

MINUTES OF 220TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	30 TH MAY, 2011	

CONFIDENTIAL AND RESTRICTED

The 220th Meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on Monday, 30th May, 2011 at 11.00 a.m. and 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. Mr. Aslam Faruque | Director |
| 4. Mr. Rasheed Y. Chinoy | Director |
| 5. Syed A. Wahab Mehdi | Director |
| 6. Mr. Akbarali Hussain | Secretary Board |

ABSENT:

- | | |
|---------------------------|----------|
| 1. Mrs. Spenta Kandawalla | Director |
| 2. Mr. Amin Qasim Dada, | Director |
| 3. Syed Hur Riahi Gardezi | Director |

2. The meeting started with recitation of verses from the Holy Quran by the Chairman.

**ITEM (1) CONFIRMATION OF MINUTES OF 219TH
MEETING OF THE BOARD OF DIRECTORS.**

3. The minutes of the 219th meeting of the Board of Directors held on 22nd April, 2011 together with implementation report were placed before the Board.
4. Implementation report of 219th meeting of the Board of Directors were noted.
5. Syed A. Wahab Mehdi, Director pointed out that after para-45, page-3370 of minutes of the 219th meeting a resolution be inserted as follows:
6. Accordingly, it was resolved as under:

RESOLVED:

"that the suggestion of ED(P&GS) and the recommendation of HR Committee for creation of an additional post of DGM(IT) was not approved as the above suggestion and recommendation was based on Microsoft system whereas State Life was currently in the process of automation of ERP Based System."

7. Syed A. Wahab Mehdi, Director proposed and Mr. Aslam Faruque, Director seconded that the minutes of 219th meeting of the Board of Directors be confirmed subject to the above amendment.

8. Accordingly, it was resolved as under:-

RESOLVED:

"that the Minutes of 219th meeting of Board of Directors held on 22nd April, 2011 are confirmed subject to the above amendment."

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

Action:
Secretary
(Board)

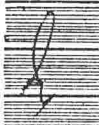
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	<p>ITEM (2) CONSIDERATION AND APPROVAL OF RECOMMENDATIONS IN MINUTES OF 39TH MEETING OF BOARD AUDIT COMMITTEE HELD ON 22-04-2011.</p> <p>9. The minutes of the 39th meeting of Board Audit Committee held on 22nd April, 2011 was presented before the Board of Directors for consideration and approval of decisions/recommendations made by the Committee. A copy of the minutes duly signed by the Chairman (BAC) is placed at Annexure-A to the Minutes.</p> <p>Action: Secretary (BAC)</p> <p>10. DH(F&A) informed the Board that the first quarter accounts for the period ended 31st March, 2011 will be completed and dispatched within the extended time given by SECP. The first quarter accounts will be submitted in the next meeting of the Board Audit Committee to be held on 24th June, 2011 for post facto approval.</p> <p>Action: Secretary (BAC)</p> <p>11. The Members of the Board requested Secretary(BAC) to arrange for a meeting of the Divisional Heads with the Chairman to ensure that the decision of the Board Audit Committee have been implemented and a copy of the minutes of the meeting be submitted to the Board at its next meeting.</p> <p>12. Accordingly, the Board resolved as under:</p> <p><u>RESOLVED:</u></p> <p>"that the minutes of 39th meeting of Board Audit Committee held on 22nd April, 2011 together with observations/recommendations are approved."</p> <p>Action: Secretary (BAC)</p> <p>ITEM (3) APPROVAL OF STATE LIFE'S ANNUAL ACCOUNTS TOGETHER WITH AUDITORS REPORT AND MANAGEMENT LETTER THEREON FOR THE YEAR ENDED 31ST DECEMBER, 2010.</p> <p>13. The Annual Accounts of State Life Insurance Corporation of Pakistan for the year ended 31st December, 2010 were presented in 219th meeting of the Board held on 22nd and 25th April, 2011.</p> <p>14. The Board did not approve the accounts on the recommendations of Board Audit Committee because of qualification made by Statutory Auditors regarding non-making of provision for impairment of investment for sale. It was directed to obtain clarifications from SECP regarding the provision. The Board had then resolved as follows in respect of approval of State Life's Annual Account together with auditors report and management letter thereon for the year ended 31st December, 2010:-</p> <p>(i) "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."</p>		

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	<p>(ii) "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, 28th May, 2011."</p> <p>(iii) "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."</p> <p>(iv) "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."</p> <p>15. Accordingly, Executive Director (F&A) presented before the Board, a Memorandum dated 24th May, 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 which have already been mentioned in para-72 of the minutes of the 219th meeting held on 22nd April, 2011 and 25th April, 2011.</p> <p>16. The Corporation had approached SECP for clarifications. The SECP vide its letter dated 12th May, 2011 have clarified that the Corporation may continue with its policy of valuing its investment in available for sale equities on aggregate portfolio basis (Annexure "A" to the Memorandum).</p> <p>17. As a result of this clarification, the auditors have accordingly amended notes to the accounts and letter to the Board of Directors presently in the 219th meeting of the Board, to the extent of removal of their qualification, however no changes are required in the financial statements and regulatory returns.</p> <p>18. During this period, another observation of the external auditors has been resolved. It is regarding non-reconciliation of bank balances with the ledgers as a result of differences in bank statements and the ledger accounts. F&A Division had deputed team of senior officers from the Division, Southern Regional Office and Hyderabad Zone to reconcile the balances. The balances have been reconciled, and the external auditors have visited Mirpurkhas Zone and verified reconciliation.</p> <p>19. Chairman, Board Audit Committee informed the Board that the Board Audit Committee in its 40th meeting held on 30th May, 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 40th meeting held on 30th May, 2011 would be submitted to the Board at its next meeting.</p> <p>20. A copy of annual accounts for the year 2010 comprising of following statements and returns was enclosed with the Memorandum.</p>		

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<p><u>Financial Statements:</u></p> <ul style="list-style-type: none"> i) Balance Sheet ii) Profit & Loss Account iii) Statement of Changes in Equity iv) Revenue Account v) Statement of Premium vi) Statement of Claims vii) Statement of Investment Income viii) Statement of Expenses ix) Statement of Cash Flows <p><u>Regulatory Returns</u></p> <ul style="list-style-type: none"> x) Statement of Assets for Solvency xi) Classified Summary of Assets in Pakistan xii) Statement of Maximum Management Expenses limits U/S 22(9) and 23(9) of Insurance Ordinance, 2000 prescribed by SECP. <p>21. Amended notes to the accounts and revised letter to the Board of Directors were also enclosed for kind perusal of the Members of the Board.</p> <p>22. The operating results of State Life Insurance Corporation of Pakistan for 2010 may 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 and Annexure-B-1 to B-4 of the minutes.</p> <p>23. The details of Investment Portfolio of Pakistan Life Fund, Overseas Life Fund and for the Corporation as a whole are given at Annexure-5 to the Memorandum and Annexure-B-5 of the minutes.</p> <p>24. Provisions, adjustments and additions to Investment Portfolio made during 2010 for which specific approval of the Board of Directors is required is given at Annexure-6 to the Memorandum and Annexure-B-6 to the minutes..</p> <p>25. Maximum management expenses limits revised by SECP for the year 2010 and 2011 are given at Annexure-7 to the Memorandum and Annexure-B-7 to the minutes.</p> <p>26. Comparative figures of profit and loss account of Shareholders' Fund for 2009 and 2010 are given at Annexure-8 to the Memorandum and Annexure-B-8 to the minutes.</p> <p>27. A set of audited Annual Financial Statements/Regulatory Returns for 2010 mentioned above, duly initialed by the Statutory Auditors, alongwith Notes to accounts and Auditors' Report thereon, was enclosed to the Memorandum for consideration of the Board. A copy of letter addressed to the Board of Directors received from auditors alongwith initialed accounts containing some observations was also attached for perusal of the Board.</p> <p>28. 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</p>			


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	<p>provisions, adjustments and additions to Investment Portfolio mentioned in Annex-6 to the Memorandum.</p> <p>29. The Board of Directors noted and discussed the points contained in the letter of the auditors to the Board of Directors which contained the observations and comments of the auditors on the Corporation's financial statements, underlying accounting records, control and related matters.</p> <p>30. ED(F&A) stated that as per Board Audit Committee's recommendations, the Board was requested to approve the financial statements/regulatory returns for the year ended 31st December, 2010 alongwith notes to the Accounts and the Auditors Report thereon as well as the amount of provisions, adjustments and additions to Investment Portfolio mentioned in Annex-6 of the Memorandum.</p> <p>31. The Board was also requested to nominate two Directors to sign alongwith Chairman, State Life and Executive Director (F&A), financial statements/regulatory returns for 2010 after consideration and approval by the Board.</p> <p>32. The letter of the Statutory Auditors was discussed and necessary directions were issued to the Management for improvement as suggested by the external auditors. Chairman Board Audit Committee recommended to the Board of Directors that the accounts may kindly be approved.</p> <p>33. The following changes have been made in the letter of the auditors to the Board of Directors which was mentioned in detail in para-72 of the minutes of the 219th meeting held on 22nd April and 25th April, 2011:-</p> <p>3.1 Removal of qualification from audit report and its inclusion in letter to the Board of Directors.</p> <p>3.1.1 Impairment in available for sale equity securities</p> <p>The Corporation has a policy for available for sale investment whereby, investments in equity securities are stated at lower of cost or market value (market value being taken as lower if the fall is other than temporary) on aggregate portfolio basis instead of individual scrip basis, which practice, in our view, was not appropriate as per applicable financial reporting framework. Accordingly, our last year's auditors' report was interalia qualified on this matter of accounting policy of the Corporation due to which impairment of Rs.3,317.532 million arising on an individual scrip basis remained unrecorded.</p> <p>During the year under audit and in subsequent period, this matter has been discussed with the Securities and Exchange Commission of Pakistan (SECP) at different occasions and eventually the SECP vide its letter dated May 12, 2011 clarified that the Corporation may continue to account valuation of its available for sale investments on aggregate basis till further clarification on the subject matter. Accordingly, the management has continued to follow its existing policy.</p>		

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<p>3.1.2 Impairment in other fixed income securities</p> <p>The Corporation invested an amount of Rs. 100 million in Certificates of Investments (COIs) of First Dawood Investment Bank Limited (FDIBL), the principal amount of which could not be recovered on maturity. The FDIBL requested for rollover of COIs that was not accepted by the Corporation. The Corporation, through its legal advisor, filed a suit for recovery against FDIBL during the last year.</p> <p>Auditors have been represented by the management of the Corporation that currently, the Corporation is in negotiation with FDBIL who has offered shares of Dawood Family Takaful Limited. Due diligence has been performed, however, no deal has been finalized as yet. Considering the proposal, the management of the Corporation believes that it would be able to realize its outstanding balance substantially. Accordingly, impairment in these certificates of investments, if any, has not been recorded in the accompanying financial statements.</p> <p>Considering the above facts, Auditors have removed qualification on these matters from their audit report.</p> <p>The fair valuation and impairment testing of investments in unlisted securities previously reported at 3.1 of para-72 of the minutes of 219th meeting has now been reported as 3.2. The items reported in the audited report as 3.2 and subsequently have now been reported as 3.3 and so forth.</p> <p>3.6 Audit of Mirpurkhas Zone</p> <p>The report of the auditors in the audited report in respect of the above Zone previously listed in para-72 of the minutes of the 219th meeting have been reworded as follows:-</p> <p>During Auditors routine visit of Mirpurkhas Zone for audit purposes, Auditors noted that bank ledgers were not updated and consequently not reconciled with the balance as per bank statements. 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. Their team was deputed twice with the consultation of management for verification of these differences and Auditors noted that the net difference has substantially been reduced to Rs.372,504 {(Collection Accounts – Rs.961,716) less (Disbursement Accounts – Rs. 1,334,220) } and the management is continuously working on to resolve these differences.</p> <p>Auditors understand that the bank reconciliation statements are important tool to control bank balances, therefore, 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>			
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	<p>3.6 Staff retirement benefits</p> <p>The report of the auditors in the audited report in respect of the staff retirement benefits previously listed in para-72 of the minutes of the 219th meeting have been reworded as follows:-</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.</p> <p>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>3.9 Contingencies</p> <p>The report of the auditors in the audited report in respect of contingencies previously listed in para-72 of the minutes of the 219th meeting have been reworded as follows:-</p> <p>Auditors have been informed by the Management that there havest been no transactions with related parties other than those stated in note 31 to the financial statements and that these transactions have taken place at arm's length basis.</p> <p>3.12 Tangible Fixed assets</p> <p>The report of the auditors in the audited report in respect of tangible fixed assets previously listed in para-72 of the minutes of the 219th meeting have been reworded as follows:-</p> <p>(a) <i>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">• Class of the assets• Depreciation rate, useful life and method of depreciation• Accumulated depreciation• Book value of the assets• Date of disposals• Gain or loss on disposals• Mode of disposals <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>34. The Board directed that the accounts of subsidiary companies of State Life Insurance Corporation of Pakistan i.e. Alpha Insurance Company Limited, State Life Lakie Road Properties (Pvt) Ltd and State Life Abdullah Haroon Road Properties (Pvt) Ltd., should have been incorporated in the audited accounts of State Life Insurance Corporation of Pakistan as is done by the companies under Companies Ordinance, 2000 and International Accounting Standards-27.</p> <p>35. After thorough discussions, the Board resolved as under:</p> <p>RESOLVED:</p> <p>(i) "that the (a) Financial Statements comprising of Balance Sheet, Profit & Loss Account, Statement of Changes in Equity, Revenue Account, Statement of Premium, Statement of Claims, Statement of Investment Income, Statement of Expenses and Statements of Cash Flows and (b) Regulatory Returns comprising of Statement of Assets for Solvency, Classified Summary of Assets in Pakistan, Statement of Maximum Management Expenses limits U/S 22(9) and 23(9) of Insurance Ordinance, 2000 prescribed by SECP alongwith notes to the Accounts and Auditor report thereon for the year ended 31st December, 2010, are approved."</p> <p>(ii) "that the transactions and adjustments relating to additions at cost of fixed assets and investment properties including capital work in progress, disposal of fixed assets and investment properties at cost, Purchase of TDRs, investment made during the year at cost in Pakistan Investment Bonds, Treasury Bills, Units of Funds and Ordinary Shares of Companies, disposal of ordinary shares of companies, disposal of mutual units, reversal of provision of impairment of investments and receivables, provision of employees retirement benefits, bonus to employees and cash dividend paid to</p>		

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

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

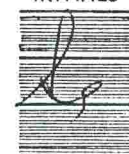
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<p>Action: ED(F&A) DH(F&A)</p>	<p>shareholders in 2010 relating to 2009 incorporated in the financial statements and details of which are given at Annexure-A to the Auditors Report, Annexure-6 to the Memorandum and Annexure-B-6 to the minutes, are approved."</p> <p>(iii)"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."</p> <p>ITEM (4) ACTUARIAL VALUATION FOR THE YEAR ENDED 31ST DECEMBER, 2010 TOGETHER WITH RECOMMENDED BONUS TO POLICYHOLDERS.</p> <p>36. Mr. Shujat Siddiqui, Appointed Actuary and Mr. Faisal Mumtaz, Divisional Head(Actuarial) joined the meeting. DH(Actuarial) gave a presentation on the salient features of Actuarial Valuation for the year 2010.</p> <p>37. DH(Actuarial) presented before the Board a Memorandum dated 19th April, 2011 of the Appointed Actuary regarding Actuarial Valuation report of the insurance policies of the Corporation as on 31st December, 2010. DH(Actuarial) briefed the members of the Board on the salient features of the Actuarial Valuation details. He explained about surplus figures of Pakistan Business and Pension Fund and bonuses recommended by Appointed Actuary for Rupee Business for the year 2010.</p> <p>38. The Actuarial Valuation of policyholders liabilities as at 31st December, 2010 in terms of Section 50(1) of the Insurance Ordinance 2000 is based on audited balance sheet as at 31st December, 2010, and revenue account for the year ended 31st 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 31st 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>39. The position of surplus figures for Pakistan Life Fund and Pension Fund for last four years is given at Annexure-C-1 to the Minutes.</p> <p>40. The statistical summary of annualized yield on fund, renewal expense ratio, overall expense ratio, number of individual life policies, and gross premium in respect of Pakistan Life Fund and Pension Fund is given at Annexure-C-2 to the minutes.</p> <p>41. The Appointed Actuary in his Memorandum submitted that the Corporation has achieved a growth of about 34% in the individual life first year premium which has increased from Rs.7,225,141 thousand to Rs.9,670,209 thousand whereas second year renewals have increased from Rs.4,493,715 thousand to</p>		

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	<p>Rs.6,247,376 thousand and subsequent renewals from Rs.13,280,662 to Rs.16,153,923 and group premium from Rs.3,559,773 to Rs.3,740,388 thousand respectively in the year 2010 from the year 2009. The growth in the Group Life premium was over 5%(excluding deposit administration). This is commendable and the efforts of the management and the field force need to be greatly appreciated. The increase in the total premium collection was over 25%. While growth in new business is extremely important for the Corporation and the insurance industry in general and should be encouraged, a steep rise in new business also gives rise to "new business strain". The Corporation is financially sound and can absorb the new business strain but for the business to remain profitable in the long range it is vital that persistency be maintained at a high level. In recent years the individual life business persistency has increased significantly. It is important that persistency be further improved and constantly monitored at the highest level.</p> <p>42. The Appointed Actuary in his Memorandum informed the Board that during the year under review the interest rates increased following an increase in the State Bank's discount rate. As a result the yield on Pakistan Life Fund depicted a healthy increase. The Corporation is taking part regularly in the PIB auctions and has been able to place sizable amounts at good yields. Since the Corporation's liabilities are long term, investment is being made mainly in long term PIBs.</p> <p>43. The year witnessed massive floods in the country which devastated a large section of the population. The high inflationary pressures continued owing largely to high commodity and fuel prices. The industrial sector was adversely affected by the power and gas shortages and high inflation. However, despite these adverse developments, recent data indicates evidence of a nascent recovery. According to the State Bank of Pakistan, the ongoing economic revival in developed markets post the financial crisis has led to tangible improvement in orders for export-based industries. Furthermore, higher inflow of workers' remittances and better agri prices continue to provide impetus to domestic demand. The stock market remained largely stable without any steep movement either way.</p> <p>44. The Board was informed that SECP have prescribed maximum expense limit vide their circular dated 28th April, 2006(circular 6 of 2006), according to which the expense limits will gradually reduce each year until 2012, where after they will remain fixed. Recently the SECP has revised these limits for the years 2011 and 2012 vide Circular dated 18th March, 2011 (Circular No. 7 of 2011). In the light of these circulars, the relevant limits are given in Annexure-C-1 to the Minutes.</p> <p>45. 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>46. The details of recommended bonuses for Pakistan Rupee Business and Specified Major Surgical Benefits are included as Annexure-C-4 and C-5 to the minutes. The Appointed Actuary in his Memorandum has recommended that in the light of valuation results as at 31st December, 2010, the existing bonus rates including the terminal bonuses be continued without change whereas the loyalty</p>		

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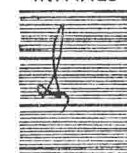
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	<p>bonus declared for the first time in 2007 will remain valid for the valuation year ended 31st December, 2010.</p> <p>47. The Appointed Actuary in his Memorandum has highlighted the issues to be addressed by the Corporation which are as follows:-</p> <ul style="list-style-type: none"> a) The Corporation is currently writing conventional business only. To keep pace with the changing times and the needs of the potential policyholders, I suggest that the management may consider embarking on investment linked products which are presently in high demand. This line of business will help the Corporation to maintain its market share. b) The Corporation has recently established a bancassurance cell. It is hoped that this distribution channel will in due course become an important source of high quality business for the Corporation. c) The average premium size of the Corporation is much smaller than the levels prevailing in the market. The lower premium size is partly responsible for the high expense ratio of the Corporation. With the advent of bancassurance, the average premium size of new business is expected to increase. <p>48. The Appointed Actuary in his Memorandum concluded that on a solvency and capital adequacy basis, the Corporation has sufficient reserves to support policyholders liabilities.</p> <p>49. Bonus recommendations for the inter-valuation period are attached as Annexure A, B and C with this Memorandum and Annexure C-4 and C-5 to the Minutes.</p> <p>50. The Board is requested to approve recommendations of the Appointed Actuary for Bonuses for Pakistan Rupee Business.</p> <p>51. Accordingly, the Board was resolved as under:</p> <p>RESOLVED:</p> <ul style="list-style-type: none"> (a) "that the Actuarial Valuation and recommendations in respect of bonuses for Pakistan Rupee business and Specified Major Surgical Benefits to policyholders as on December 31, 2010 at Annexures-C-1 to C-5 to the Minutes as proposed by Appointed Actuary in his Memorandum dated 19th April, 2011 are approved." (b) "that an action plan on the issues highlighted by the Appointed Actuary be prepared to keep pace with the changing time and the needs of the potential policyholders in the highly competitive insurance market." (c) "that DH(Actuarial) submit a position paper giving therein details for the last five years of investment income under various heads i.e. mark up, income from sale of bonds, dividend income and capital gain from sale of securities including stocks." 		

Action:
ED(Act)
DH(Act)

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

Action:
ED(Act)
DH(Act)

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MINUTE BOOK	KARACHI	30 TH MAY, 2011	
<p>ITEM (5) PRESENTATION ON BREAK DOWN OF EACH ITEM OF CAPITAL EXPENDITURE APPROVED FOR THE YEAR 2010 AND LAST FIVE YEARS TREND OF INCOME AND EXPENSE VIS A VIS BUDGET.</p> <p>52. Executive Director (F&A) gave a presentation before the Board on break down of each item of capital expenditure approved for the year 2010 and last five years trend of income and expense vis a vis budget.</p> <p>53. While discussing budget for the year 2011, the Board of Directors in its 219th meeting held on 22nd and 25th April, 2011 directed F&A Division as under:-</p> <ul style="list-style-type: none"> a) Submit a detailed breakdown of each item of capital expenditure budget approved for 2010 and its comparison with actual expenditure for the year 2010 in respect of each cost centre i.e. Divisions, Regions and Zones. b) Comparison of last five years trend of income and expenses of actual vs budget through use of charts and graphs. The historical growth of individual zones for the last five years be also submitted highlighting first year premium, second year premium, renewal premium, persistency and break down of various expense. <p>54. Accordingly, F&A Division submitted the following information asked for in para-a & b above to the Members of the Board for perusal which was noted:-</p> <ul style="list-style-type: none"> i. Details of capital expenditure vs. approved budget. ii. Comparison of actual capital expenditure with approved budget for the year 2010 in respect of each of the Region/Zone. iii. Comparison of budget figures with actual figures for the period 2006 to 2010 in respect of first year premium, second year premium, renewal premium, group premium, total net premium, investment income net of expenses, Real Estate income net of expenses, total income, field expenses, Area Managers expenses, policy stamps and medical fee, administrative expenses, total management expenses, payment to policyholders, total outgo, investment expenses, real estate expenses and renewal expense ratio. iv. Historical growth of individual lives Zones and Group life zones for the year 2006 to 2010 highlighting first year premium, second year premium, renewal premium, persistency and breakdown of various expenses. <p>55. The above information was noted by the Board.</p> <p>ITEM (6) POSITION PAPER ON CURRENT STATUS OF IMPLEMENTATION OF PRE-PACKAGED SOFTWARE SOLUTION.</p> <p>56. Executive Director (IT) presented before the Board, a Position Paper on current status of implementation of Pre-Packaged Software Solution.</p> <p>57. The Board of Directors in its 218th meeting held on March 21, 2011; desired to present updated project progress report in the next Board Meeting. In compliance of the board directives, subject position is furnished as under:</p>			

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

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

CHAIRMAN'S
INITIALS



MINUTES OF 220TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS MINUTE BOOK	HELD AT KARACHI	ON 30TH MAY, 2011	TIME
	<p>A. 7th meeting of IT Steering Committee was held on March 21, 2011; in which a detailed briefing/discussion was held regarding project progress and establishment of Data Centre. The IT Steering Committee expressed its satisfaction over the pace & methodology of implementation of the Pre-packaged Software Solution and recommended for the proposed re-appropriation of the budget. The Committee also gave go ahead for initiating bidding process for the Data Center. The minutes of the meeting are placed at Flag-A to the Memorandum.</p> <p>B. Module-wise status of the implementation of Pre-Package Software Solution is as under:</p> <p><u>Group Life Administration System Module - (GLAS)</u></p> <ul style="list-style-type: none"> Gap Analysis Document for this module got signed-off from relevant G&P Zonal Heads, PHS & Claims in-charges and subsequently from Divisional Head (G&P) and Divisional Head (IT) on 10th February 2011. As per process said document has been forwarded to SHMA for further process. SHMA is working on customization of this module. As per initial plan SHMA has to deploy the customized module in June 2011. <p><u>HRM & Payroll Module – (HRM)</u></p> <ul style="list-style-type: none"> Based on detailed walk-through sessions, product demonstrations and Gap documentation sessions; draft Gap Document for HRM & Payroll Modules have been prepared. The draft Gap Document has been circulated for review of respective User Divisions and other stakeholders. Implementation Committee for this module has conducted various sessions with relevant users for comprehensive user review & validation of said Gap Document. The final set of changes identified during these sessions has been communicated to SHMA. Sign-off process for this Gap Document will commence once SHMA provides final Gap Document with incorporation of identified changes which is expected by end May 2011. <p><u>Fixed Assets Module – (FA)</u></p> <ul style="list-style-type: none"> Detailed walk through & Gap Analysis sessions were scheduled for users - GS Division PO, Karachi South Zone & Real Estate PO. This resulted in preparation of draft Gap Analysis Document. The above document has been reviewed by the concerned stakeholders and signed-off on 14th April 2011. As per process said document has been forwarded to SHMA for further process. SHMA is working on customization of this module. As per initial plan SHMA has to deploy the customized module in July 2011. 		

CHAIRMAN'S
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MINUTES OF 220TH MEETING OF THE BOARD OF DIRECTORS


DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	30 TH MAY, 2011	
	<p><u>GL Module</u></p> <ul style="list-style-type: none"> The related resources of the User Division (i.e F&A) remained fully occupied with their routine work, annual closing activities and finalization of annual accounts. That's why; Gap Analysis activity, which was expected to be completed by the end of December 2010, could not be accomplished within stipulated time. On the basis of gaps identified by F&A Division, 1st draft Gap Document was prepared and reviewed by IT Division. Subject specialists were called by F&A Division from various zones/regions and sessions for comprehensive user review & validation of said Gap Document were held on 17 – 20 May 2011. Presently, IT Project Office is in process of compiling the identified gaps and would be able to forward final draft Gap Document to SHMA by end of May 2011. In view of the above, Gap Analysis phase for GL Module will be completed by 31st May 2011. <p><u>Individual Life Administration System Module - (ILAS)</u></p> <ul style="list-style-type: none"> The Individual Life Administration System Module (ILAS) covers almost 80% of the core functions of State Life which includes following sub modules: <ul style="list-style-type: none"> New Business Policy Conservation & Alterations Reinsurance Claim Management Agency Admn./Commissions The draft Gap Analysis Document for New Business, Policy Alterations, Reinsurance and Claims Management has been prepared/reviewed and provided to SHMA to initiate customization in parallel with formal sign-off from relevant stakeholders. It is worth mentioning here that reviewed Gap Document has been provided to SHMA with an understanding that any improvement suggested by the stakeholders during sign-off process will be accommodated accordingly. The implementation committee for Agency Administration/Commission sub- module prepared complete business process document, relevant meta-data & business rules. Subject specialists related with Agency Administration were called by Marketing Division from various zones/regions and sessions for comprehensive user review & validation of said Gap Document were held on 3 – 6 May 2011. 		

CHAIRMAN'S
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MINUTES OF 220TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	30 TH MAY, 2011	
	<ul style="list-style-type: none"> Similarly subject specialists related with Agency Commission were called by F&A Division from various zones/regions and sessions for comprehensive user review & validation of said Gap Document were held on 18 – 20 May 2011. Presently, IT Project Office is in process of completing draft Gap Document for onward transmission to SHMA; which would prepare final gap Document for sign-off by the users by end of May 2011. <p><u>Investment Module</u></p> <ul style="list-style-type: none"> In the last weekly progress review meeting, Mr. Omer Morshad, GM Investment & Divisional Head (IT) along with relevant resources reviewed progress of this module. During the discussion, GM Investment acknowledged that most of the functions available in the pre-packaged software are almost compliant with user requirements. Therefore, he suggested that rather than conducting Gap Analysis through discussion/demonstration sessions; SHMA should to deploy available application and enable implementation committee (comprising Investment & IT Division resources) to run application and identify gaps, if any, in parallel with the customization process. This approach will expedite the implementation process and minimize time required for UAT phase. SHMA agreed to the suggestion. In light of above, IT Division suggested SHMA to mobilize their resources accordingly and the implementation committee was asked to revise their activities as per decided strategy. Accordingly, SHMA has deployed application on staging servers and users have initiated working on these sub-module. Based on user's experience, detailed Gap document will be prepared till 30th June 2011. <p><u>Real Estate Module</u></p> <ul style="list-style-type: none"> Functional Specification Document for this module has been reviewed by the IT implementation Committee and subsequently forwarded to Real Estate Division for domain specific review. IT implementation committee in consultation with SHMA is in process to arrange detailed discussion & walk-through sessions with user (Real Estate) for better understanding of the said document. Successful completion of this document will lead to initiate the designing and development of this module which is expected to be started in mid June 2011. 		
<p>Action: ED(IT) DH(IT)</p>	<p>58. The Board requested ED(IT) to convene a meeting of the IT Steering Committee at a convenient date to review the status of the implementation of Pre-Packaged Software Solution.</p>		
			<p>CHAIRMAN'S INITIALS</p> 

MINUTES OF 220TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	30 TH MAY, 2011	
	<p>ITEM (7) POSITION PAPER ON SETTLEMENT OF OUTSTANDING OF FIRST DAWOOD INVESTMENT BANK LTD.</p> <p>59. Divisional Head (Investment) presented before the Board, a Position Paper regarding settlement of outstanding of First Dawood Investment Bank Limited.</p> <p>60. 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>61. The decision of the Board was conveyed to the management of FDIBL vide our letter dated 24th March, 2011. In response to our letter the management of the bank has given a fresh proposal summarized as under:-</p> <ol style="list-style-type: none"> FDIBL will offer 11 million shares of DFTL @ Rs.10/- share to settle COL of Rs.100/- million plus accrued interest thereon. 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. State Life will be allowed to nominate two Directors on the Board of DFTL out of which one will be the Chairman of DFTL. Dawood Group will remain management partner in the company. <p>62. 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>63. After deliberation, the Board resolved as under:</p> <p>RESOLVED:</p> <p>"that DH(Investment) arrange to prepare a valuation report assessing the share value of Dawood Family Takaful if it were to be listed on the Stock Exchange and if it was not listed and submit the same to the Board at its next meeting for review and decision.</p> <p>"that the proposal of the Management of the First Dawood Investment Bank suggesting that State Life enter into an strategic alliance agreement injecting Rs.250 million in the Dawood Family Takaful at Rs.10 per share to reach 36% of the total shareholding in Dawood Family Takaful with Dawood Group remaining partner in the company was not approved."</p> <p>"that a legal opinion be obtained as to the expected outcome and time frame, if the case for settlement of COI of Rs. 100 million plus accrued interest thereon at 17.5% per annum outstanding against First Dawood Investment Bank was pursued in the court of law."</p> <p>"that DH(Investment) submit a pattern of share holding of Dawood Family Takaful."</p> <p>64. The meeting ended with vote of thanks to the chair.</p> <p style="text-align: right;"><i>Squidip</i> (CHAIRMAN)</p>		
Action: DH(Inv)			
Action: DH(Inv)			
Action: DH(Inv)			
Action: DH(Inv)			
	<p style="text-align: right;">CHAIRMAN'S INITIALS</p> 		

MINUTES OF 220TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	30 TH MAY, 2011	

Annexure-A

MINUTES OF THE 39th MEETING OF BOARD AUDIT COMMITTEE
HELD ON FRIDAY & MONDAY, 22nd AND 25th APRIL, 2011.

The 39th meeting of the Board Audit Committee of State Life Insurance Corporation of Pakistan held on 22nd & 25th April, 2011 (Friday & Monday) at 10:0 A.M. and 2:30 P.M. in the Board Room, 3rd Floor, State Life Building No. 9, Dr. Zia-ud-din Ahmed Road, Karachi.

The following members attended the meeting:

Mr. Rasheed Y. Chinoy	Member/Chairman
Mrs. Spenta Kandawalla	Member
Mr. Aslam Faruque	Member
Syed A. Wahab Mehdi	Member
Abdul Hafeez Shaikh	Secretary

2. The following officers also attended the meeting regarding presentation on agenda item No.2:

Malik Asrar Ahmed	Executive Director, F&A.
Mr. Azqar Khan	Divisional Head, F&A
Mr. Muhammad Rashid	Deputy General Manager, F&A
Mr. Faisal Mumtaz	Divisional Head, Actuarial

3. BAC members met separately with the Statutory Auditors M/s Riaz Ahmed & Company and M/s Anjum Asim Shahid Rahman as per International Audit Practices.

4. The Board Audit Committee deliberated up on the following items:

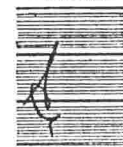
Item .1: To approve minutes of the 38th B.A.C.:

The minutes of the 38th BAC meeting held on 10th February, 2011 were placed before the Committee, which were unanimously approved.

Item No.2. Examination of Final Audited Accounts For The Year Ended 2010.

5. B.A.C. did not approve the Accounts in the light of qualifications of the Auditors and proposed to the Management to make clarifications with the SECP regarding the provision of the impairment on investment.
6. D.H. (Investment) should have taken appropriate action to respond to the directives of the SECP as per their letter and to explain why no action has been taken since the letter is dated July 29, 2010.
7. B.A.C. recommended to the Management to constitute a committee comprising of the D.H.(F&A), D.H.(Investment), D.H.(Actuary) and Appointed Actuary to discuss this matter with the Tax Lawyers and Auditors and prepare a case for SECP for obtaining clear direction regarding provision of impairment. The next B.A.C. meeting will be held on 28th May, 2011 to approve the accounts in the light of the directives of SECP.
8. Further more, a letter be written to SECP, seeking extension of one month for submission of approved audited accounts and regulatory returns for the year 2010.
9. The meeting ended with the vote of thanks to the Chairman.

CHAIRMAN'S
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MINUTES OF 220TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	30 TH MAY, 2011	

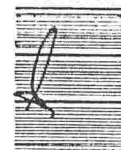
Annexure-B-1

State Life's Account for 2010

OPERATING RESULTS OF THE CORPORATION

Comparison of Actual for 2010 with Actual 2009

Description	2010	2009	(Rs. In Million)
			% change 2010 over 2009 Actual
INCOME			
<u>Individual Life</u>			
First Year Premium(Gross)	9,670.209	7,225.141	33.84
Second Year Premium(Gross)	6,247,376	4,493.715	39.02
Third Year & Over Premium(Gross)	16,153,923	13,280.662	21.63
Sub-Total	32,071.508	24,999.518	28.29
<u>Group Life</u>			
Premium Income (Gross)	3,769.390	3,582.709	(5.21)
Total Premium Income	35,840.898	28,582.227	25.40
Less: Reinsurance	(202.105)	(215.321)	
Net Premium Income	35,638.793	28,366.906	25.64
Investment Income(Net)	23,635.822	21,163.800	11.68
Real Estate Income(Net)	338.673	274.152	23.53
TOTAL INCOME	59,613.288	49,804.858	19.69
OUTGO			
Payment to policyholders	17,071.521	12,723.588	8.57
Acquisition costs	10,792.089	8,036.350	34.29
Less Commission from reinsurer	(29.837)	(47.859)	(37.66)
Administrative Expenses	3,651.990	3,641.940	0.28
TOTAL OUTGO	31,485.763	27,354.019	15.10
Gross Accretion to Life Fund	28,127.525	22,450.839	25.28
Less: Provision for taxation	-	(75.013)	(100.00)
Less: Surplus appropriated to Shareholders	(452.018)	(389.671)	16.00
Life Fund at the beginning of year	199,445.285	177,459.130	12.39
Life Fund at the year end	227,120.792	199,445.285	13.88

CHAIRMAN'S
INITIALS


MINUTES OF 220TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	30 TH MAY, 2011	

Annexure-B-2

State Life's Account for 2010

OPERATING RESULTS OF PAKISTAN LIFE FUND

Comparison of Actual for 2010 with Actual 2009

Description	2010	2009	(Rs. In Million) % change 2010 over 2009 Actual
INCOME			
Individual Life			
First Year Premium(Gross)	9,377.996	6,974.688	34.46
Second Year Premium(Gross)	6,050.274	4,329.226	39.75
Third Year & Over Premium(Gross)	15,441.269	12,606.468	22.49
Sub-Total	30,869.539	23,910.382	29.11
Group Life			
Premium Income (Gross)	3,740.388	3,559.773	5.07
Total Premium Income	34,609.927	27,470.155	25.99
Less: Reinsurance	(172.105)	(167.023)	3.04
Net Premium Income	34,437.822	27,303.132	26.13
Investment Income(Net)	23,231.656	20,659.784	12.45
Real Estate Income(Net)	338.673	274.152	23.53
TOTAL INCOME	58,008.151	48,237.068	20.26
OUTGO			
Payment to policyholders	16,651.631	15,334.933	8.59
Acquisition costs	10,496.745	7,777.068	34.97
Less Commission from reinsurer	(20.200)	(38.987)	(48.19)
Administrative Expenses	3,515.262	3,542.776	(0.78)
TOTAL OUTGO	30,643.438	26,615.790	15.13
Gross Accretion to Life Fund	27,364.713	21,621.278	26.56
Less: Provision for taxation	-	(75.013)	(100.00)
Less: Surplus appropriated to Shareholders	(444.506)	(384.498)	15.61
Life Fund at the beginning of year	194,924.803	173,763.036	12.18
Life Fund at the year end	221,845.010	194,924.803	13.81

CHAIRMAN'S
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MINUTES OF 220TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	30 TH MAY, 2011	

Annexure-B-3

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) % change 2010 over 2009 Actual
<u>INCOME</u>			
<u>Individual Life</u>			
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)
TOTAL INCOME	1,560.461	1,530.921	1.9
<u>OUTGO</u>			
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
TOTAL OUTGO	818.677	723.176	13.2
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

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MINUTES OF 220TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	30 TH MAY, 2011	

Annexure-B-4

State Life's Account for 2010

OPERATING RESULTS OF PENSION FUND

Comparison of Actual for 2010 with Actual 2009

Income & Expenses

(Rs. In Million)

Description	2010 Actual	2009 Actual	% change 2010 over 2009
<u>Pensions</u>			
Premium Income	29.003	22.935	26.5
Investment Income	15.673	13.932	12.5
TOTAL INCOME	44.676	36.867	21.2
Payment to policyholders	23.583	14.873	58.6
Acquisition Cost	0.041	0.018	-
Administrative Expenses	0.024	0.160	(85.0)
TOTAL OUTGO	23.648	15.051	57.1
Gross Accretion to Life Fund	21.028	21.816	(3.6)
Life Fund at beginning of the year	148.530	126.714	17.2
Life Fund at the year end	169.558	148.530	14.2

CHAIRMAN'S
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MINUTES OF 220TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	30 TH MAY, 2011	

Annexure-B-5

State Life's Account for 2010

Investment Portfolio

Distribution of investment portfolio in major categories

Corporation as a whole

(Rs. In Million)

DESCRIPTION	2010		2009	
	Amount	% of Total	Amount	% of Total
i) Government Securities	164138	69.15	145687	70.28
ii) Other Fixed Income Securities	4074	1.72	4598	2.22
iii) Shares (Quoted)	23116	9.74	22846	11.02
iv) Shares(Non Quoted/delisted Pref)	1304	0.55	1684	0.81
v) Holding in subsidiaries	137	0.06	164	0.08
vi) Loans to Policyholders	19057	8.03	16046	7.74
vii) Investment Properties(gross)	4190	1.76	3941	1.90
viii) Banks	21355	9.00	12335	5.95
TOTAL	237370	100.00	207300	100.00

Pakistan Life Fund

DESCRIPTION	2010		2009	
	Amount	% of Total	Amount	% of Total
i) Government Securities	161295	69.67	144209	71.34
ii) Other Fixed Income Securities	3243	1.40	3496	1.73
iii) Shares (Quoted)	23024	9.95	22770	11.26
iv) Shares(Non Quoted/delisted Pref)	1304	0.56	1684	0.83
v) Holding in subsidiaries	137	0.06	164	0.08
vi) Loans to Policyholders	18588	8.03	15638	7.74
vii) Investment Properties(gross)	4190	1.81	3941	1.95
viii) Banks	19730	8.52	10241	5.07
TOTAL	231511	100.00	2021421	100.00

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
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MINUTES OF 220TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	30 TH MAY, 2011	

Annexure-B-6

State Life's Account for 2010**PROVISIONS, ADJUSTMENTS, ADDITION AND DISPOSAL**

Approval of the Board of Directors is sought for provisions, adjustments, additions and disposal of Investment Portfolio, fixed assets and other heads of account made in the books of Corporation for the year 2010. Details are as follows:

Provisions made:

(Rs. In Millions)

Against Listed Equities	3,314.068
Against Other Fixed Income Securities	34.000
Provision for employees retirement benefits	154.255
Against doubtful debts	-
Total:-	3,502.323

Provisions reversed:

Against unquoted and de-listed shares	8.623
Net Provision	3,493.700

2. Additions to and Disposal of Investment during 2010:**Additions:**

During the year 2010, following additions were made in the Investment portfolios:

Pakistan Investment Bonds	15,964.588
Treasury bills	8,471.105
Other Fixed Income Securities	500.000
Equity Securities	1,721.509
Preference Shares	6.066
Total:-	26,663.268

Disposal:

During the year 2010, following disposals were made in the Investment Portfolio:

Equity Securities	380.103
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CHAIRMAN'S
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MINUTES OF 220TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	30 TH MAY, 2011	

3. Additions to and Disposal of other assets during 2010:**Additions:**

During the year 2010 the following additions were made in the assets:

(Rs. In Millions)

Fixed assets	113.434
Real Estate assets including capital work in progress	264.589
Total:	378.023

Disposal:

During the year 2010, following disposals of assets were made:-

Fixed assets	10.654
Real Estate assets	15.918
Total:	26.572

4. Summary of the provisions, additions and disposal of Investment Portfolio and other assets in the year 2010, requiring approval of the Board of Directors.

(i)	Provision made	3,502.323
(ii)	Provision reversed	8.623
(iii)	Additions at cost	27,041.291
(iv)	Disposal at cost	406.675

5. Dividend paid to shareholder in 2010 relating to 2009 318.769

6. Bonus paid to employees 149.950

CHAIRMAN'S
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MINUTES OF 220TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	30 TH MAY, 2011	

Annexure-B-7

State Life's Account for 2010

OPERATING RESULTS OF CORPORATION

Allowable Management Expenses Limit

(Rs. In Million)

Description	Limit for 2010	Premium Income	Allowable Expenses based on prescribed limits
Group Insurance Policies	8.50%	3,769	320
Annual average sum assured inforce Policies where no further premium is Payable	0.07%	6,853	5
First Year Premium	104.00%	9,670	10,057
Renewal years' premium	19.00%	22,401	4,256
(A) Allowable expenses			14,638

Actual Expenses:

Remuneration to insurance intermediaries on IL policies	9,178
Remuneration to insurance intermediaries on group policies	5
Branch Overhead	1,129
Other acquisition cost	481
Administration expenses	3,552
Other management expenses	103
(B) Total Actual Management Expenses	14,447
(C) Renewal Expense Ratio	18.1%

CHAIRMAN'S
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MINUTES OF 220TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	30 TH MAY, 2011	

Annexure-B-8

State Life's Account for 2010

Profit & Loss Account of Shareholders Fund

Comparison of Actual of 2010 with 2009

(Rs. In Million)

Description	2010	2009	% change 2010 over 2009
Return on Government Securities	89.315	53.085	68.2
Interest Income on loans and advances to employees/agents	17.707	16.079	10.1
Interest income on bank deposits	7.498	39.994	(81.3)
Net Investment Income	114.520	109.158	4.9
Expenses	(2.993)	(2.415)	23.9
Surplus appropriated to shareholders' Fund	452.018	389.671	16.0
Profit before tax	563.545	496.414	13.5
Tax expense	(204.000)	(177.645)	14.8
Profit after tax	359.545	318.769	12.8

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

(All amounts in thousands of Rupees)

	2010				2009	2008	2007	2006
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Total		Total	Total	Total
Total Surplus as per Sec 22 of the Insurance Ordinance	21,152,772	314,581	-	21,467,353	17,367,353	14,620,355	11,080,694	9,501,987
Transfer to Shareholders' account	491,838	7,512	-	499,350	389,671	352,393	256,939	228,663
Cost of recommended Bonuses to Policies	18,371,221	224,061	-	18,595,282	14,574,311	11,528,728	9,503,286	8,033,429
Closing Balance in Account A	2,289,714	83,008	16,152	2,388,874	2,406,295	2,739,234	1,320,468	1,239,895
Closing Balance in Account B	-	-	-	-	-	-	-	-
Policyholders' liability including cost of recommended bonuses	222,856,034	5,023,215	153,406	228,032,655	197,038,990	174,719,896	155,416,834	136,719,876

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

Item	Year					
	2007	2008	2009	2010	2011	2012
	Maximum Management Expenses under S 22(9) and S 23(9) of the Insurance Ordinance, 2000					
Group Insurance Policies	10.00%	9.50%	9.00%	8.50%	8.0%	7.50%
First Year's Premium						
After the tenth year of insurer's life insurance business in Pakistan	125.00%	118.00%	111.00%	104.00%	104.00%	100.00%
Renewal Year's Premium						
After the tenth year of insurer's life insurance business in Pakistan	25.00%	23.00%	21.00%	19.00%	19.00%	18.00%

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Annexure-C-2STATISTICAL SUMMARY

	Pakistan Life Fund	Overseas Life Fund		Pension Fund	Average
		Rupee Accounts	Dollar & Dirham Accounts		
Annualised Yield on Fund					
2004 (incl capital gain/loss)	14.26%	7.51%	4.12%	12.20%	14.17%
2004 (excl capital gain/loss)	11.77%	7.50%	4.11%	12.20%	11.72%
2005 (incl capital gain/loss)	12.03%	4.45%	4.04%	11.64%	11.92%
2005 (excl capital gain/loss)	10.04%	4.54%	4.13%	11.64%	9.97%
2006 (incl capital gain/loss)	12.15%	6.85%	5.04%	8.24%	12.07%
2006 (excl capital gain/loss)	10.77%	6.94%	5.13%	8.24%	10.71%
2007 (incl capital gain/loss)	12.62%	8.97%	6.90%	9.78%	12.57%
2007 (excl capital gain/loss)	11.33%	7.57%	5.51%	9.78%	11.28%
2008 (incl capital gain/loss)	11.72%	5.10%	5.14%	11.44%	11.59%
2008 (excl capital gain/loss)	11.53%	4.42%	4.45%	11.44%	11.40%
2009 (incl capital gain/loss)	12.04%	6.12%	6.10%	10.66%	11.91%
2009 (excl capital gain/loss)	11.99%	6.14%	6.13%	10.66%	11.87%
2010 (incl capital gain/loss)	13.68%	8.54%	6.32%	10.37%	13.56%
2010 (excl capital gain/loss)	12.35%	7.26%	5.05%	10.37%	12.24%
Renewal Expense Ratio					
2007	10.01%	5.28%			9.76%
2008	11.49%	7.48%			11.30%
2009	19.21%	9.53%			18.73%
2010	18.48%	13.49%			18.25%
Overall Expense Ratio					
2004	40.98%	34.98%	36.78%	3.61%	40.66%
2005	36.39%	34.70%	36.60%	4.32%	36.30%
2006	40.74%	35.45%	35.73%	4.31%	40.52%
2007	33.51%	33.16%	34.35%	1.54%	33.47%
2008	35.30%	34.19%	34.01%	1.04%	35.24%
2009	41.21%	32.89%	33.57%	0.78%	40.86%
2010	40.57%	35.50%	36.13%	0.22%	

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STATISTICAL SUMMARY (Continued)

	Pakistan Life Fund	Overseas Life Fund		Pension Fund	Total
		Rupee Accounts	Dollar & Dirham Accounts		
Number of Individual Life Policies					
2003	1,841,845	7,280			1,849,125
2004	1,918,288	7,966			1,926,254
2005	2,035,506	8,509			2,044,015
2006	2,174,304	9,479			2,183,783
2007	2,338,512	10,279			2,348,791
2008	2,557,676	11,022			2,568,698
2009	2,883,740	11,614			2,895,354
2010	3,304,940	12,252			3,317,192
Gross Premium (000)					
2003	9,482,776	422,415		12,919	9,918,110
2004	10,584,408	514,023		14,565	11,112,996
2005	13,341,351	545,786		12,190	13,899,327
2006	15,461,687	601,332		13,766	16,076,785
2007	18,166,700	660,966		13,872	18,841,538
2008	21,974,065	841,042		11,007	22,826,114
2009	27,470,155	1,089,136		22,935	28,582,226
2010	34,609,927	1,201,969		29,003	35,840,899

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Annexure-C-3
NEW BUSINESS – NUMBER OF POLICIES

	<u>Pakistan Life Fund</u>	<u>Overseas Life Fund</u>
2004	222,968	1,791
2005	253,977	1,698
2006	282,870	1,885
2007	317,998	1,841
2008	400,137	1,747
2009	525,951	2,001
2010	651,490	2,032

INFORCE BUSINESS

	<u>Average Sum Assured</u>		<u>Average Gross Premium</u>	
	<u>Pakistan Life Fund</u>	<u>Overseas Life Fund*</u>	<u>Pakistan Life Fund</u>	<u>Overseas Life Fund*</u>
2004	78,626	1,007,004	5,518	64,527
2005	89,196	1,037,762	6,554	64,142
2006	99,279	1,063,655	7,111	63,438
2007	110,915	1,082,305	7,768	64,303
2008	124,577	1,443,859	8,591	76,306
2009	142,551	1,576,007	9,526	93,778
2010	162,140	1,658,123	10,472	98,104

NEW BUSINESS

	<u>Average Sum Assured</u>		<u>Average Gross Premium</u>	
	<u>Pakistan Life Fund</u>	<u>Overseas Life Fund*</u>	<u>Pakistan Life Fund</u>	<u>Overseas Life Fund*</u>
2004	167,250	1,301,901	9,970	77,305
2005	178,428	1,368,823	10,523	83,104
2006	191,658	1,397,472	11,273	84,798
2007	200,254	1,428,825	11,683	86,158
2008	216,400	2,084,694	12,450	114,001
2009	231,468	2,148,717	13,261	125,164
2010	251,688	2,461,606	14,395	143,806

• In Rupees

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Annexure C-4

A: BONUS RECOMMENDATIONS FOR PAKISTAN RUPEE BUSINESS

I have pleasure in recommending the following bonuses for with profits Pakistan Life Fund policies:

I. Whole Life and Endowment Assurance

For with profits policies in force for the full sum assured as at 31st December 2010 -

- (i) Reversionary bonuses per thousand sum assured per annum would be as per the following schedule (2009 figures are given for comparison):

	2010			2009		
	For first five policy years	From 6 th policy year to 16 th policy year	From 17 th policy year onwards	For first five policy years	From 6 th policy year to 16 th policy year	From 17 th policy year onwards
	Rs	Rs	Rs	Rs	Rs	Rs
Whole Life	60	110	150	60	110	150
Endowments						
Term: 20 years and over	50	94	130	50	94	130
Term: 15 to 19 years inclusive	35	81	81	35	81	81
Term: 14 years and less	20	66	-	20	66	-

Notes:

- (a) Jeevan Sathi and Shadabad policies will be treated as Endowment policies.
- (b) Big Deal policies will receive reversionary bonus on 25% of the sum assured only.
- (c) For Whole Life by limited payments, bonuses will be allowed at the same rate as for Whole Life. The bonuses are admissible even after the completion of premium paying period for each year the policy has been in force for full sum assured.
- (ii) Interim Bonus will be payable in addition to regular bonuses already vested, on claims arising in the period up to the next bonus declaration. The rate of interim bonus would be the same as given in I (i) above.


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<p>(iii) <u>Terminal Bonus</u> will be paid on claims by death or maturity in 2011, where more than 10 years' premiums have been paid. The rate will be Rs 50 per thousand sum assured for each year's premium paid in excess of 10 years subject to a maximum of Rs 1,000 (same as 2009 valuation) per thousand sum assured.</p> <p>(iv) <u>Special Terminal Bonus</u> will be paid on claims by maturity in 2011, where a Family Income Benefit (FIB) is in force at maturity as a supplementary contract, or as a built-in benefit, and has been in force for more than 10 years. The rate will be Rs 10 per thousand basic sum assured under the policy for each year in excess of 10 years that the FIB supplementary contract has been in force, subject to a maximum of Rs 200 per thousand basic sum assured (same as 2009 valuation).</p> <p>(v) <u>Loyalty Terminal Bonus</u> will be paid to those policyholders who have been with State Life since 1991 or earlier. Loyalty Terminal Bonus of Rs 200 per thousand sum assured will be paid on claims by death or maturity in 2011 to policies with risk year 1991 or earlier (same as 2009 valuation).</p> <p>NOTE: Terminal, Special Terminal and Loyalty Terminal bonuses are especially sensitive to the future surplus of State Life. Hence, no indication can or should be given of Terminal, Special Terminal and Loyalty Terminal bonuses which may be allowed on maturities or death claims after 2011.</p> <p style="text-align: center;">II. Anticipated Endowment Assurance</p> <p>For with profits Anticipated Endowments/Three Stage/Three Payment policies (excluding Sada Bahar Plan) in force for the full sum assured as at 31st December 2010:</p> <p>(i) Reversionary bonuses per thousand sum assured per annum would be as per the following schedule (2009 figures are given for comparison).</p> <table><tr><th rowspan="3"></th><th colspan="3">2010</th><th colspan="3">2009</th></tr><tr><th>For first five policy years</th><th>From 6th policy year to 16th policy year</th><th>From 17th policy year onwards</th><th>For first five policy years</th><th>From 6th policy year to 16th policy year</th><th>From 17th policy year onwards</th></tr><tr><th>Rs</th><th>Rs</th><th>Rs</th><th>Rs</th><th>Rs</th><th>Rs</th></tr><tr><td><u>Term:</u> 20 years and over</td><td>35</td><td>69</td><td>100</td><td>35</td><td>69</td><td>100</td></tr><tr><td><u>Term:</u> 15 to 19 years inclusive</td><td>25</td><td>59</td><td>59</td><td>25</td><td>59</td><td>59</td></tr><tr><td><u>Term:</u> 14 years and less</td><td>19</td><td>53</td><td>-</td><td>19</td><td>53</td><td>-</td></tr></table> <p>(ii) <u>Interim Bonus</u> will be payable in addition to regular bonuses already vested, on claims arising in the period up to the next bonus declaration. The rate of interim bonus would be the same as given in II (i) above.</p>					2010			2009			For first five policy years	From 6 th policy year to 16 th policy year	From 17 th policy year onwards	For first five policy years	From 6 th policy year to 16 th policy year	From 17 th policy year onwards	Rs	Rs	Rs	Rs	Rs	Rs	<u>Term:</u> 20 years and over	35	69	100	35	69	100	<u>Term:</u> 15 to 19 years inclusive	25	59	59	25	59	59	<u>Term:</u> 14 years and less	19	53	-	19	53	-
	2010				2009																																						
	For first five policy years	From 6 th policy year to 16 th policy year	From 17 th policy year onwards		For first five policy years	From 6 th policy year to 16 th policy year	From 17 th policy year onwards																																				
	Rs	Rs	Rs	Rs	Rs	Rs																																					
<u>Term:</u> 20 years and over	35	69	100	35	69	100																																					
<u>Term:</u> 15 to 19 years inclusive	25	59	59	25	59	59																																					
<u>Term:</u> 14 years and less	19	53	-	19	53	-																																					

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- (iii) Terminal Bonus will be paid to paid-up policies on claims by death only, as mentioned in paragraph VIII below.
- (iv) Special Terminal Bonus as mentioned in I (iv) above, will be paid on cases having Family Income Benefit supplementary contract. The Special Terminal Bonus will be calculated on the basic sum assured under the policy, and not on the residual survival benefit.
- (v) Loyalty Terminal Bonus as mentioned in I (v) above, will be paid to policies with risk year 1991 or earlier. The Loyalty Terminal Bonus will be calculated on the basic sum assured under the policy, and not on the residual survival benefit.
- (vi) If the policyholder lets a Survival Benefit remain with State Life, a Special Reversionary Bonus will be added six months after the due date of the Survival Benefit. For Survival Benefits falling due in 2011, which the policyholder opts to leave, Special Reversionary Bonuses will be allowed as follows (same as 2009 valuation).

Period between Survival Benefit due date and maturity date	Special Reversionary Bonus per Rs. 1000 Survival Benefit	Period between Survival Benefit due date and maturity date	Special Reversionary Bonus per Rs. 1000 Survival Benefit
20 years	Rs 3,165	9 years	Rs 1,005
18 years	Rs 2,765	8 years	Rs 845
16 years	Rs 2,350	7 years	Rs 695
14 years	Rs 1,940	6 years	Rs 555
12 years	Rs 1,545	5 years	Rs 420
10 years	Rs 1,175	4 years	Rs 300

Note: Policies under Family Pension Plan (Table 12) will not be eligible for Special Reversionary Bonuses.

III. Sada-Bahar Plan

For policies in force for the full sum assured as at 31st December 2010:

- (i) Reversionary bonuses per thousand sum assured per annum would be as per following schedule (2009 figures are given for comparison):

Term	2010	2009
	For first five policy years	For first five policy years
	Rs	Rs
20 years and over	44	44
15 to 19 years inclusive	31	31
14 years and less	24	24

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(ii)	<p><u>Interim Bonus</u> will be payable in addition to regular bonuses already vested, on claims arising in the period up to the next bonus declaration. The rate of interim bonus would be the same as given in III (i) above.</p> <p>IV. <u>Super (Table 72), Sunehri (Table 73) & Shehnai (Table 77) policies</u></p> <p>(i) Bonuses under these policies are credited to the policy after the policy has acquired an Adjusted Opening Cash Value. The bonus is credited on the Adjusted Opening Cash Value and not on minimum guaranteed surrender value. Bonuses will be credited at the end of the policy year. These bonuses are payable when the Cash Value under the policy is payable.</p> <p>(ii) The rate of bonus is Rs. 105 per thousand per annum of the Adjusted Opening Cash Value. This bonus rate will be allowed till the next valuation.</p> <p>(iii) Reversionary, Terminal or any other bonus declared as a result of this valuation will not be payable under these policies. However, bonus mentioned under VII below, if applicable, will be allowed.</p> <p>V. <u>Personal Pension Scheme (Table 71)</u></p> <p>(i) Bonuses under Personal Pension Scheme where "Pension is being paid" will be allowed on Pension Payments. Pension payments will be increased by bonus from the policy anniversary falling in the year 2011. This increase will also be available on pension payments commencing in 2011.</p> <p>(ii) The rate of bonus is Rs 80 per thousand per annum of the pension payments.</p> <p>(iii) Reversionary, Terminal or any other bonuses recommended as a result of this valuation, will not be payable under these policies.</p> <p>VI. <u>Specified Major Surgical Benefit</u></p> <p>(i) Specified Major Surgical Benefit was announced for the first time in 1992 valuation. This benefit has been retained in 2010 valuation. This benefit is available to all with-profit policies, which have been in full force as at 31st December 2010 and have been continuously in force for at least five complete policy years at the date of surgery. The maximum benefit for such policies is Rs 250,000. However, if the with-profit policies have been in full force as at 31st December 2010 and have been continuously in force for at least ten complete policy years at the date of surgery then the maximum benefits for these policies will be Rs 500,000.</p> <p>(ii) Under such policies, if the life assured undergoes specified major surgery during the inter-valuation period i.e. from 1st January 2011 to 31st December 2011 on account of a specified dread disease, the Corporation would pay 50% of the basic sum assured (in case of Anticipated Endowment plans, 50% of the remaining sum assured after deducting any due survival benefit(s)), subject to above given maximum amounts. The amount payable will be adjusted against future survival benefit payments, maturity or death claims.</p> <p>(iii) Details are given in Annexure C-5.</p>		

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<p><u>VII. Family Income Benefits in course of payment (where the life assured has died)</u></p> <p>Family Income Benefit to heirs or nominees of deceased life assureds will be increased by 7.5% from policy anniversaries in the year 2012 under with profit policies.</p> <p>Note: The percentage increase will be allowed on the actual benefit paid on policy anniversaries (including any prior increases) in the year 2011.</p> <p><u>VIII. Terminal/Loyalty Terminal Bonus for Paid-up Policies</u></p> <p>(i) <u>Terminal Bonus</u> on Whole Life and Endowment type paid-up policies will be paid on claims by death or maturity in 2011, where the policy has been on the books for more than 10 years. The rate will be Rs 50 per thousand paid-up sum assured for each year in excess of 10 years subject to a maximum of Rs 1,000 per thousand paid-up sum assured. Jeevan Sathi and Shadabad policies will be treated as Endowment policies.</p> <p>(ii) <u>Terminal bonus</u> as mentioned in VIII (i) above will also be paid to Anticipated Endowment paid-up policies on claims by death only. No terminal bonus will be paid to anticipated endowment policies on claims by maturity in 2011.</p> <p>(iii) <u>Loyalty Terminal Bonus</u> of Rs 200 per thousand paid-up sum assured as mentioned in I (v) above, will be paid to "Paid-Up" policies with risk year 1991 or earlier.</p> <p>(iv) <u>Loyalty Terminal bonus</u>, as mentioned in VIII(iii) above will also be paid to Anticipated Endowment paid-up policies on claims by death or maturity in 2011.</p> <p>Note: Bonus for Paid-up policies will be calculated on the Paid-up sum assured and not on the basic sum assured.</p> <p><u>IX. East West Mutual etc</u></p> <p>Policies issued by the East West Mutual, Grand Mutual, I.G.I., Pakistan Mutual, Standard and Union Insurance and former East Pakistani companies will not get Terminal Bonuses, Special Terminal Bonuses, Loyalty Terminal Bonuses and Specified Major Surgical Benefit.</p> <p>B: NO CASH VALUE OF BONUSES UNTIL THREE YEARS' PREMIUMS HAVE BEEN PAID</p> <p>The Cash Value of bonuses will be payable on an in force policy if at least one of the following two conditions has been fulfilled:</p> <p>(i) The policyholder has actually paid at least three full years' premiums</p> <p>(ii) The policy has completed at least three policy years.</p> <p>However, in case of a death claim or Single Premium policies, this condition will be waived and all bonuses whether declared or interim will be payable. Also, in the case of a death claim in the first three policy years, where the premiums are in arrears, in order to determine whether the policy could have been kept in force, cash values of bonuses will be taken into account.</p> <p>"Actual payment" means payment in cash/pay order/bank draft/cheque after it has been realized.</p>			

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	<p style="text-align: right;"><u>Annexure C-5</u></p> <p style="text-align: center;"><u>Specified Major Surgical Benefit</u></p> <p style="text-align: center;">Accelerated payment of 50% of survival benefits subject to maximum accelerated payment of Rs.250,000 (for policies continuously in full force for at least five years) and Rs 500,000 (for policies continuously in full force for at least ten years)</p> <p>Specified Major Surgical Benefit, which was introduced for the first time at the 1992 valuation, will continue in 2010 as well. It provides a unique cover to the existing policyholders, free of cost. Basically it makes a lump sum payment if an eligible insured undergoes major surgery during 2011, due to any one of the six "specified surgeries" (as listed below). The lump sum payment provides badly needed financial assistance to help recoup some of the cost of major surgery. The cost of the benefit will be met out of the 2010 actuarial surplus.</p> <p>The six "specified surgeries" that are covered, provided they are caused by disease and not traumatic injury, are defined as follows:</p> <ol style="list-style-type: none"> 1. <u>Coronary artery by-pass surgery:</u> Undergoing of open heart surgery to correct narrowing or blocking of two or more coronary arteries with by-pass grafts. Laser treatments and/or reliefs, balloon angioplasty and/or any other procedures not necessitating thoracotomy will be excluded. The coronary by-pass surgery must be a direct result of a diagnosis of definite coronary artery disease by accepted angiography. 2. <u>Surgery for a disease of the aorta:</u> The actual undergoing of open heart surgery for a disease of the aorta needing excision and surgical replacement of the diseased aorta with a graft. For the purpose of this definition, aorta shall mean the thoracic and abdominal aorta but not its branches. 3. <u>Replacement of a heart valve:</u> The replacement of one or more heart valves with artificial valves due to stenosis or incompetence, or a combination of these conditions. Valvotomy is specifically excluded. 4. <u>Major organ transplant:</u> The actual undergoing of a transplant of a heart, heart and lung, liver, kidney or bone marrow as a recipient. 5. <u>Craniotomy:</u> Any major neuro-surgical procedure on or in the brain, involving craniotomy. 		

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6.	<p><u>Cancer surgery:</u></p> <p>Any major surgical procedure which is the direct result of cancer. For this purpose, cancer means a malignant tumour characterized by uncontrolled growth and spread of malignant cells and the invasion of tissue. Malignancy must have been evidenced by medical investigations. Excluded are: (a) non-invasive cancers in situ, (b) any skin cancers other than malignant melanoma; and (c) male prostate cancer if limited to the prostate.</p> <p style="text-align: center;"><u>DESCRIPTION OF BENEFIT</u></p> <p>The specified major surgery benefit is being provided on with profit policies, which have been continuously in full force for at least five years. The amount of benefit will be 50% of the sum assured subject to a maximum of Rs 250,000 for policies in full force for at least five years and a maximum of Rs 500,000 for policies in full force for at least ten years.</p> <p>If the insured is covered under endowment type plans, such as Table 01 and Table 03, then 50% of the basic sum assured or the maximum limit, whichever is less will be payable in advance, on undergoing a specified surgery, which is adjustable on maturity or death, if earlier.</p> <p>If the insured is covered under anticipated endowment type plans, such as Table 05 and Table 74, then 50% of future instalment benefits (including basic maturity benefit) or the maximum limit, whichever is less, is payable in advance, on undergoing a specified surgery, which is adjustable from the survival instalments or death proceeds, if earlier. The future survival benefits will be reduced by the specified major surgical benefit to adjust the advance payment on specified major surgery. In case, the insured dies before maturity then the balance of the specified major surgical benefit paid and not yet adjusted from survival benefits will be adjusted from death proceeds. Instalments left with State Life will not be taken into account when computing the lump sum amount to be paid on a specified surgery.</p> <p>In case of Joint Life Assurance plan (Table 06), 50% of the sum assured or the maximum limit, whichever is less, is payable in advance, if either of the insured lives undergoes a specified surgery, which is recovered on maturity or on earlier death of either of the insured persons.</p> <p>In case of Child Protection Plan (Table 07) and Child Education and Marriage Plan (Tables 75 and 76), 50% of the sum assured or the maximum limit, whichever is less, is payable in advance, if the payor undergoes a specified surgery, which is recovered on maturity. No specified major surgical benefit is payable in respect of surgery on a "child" covered under tables 07, 75 and 76.</p> <p>In case of Jeevan Saathi Plan (Table 19), 50% of the sum assured or the maximum limit, whichever is less, is payable in advance if either of the lives insured undergoes a specified surgery which is recovered on maturity, or on his /her death if earlier.</p> <p>In case of Big Deal Policy (Table 14) the amount of the basic sum assured will mean Rs 25,000 per unit. 50% of this basic sum assured or the maximum, whichever is less will be payable in advance, on undergoing a specified surgery, which is adjustable on maturity or death, if earlier.</p>		

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<p><u>POSITION OF POLICY AFTER SPECIFIED MAJOR SURGICAL BENEFIT IS PAID</u></p> <p>The policy will continue to participate in the profits of the Corporation, and bonus will accrue on the full sum assured as before. Premium payable under the policy, including extra if any, will continue to be paid by the policyholder, unaltered. Any rider attached to the policy and premium payable thereunder, will be unaffected by the payment of specified major surgical benefit.</p> <p style="text-align: center;"><u>CLAIM PROCEDURES</u></p> <p>Evidence of having undergone a specified surgery will have to be provided by the claimant to the satisfaction of, and at no cost to State Life. The claimant will have to send his policy document and submit a personal statement. Confidential statements will also be required from the physician making the original diagnosis and the concerned surgeons, including the surgeon who performed the operation. State Life may require any additional proof to support the claim e.g. reports, test results, medical examination of the life insured etc as it deems fit. The decision of State Life's Doctor, appointed for this purpose, will be final and binding.</p> <p>If policy is assigned then the official discharge and permission in writing of the assignee must be obtained before any amount may be advanced to the insured.</p> <p>If the policy has an irrevocable beneficiary, or the owner of the policy is not the insured then the official discharge and permission in writing must be obtained from the beneficiary/owner in writing before any amount can be advanced to the insured.</p> <p>If the benefit is claimed under Joint Life Assurance Policy or Jeevan Saathi Policy then both the insureds must request that the benefit be paid.</p> <p style="text-align: center;"><u>ELIGIBILITY</u></p> <p>The age of the life insured must be between 20 and 65 at the date of the surgery.</p> <p>The policy must have been continuously in full force for at least 5 years at the date of surgery.</p> <p>The policy must be in force for the full sum assured, (that is not paid up for reduced sum assured) as at 31st December 2010 and at the date of the surgery. The benefit will NOT be available if the policy was lapsed or paid up as at 31st December 2010 and revived subsequently.</p> <p>Benefits are only payable to with-profits Pakistan Rupee policies. Policies issued under Term Insurance plans, Personal Pension Scheme and Annuity plans are specifically excluded.</p> <p style="text-align: center;"><u>MISCELLANEOUS CONDITIONS</u></p> <p>1. To obtain the specified major surgical benefit, the date of surgery must be between 1st January 2011 and 31st December 2011.</p> <p>NB: The question of surgery after 31st December 2011 will be considered at the time of the 2011 actuarial valuation.</p>			

CHAIRMAN'S
INITIALS


MINUTES OF 220TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	30 TH MAY, 2011	
2.	Benefits will be paid only once to any one life. That is, once any insured has obtained benefits under the specified major surgical benefit, he is not eligible for any further benefits on any subsequent surgery.		
3.	Benefits will be paid only once on any policy. If any insured has received any specified major surgical benefits under a Joint Life or Jeevan Saathi Policy then neither he nor the other insured will be able to claim any subsequent specified major surgical benefit.		
4.	If the insured is covered under more than one policy, the maximum amount paid on all the policies together will depend on the number of years the policies have been continuously in full force. For policies that have been continuously in full force for at least five years but less than 10 years, the maximum benefit paid under all such policies together will be limited to Rs. 250,000. The benefit will be paid (at 50% of the basic endowment benefits outstanding subject to the maximum amount) from the policy issued first to the insured. If the amount paid is less than the maximum limit then amount will be paid from the second policy issued and so on subject to the maximum limit. For policies that are continuously in full force for at least ten years, the maximum benefit payable under each policy is limited to Rs. 500,000 or 50% of the sum assured, whichever is less.		
5.	If the specified major surgical benefit is paid, it will affect the basic surrender value of the policy from which it is paid. The subsequent basic surrender value of the policy will be 50% of the basic surrender value of the policy had no specified major surgical benefit been paid (or more exactly, the basic surrender value of the policy will be reduced proportionate to the outstanding endowment benefits advanced). The total surrender value of the policy would be the reduced basic surrender value of the policy plus the surrender value of the accrued bonuses (which will not be affected by the payment of the specified major surgical benefit).		
6.	If there is a policy loan and/or APL on the policy, the specified major surgery payment will be first used to pay off the policy loan/APL outstanding. The balance of the specified major surgical payment, if any, will be paid to the insured.		
7.	The benefit cannot be paid before the surgery takes place. It cannot be paid in anticipation of the surgery. Claims can be entertained only after the surgery has taken place. The amount of benefit is independent of the cost of surgery. It is not intended to help pay for the surgery, but rather to provide a lump sum amount to be disposed off as deemed fit by the claimant. The life insured may use it for post-operative care, recoup part of the cost of surgery, or as assistance in the recovery or transition period required after such surgeries.		
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			CHAIRMAN'S INITIALS 