

21ST MEETING OF THE BOARD OF DIRECTORS

CTORS	HELD AT	ON	TIME
THE BOOK	Karachi	Thursday, the 6th Sept.1973	10 A.M.

The 21st meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on Thursday the 6th September, 1973 at 10.00 A.M. in the Board Room of the Corporation at Karachi, in pursuance of notice dated August 24, 1973.

The following members were present:

1. Mr. H.U. Beg - Chairman
2. Mr. S.F. Alam
3. Mr. Samee-ul-Hasan
4. Mr. M.S. Janjua
5. Mr. D.M. Quraishi
6. Mr. P. Sequeira
7. Mr. A.A. Toor
8. Mr. S.A. Walajahi
9. Mr. M. Zulqarnain

Mr. S.A. Zahid and Mr. S.S. Akhtar, Consulting Actuaries attended by invitation.

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

The following business was transacted:

ITEM NO. I: CONFIRMATION OF THE MINUTES OF THE 20TH MEETING OF THE BOARD HELD ON MONDAY THE 13TH AUGUST, 1973.

The minutes of the 20th meeting of the Board held on Monday, the 13th August, 1973, were considered and the following observations were made:-

- (1) Item No. V: - Request of P.I.E.F. regarding inclusion of Building Bonus, and Notional Cash Medical Allowance in fixation of pay.

Mr. A.A. Toor informed the Board that in pursuance of Board's decision taken in its last meeting, the negotiation Committee consisting of the Personnel Officers of the three Beema Units and the Assistant General Manager(Administration) of the Principal Office met the representatives of the Employees Federation and explained to them, inter-alia, the Board's views on the inclusion of building bonus and notional medical allowance in the fixation of pay. The Federation representatives were not agreeable to the withdrawal of the benefits once granted. They were given an indication that perhaps a solution could be found by localising the issue. The Federation Representatives, however, did not make any commitment and said that they would like to meet the senior Committee of the General Managers and the Executive Director(Administration). It was agreed that the senior Committee might meet them shortly

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- (2) Item No. XI(3): - Grant of an extra Recreation Allowance to Officers as allowed to staff.

In this connection an observation was made that while the officers who were working so hard had been denied this benefit so far, the staff, some of whom had been showing signs of inefficiency and indiscipline had been given all the benefits. It was stated that of late there had been frequent complaints of absenteeism against some of the more influential members of the staff. This had been aggravated further by the permission recently given to proceed on Sick leave without medical certificate.

The Board felt that whereas the welfare of the staff should be given due consideration, no leniency should be shown towards inefficiency and indiscipline. Such cases should be strictly dealt with in accordance with the regulations. As for the mis-use of the facility of Sick Leave for less than 15 days without medical certificate, it was agreed to review the matter and if necessary to amend the Regulations. It was also decided that the situation arising out of the mis-use should be explained to the Federation Representatives. They should also be requested to extend their cooperation in the maintenance of discipline and efficiency in the Corporation.

- (3) Item No. XIII(1): - Exemption from attending and passing the Training Courses.

Mr. Walajahi pointed out that grant of exemption to senior field officials from attending training courses would be against the intents and purposes of the training programme. He said that it was essential to communicate the content of training courses to every field official, although passing the test was not so important. It was agreed that the training would be essential for all field personnel. However, the question of the format of the test might be decided by the three General Managers along with the Executive Director(Training).

Subject to the above observations the minutes of the 20th Board meeting were confirmed.

ITEM NO. II: TO CONFIRM RESOLUTION DATED 20TH AUGUST, 1973
ALREADY APPROVED BY CIRCULATION REGARDING STATE
LIFE'S DONATION TO PRIME MINISTER'S FLOOD RELIEF
FUND.

The Board confirmed its Resolution dated 20th August, 1973, already approved by circulation, regarding State Life's donation to Prime Minister's Flood Relief Fund as follows:

"RESOLVED that,

In order to participate in the National effort to alleviate the sufferings caused by the recent

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unprecedented floods in the Provinces of Punjab and Sind, the Board of Directors of the State Life hereby approves of a donation of Rs.5 lacs to the Prime Minister's Flood Relief Fund".

ITEM NO. III: TO CONSIDER THE ACCOUNTS OF THE CORPORATION FOR THE PERIOD 1.11.72 TO 30.6.73 AND THE BUDGETS UPTO 31.12.73.

The Board was informed that the Trial Balances of all the Units and the Principal Office of the Corporation as at 30th June, 1973 had been completed. A summary of the operations for the period 1.11.72 to 30.6.73 was presented to the Board. The summary reflected satisfactory performance during the said period although the exact position of the surplus could not be ascertained as the valuations had not been completed. The Chairman expressed his satisfaction over the progress and congratulated the General Managers on the performance of their Units. The Board also recorded its appreciation for the commendable effort put in by the Accounts Staff of the Units as well as the Principal Office to prepare the accounts upto 30th June, 1973 in such a short time. The Board particularly complimented the Chief Accountant of the Principal Office Mr. Hamid Mukhtar for the hard work put in by him.

The following observations were made:

- a) The expense ratio had been shown as a percentage of the total premium. It was felt that as the prescribed percentages of expenses for the First Year and the renewal premium were different, the expense ratio on the basis of the total premium income was not a true indication of the comparative performance of the Units. It was decided that in future the expense ratio would be shown separately for the first year and the renewal premium.
- b) Accrued interest on policy loans had not been separately accounted for. The position of the Automatic Nonforfeiture loans had also not been indicated and it was not clear whether these had been accounted for. The General Managers were requested to check and to exhibit the position on a uniform basis.

Mr. Samee-ul-Hasan had prepared a comparison of the expenses incurred by the three Units under different accounting heads. The Chairman appreciated the effort made and desired that a copy of the comparison should be provided to the General Managers for future guidance.

ITEM NO. III-A: CASH FLOW

At this stage the Board decided to consider the item of "Cash Flow from Units to the Principal Office" on which the Executive Director (Investment) had prepared a note.

It was observed that as per accounts a large amount of cash was lying in the current and collection accounts of the Units and had not been remitted to the Principal Office for investment. If this analysis was correct, it would mean considerable loss of interest to the Corporation. Apparently

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the banks were taking advantage of the lack of vigilance on the part of the Corporation. It was necessary that proper watch should be kept on the remittance of surplus cash to the Principal Office and for any amount retained in excess of authorised limits, the banks should be on notice to pay penal interest. The Chairman advised the General Managers to intimate all such cases to him so that the Heads of defaulting banks be approached to remit the outstanding amounts with interest. He said that the Principal Office would also, if necessary, seek the help of the State Bank to realise the outstanding funds with interest. It was decided that the Executive Director (Investment) in consultation with the three General Managers and the Chief Accountant of the Principal Office would undertake a detailed analysis of the banking arrangements to ensure free and prompt flow of surplus cash from the Units to the Principal Office Investment accounts. In cases where the banks kept surplus funds in violation of the banking arrangements, action should be taken to require them to pay interest at penal rates.

ITEM NO. IV: TO CONSIDER THE PROVISION OF MOTOR VEHICLES TO OFFICERS.

The Board considered the matter for various classes of officers and decided as follows:-

(1) Provision of cars to Area Managers: The question of applying the Board's previous decision to such Area Managers who had cars under subsisting hire-purchase agreements was considered. The Board decided that the General Managers may adopt either of the following two courses in the cases of Area Managers who are entitled to a State Life Car:

- (a) The market value of the car may be assessed by Alpha surveyors and the car purchased by State Life, if of suitable type and condition, and then given to the Area Manager provided the Corporation gets clear title to the ownership of the car.
- (b) If the Area Manager is himself in a position to clear the outstanding hire-purchase debt and keep the car as his own, then he may be given the option to rent it to the Corporation according to Board's earlier decision dated 14th May, 1973 on the subject.

(2) Provision of car to other officers of 'D' Category.

In case of other officers of 'D' Category the following decisions were taken:

- (a) All officers of the rank of Assistant General Managers and above may be provided with cars at Corporation's expense. In the case of Assistant General Managers not engaged all the time on development work, a limit on petrol expenses may be fixed. This limit may be determined by the Committee appointed for reviewing selection/grading and pay fixation of Category 'D' officers.

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In the case of Mr. N.A. Jajvi, Asstt:General Manager(investment) it was decided that the fixation of pay consequent upon the provision of car may be done by a Committee consisting of Mr. A.A. Toor, Mr. Samee-ul-Hasan and Mr.D.M. Quraishi.

- (b) In the case of officers below the rank of Asstt: General Managers, a car may be provided to an officer of 'D' category engaged on development or public relations work. In order to ensure uniformity, the decision to provide cars in such cases may be made by the General Manager concerned in consultation with the other two General Managers. In the case of officers of Public Relations Deptt. the Executive Director (Public Relations) should also be consulted and not more than one officer in the Public Relations Deptt. of a Unit or the Principal Office should be provided with a car.
- (c) In the case of officers not entitled to cars, the facility should be withdrawn. The amounts shown in the books of the Corporation in respect of such vehicles should be recovered from the officials concerned in suitable monthly instalments not extending beyond 3 years with interest at the rate of 1% above Bank rate and on completion of recovery the vehicles may be transferred to their names.

ITEM NO. V: TO CONSIDER THE QUESTION OF INCLUSION OF PRODUCTION BONUSES PREVIOUSLY DRAWN BY FIELD OFFICIALS IN THE FIXATION OF THEIR PAY.

The Board considered the question of inclusion of Production bonuses drawn by some field officials in the past in the fixation of their pay.

It was observed that some of the officials had now been appointed as Chief Managers and Area Managers and were thus entitled to incentive bonuses even under the revised remuneration structure. But, there might be some, who were previously entitled to such bonuses but would not be entitled to any incentive bonus in their present posts. It was, therefore, felt that there was a need to examine each case on its own merit. It was decided that Mr. Janjua would prepare a list of all such cases and submit it to the Chairman for his consideration.

In this connection it was pointed out that in one Unit an element of building bonus had been included in the pay fixation of category 'C' and 'D' officers. The Board reiterated its earlier stand that it was a mistake to include the building bonus in the pay fixation. It was decided that in the case of category 'C' and 'D' officers, the pay should be refixed as from 1st November 1973 and they should be paid onwards accordingly. However, to avoid any hardship no recovery of the amount already paid should be made.

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<p>Pay of the employees working in the Principal Office, should be fixed without including building bonus.</p>						
<p>It was further decided that the position should be explained to the representatives of category 'C' and 'D' officers by the General Managers concerned.</p>						
<p>ITEM NO. VI: <u>TO CONSIDER A SCHEME FOR DEVELOPMENT OF INSURANCE IN RURAL AREAS.</u></p>						
<p>Mr. M. Zulqarnain, Executive Director (Sales & Development) informed the Board that the points raised in the last Board meeting had been attended to and the scheme had been revised in the light of the recommendations made by the Committee appointed by the Board. He said that the legal opinion was that the scheme could be run by salaried staff as long as it was treated as a research project. The Chairman enquired as to what was the amount of premium income at which the scheme would break even and whether that amount would be achievable from the rural areas of the Sahiwal District, where it was proposed to be tried. Mr. Zulqarnain explained that according to his estimate the break even point of premium income was Rs.4 lacs which was well within the potential of rural areas of Sahiwal Distt. The Board approved the scheme in principle. It was decided that it would initially be implemented in the Sahiwal Distt. Later at an appropriate time it may be extended to other areas.</p>						
<p>ITEM NO. VII: <u>LIMITS ON GROUP MANAGEMENT EXPENSES.</u></p>						
<p>The Board considered the note prepared by Mr. Samee-ul-Hasan and Mr. S.S. Akhtar on the group insurance management expenses and approved the following limits for such expenses.</p>						
<table> <tbody> <tr> <td>- On Direct business</td> <td>- 2½% of premium income</td> </tr> <tr> <td>- On other than direct business</td> <td>- 50% of the total cost of commission and over-riding commission to Sales representatives, Sales Officers and Sales Managers.</td> </tr> </tbody> </table>			- On Direct business	- 2½% of premium income	- On other than direct business	- 50% of the total cost of commission and over-riding commission to Sales representatives, Sales Officers and Sales Managers.
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- On other than direct business	- 50% of the total cost of commission and over-riding commission to Sales representatives, Sales Officers and Sales Managers.					
<p>ITEM NO. VIII: <u>MIDDLE EAST OPERATIONS.</u></p>						
<p>The Board approved in principle the scheme presented by Mr. Samee-ul-Hasan, Executive Director (Overseas Operation) for operating in Middle East and Gulf States. It was noted that the Government of Kuwait had already been requested to allow the State Life to open a branch in Kuwait. It was decided that the State Bank should now be approached for according the necessary permission. While a beginning may be made by opening a branch in Kuwait, the Executive Director (Overseas Operations) should visit the areas concerned, in due course, to expand the operations.</p>						
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<p>ITEM NO. IX: <u>TO CONSIDER A REQUEST FROM A SECTION OF SALES OFFICERS AND SALES MANAGERS FOR RE-PHASING THE PAYMENT OF PRODUCTION BONUSES.</u></p> <p>The Board considered the paper prepared by Mr. Samee-ul-Hasan, on the basis of data supplied by 'C' Beema Unit only in respect of one of its zones. It was felt that this was not enough to justify a revision.</p> <p>It was decided that in order to examine this question in its full perspective, 'C' Beema Unit should make available statistics for the whole Unit and other General Managers should prepare similar statistics for their entire business. A thorough study of the whole subject should be made, before any revision is made in the mode of payment. Field workers should also be consulted and the recommendations should be supported by full facts and figures.</p> <p>ITEM NO. X: <u>TO CONSIDER A REQUEST FROM SALES OFFICERS AND SALES MANAGERS FOR RENEWAL COMPENSATION FOR SERVICING POLICIES OF DEAD AGENCIES.</u></p> <p>The Board deferred the consideration of this item and requested Mr. S.F. Alam, General Manager, 'B' Beema Unit to prepare a paper on the subject for the Board's consideration.</p> <p>ITEM NO. XI: <u>TO CONSIDER REQUEST FOR ALLOCATION OF PRO-RATA PRODUCTION BONUSES TO AGENTS WHO HAVE WORKED FOR LESS THAN FULL CALENDAR YEAR.</u></p> <p>This item was considered and disposed of along with Item No. V. <i>see p. 164.</i></p> <p>ITEM NO. XII: <u>TO RE-EXAMINE THE FORMULA OF INCENTIVE BONUSES FOR CHIEF MANAGERS.</u></p> <p>ITEM NO. XIII: <u>TO CONSIDER UNDERWRITING ARRANGEMENTS WITH THE UNITS AND PRINCIPAL OFFICE.</u> <i>see p. 165</i></p> <p>(i) <u>Incentive Bonus to Chief Managers:</u></p> <p>The formula for incentive bonus decided on the 24th March, 1973 to the Chief Managers was considered and it was decided to amend this for the year 1973 only as follows:</p> <p>"The Chief Managers would be entitled to payment of incentive bonus at the rate of Rs.1000 per lakh of FYP in excess of their quota. The quota for this purpose would be :-</p> <p style="padding-left: 40px;"><u>Quota:</u> 1972 FYP in their territory plus 7½% thereof + Rs.2 lakhs FYP.</p> <p>Mr. Walajahi was requested to prepare a draft of the letter to be sent to the Chief Managers on the above subject, in consultation with the Legal Adviser. It was decided that this letter would be sent to the General Managers for issue to the Chief Managers immediately.</p>			

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(ii) Underwriting:

It was decided to raise the underwriting limit from Rs.3½ lacs sum insured to Rs.5 lacs sum insured immediately. It was felt that since Principal Office underwriting was a temporary matter, it would be unwise to institutionalise it by appointing Dr.Sayeed Khan as Chief Medical Officer, and, therefore, it was decided not to do so.

There were certain questions about Dr. Sayeed Khan's contract. The General Manager 'C' Beema Unit was requested to look into them and to send to the Principal Office the necessary papers in this connection.

ITEM NO. XIV: TO CONSIDER REQUEST FOR EXTENSION OF FREE MEDICAL FACILITIES TO SALES OFFICERS/SALES MANAGERS WITHOUT CONDITIONS.

The Board was informed that the Group Medical Scheme as approved in its 15th Meeting held on 14th May, 1973 for Sales Officers and Sales Managers had not been well received by the Field Officers. The Scheme had envisaged that State Life would bear 50% of the cost in respect of those eligible to join the scheme and balance 50% would be paid by the Field Officers. The demand from the Field Force was for free medical facilities without conditions. In order to make the scheme attractive it was proposed to enlarge its scope by providing some additional concessions.

In the light of the above the Board reconsidered the matter and agreed to provide the Medical Insurance cover through an Insured Plan underwritten by 'Alpha' on the following basis:-

"100% of the premium to be paid by the State Life in respect of those who fulfil the requirements of minimum FYAC as laid down by the Board. For the other Sales Officers/Sales Managers the State Life would pay 50% of the premium".

ITEM NO. XV: TO CONSIDER EXTENSION OF UNCONDITIONAL FREE GROUP INSURANCE COVER TO ALL SALES OFFICERS/SALES MANAGERS

The Board was informed that according to the decision announced in the Booklet "New Employers of Agents system", as amended through Chairman's circular dated 17th February 1973, the Corporation agreed to provide free Group Insurance cover in the sum of Rs.15,000/- to Sales Officers and Rs.25,000/- to Sales Managers who had earned FYAC of at least Rs.6,000/- and Rs.20,000/- respectively between 1st January 1972 and 31st March 1973, or who may earn at least the same amount of FYAC in 1973 and thereafter, provided they passed the required test. Members of the field force had demanded that the Group Insurance cover should be provided to all Sales Officers/Sales Managers irrespective of the fact whether or not they passed the test and/or completed the quota of FYAC as mentioned above. The Board decided after considering the recommendations of the Committee consisting of M/s A.A. Toor, D.M. Quraishi and S.A. Walajahi, to extend the Group Insurance cover to all Sales Officers/Sales Managers subject to the following conditions:

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such as P.I.A., P.W.R. etc. The Board agreed in principle that it was a laudable objective but it was felt that the Corporation was not in a position at present to canalise its energy and resources in this direction. However, this matter could be considered at a later stage.

The Board, however, approved the proposal put up before it and sanctioned the following amounts for the three Units and the Principal Office for the promotion of sports and cultural activities:

'A' Beema Unit	Rs. 20,000
'B' Beema Unit	Rs. 15,000
'C' Beema Unit	Rs. 15,000
Principal Office	Rs. 5,000 (out of the publicity budget).

ITEM NO. XIX: TO CONSIDER THE REPORT OF THE COMMITTEE APPOINTED BY THE BOARD TO FORMULATE A GROUP INSURANCE SCHEME FOR EMPLOYEES AND FIELD STAFF.

The Board in its 18th meeting held on 23rd June, 1973 constituted a Committee consisting of M/s A.A. Toor, D.M. Quraishi and S.A. Walajahi to formulate a scheme of Group Insurance for the field as well as office staff of the Corporation in consultation with the legal adviser. The report prepared by this Committee was considered and Board approved the following scale of benefit for the staff of the Corporation:

	Sum Assured Rs.
A. Employees drawing total emoluments below Rs.200/- per month.	5,000/-
B. Employees drawing total emoluments from Rs.201/- to Rs.500/- per month.	7,500/-
C. Employees drawing total emoluments from Rs.501/- to Rs.1,000/- per month.	10,000/-
D. Employees drawing total emoluments from Rs.1,001/- to Rs.1,500/- per month.	20,000/-
E. Employees drawing total emoluments from Rs.1,501/- to Rs.2,000/- per month.	30,000/-
F. Employees drawing total emoluments above Rs.2,000/- per month.	50,000/-

The Board was informed that Legal Adviser did not consider it necessary to establish a separate Trust for entering into contract with State Life for the purpose of obtaining Group Insurance Cover for the employees of the Corporation and the field staff. The Legal Adviser opined that an announcement or a declaration made by State Life regarding the benefits of Group Insurance being available to the members of the staff would be a sufficient contract between the Corporation and the claimants.

The Board decided that each Unit should have its own arrangements for Group Insurance of its staff and employees in accordance with the scheme approved by the Board. The Principal Office could make its arrangements on the same basis as the Units.

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ITEM NO. XX: LETTER FROM MR. S.F. ALAM, GENERAL MANAGER, 'B' BEEMA UNIT REGARDING TRANSFERS OF GROUP BUSINESS AMONG UNITS.

The Board considered the letter from the General Manager, 'B' Beema Unit relating to shifting of group insurance business from one Unit to another. The issue was discussed in great detail. All the Board Directors, excepting Mr. M.S. Janjua felt that the shifting would lead to unfair competition and rebating without any additional business or other advantage to the Corporation. The shifting could, in fact, result in making officers and staff employed in one Unit redundant at the same time necessitating recruitment in the Unit to which the business is shifted. The Board, therefore, decided that there should be no shifting of business from one Unit to another.

Mr. M.S. Janjua, however, felt very strongly that the policyholders should have the choice of selecting the Unit on the basis of service provided by the Unit and that the field force should be free to approach every policyholder after the expiry of the contract. He, therefore, felt that 'shifting' should be allowed.

ITEM NO. XXI: LETTER FROM MR. S.F. ALAM, GENERAL MANAGER, 'B' BEEMA UNIT REGARDING WHETHER SUBSIDIZATION OF EXAMINATION FEES ALSO APPLICABLE TO FIELD STAFF.

The Board approved the suggestion to extend the facility of subsidization of examination fees and cost of text books of the following professional examinations to members of the Field Force on the same terms and conditions as applicable in the case of employees as per Board's decision dated 28th April, 1973:-

1. C.L.U.
2. LIAMA

ITEM NO. XXII: TO CONSIDER REQUEST FOR PAYMENT OF RENEWAL OVERRIDING COMMISSION TO SALES OFFICERS/ SALES MANAGERS ON BUSINESS COMPLETED PRIOR TO 1.1.1973.

The Board considered the matter and it was decided that the existing position as announced in the Chairman's circular dated 17th February 1973 be continued, namely that the rates of commission/overriding commission under the new field structure of State Life both in respect of first year and renewal premium would apply only to new business completed on and after 1.1.1973.

ITEM NO. XXIII: TO CONSIDER DEATH CLAIM-STAR TEXTILE MILLS LTD. UNDER GROUP INSURANCE POLICY NO. 143872.

The Board considered the matter and came to the conclusion that the claims were not payable under the terms of the policy. The earlier decision of 'A' Beema Unit repudiating the three claims under this policy was therefore upheld.

It was also decided that a policy be formulated later in the light of study to be made for the deletion or otherwise of the relevant clause in the policy document.

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<p>ITEM NO. XXIV: LETTER FROM MR. M.S. JANJUA GENERAL MANAGER, 'A' BEEMA UNIT REGARDING CONTINUATION OF PAYMENT OF SALARIES TO SUCH FIELD STAFF AS HAVE NOT BEEN SELECTED AS AREA MANAGERS ETC.</p> <p>The Board considered the matter. The action taken by the General Manager, 'A' Beema Unit about re-fixing the targets of his salaried field officials was noted. The Board decided that the terms now given to the Field Officers for completing their targets must be strictly adhered to and salaried appointments of those who did not fulfil the contract should be terminated after 1.1.1974 and they should be converted on to over-riding contracts.</p> <p>The General Manager, 'A' Beema Unit promised that he would give the number and monthly pay-roll of the field officers whose cases would be governed by the terms mentioned in his letter of 9th August, 1973.</p>					
<p>ITEM NO. XXV: <u>INVESTMENTS</u></p> <p>(1) <u>Increase in the rate of interest on Debentures as a result of the increase in the Bank Rate.</u></p> <p>The Board considered the memorandum of the Executive Director (Investment) on the above subject and approved the following changes in the rate of interest for the projects which have been sanctioned by the Board but where agreements have yet to be signed.</p>					
Date of sanction by the Board.	Company	Amount of debenture loan sanctioned rescheduled	Present rate of interest.	Conver- tibility	Proposed rate of interest
24.3.1973	Fauji Foun- dation	Rs.50,00,000	4½% above Bank rate min.10½%.	-	4% above Bank Rate i.e.12% per annum.
24.3.1973	Metropoli- tan Steel (Reschedul- Corpora- tion.	Rs.28,30,000 ing).	10½% per annum.	20%	3½% above Bank Rate i.e. 11½% per annum.
24.3.1973	Northern Foundry & Steel Works Ltd.	a)Rs.5,00,000 Reschedul- ing.	4% above Bank Rate minimum 10% per annum (for the period beyond 30.6.1978)	20%	3½% above Bank Rate i.e.11½% per annum for period beyond 30.6.1978.
		b)Rs.25,00,000 Additional Loan.	10½% per annum.	-	4% above Bank Rate i.e. 12% per annum.
4.6.1973	Avari Hotels Ltd.	Rs.8,00,000	10½% per annum	-	4% above Bank Rate i.e 12% per annum.

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Date of sanction by the Board.	Company	Amount of debenture loan sanctioned rescheduled	Present rate of interest.	Conver- tibility rate of interest	Proposed rate of interest																		
12.6.1973	Synthetic Chemicals Co.Ltd.	Rs.20,00,000 (against Federal Government guarantee).	3% above Bank Rate minimum 9%.	-	3% above Bank Rate i.e.11% per annum.																		
13.8.1973	Amanat Leather	Rs.5,00,000	10½% per annum.	-	4% above Bank Rate i.e. 12% per annum.																		
13.8.1973	Spencer & Co.Pak.Ltd.	Rs.16,00,000 (extension of redemption date).	10½% per annum	-	4% above Bank Rate i.e. 12% per annum.																		
13.8.1973	Pan Asian Ind.Ltd.	Rs.10,00,000	10½% per annum + ½% P.E. fee.	-	4% above Bank Rate i.e. 12% per annum.																		
<p>As regards Synthetic Chemicals Company Limited the Board decided that, although the maximum rate of interest on Government Guaranteed Debentures has been fixed by the Capital Issues Advisory Committee at 2½% above the Bank Rate the rate of interest to be charged from this Company should continue to be 3% above the Bank Rate as originally conveyed to them. This would mean that, in terms of the current bank rate, the debentures would carry a rate of interest at 11% per annum. If the Company finds it difficult to get this rate approved by the Controller of Capital Issues, the matter may be re-submitted to the Board for consideration.</p> <p>(2) <u>Outline of the Strategy to Maximise Returns on the Life Fund Portfolio in the light of the increase in Bank Rate:</u></p> <p>The Board approved the following strategy for the placement of the cash resources of the Corporation in longer term maturity deposits with the banks.</p> <table border="1"> <thead> <tr> <th>Maturity Period</th> <th>Amount (Rs.in crores)</th> <th>Rate of interest Range</th> </tr> </thead> <tbody> <tr> <td>3 years</td> <td>6.00</td> <td>9 - 10%</td> </tr> <tr> <td>2 years</td> <td>3.00</td> <td>8½ - 9½%</td> </tr> <tr> <td>1 year</td> <td>2.00</td> <td>8 - 8½%</td> </tr> <tr> <td>6 months</td> <td>2.00</td> <td>7½ - 8%</td> </tr> <tr> <td colspan="3" style="text-align: center;">Rs. 13.00 Crores</td> </tr> </tbody> </table> <p>The Board also confirmed the policy being followed by Executive Director(Investment) for having one FDR at the end of each month for the daily surpluses in the various bank accounts on the following basis:-</p>						Maturity Period	Amount (Rs.in crores)	Rate of interest Range	3 years	6.00	9 - 10%	2 years	3.00	8½ - 9½%	1 year	2.00	8 - 8½%	6 months	2.00	7½ - 8%	Rs. 13.00 Crores		
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- 1) The closing balance in the current accounts to be transferred, daily, to a six month fixed deposit account.
- 2) The amounts so transferred to be multiplied by the number of days for which the amount remains in the fixed deposit account during the month, to give the products. Total products added up during the month and divided by the total principal amount accumulated during the month will give the average number of days for which the total principal amount, accumulated during the month, remained in the fixed deposit account.
- 3) One fixed deposit receipt to be issued at the close of the month for the entire principal amount accumulated, during the month, back-dated by the average number of days calculated in (2) above. The deposit to mature after exactly six months.

The Board also approved the placement of surplus Government Securities with the banks under buy-back arrangements for periods extending from 2-3 years provided it brings a net increment in yield between 2-3% over the coupon rate on the securities.

Keeping in view the low return on the 6½% Government Treasury Deposit Receipts, the Board approved that these may be encashed prior to maturity and the funds thus released may be placed in term deposits with banks yielding 9-10% per annum.

- (3) Application of Kohinoor Textile Mills Ltd., Rawalpindi for a debenture loan - State Life's proposed commitment Rs.48 lacs.

The Executive Director (Investment) informed the Board that the sponsors had firmed up commitments upto Rs.139.50 lacs, out of their total debenture issue of Rs.150 lacs. For the balance of Rs.10.5 lacs, the sponsors were negotiating with the ICP for taking up the amount. Consequently it would not be necessary for the State Life to subscribe to the debenture loan. The Board noted and closed the application of Kohinoor Textile Mills Ltd. for financing their proposed debenture loan for an amount of Rs.48 lac.

- (4) Application of Pakistan Fertiliser Company Limited, to State Life to consider underwriting their proposed share issue and purchasing debentures of the company - State Life proposes to commit Rs.50 lac for the purchase of debentures.

The Board was informed that Pakistan Fertilizer Company Ltd., a BIM managed project, is setting up an Urea Ammonium Phosphate (UAP) Fertilizer Plant at Mauripur, Karachi. BIM has made a request to State Life for the purchase of debentures out of their total issue of Rs.3 crores. The Board approved an investment of Rs.50 lacs in the proposed debenture issue of Pakistan Fertilizer Company Ltd., on the following terms and conditions :-

1. Total debenture issue to be Rs.3 crore.
2. Debentures to carry a rate of interest of 2½% above Bank Rate provided they are guaranteed by

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the Federal Government or 4% above the Bank Rate if they are declared as 'approved investments' through a notification issued by the Ministry of Commerce. Interest to be payable half-yearly.

3. Penal interest to be @ 2% per annum over and above the rate of interest stipulated above on all amounts due and remaining unpaid on the due dates.
4. Project Examination Fee at $\frac{1}{2}\%$ of the nominal value of debentures.
5. Commitment Fee at $1\frac{1}{2}\%$ per annum on the principal sum remaining undisbursed from time to time commencing from 30 days after the date of issue of sanction letter by the State Life.
6. In addition to the guarantee of the Federal Government, the company should also create a first charge on its assets.
7. Debentures to be redeemed in ten equal semi-annual instalments with a grace period of one year from the date of disbursement.
8. Any other terms and conditions that may be desired.

(5) Investments in Central and Provincial Government Loans:

The Board noted the investments made in $6\frac{1}{2}\%$ Government of Pakistan 1983 Loan by conversion of Rs.13.41 lac of the maturing 4% Government of Pakistan 1972-73 Loan.

The Board also approved the investment of Rs.2,24,25,000/- in the newly floated loans of the Governments of Sind, Baluchistan and NWFP carrying a rate of interest of $8\frac{1}{2}\%$ per annum and maturing in 1983 by conversion of the entire holding of Rs.1,35,85,000, West Pakistan Loan 1972-73 and an additional investment of Rs.88,90,000, as under:-

$8\frac{1}{2}\%$ Government of Sind Loan, 1983	Rs. 1,24,75,000
$8\frac{1}{2}\%$ Government of Baluchistan Loan 1983	Rs. 50,00,000
$8\frac{1}{2}\%$ Government of NWFP Loan, 1983	Rs. 50,00,000
Total	<u>Rs. 2,24,75,000</u>

It was enquired whether the Government of Punjab had not floated any new loan. The Board was informed that the Government of Punjab had not floated any such loan. The Executive Director (Investment) was requested to have a break up of the investments made in different Provinces including those in real estate prepared for the information of the Board.

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- (6) Application from Pakistan Television Corporation for debenture loan against Federal Government Guarantee-State Life's proposed commitment Rs.75 lacs.

The Board was informed that Pakistan Television Corporation were floating debentures for an amount of Rs.6.75 crores for financing their expansion programme. The Board approved an investment of Rs.40 lacs in the Pakistan Television Corporation debentures on the following terms and conditions:-

- (i) Interest to be $2\frac{1}{2}\%$ above the Bank Rate.
 - (ii) Penal interest to be @ 2% per annum on amounts due but remaining unpaid on due dates.
 - (iii) Project Examination fee at the rate of $\frac{1}{2}\%$ of the face value of debentures.
 - (iv) Commitment charges to be @ $1\frac{1}{2}\%$ of the amount of debentures, commencing 30 days after the issue of letter of sanction.
 - (v) The debentures to be secured as regards principal and interest by a guarantee from the Federal Government in form and substance acceptable to the State Life.
 - (vi) The debentures to be redeemed in six equal semi-annual instalments, after a grace period of two years.
 - (vii) Pakistan Television Corporation to obtain the consent of the Controller of Capital Issues for the issue of debentures on the above terms.
- (7) Proposal for the purchase of Plot No. 13 C/L, Measuring 8229 Sq.Yards on Ziauddin Road, Karachi for constructing of Office Building Approximate cost including registratinn etc. Rs.34,50,100.00

The Board was informed that a plot of 8229 Sq.Yards owned by ESSO Fertilizer on Ziauddin Road, Karachi, in the same row in which the former Car Care building and the former Norwich plot is situated. The ESSO plot is estimated to cost Rs.34,50,100/-. The Executive Director(Investment) pointed out that investment in real estate is the only investment outlet available at present for counter-acting the effect of inflation on the assets held in the Life Fund. Moreover, the scope of return on real estate has improved as a result of the exemption from the Rent Restriction (Control) Act recently granted to the State Life in the provinces of Sind and Baluchistan.

The Board felt that the Corporation should make planned efforts to invest in real estate in the northern areas and that for the time being investment should not be made in the purchase of new land at Karachi. The Executive Director(Investment) pointed out that while construction of new buildings at Karachi may be suspended, the State Life should not miss attractive investment opportunities for the purchase of commercial plots at Karachi which are unrealistically low owing to slump in the

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commercial real estate market caused purely by psychological reasons and keeping in view the fact that land values are likely to appreciate in course of time. Moreover, there are huge deposit resources with the State Life with the result that investment in commercial plots at Karachi, would not cause shortage of resources for real estate investment in northern areas. The Board, however, declined the proposal for the purchase of ESSO plot.

- (8) Proposal for Board's Approval for Over-runs of Rs.11,58,732.88 and additional expenditure of Rs.40 lacs for 700 ton air-conditioning plant for State Life Building No. 2 at Karachi.

The Board approved the over-runs incurred on the Premier Insurance Building, Karachi to the extent of Rs.11,58,732.88 and additional expenditure of Rs.40 lacs for the installation of an additional 700 ton air-conditioning plant in the same building. With these two sanctions by the Board, total sanctioned cost of the Premier Insurance Building would now amount to Rs.2,91,93,831.61.

- (9) Mortgage loan to Mr. Abdul Hamid Khan.

The Board considered the request of Mr. Abdul Hamid Khan for the waiver of interest liabilities on the loan. The Board felt that there was no cause for the remission of interest on the said loan, and decided that the State Life should proceed with the recovery of the outstanding amount through Court.

- (10) Banking arrangements of the three Units and the flow of surplus cash to the Principal Office.

Please see Item III-A

- (11) State Life's holding in the Government Managed Companies and the Vegetable Oil Industries since nationalized.

The Board noted the position of State Life investments in the takeover companies as also the Vegetable Ghee Industry, recently takeover by the Government, in whose shares trading has been suspended for 90 days by the Government.

- (12) Status of Proposed Multi-Storey Building on Plot No. 15 C.L. 10, Dr. Ziauddin Road, Karachi (Former Norwich Union)

The Board noted the progress of the preliminary work relating to construction of a multi-storied building on Plot No. 15-CL (former Norwich Union) on Dr. Ziauddin Road, Karachi. The Board approved the construction programme of the project in principle and desired that detailed proposals for the estimated amount of investment in the project may be submitted to the Board for approval at an appropriate stage after pre-qualification tenders have been received and scrutinized by the Real Estate Department.

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ITEM NO. XXVI: ANY OTHER ITEM.

REVIEW COMMITTEE

The Board constituted a Review Committee consisting of (1) Mr. S.A. Zahid (Convener), (2) Mr. A.A. Toor and (3) General Manager/Executive Director concerned, for reviewing the grading/selection and pay fixation of category 'D' officials of Data Processing and Accounts and Personnel Departments. The Committee was also authorized to grade and fix the pay of Mr. Shahid Siddiqui of Actuarial Department.

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

*Confined subject to
observations in to-day
meeting.*

[Signature]
Chairman

[Signature]
13/10/73

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