measures so that the expenses may not exceed the limits for the years 2011 and 2012 and later years.

As a precaution to control the expense ratio we have already taken following measures in Budget Proposals 2011:

- No provision for fresh recruitment of Officers and Staff.
- No hiring on Contract Basis.
- Curtailment of Rs.20 million in advertisement expenses.
- Increase in salaries of staff be restricted to the equivalent of 50% ad-hoc allowance already allowed by the Government.

It is submitted that the Board may please constitute a high powered committee which may suggest ways and means for minimizing, curtailing and controlling of expenses of the Corporation. The committee may also evaluate the commission structure to curtail the commission rates as suggested below:

- a) Commission on current year's FYP be reduced by 19.5%
- b) SAF and Field Medical on last year's FYP be reduced by 5%
- c) Commission on SYP be reduced by 4.5%
- d) Commission on Renewal Premium be reduced by 1%.

The above suggested curtailments in commission expenses togetherwith curtailment in other administrative expenses will definitely bring the renewal expense ratio within the prescribed limits of SECP for 2013 and later years.

It is worth mentioning here that this might effect the business of the Corporation, but having said that it is necessary to do it.

The committee may be advised to submit its recommendations within 2 months.

#### 11. Capital Expenditure:

Estimates for Capital Expenditure for 2011 and comparison with approved for 2010 is summarized as follows:

(Rupees in Millions)


| Portfolio  | Approved<br>2010 | Estimated<br>2011 |
|--|------------------|-------------------|
| i) Individual Life (within Pakistan – Zones/Regions) | 287.379          | 336.047           |
| ii) Group Life Division                              | 9.155            | 15.532            |
| iii) Real Estate Division                            | 496.973          | *340.132          |
| iv) Field Manpower Development Department            | 7.684            | 3.820             |
| v) I.T. Division                                     | 307.250          | **369.042         |
| vi) Principal Office                                 | 45.276           | 58.026            |

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|---|-----------|---|------|------------------------------|---------|-------------------------------|-------------------|---|--------|--|-----------|---|-------|---|-------|--------------------------------|--------|---------------------------------------|-------|-----------------------------------|---------|--------|---------|
| MINUTE BOOK   | KARACHI   | 22 <sup>nd</sup> APRIL, 2011 AND 25 <sup>TH</sup> APRIL, 2011 |      |                              |         |                               |                   |   |        |  |           |   |       |   |       |                                |        |                                       |       |                                   |         |        |         |
| <table border="1"><tr><td>viii) Overseas</td><td>8.897</td><td>5.357</td></tr><tr><td>ix) Bancassurance</td><td>-</td><td>22.180</td></tr><tr><td>Total:-</td><td>1,162.614</td><td>1,150.136</td></tr></table>   |           |   |      | viii) Overseas               | 8.897   | 5.357                         | ix) Bancassurance | -   | 22.180 | Total:-                                      | 1,162.614 | 1,150.136                                     |       |   |       |                                |        |                                       |       |                                   |         |        |         |
| viii) Overseas  | 8.897     | 5.357   |      |                              |         |                               |                   |   |        |  |           |   |       |   |       |                                |        |                                       |       |                                   |         |        |         |
| ix) Bancassurance   | -         | 22.180  |      |                              |         |                               |                   |   |        |  |           |   |       |   |       |                                |        |                                       |       |                                   |         |        |         |
| Total:-   | 1,162.614 | 1,150.136   |      |                              |         |                               |                   |   |        |  |           |   |       |   |       |                                |        |                                       |       |                                   |         |        |         |
| <p>* Real Estate Division has made estimates for 2011 as follows:-</p> <table border="1"><tr><td>Major Renovation</td><td>258.000</td></tr><tr><td>Civil works</td><td>53.750</td></tr><tr><td>Electric works</td><td>3.500</td></tr><tr><td>HVAC</td><td>19.000</td></tr><tr><td>Furniture &amp; Fixture</td><td>1.817</td></tr><tr><td>Office Furniture</td><td>1.125</td></tr><tr><td>Computers + Laptops</td><td>1.140</td></tr><tr><td>Staff Van</td><td>1.800</td></tr><tr><td>Capital Budget required for 2011</td><td>340.132</td></tr></table>   |           |   |      | Major Renovation             | 258.000 | Civil works                   | 53.750            | Electric works                                | 3.500  | HVAC   | 19.000    | Furniture & Fixture                           | 1.817 | Office Furniture                        | 1.125 | Computers + Laptops            | 1.140  | Staff Van                             | 1.800 | Capital Budget required for 2011  | 340.132 |        |         |
| Major Renovation  | 258.000   |   |      |                              |         |                               |                   |   |        |  |           |   |       |   |       |                                |        |                                       |       |                                   |         |        |         |
| Civil works   | 53.750    |   |      |                              |         |                               |                   |   |        |  |           |   |       |   |       |                                |        |                                       |       |                                   |         |        |         |
| Electric works  | 3.500     |   |      |                              |         |                               |                   |   |        |  |           |   |       |   |       |                                |        |                                       |       |                                   |         |        |         |
| HVAC  | 19.000    |   |      |                              |         |                               |                   |   |        |  |           |   |       |   |       |                                |        |                                       |       |                                   |         |        |         |
| Furniture & Fixture   | 1.817     |   |      |                              |         |                               |                   |   |        |  |           |   |       |   |       |                                |        |                                       |       |                                   |         |        |         |
| Office Furniture  | 1.125     |   |      |                              |         |                               |                   |   |        |  |           |   |       |   |       |                                |        |                                       |       |                                   |         |        |         |
| Computers + Laptops   | 1.140     |   |      |                              |         |                               |                   |   |        |  |           |   |       |   |       |                                |        |                                       |       |                                   |         |        |         |
| Staff Van   | 1.800     |   |      |                              |         |                               |                   |   |        |  |           |   |       |   |       |                                |        |                                       |       |                                   |         |        |         |
| Capital Budget required for 2011  | 340.132   |   |      |                              |         |                               |                   |   |        |  |           |   |       |   |       |                                |        |                                       |       |                                   |         |        |         |
| <p>** The detail of capital budget, as requested by I.T. Division, is as under:</p> <table border="1"><tr><td>Hardware and other equipment</td><td>130.439</td></tr><tr><td>RDBMS and other software etc.</td><td>142.626</td></tr><tr><td>Application Software by SHMA (Second Payment)</td><td>24.191</td></tr><tr><td>Application Software by SHMA (Third Payment)</td><td>24.191</td></tr><tr><td>Partial Forth Payment to SHMA (Going On Line)</td><td>4.683</td></tr><tr><td>Office Equipment etc. for New Recruited</td><td>3.547</td></tr><tr><td>Communication &amp; Infrastructure</td><td>39.165</td></tr><tr><td>Human Resource Miscellaneous Expenses</td><td>0.100</td></tr><tr><td>Additional Entertainment Expenses</td><td>0.100</td></tr><tr><td>Total:</td><td>369.042</td></tr></table> |           |   |      | Hardware and other equipment | 130.439 | RDBMS and other software etc. | 142.626           | Application Software by SHMA (Second Payment) | 24.191 | Application Software by SHMA (Third Payment) | 24.191    | Partial Forth Payment to SHMA (Going On Line) | 4.683 | Office Equipment etc. for New Recruited | 3.547 | Communication & Infrastructure | 39.165 | Human Resource Miscellaneous Expenses | 0.100 | Additional Entertainment Expenses | 0.100   | Total: | 369.042 |
| Hardware and other equipment  | 130.439   |   |      |                              |         |                               |                   |   |        |  |           |   |       |   |       |                                |        |                                       |       |                                   |         |        |         |
| RDBMS and other software etc.   | 142.626   |   |      |                              |         |                               |                   |   |        |  |           |   |       |   |       |                                |        |                                       |       |                                   |         |        |         |
| Application Software by SHMA (Second Payment)   | 24.191    |   |      |                              |         |                               |                   |   |        |  |           |   |       |   |       |                                |        |                                       |       |                                   |         |        |         |
| Application Software by SHMA (Third Payment)  | 24.191    |   |      |                              |         |                               |                   |   |        |  |           |   |       |   |       |                                |        |                                       |       |                                   |         |        |         |
| Partial Forth Payment to SHMA (Going On Line)   | 4.683     |   |      |                              |         |                               |                   |   |        |  |           |   |       |   |       |                                |        |                                       |       |                                   |         |        |         |
| Office Equipment etc. for New Recruited   | 3.547     |   |      |                              |         |                               |                   |   |        |  |           |   |       |   |       |                                |        |                                       |       |                                   |         |        |         |
| Communication & Infrastructure  | 39.165    |   |      |                              |         |                               |                   |   |        |  |           |   |       |   |       |                                |        |                                       |       |                                   |         |        |         |
| Human Resource Miscellaneous Expenses   | 0.100     |   |      |                              |         |                               |                   |   |        |  |           |   |       |   |       |                                |        |                                       |       |                                   |         |        |         |
| Additional Entertainment Expenses   | 0.100     |   |      |                              |         |                               |                   |   |        |  |           |   |       |   |       |                                |        |                                       |       |                                   |         |        |         |
| Total:  | 369.042   |   |      |                              |         |                               |                   |   |        |  |           |   |       |   |       |                                |        |                                       |       |                                   |         |        |         |
| <div>CHAIRMAN<br/>INITIALS<br/></div>  |           |   |      |                              |         |                               |                   |   |        |  |           |   |       |   |       |                                |        |                                       |       |                                   |         |        |         |

**MINUTES OF 219<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

| DIRECTORS   | HELD AT | ON  | TIME |
|-------------|---------|---|------|
| MINUTE BOOK | KARACHI | 22 <sup>nd</sup> APRIL, 2011 AND 25 <sup>TH</sup> APRIL, 2011 |      |

Annexure-C-1

State Life's Account for 2010

OPERATING RESULTS OF OVERSEAS LIFE FUND

Comparison of Actual for 2010 with Actual 2009

| Description                                | 2010             | 2009             | (Rs. In Million)<br>% change<br>2010 over<br>2009 Actual |
|--|------------------|------------------|--|
| <b><u>INCOME</u></b>                       |                  |                  |  |
| <b><u>Individual Life</u></b>              |                  |                  |  |
| First Year Premium (Gross)                 | 292.214          | 250.453          | 16.7   |
| Second Year Premium (Gross)                | 197.101          | 164.489          | 19.8   |
| Third Year & over Premium (Gross)          | 712.654          | 674.194          | 5.7  |
| Total Premium Income (Gross)               | 1,201.969        | 1,089.136        | 10.4   |
| Less Reinsurance                           | (30.000)         | (48.299)         | (37.9)   |
| Net Premium Income                         | 1,171.969        | 1,040.837        | 12.6   |
| Investment Income (Net)                    | 388.492          | 490.084          | (20.7)   |
| <b>TOTAL INCOME</b>                        | <b>1,560.461</b> | <b>1,530.921</b> | <b>1.9</b>   |
| <b><u>OUTGO</u></b>                        |                  |                  |  |
| Payment to policyholders                   | 396.306          | 373.761          | 6.0  |
| Acquisition costs                          | 295.302          | 259.263          | 13.9   |
| Commission on re-insurance                 | (9.636)          | (8.874)          | 8.6  |
| Administrative Expenses                    | 136.705          | 99.006           | 38.1   |
| <b>TOTAL OUTGO</b>                         | <b>818.677</b>   | <b>723.176</b>   | <b>13.2</b>  |
| Gross Accretion to Life Fund               | 741.784          | 807.745          | (8.2)  |
| Less: Provision for taxation               | -                | -                | -  |
| Less: Surplus appropriated to Shareholders | (7.512)          | (5.173)          | 45.2   |
| Life Fund at beginning of the year         | 4,371.952        | 3,569.380        | 22.5   |
| Life Fund at the year end                  | 5,106.224        | 4,371.952        | 16.8   |

CHAIRMAN'S  
INITIALS





**MINUTES OF 219<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

| DIRECTORS   | HELD AT | ON  | TIME |
|-------------|---------|---|------|
| MINUTE BOOK | KARACHI | 22 <sup>nd</sup> APRIL, 2011 AND 25 <sup>TH</sup> APRIL, 2011 |      |

Annexure-C-2

State Life's Account for 2010

Investment Portfolio

Distribution of investment portfolio in major categories

(Rs. In Million)

Overseas Life Fund

| DESCRIPTION |                               | 2010   |            | 2009   |            |
|-------------|-------------------------------|--------|------------|--------|------------|
|             |                               | Amount | % of Total | Amount | % of Total |
| i)          | Government Securities         | 2100   | 43.53      | 903    | 21.33      |
| ii)         | Other Fixed Income Securities | 831    | 17.22      | 1036   | 24.46      |
| iii)        | Shares (Quoted)               | 92     | 1.91       | 76     | 1.79       |
| iv)         | Loans to Policyholders        | 468    | 9.71       | 407    | 9.62       |
| v)          | Bank                          | 1333   | 27.64      | 1812   | 42.80      |
| TOTAL       |                               | 4824   | 100.00     | 4234   | 100.00     |

CHAIRMAN'S  
INITIALS



MINUTES OF 219<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS

| DIRECTORS   | HELD AT | ON  | TIME |
|-------------|---------|---|------|
| MINUTE BOOK | KARACHI | 22 <sup>nd</sup> APRIL, 2011 AND 25 <sup>TH</sup> APRIL, 2011 |      |

Annexure-C-3

STATE LIFE INSURANCE CORPORATION OF PAKISTAN  
 UAE BRANCHES  
 DUBAI, UNITED ARAB EMIRATES  
 STATEMENT OF FINANCIAL POSITION  
 AS AT 31 DECEMBER 2010.

| ASSETS                             | 2010<br>AED '000 | 2009<br>AED '000 |
|------------------------------------|------------------|------------------|
| Non-current assets                 |                  |                  |
| Fixed assets                       | 390              | 188              |
| Statutory deposit                  | 4,000            | 4,000            |
| Policy holders' loans              | 8,830            | 7,605            |
| Investments                        | 129,701          | 89,593           |
| Fixed deposits                     | <u>45,733</u>    | <u>52,200</u>    |
| Non-current assets                 | <u>188,654</u>   | <u>153,586</u>   |
| Current assets                     |                  |                  |
| Premium due but unpaid             | 3,489            | 2,463            |
| Investment income accrued          | 2,630            | 3,289            |
| Sundry receivables                 | 66               | 153              |
| Prepayments                        | 392              | 132              |
| Cash at banks                      | <u>3,359</u>     | <u>1,658</u>     |
| Current assets                     | <u>9,936</u>     | <u>7,695</u>     |
| Total assets                       | <u>198,590</u>   | <u>161,281</u>   |
| EQUITY AND LIABILITIES             |                  |                  |
| Equity                             |                  |                  |
| Head office balances               | 93,749           | 67,073           |
| Fair value reserve                 | -                | <u>1,496</u>     |
| Total equity                       | <u>93,749</u>    | <u>68,569</u>    |
| Non-current liabilities            |                  |                  |
| Employees' end of service benefits | 582              | 458              |
| Policy holders' funds              | <u>97,727</u>    | <u>86,803</u>    |
| Non-current liabilities            | <u>98,309</u>    | <u>87,261</u>    |
| Current liabilities                |                  |                  |
| Outstanding claims                 | 1,932            | 1,623            |
| Premium received in advance        | 952              | 798              |
| Due to other reinsurers            | 573              | 518              |
| Accrued expenses                   | 897              | 784              |
| Amount due to agents               | 1,762            | 1,411            |
| Others                             | <u>416</u>       | <u>317</u>       |
| Current liabilities                | <u>6,532</u>     | <u>5,451</u>     |
| Total equity and liabilities       | <u>198,590</u>   | <u>161,281</u>   |

CHAIRMAN'S  
INITIALS





MINUTES OF 219<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS

| DIRECTORS   | HELD AT          | ON  | TIME |
|---|------------------|---|------|
| MINUTE BOOK   | KARACHI          | 22 <sup>nd</sup> APRIL, 2011 AND 25 <sup>TH</sup> APRIL, 2011 |      |
| <u>Annexure-C-5</u>   |                  |   |      |
| STATE LIFE INSURANCE CORPORATION OF PAKISTAN<br>UAE BRANCHES<br>DUBAI, UNITED ARAB EMIRATES |                  |   |      |
| STATEMENT OF UNDERWRITING RESULTS-LIFE<br>FOR THE YEAR ENDED 31 DECEMBER 2010.              |                  |   |      |
|   | 2010<br>AED '000 | 2009<br>AED '000  |      |
| Gross premium written   | 24,887           | 22,176  |      |
| Less: Reinsurance premium ceded   | <u>(500)</u>     | <u>(1,057)</u>  |      |
| Net premium earned  | 24,387           | 21,119  |      |
| Commission earned   | <u>26</u>        | <u>218</u>  |      |
| Total underwriting income   | <u>24,413</u>    | <u>21,337</u>   |      |
| Underwriting expenses:  |                  |   |      |
| Gross claims paid   | 225              | 124   |      |
| Reinsurance recovery  | <u>-</u>         | <u>-</u>  |      |
| Net claims paid   | <u>225</u>       | <u>124</u>  |      |
| Outstanding claims at January 1   | (289)            | (167)   |      |
| Outstanding claims at December 31   | 429              | 289   |      |
| Net claims Incurred   | <u>365</u>       | <u>246</u>  |      |
| Policies surrendered  | 3,950            | 2,598   |      |
| Maturity payments   | 3,975            | 4,405   |      |
| Bonus to policy holders   | 4,456            | 3,938   |      |
| Other underwriting expenses   | <u>6,774</u>     | <u>5,957</u>  |      |
| Total underwriting expenses   | <u>19,520</u>    | <u>17,144</u>   |      |
| Under writing surplus   | 4,893            | 4,193   |      |
| Management expenses   | <u>(4,216)</u>   | <u>(3,266)</u>  |      |
| Net underwriting Income   | <u>677</u>       | <u>927</u>  |      |

CHAIRMAN'S  
INITIALS


MINUTES OF 219<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS

| DIRECTORS   | HELD AT | ON  | TIME |
|-------------|---------|---|------|
| MINUTE BOOK | KARACHI | 22 <sup>nd</sup> APRIL, 2011 AND 25 <sup>TH</sup> APRIL, 2011 |      |

Annexure-C-6

STATE LIFE INSURANCE CORPORATION OF PAKISTAN  
 UAE BRANCHES  
 DUBAI, UNITED ARAB EMIRATES

STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED 31 DECEMBER 2010.

|                             | Head office<br>Balances<br><u>AED '000</u> | Fair value<br>adjustment<br><u>AED '000</u> | Total<br><u>AED '000</u> |
|-----------------------------|--|---|--------------------------|
| Balance at 1 January 2009   | 49,712                                     | 141   | 49,853                   |
| Movement during the year    | <u>17,361</u>                              | <u>1,355</u>                                | <u>18,716</u>            |
| Balance at 31 December 2009 | 67,073                                     | 1,496                                       | 68,569                   |
| Movement during the year    | 26,676                                     | (1,496)                                     | 25,180                   |
| Balance at 31 December 2010 | <u>93,749</u>                              | -   | <u>93,749</u>            |

CHAIRMAN'S  
INITIALS





MINUTES OF 219<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS

| DIRECTORS   | HELD AT | ON  | TIME |
|-------------|---------|---|------|
| MINUTE BOOK | KARACHI | 22 <sup>nd</sup> APRIL, 2011 AND 25 <sup>TH</sup> APRIL, 2011 |      |

Annexure-C-4

STATE LIFE INSURANCE CORPORATION OF PAKISTAN  
 UAE BRANCHES  
 DUBAI, UNITED ARAB EMIRATES


STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED 31 DECEMBER 2010.

|                                      | 2010<br><u>AED '000</u> | 2009<br><u>AED '000</u> |
|--------------------------------------|-------------------------|-------------------------|
| Net underwriting income              | 677                     | 927                     |
| Income from investment activities    | 5,726                   | 5,266                   |
| Other income                         | <u>173</u>              | <u>24</u>               |
| Profit before fund movement          | 6,576                   | 6,217                   |
| Policy holders' funds at January 1   | 86,803                  | 76,763                  |
| Prior period adjustments             | 3                       | ---                     |
| Bonus to policy holders              | <u>4,456</u>            | <u>3,938</u>            |
|                                      | 97,838                  | 86,918                  |
| Head office share in surplus *       | <u>(111)</u>            | <u>(115)</u>            |
| Policy holders' funds at December 31 | <u>97,727</u>           | <u>86,803</u>           |

CHAIRMAN'S  
INITIALS



MINUTES OF 219<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS

| DIRECTORS   | HELD AT                 | ON  | TIME  |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
|---|-------------------------|---|---|--|-------------------------|-------------------------|----------------------|--|--|--------------------------|-------|-------|-----------------|--|--|------------------------------|----|----|-----------------------------|---|----|-------------------------|-------|-------|------------------------------|-----|----|------------------------------|--------------|--------------|----------------------------|--|--|---|-------|---------|--|-------|-------|-------------------------------|--|--|--------------------------------------|---------------|--------------|----------------------|--|--|-------------------------|----------|----------|--|---------|---------|--------------------------|--------------|--------------|--------------------------------------|-----------------|-----------------|----------------------|--|--|----------------------------------|---------------|---------------|---|---------|---------|---|---------------|---------------|--|-----------------|-----------------|
| MINUTE BOOK   | KARACHI                 | 22 <sup>nd</sup> APRIL, 2011 AND 25 <sup>TH</sup> APRIL, 2011 |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
| <p style="text-align: right;"><u>Annexure-C-7</u></p> <p>STATE LIFE INSURANCE CORPORATION OF PAKISTAN<br/>UAE BRANCHES<br/>DUBAI, UNITED ARAB EMIRATES</p> <p>STATEMENT OF CASH FLOWS<br/>AS AT 31 DECEMBER 2010.</p> <table><tr><td></td><td style="text-align: right;">2010<br/><u>AED '000</u></td><td style="text-align: right;">2009<br/><u>AED '000</u></td></tr><tr><td>Operating activities</td><td></td><td></td></tr><tr><td>Net surplus for the year</td><td style="text-align: right;">6,576</td><td style="text-align: right;">6,217</td></tr><tr><td>Adjustment for:</td><td></td><td></td></tr><tr><td>Depreciation on fixed assets</td><td style="text-align: right;">99</td><td style="text-align: right;">46</td></tr><tr><td>Previous period adjustments</td><td style="text-align: right;">3</td><td style="text-align: right;">--</td></tr><tr><td>Bonus to policy holders</td><td style="text-align: right;">4,456</td><td style="text-align: right;">3,938</td></tr><tr><td>Provision for staff gratuity</td><td style="text-align: right;">124</td><td style="text-align: right;">71</td></tr><tr><td>Head office share in surplus</td><td style="text-align: right;"><u>(111)</u></td><td style="text-align: right;"><u>(115)</u></td></tr><tr><td>Changes in working capital</td><td></td><td></td></tr><tr><td>(Increase) in insurance and other receivables</td><td style="text-align: right;">(540)</td><td style="text-align: right;">(2,283)</td></tr><tr><td>Increase in insurance and other payables</td><td style="text-align: right;">1,026</td><td style="text-align: right;">1,336</td></tr><tr><td>Increase in due to reinsurers</td><td></td><td></td></tr><tr><td>Cash flows from operating activities</td><td style="text-align: right;"><u>11,688</u></td><td style="text-align: right;"><u>9,876</u></td></tr><tr><td>Investing activities</td><td></td><td></td></tr><tr><td>Increase in investments</td><td style="text-align: right;">(41,604)</td><td style="text-align: right;">(31,289)</td></tr><tr><td>Net increase in loans to policyholders</td><td style="text-align: right;">(1,225)</td><td style="text-align: right;">(1,397)</td></tr><tr><td>Purchase of fixed assets</td><td style="text-align: right;"><u>(301)</u></td><td style="text-align: right;"><u>(147)</u></td></tr><tr><td>Cash flows from Investing activities</td><td style="text-align: right;"><u>(43,130)</u></td><td style="text-align: right;"><u>(32,833)</u></td></tr><tr><td>Financing activities</td><td></td><td></td></tr><tr><td>Increase in head office balances</td><td style="text-align: right;"><u>26,676</u></td><td style="text-align: right;"><u>17,361</u></td></tr><tr><td>Net decrease in cash and cash equivalents</td><td style="text-align: right;">(4,766)</td><td style="text-align: right;">(5,596)</td></tr><tr><td>Cash and cash equivalents as at January 1</td><td style="text-align: right;"><u>57,858</u></td><td style="text-align: right;"><u>63,454</u></td></tr><tr><td>Cash and cash equivalents as at December 31<br/>(Note 12)</td><td style="text-align: right;">53,092<br/>=====</td><td style="text-align: right;">57,858<br/>=====</td></tr></table> |                         |   |   |  | 2010<br><u>AED '000</u> | 2009<br><u>AED '000</u> | Operating activities |  |  | Net surplus for the year | 6,576 | 6,217 | Adjustment for: |  |  | Depreciation on fixed assets | 99 | 46 | Previous period adjustments | 3 | -- | Bonus to policy holders | 4,456 | 3,938 | Provision for staff gratuity | 124 | 71 | Head office share in surplus | <u>(111)</u> | <u>(115)</u> | Changes in working capital |  |  | (Increase) in insurance and other receivables | (540) | (2,283) | Increase in insurance and other payables | 1,026 | 1,336 | Increase in due to reinsurers |  |  | Cash flows from operating activities | <u>11,688</u> | <u>9,876</u> | Investing activities |  |  | Increase in investments | (41,604) | (31,289) | Net increase in loans to policyholders | (1,225) | (1,397) | Purchase of fixed assets | <u>(301)</u> | <u>(147)</u> | Cash flows from Investing activities | <u>(43,130)</u> | <u>(32,833)</u> | Financing activities |  |  | Increase in head office balances | <u>26,676</u> | <u>17,361</u> | Net decrease in cash and cash equivalents | (4,766) | (5,596) | Cash and cash equivalents as at January 1 | <u>57,858</u> | <u>63,454</u> | Cash and cash equivalents as at December 31<br>(Note 12) | 53,092<br>===== | 57,858<br>===== |
|   | 2010<br><u>AED '000</u> | 2009<br><u>AED '000</u>                                       |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
| Operating activities  |                         |   |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
| Net surplus for the year  | 6,576                   | 6,217   |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
| Adjustment for:   |                         |   |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
| Depreciation on fixed assets  | 99                      | 46  |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
| Previous period adjustments   | 3                       | --  |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
| Bonus to policy holders   | 4,456                   | 3,938   |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
| Provision for staff gratuity  | 124                     | 71  |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
| Head office share in surplus  | <u>(111)</u>            | <u>(115)</u>  |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
| Changes in working capital  |                         |   |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
| (Increase) in insurance and other receivables   | (540)                   | (2,283)   |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
| Increase in insurance and other payables  | 1,026                   | 1,336   |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
| Increase in due to reinsurers   |                         |   |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
| Cash flows from operating activities  | <u>11,688</u>           | <u>9,876</u>  |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
| Investing activities  |                         |   |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
| Increase in investments   | (41,604)                | (31,289)  |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
| Net increase in loans to policyholders  | (1,225)                 | (1,397)   |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
| Purchase of fixed assets  | <u>(301)</u>            | <u>(147)</u>  |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
| Cash flows from Investing activities  | <u>(43,130)</u>         | <u>(32,833)</u>   |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
| Financing activities  |                         |   |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
| Increase in head office balances  | <u>26,676</u>           | <u>17,361</u>   |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
| Net decrease in cash and cash equivalents   | (4,766)                 | (5,596)   |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
| Cash and cash equivalents as at January 1   | <u>57,858</u>           | <u>63,454</u>   |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
| Cash and cash equivalents as at December 31<br>(Note 12)  | 53,092<br>=====         | 57,858<br>=====   |   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
|   |                         |   | CHAIRMAN'S INITIALS   |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |
|   |                         |   |  |  |                         |                         |                      |  |  |                          |       |       |                 |  |  |                              |    |    |                             |   |    |                         |       |       |                              |     |    |                              |              |              |                            |  |  |   |       |         |  |       |       |                               |  |  |                                      |               |              |                      |  |  |                         |          |          |  |         |         |                          |              |              |                                      |                 |                 |                      |  |  |                                  |               |               |   |         |         |   |               |               |  |                 |                 |



MINUTES OF 219<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS

|             |         |   |      |
|-------------|---------|---|------|
| DIRECTORS   | HELD AT | ON  | TIME |
| MINUTE BOOK | KARACHI | 22 <sup>nd</sup> APRIL, 2011 AND 25 <sup>TH</sup> APRIL, 2011 |      |

Annexure-D-1STATISTICAL SUMMARY

|                                 | Overseas Life Fund |                          |
|---------------------------------|--------------------|--------------------------|
|                                 | Rupee Accounts     | Dollar & Dirham Accounts |
| <b>Annualised Yield on Fund</b> |                    |                          |
| 2004 (incl capital gain/loss)   | 7.51%              | 4.12%                    |
| 2004 (excl capital gain/loss)   | 7.50%              | 4.11%                    |
| 2005 (incl capital gain/loss)   | 4.45%              | 4.04%                    |
| 2005 (excl capital gain/loss)   | 4.54%              | 4.13%                    |
| 2006 (incl capital gain/loss)   | 6.85%              | 5.04%                    |
| 2006 (excl capital gain/loss)   | 6.94%              | 5.13%                    |
| 2007 (incl capital gain/loss)   | 8.97%              | 6.90%                    |
| 2007 (excl capital gain/loss)   | 7.57%              | 5.51%                    |
| 2008 (incl capital gain/loss)   | 5.10%              | 5.14%                    |
| 2008 (excl capital gain/loss)   | 4.42%              | 4.45%                    |
| 2009 (incl capital gain/loss)   | 6.12%              | 6.10%                    |
| 2009 (excl capital gain/loss)   | 6.14%              | 6.13%                    |
| 2010 (incl capital gain/loss)   | 8.54%              | 6.32%                    |
| 2010 (excl capital gain/loss)   | 7.26%              | 5.05%                    |
| <b>Renewal Expense Ratio</b>    |                    |                          |
| 2007                            | 5.28%              |                          |
| 2008                            | 7.48%              |                          |
| 2009                            | 9.53%              |                          |
| 2010                            | 13.49%             |                          |
| <b>Overall Expense Ratio</b>    |                    |                          |
| 2004                            | 34.98%             | 36.78%                   |
| 2005                            | 34.70%             | 36.60%                   |
| 2006                            | 35.45%             | 35.73%                   |
| 2007                            | 33.16%             | 34.35%                   |
| 2008                            | 34.19%             | 34.01%                   |
| 2009                            | 32.89%             | 33.57%                   |
| 2010                            | 35.50%             | 36.13%                   |

CHAIRMAN'S  
INITIALS


**MINUTES OF 219<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

| DIRECTORS   | HELD AT | ON  | TIME |
|-------------|---------|---|------|
| MINUTE BOOK | KARACHI | 22 <sup>nd</sup> APRIL, 2011 AND 25 <sup>TH</sup> APRIL, 2011 |      |

**STATISTICAL SUMMARY (Continued)**

|   | Rupee<br>Accounts | Dollar &<br>Dirham<br>Accounts |
|---|-------------------|--------------------------------|
| <b>Number of Individual Life Policies</b> |                   |                                |
| 2003                                      | 7,280             |                                |
| 2004                                      | 7,966             |                                |
| 2005                                      | 8,509             |                                |
| 2006                                      | 9,479             |                                |
| 2007                                      | 10,279            |                                |
| 2008                                      | 11,022            |                                |
| 2009                                      | 11,614            |                                |
| 2010                                      | 12,252            |                                |
| <b>Gross Premium (000)</b>                |                   |                                |
| 2003                                      | 422,415           |                                |
| 2004                                      | 514,023           |                                |
| 2005                                      | 545,786           |                                |
| 2006                                      | 601,332           |                                |
| 2007                                      | 660,966           |                                |
| 2008                                      | 841,042           |                                |
| 2009                                      | 1,089,136         |                                |
| 2010                                      | 1,201,969         |                                |

 CHAIRMAN'S  
INITIALS





MINUTES OF 219<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS

| DIRECTORS   | HELD AT | ON  | TIME |
|-------------|---------|---|------|
| MINUTE BOOK | KARACHI | 22 <sup>ND</sup> APRIL, 2011 AND 25 <sup>TH</sup> APRIL, 2011 |      |

Annexure-D-2**BONUS RECOMMENDATIONS – FOREIGN CURRENCY POLICIES**

I have pleasure in recommending the following bonuses for with profits Dollar and Dirham policies in force for full sum assured as at 31<sup>st</sup> December 2010:

**I. Policies expressed in Dirham:**

Reversionary bonuses per thousand sum insured per annum would be as per following schedule (2009 figures are given for comparison).

|                               | 2010                        |                                | 2009                        |                                |
|-------------------------------|-----------------------------|--------------------------------|-----------------------------|--------------------------------|
|                               | For First Five Policy Years | From Sixth Policy Year Onwards | For First Five Policy Years | From Sixth Policy Year Onwards |
| <u>Whole Life</u>             | Dh<br>21                    | Dh<br>39                       | Dh<br>21                    | Dh<br>39                       |
| <u>Endowments</u>             |                             |                                |                             |                                |
| 20 years and over             | 17                          | 33                             | 17                          | 33                             |
| 15 to 19 years inclusive      | 10                          | 24                             | 10                          | 24                             |
| 14 years and less             | 5                           | 17                             | 5                           | 17                             |
| <u>Anticipated Endowments</u> |                             |                                |                             |                                |
| 20 years and over             | 8                           | 26                             | 8                           | 26                             |
| 15 to 19 years inclusive      | 5                           | 18                             | 5                           | 18                             |
| 14 years and less             | 3                           | 14                             | 3                           | 14                             |

**II. Policies expressed in US Dollar:**

Reversionary bonuses per thousand sum insured per annum would be as per following schedule (2009 figures are given for comparison).

|                          | 2010                        |                                | 2009                        |                                |
|--------------------------|-----------------------------|--------------------------------|-----------------------------|--------------------------------|
|                          | For First Five Policy Years | From Sixth Policy Year Onwards | For First Five Policy Years | From Sixth Policy Year Onwards |
| <u>Whole Life</u>        | \$<br>23                    | \$<br>42                       | \$<br>23                    | \$<br>42                       |
| <u>Endowments</u>        |                             |                                |                             |                                |
| 20 years and over        | 17                          | 33                             | 17                          | 33                             |
| 15 to 19 years inclusive | 10                          | 23                             | 10                          | 23                             |
| 14 years and less        | 5                           | 16                             | 5                           | 16                             |

CHAIRMAN'S INITIALS



MINUTES OF 219<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS

| DIRECTORS   | HELD AT | 22 <sup>nd</sup> APRIL, 2011 AND 25 <sup>th</sup> APRIL, 2011 | TIME |
|-------------|---------|---|------|
| MINUTE BOOK | KARACHI |   |      |

Anticipated Endowments

|                          |   |    |   |    |
|--------------------------|---|----|---|----|
| 20 years and over        | 8 | 24 | 8 | 24 |
| 15 to 19 years inclusive | 5 | 17 | 5 | 17 |
| 14 years and less        | 3 | 13 | 3 | 13 |

Notes:

- (a) Jeevan Sathi and Shadabad policies will be treated as Endowment policies.
- (b) For Whole Life by limited payments, bonuses will be allowed at the same rate as for Whole Life. The bonuses are admissible even after the completion of premium paying period for each year the policy has been in force for full sum assured.

II Interim Bonus on death and maturity claims will be allowed till the next bonus declaration, at the rates as given in I and II above.

IV. Family Income Benefits in course of payment (where the life assured has died)

Family Income Benefit to heirs or nominees of deceased life assureds will be increased by 4% from policy anniversaries in the year 2012 under with profit policies.

Note: The percentage increase will be allowed on the actual benefit payable on policy anniversaries (including any prior increases) in the year 2011.

V. No Cash Value of Bonuses Until Three Years' Premiums Have Been Paid

The Cash Value of bonuses will be payable on an in force policy if at least one of the following two conditions has been fulfilled:

- (i) The policyholder has actually paid at least three full years' premiums.
- (ii) The policy has completed at least three policy years.

However, in case of a death claim, this condition will be waived and all bonuses whether declared or interim will be payable. Also, in the case of a death claim in the first three policy years, where the premiums are in arrears, in order to determine whether the policy could have been kept in force, cash values of bonuses will be taken into account.

"Actual payment" means payment in cash/pay order/bank draft/cheque after it has been realised.

CHAIRMAN'S  
INITIALS

*[Signature]*