

MINUTES OF 234TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	3 RD APRIL, 2013	

CONFIDENTIAL AND RESTRICTED

The 234th Meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on Monday, 3rd April, 2013 at 11.00 a.m. in the Board Room, State Life Building No.9, Dr. Ziauddin Ahmed Road, Karachi.

PRESENT:

- | | |
|----------------------------|-----------------|
| 1. Mr. Shahid Aziz Siddiqi | Chairman |
| 2. Mr. Farooq Hadi | Director |
| 3. Mr. Wazir Ali Khoja | Director |
| 4. Mr. Nihal Anwar | Director |
| 5. Mr. Furqan A. Shaikh | Director |
| Mr. Akbarali Hussain | Secretary Board |

LEAVE OF ABSENCE

- | | |
|--------------------------|----------|
| 1. Mr. Fazal Abbas Maken | Director |
| 2. Mr. Husain Lawai | Director |
| 3. Mr. Tufail Shaikh | Director |

2. The following officers also attended the meeting at the time of presentation and discussion of the Items of their respective Divisions:

1. Mr. Muhammad Rashid, Divisional Head (F&A)
2. Mr. Attaullah A. Rasheed, Secretary (REIC)/DH(Investment)
3. Mr. Nasimul Haque, Divisional Head (Real Estate)
4. Mr. Izqar Khan, Divisional Head (Marketing)
5. Mr. Nadeem Bessey, Divisional Head (G&P/Hi)
6. Mr. Altaf Ahmed Shaikh, Secretary (BAC)/Divisional Head (IA&C)
7. Mr. Fazal-ur-Rehman, DH(LAD)

3. The meeting started with recitation of verses from the Holy Quran by the Chairman, State Life.

ITEM (1) CONFIRMATION OF MINUTES OF 233RD
MEETING OF THE BOARD OF DIRECTORS.

4. The minutes of the 233rd meeting of the Board of Directors held on 11th March, 2013 were placed before the Board.

5. Mr. Farooq Hadi, Director proposed and Mr. Wazir Ali Khoja, Director seconded that the minutes of 233rd meeting of the Board of Directors be confirmed.

6. Accordingly, it was resolved as under:-

RESOLVED:

"that the Minutes of 233rd meeting of Board of Directors held on 11th March, 2013 are confirmed."

Action:
Secretary
Board

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INITIALS



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<p>Action: Secretary (AC) DH(F&A)</p>	<p>ITEM (2) <u>IMPLEMENTATION REPORTS ON DECISION TAKEN IN 233RD MEETING OF BOARD HELD ON 11TH MARCH, 2013.</u></p> <p>7. Implementation report of 233rd meeting of Board of Directors held on 11th March, 2013 were placed before the Board.</p> <p><u>Approval of Quarterly Accounts of State Life by Board of Directors before submission to SECP.</u></p> <p>8. The Board of Directors at its 233rd Meeting had decided that DH(F&A) should get the quarterly and annual accounts reviewed by the Board Audit Committee and approved by the Board of Directors before its submission to SECP and to submit details and timeline for completion of each activity resulting in finalization of the above accounts at the next meeting of the Board Audit Committee for its review.</p> <p>9. Secretary (BAC) informed the Board that a Memorandum, containing calendar of events for preparation and submission of quarterly accounts was submitted by DH(F&A) to Board Audit Committee at its 48th Meeting held on 2nd April, 2013.</p> <p><u>Formal Inquiry Report to investigate and bring the facts on record and fix responsibility on the officials for not making any provision of Pension Liability in the Accounts of State Life.</u></p> <p>10. The Inquiry Report is placed at item 6 of the Agenda of the 234th Board Meeting.</p> <p><u>Tangible Fixed Assets, coding and physical verification and maintenance of fixed asset register.</u></p> <p>11. As per directives of the BAC the job of transferring of data of fixed assets to new format in terms of section 230 of Company Ordinance 1984 read with TR6 have been completed in the Corporation.</p> <p>12. A policy for coding and physical verification have been circulated and a Committee has also being constituted for coding and physical verification of assets vide letter dated 04-03-2013.</p> <p><u>Policy/SOPs for making provision and identification of contingent liabilities.</u></p> <p>13. A Memorandum on the subject matter was submitted by DH(F&A) to BAC at its 48th Meeting held on 2nd April, 2013 for revisiting its earlier recommendations given to the Board of Directors at its 232nd Meeting which was considered and approved. A position paper given therein details of the recommendations of the Board Audit Committee framed after detailed discussions for review and approval of the Board. The position paper is placed at Item 8th of the Agenda of the 234th Board Meeting requesting for revision in earlier decision of writing back of policy claims.</p>		
	<p>Action: Secretary (BAC) DH(P&GS)</p> <p>Action: Secretary (BAC) DH(P&GS)</p> <p>Action: Secretary (BAC) DH(F&A)</p>		

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<p>Action: Secretary (BAC) DH(F&A)</p>	<p><u>Proposal of revision in guidelines and chart of delegation of financial powers.</u></p> <p>14. A Memorandum was resubmitted to BAC at its 48th Meeting to be held on 2nd April, 2013 and is also placed at Item No. 7 of the Agenda of 234th Meeting of the Board of Directors detailing therein the decision of the Board Audit Committee.</p>		
<p>Action: DH(Inv) DH(LAD)</p>	<p><u>Offer for subscription of Preference Shares of Silk Bank Limited.</u></p> <p>15. The Item is also being placed at 12 (a) of the Agenda of the 234th Board Meeting.</p>		
	<p><u>Legal Affairs Division.</u></p> <p>16. In terms of the Board Resolution, the agreement for vetting were referred to Mr. Sultan A. Allana, Advocate who showed his inability to undertake the said task due to preoccupation. Thereafter, with approval of the Chairman, the agreements were vetted and amended by M/s. Sattar & Sattar, Advocates as per directives of the Board of Directors.</p>		
	<p><u>Investment Division.</u></p> <p>17. DH(Investment) informed the Board that complying to the decision of the Board, a sum of Rs. 110 million {(44mn. Preference shares (PNCPS)) of Silk Bank subscribed @ Rs. 2.50/ each on 25-03-2013.</p> <p>18. Put option and shares subscription agreements signed duly vetted by M/s. Sattar & Sattar, Advocates through LAD.</p> <p>19. Proof of commitments for Rs. 2,090 mn(2,200-110) from investors received from the bank.</p> <p>20. Chairman had authorized GM(Investment) to sign agreements on behalf of State Life.</p>		
<p>Action: DH(RE)</p>	<p><u>Construction of State Life Building at Benazirabad(Nawabshah) and installation and upadation of fire detecting system comprising of panel fire alarm/fire sprinklers in all State Life Buildings.</u></p> <p>21. Advertisement for pre-qualification of Consultant released in newspaper in English Dawn dated 21st March, 2013.</p>		
<p>Action: DH(HI)</p>	<p><u>Waseela-e-Sehet Health Insurance Project of Benazir Income Support Program</u></p> <p>22. The media campaign would be launched with the cooperation of Benazir Income Support Program (BISP), after General Election 2013 of Pakistan.</p> <p>23. Health Insurance Division will certainly take up health insurance for commercial corporate basis after gaining adequate experience and capacity building from the pilot project of Faisalabad District.</p>		

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<p>Action: ED(P&GS) DH(P&GS)</p> <p>Action: ED(IT) DH(IT)</p> <p>Action: ED(P&GS) DH(P&GS)</p> <p>Action: DH(P&GS) DH(F&A)</p> <p>Action: DH(Inv)</p> <p>Action: DH(Inv)</p> <p>Action: DH(RE)</p> <p>Action: DH(RE)</p>	<p><u>Revision of Pension Scheme for the officers of the Corporation.</u></p> <p>24. The revised Pension Scheme shall be placed before the Board in due course of time.</p> <p><u>Confirmation of Terms of Reference (TOR) for the Board IT Committee passed through Circulation.</u></p> <p>25. The 'Terms of Reference' (TOR) of the 'Board IT Committee' approved by the Board of Directors will be pursued.</p> <p><u>Bone Marrow Transplantation of Master Muhammad Daniyal S/O Mr. Mashkoor Shah, Manager(PHS), Peshawar Zone.</u></p> <p>26. The decision of the Board of Directors regarding permission of Bone Marrow Transplantation of Master Muhammad Daniyal, S/O Mr. Mashkoor Shah, Manager (PHS) Peshawar Zone has been communicated to Peshawar Zone.</p> <p><u>Writing Off of Unsettled Amount of Rs. 177,595/- due to Robbery at Cash Counter, Shahdapur Sector, Mirpurkhas Zone.</u></p> <p>27. Instructions have been issued to the concerned Zone for taking write-off action.</p> <p><u>Dues of State Life from Privatization Commission (PC) on Account of Burma Oil Mills Shares.</u></p> <p>28. Complied and necessary entries have been incorporated in the Books of Accounts.</p> <p><u>Legal Case in respect of Decree passed by the Sr. Civil Judge, Karachi in Civil Suit No. 301 of 1978 (New Suit No. 2556/96), State Life V/s. National Bank of Pakistan.</u></p> <p>29. Letter dated 05-03-2013 sent to NBP by Investment Division informing the bank of State Life's Board of Director's decision and requested for sending cheque of Rs. 3.313 mn.</p> <p><u>Renting of Vacant Spaces through Real Estate Tenancy Consultant.</u></p> <p>30. Advertisement for space availability in State Life buildings already released in newspapers.</p> <p><u>Freezing of Annual Increase in Rent.</u></p> <p>31. Noted for compliance on case to case basis.</p>		

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<p>Action: DH(LAD) DH(Inv)</p>	<p>Purchase of Car Parking Space and Office Space in Building Adjacent to State Life Building No. 11, Karachi (International Business and Shopping Centre).</p> <p>32. Position paper prepared by LAD and is placed at Item No. 12 (c) of the Agenda of 234th Board Meeting.</p> <p>33. The implementation report was noted by the Board.</p> <p>ITEM (3) CONSIDERATION AND APPROVAL OF MINUTES OF 47TH MEETING OF BOARD AUDIT COMMITTEE HELD ON 31-01-2013.</p> <p>34. Secretary, Board Audit Committee presented before the Board the minutes of 47th meeting of Board Audit Committee held on 31-01-2013 for consideration and confirmation and approval of decisions/recommendations made by the Committee. A copy of the above minutes duly signed by the Chairman (BAC) are placed at Annexure-A to the Minutes.</p> <p>35. Accordingly, the Board resolved as under:</p> <p>RESOLVED:</p> <p>"that the minutes of 47th meeting of Board Audit Committee held on 31-01-2013 together with the observations/recommendations given below are approved:-</p> <p>"that the recommendations of the BAC that the draft minutes of BAC meeting be circulated to all Members within 07 working days of date of the meeting and in case no amendments/ correction is proposed by any members in subsequent 07 days, the Minutes be taken as approved, was confirmed by the Board."</p> <p>"that the recommendation of the BAC that relevant decisions be communicated to concerned quarters for compliance and that the same be immediately complied by the Executive Director/Divisional Head after obtaining necessary administrative approval from the Chairman of the Corporation is hereby approved. Secretary BAC is requested to communicate the above directives of the BAC to all concerned."</p> <p>"that the recommendation of the BAC that the concerned Division submit to BAC an updated position in respect of impairment in available for sale securities and IT security policy is hereby approved."</p> <p>"that the recommendation of the BAC to assign the task of conducting Audit of Bank reconciliation statements 100% for the month of November and December 2012 to M/s. Anjum Asim Shahid Rehman, Chartered Accountants at a fee of Rs. 300,000/- and out of pocket expenses considering the cost to be mutually decided between F&A Division and the Auditors and submission of report thereof to BAC alongwith Audit Report for the year 2012 was hereby approved."</p>		
<p>Action: Secretary (BAC)</p>			
<p>Action: Secretary (BAC)</p>			
<p>Action: Secretary (BAC)</p>			
<p>Action: Secretary (BAC)</p>			
<p>Action: Secretary (BAC) ED(F&A) DH(F&A)</p>			

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<p>Action: Secretary (BAC) ED(F&A) DH(F&A) ED(P&GS) DH(P&GS)</p> <p>Action: Secretary (BAC) ED(F&A) DH(F&A)</p> <p>Action: Secretary (ITC) DH(IT)</p> <p>Action: Secretary (ITC) DH(IT)</p> <p>Action: Secretary (ITC) DH(IT)</p>	<p>"that the recommendation of the BAC to advertise as per PPRA Rules the proposal for preparation of gap analysis report and audit manuals to A rated audit firms as specified by SECP was hereby approved."</p> <p>"that the directives of the BAC to Divisional Head (F&A) to submit the Draft Guidelines and Chart of Delegation of Financial Powers for Chairman and Executive Directors only within three weeks to BAC elaborating existing delegation of powers compared with proposed revision in delegation of powers in consolidated format for Chairman and Executive Directors and that the delegation of powers below EDs shall be decided by the Chairman of the Corporation."</p> <p>ITEM (4) CONSIDERATION AND APPROVAL OF MINUTES OF 1ST MEETING OF IT COMMITTEE HELD ON 08-03-2013.</p> <p>36. Secretary, IT Committee presented before the Board the minutes of 1st meeting of IT Committee held on 08-03-2013 for consideration and confirmation and approval of decisions/recommendations made by the Committee. A copy of the above minutes duly signed by the Chairman (ITC) are placed at Annexure-B to the Minutes.</p> <p>37. Accordingly, the Board resolved as under:</p> <p>RESOLVED:</p> <p>"that the minutes of 1st meeting of IT Committee held on 31-01-2013 together with the observations/recommendations given below are approved."</p> <p>"that the recommendation of the IT Committee to IT Division to explore the possibilities for hiring required resources through the out sourcing model was hereby approved."</p> <p>"that the recommendation of the IT Committee to invite the CEO of Software solution provider M/s. S.H.M.A. Mr. Umer Morshed and Project Manager of Consultant M/s. BearingPoint to the next Board IT Committee meeting to apprise the Committee on project progress was hereby approved."</p> <p>"that the recommendation of the IT Committee to IT Division to provide details of the budget approved and consumed on IT strategy implementation since 2008 was hereby approved."</p> <p>ITEM (5) APPROVAL OF BUDGET PROPOSALS FOR THE YEAR 2013 AND ACTUAL RESULTS FOR THE YEAR 2012. (Acting ED(F&A)/GM(F&A)'s Memorandum dated 25-03-2013)</p> <p>38. Acting ED(F&A)/GM(F&A) presented before the Board, a Memorandum dated 25th March, 2013 approval of budget proposals for the Corporation containing (i) Actual Results for the year 2011 (ii) Approved Budget for the year 2012 (iii) Revised Budget for the year 2012, Proposed Budget for the year 2013, Life Fund, Renewal Expenses Ratio, Estimate for Capital Expenditures and its breakdown for Real Estate Division and I.T. Division.</p>		

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<p>39. DH(F&A) explained the salient features of the budget proposals in the presentation on multimedia and replied to the different queries raised by the Members of the Board. The assumptions on the basis of which the budget has been prepared is given as under:-</p> <p>40. Budget proposal 2013 is prepared under historic conventions. Following are the basis for preparation of Budget Proposal-2013:</p> <p><u>INCOME</u></p> <ul style="list-style-type: none"> Individual Life first year premium estimates are based on historic experience and overall economic scenario where as second year and renewal premiums are estimated at 85% and 90% persistency respectively. Group life premium estimates are based on the premium due on existing policies and keeping in view the future prospective business groups. Investment income estimates are based on income accrue on existing investments and income from future investment of the surplus funds and expected capital gains. Real Estate Income is estimated on the basis of existing tenancy position and income from future expected tenancy keeping in view the overall economic and the law and order situation in the country <p><u>OUTGO</u></p> <p><u>Policy payments:</u></p> <ul style="list-style-type: none"> Maturities are based on the actual maturity date of the policies. Death claims are based on actuarial estimates of mortality ratios. Surrenders estimates are based on historic trend. <p><u>Acquisition cost</u></p> <ul style="list-style-type: none"> Commission estimates are based on applicable commission rates on first year, second year and renewal premiums. Area manager costs estimates are based on premium income as per entitlements of Area Managers. Policy stamps and medical examination fee is also based on the FYP. <p><u>Admin expenses</u></p> <ul style="list-style-type: none"> Admin expenses estimates are based on the existing salary of the staff/officers and taking into account the provision for future salary rise and the prevailing expected inflation in the country. <p>41. Budget proposals for the year 2013 and revised budget for 2012, showing income and its breakup, details of outgo and its breakup into policy payments, Management expenses and its breakdown into acquisition cost and other administrative expenses. Life Fund, portfolio-wise breakup of amount of capital expenditure and item-wise breakup of capital expenditure for Real Estate Division and I.T. Division are given at Annexure-C to the Minutes.</p>			

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42. DH(F&A) informed the Board that SECP has prescribed Management Expense Limit for life insurance companies vide circular No.6 dated 28th April, 2006. Later on, SECP allowed relaxation in Management Expense Limit for 2011 and 2012 vide circular No.7 of 2011 dated 18th March, 2011 and for 2012 and 2013 vide letter dated 30th March, 2012 on the request of State Life. The relaxed limits for 2012 and 2013 are as under:

S.#	Item	Limits as per circular # 7 of 2011 dated 18 th March, 2011		Amended Maximum Limits as per circular dated 30 th Mar 2012	
		2011	2012	2012	2013
i)	First Year Premium (after 10 th year of insurer in the business)	104%	100%	104%	102%
ii)	Renewal year's premium	19%	18%	19%	18%

43. Renewal Expense ratio of State Life Insurance Corporation of Pakistan on actual results for the year 2011, revised budget 2012 and projected budget for 2013 are as under:-

Descriptions	Actual - 2011	Revised Budget - 2012 after affecting the cuts	Budget - 2013
SECP's limit	19%	19%	18%
Renewal Expense Ratio of SLIC	17.4%	19%	18%

44. The Management Expenses (Acquisition Cost and Admin Expenses) are within the limit allowed by SECP after incorporating certain curtailment in Management Expenses, advised by the Management as under:

• Curtailment in Area Managers' perks	...	Rs.326 million
• Cuts in Admin Expenses	...	Rs.207 million
• Non-payment of commission on Policy fee	...	Rs.160 million
Total:	...	Rs.693 million

45. The Board of Directors was requested to consider Budget Proposals for 2013 and Revised Budget for 2012, as proposed in paras 3 and 5 of the Memorandum.

46. The Board of Directors was also requested to consider and authorize Executive Director (F&A) to make re-appropriation of budget among different heads of revenue expenses/capital expenditure, in case a need for such re-appropriation arises within the overall total amount of budget approved by the Board.

47. Accordingly, the Board resolved as under:

RESOLVED:

"that as proposed by DH(F&A), the budget proposals in respect of Income (individual life premium income, group life premium, health Insurance premium less re-insurance and investment and Real Estate income), outgo, (policy payment, management expenses and other expenses), Life Fund, Renewal expenses ratio and capital expenditure given at paras 3, 4 and 5 of the Memorandum and Annexures C, C-1 and C-2 of the minutes are hereby approved."

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

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Action: ED(F&A) DH(F&A)	<p>"that as proposed by DH(F&A), ED(F&A) is hereby authorized to make re-appropriation of budget amongst different heads of revenue expenses/ capital expenditures, in case a need for such re-appropriation arises within the overall total amount of budget approved by the Board."</p> <p>ITEM (6) FORMAL INQUIRY REPORT TO INVESTIGATE AND BRING THE FACTS ON RECORD AND FIX RESPONSIBILITY ON THE OFFICIALS FOR NOT MAKING ANY PROVISION OF PENSION LIABILITY IN THE ACCOUNTS OF STATE LIFE.</p> <p>48. The Board of Directors at its 223rd Meeting held on 14th March, 2012 had resolved as under :-</p> <p>"that an enquiry be carried out to examine the role of Finance Accounts Division, Legal Affairs Division and other Divisions and fix responsibility of the executives and staff responsible for not making any provision of pension liability in the accounts of State Life resulting from the judgment of the Lahore High Court upheld by the Supreme Court and provide reasons for the lapse."</p> <p>49. Accordingly, a Committee was constituted to investigate, bring the facts on record and fix responsibility on the officials for the lapse. The inquiry report was submitted to the Board at its 229th Meeting alongwith the dissenting note of DH(Legal Affairs).</p> <p>50. The Board at its 229th Meeting held on 15th October, 2012, desired that a formal inquiry be carried out by the Ms. Talat Waseem, ED(PHS) and a report thereof be submitted to the Board at its next meeting so that such lapse don't recur in future.</p> <p>51. The Board of Directors at its 232nd Meeting held on 4th February, 2013 expressed its displeasure at the delay in finalization of the inquiry report and decided that the inquiry carry out by the Chairman instead of ED(PHS) and the report be submitted to the Board at its next meeting.</p> <p>52. The Chairman presented before the Board, a Formal Inquiry Report to investigate and bring the facts on record and fix responsibility on the officials for not making any provision of pension liability in the accounts of State Life.</p> <p>53. The Chairman informed the Board that the enquiry report covers two aspects, the first aspect discusses the mandate of the Board to take decisions relating to the major restructuring of employee benefits such as pension, gratuity etc. The first portion also examines the appropriateness of the decision taken by Board with respect to reducing liability on Corporation. The second aspect deals with the question relating to the non-provisioning of pension liability and to fix the responsibility on the officials for the lapse in this regard.</p> <p>54. Since the proposed change in pension structure was of fundamental nature, it was later felt by the Board that such revisions be approved and be notified by the Ministry. Subsequently, the Board of Directors of State Life in its</p>		

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	<p>165th meeting held on 16th March 2002 approved the proposed amendments in the above stated rules and regulations and sent it to Ministry of Commerce/Finance for approval & notification of the amended regulations in the official gazette. Correspondence took place between State Life and the Ministry of Commerce between September, 1998 and January, 2010. The formal reply was received from the Ministry of Commerce in March, 2011 by mentioning that these amendments cannot be given approval retrospectively now. The reply also indicates that the steps taken by the Board were correct but that such change can only be made prospectively and no retrospective approval can be given. This statement does not contest the decision of the Board. The only problem is the unnecessary delay which was caused by Ministry in giving such decision. In view of the continuous correspondence made by State Life management, the error seems to be on part of Ministry since no concrete efforts were made by Ministry to resolve the case keeping in view the importance of the case.</p> <p>55. The Chairman informed the Board that there is no mandatory requirement on the part of insurer to make provision of cases/law suits that are either pending in the court as well as in progress till such time that the court decides such case and there could be legal complication in the form of law suits by the policyholders against the reduction of surplus on the basis of a running court case. The statutory auditors also never advised for making provision for such cases; rather on the insistence of the statutory auditors a surplus of Rs. 500 million in the pension/CPF fund was adjusted by F&A Division by stopping further contribution during 2009 onwards.</p> <p>56. The Board agreed with the suggestion of the Chairman that the inquiry be closed as it would not serve much purpose except raise acrimony and mutual shifting of responsibility. However, proper provisioning be made in future keeping in view that such provisioning should not be at the cost of the policyholders profit until and unless a court case is decided.</p> <p>ITEM (7) PROPOSAL FOR REVISION IN THE FINANCIAL POWERS OF GM/DH/RC/DH ABOVE IN THE CHART OF DELEGATION OF FINANCIAL POWERS. (Acting ED(F&A)'s Memorandum dated 02-04-2013)</p> <p>57. Acting Executive Director (F&A) presented before the Board, a Memorandum dated 2nd April, 2013 regarding proposal for revision in the financial powers of GM/DH/RC/DH above in the chart of delegation of financial powers.</p> <p>58. The draft revision in guidelines and chart of delegation of financial powers of General Manager/Divisional Head/Regional Chief/Zonal Head and above in hierarchy in the existing chart of delegation of financial powers has been submitted to the Board Audit Committee at its 48th meeting, as directed by BAC in its 47th meeting held on 31st January, 2013.</p> <p>59. The recommendations of the BAC were ratified by the Board of Directors in its 232nd meeting held on 4th February, 2013. The Board resolved as under:</p>		

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

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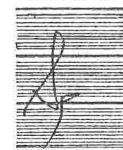
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	<p>"that the Memorandum of revision in manual of delegation of financial powers to Chairman, Executive Directors and Divisional Heads and for authorizing the Chairman to approve powers to be delegated to the officers down the line in the hierarchy be resubmitted to the Board Audit Committee at its next meeting for consideration and framing of its recommendations to the Board of Directors for approval."</p> <p>60. Acting ED(F&A)/DH(F&A) in compliance, a chart indicating existing and proposed revised financial powers intended only to be delegated to General Managers/Divisional Heads/Regional Chief/Zonal Heads and above in hierarchy, was given in the Memorandum for consideration and approval of the Board Audit Committee at its 48th meeting held on 2nd April, 2013. Revision in guidelines to chart of Delegation of Financial Powers will be submitted to BAC/Board after approval of the Chart of Delegation of Financial Powers.</p> <p>61. Acting ED(F&A)/DH(F&A) submitted that there are only a few accounts where the powers are proposed to be revised in higher cadres. As a matter of principle, the power which ends below the grade of GM/DH/RC/ZH in the Chart, is also enjoyed by all the ranks in the above hierarchy unless more power is delegated to them.</p> <p>62. F&A Division, with the consultation of other Divisional Heads, is of the view to revise financial powers in lower grades due to operational necessity. The proposal for revision in financial powers down the line in hierarchy, will be submitted to the Chairman, as per BAC/Board's decision.</p> <p>63. Acting ED(F&A) had requested that the members of Board Audit Committee may consider to approve the revision in financial powers of GM/DH/RC/ZH and above, as proposed in the enclosed chart and recommend to the Board to authorize the Chairman to approve revision in financial powers to be delegated to the officers down the line in the hierarchy.</p> <p>64. Acting ED(F&A) stated that the Govt. Auditors have observed that in terms of sub Articles (1) and (2)(a) of the Article 49 of Life Insurance Nationalization Order, 1972 (LINO, 1972), it is mandatory for the Corporation to seek prior approval of Govt. of Pakistan before delegating its powers to its officers. The relevant article of LINO reads as under:</p> <p>"49. – (1) The Corporation may, with the previous approval of the Central Government, by notification in the official Gazette, make regulations not inconsistent with this Order and the rules thereunder to provide for all matters for which provision is expedient for the purpose of giving effect to the provisions of this Order.</p> <p>"(2) In particular and without prejudice to the generality of foregoing power, such regulations may be provide for –</p> <p>(a) the powers and functions of a Corporation which may be delegated to its officers;"</p>		

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<p>65. Acting ED(F&A) proposed to the Board that in view of the observations of Govt. Auditors, the Corporation would be well advised to submit the Delegation of Financial Powers after approval by the Board of Directors to Govt. of Pakistan.</p> <p>66. Acting ED(F&A) submitted for consideration and approval of the draft revision in the Chart of Delegation of Financial Powers to GM/DH/RC/ZH and above; authorize the Chairman to approve revision in powers of the officers down the line and allow F&A Division to submit Revised Guideline and Chart of Delegation of Financial Powers to the Govt. of Pakistan for approval and issue of gazette notification before making it operational.</p> <p>67. The Board reiterated its policy that the Investment Committee of the Corporation is authorized to approve and to take all necessary steps for placement of funds in bank accounts and TFCs in accordance with the investment policy in vogue from time to time approved by the Board of Directors and in line with the contents of SRO 309K and Ministry of Finance circulars issued from time to time and the Insurance Ordinance concerning the admissibility of the investment.</p> <p>68. The Board decided that as per prevalent practice, the Chart of Delegation of Financial Powers and Guidelines need not be referred to the Government of Pakistan for approval and issue of gazette Notification before making it operational. It advised Acting ED(F&A) to take up the matter with Government Auditors and get the observation cleared as matters of the Corporation will come to standstill if all financial matters are referred to Government frequently. The Corporation is autonomous and is run by Board of Directors nominated by the Federal Government being the only shareholder.</p> <p>69. After deliberations, the Board resolved as under:</p> <p>RESOLVED:</p> <p>"that the recommendations of the Board Audit Committee at its 48th meeting held on 2nd April, 2013 as mentioned in the position paper of Acting ED(F&A) on the revision suggested by the ED(F&A) in the Chart of Delegation of Financial Powers of Executive Director and above together with comments against each account code placed at Annexure-D to the minutes of the Board of Directors is hereby approved excepting the power suggested for Executive Director against account code 332 to 340 regarding investment in Debentures and TFCs. The recommendation of BAC were confirmed by the Secretary and Members of the BAC present in the Board Meeting. The power suggested for Executive Committee against account codes 332-340 will be exercised by Real Estate and Investment Committee which would review the proposal for investment received from Investment and Real Estate Divisions and submit its recommendation to the Board for approval. The power proposed against account code 348-349 in respect of capital expenditure for Executive Committee would now be submitted directly to the Board of Directors for approval."</p> <p>"that the recommendation of the Board Audit Committee to authorize Chairman to approve revision in Financial Powers of the officers down the line from Executive Director including GM/DH/RC/ZH/DGM/AGM/Manager/DM/AM and EO, is hereby approved."</p>	<p>Action: Secretary (BAC) ED(F&A) DH(F&A) DH(inv)</p> <p>Action: Secretary (BAC) ED(F&A) DH(F&A) DH(inv)</p> <p>Action: Secretary (BAC) ED(F&A) DH(F&A) DH(inv)</p>		

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DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	3 RD APRIL, 2013	
	<p>"that the Board reiterated its policy that the Investment Committee of the Corporation is authorized to approve and to take all necessary steps for placement of funds in bank accounts and TFCs in accordance with the investment policy in vogue from time to time approved by the Board of Directors and in line with the contents of SRO 309K and Ministry of Finance circulars issued from time to time and the Insurance Ordinance concerning the admissibility of the investment."</p> <p>"that the recommendation of the Board Audit Committee that all financial powers delegated under the chart shall be exercised within the availability of Revenue/Capital Budget under the respective head of accounts, is hereby approved."</p> <p>"that the recommendation of the Board Audit Committee on the proposal of Acting ED(F&A) that as a matter of principle, the powers which ends below the grade of Executive Director in the chart, is also enjoyed by all the ranks i.e. the Executive Director and Chairman in the above hierarchy unless more powers is delegated to them is hereby approved."</p> <p>"that Acting ED(F&A)/DH(F&A) is hereby directed to circulate the chart of delegation of financial powers together with the guidelines to all the Regions/Zones/DHs after incorporating the amendments approved by the Board for Chairman and Executive Director and for rest of the officers down the line by the Chairman."</p> <p>ITEM (8) APPROVAL OF DRAFT POLICY/SOPS FOR MAKING PROVISION AND IDENTIFICATION OF CONTINGENT LIABILITIES. (DH(F&A) Position Note dated 02-04-2013 & copy of Memorandum to the BAC dated 25-03-2013)</p> <p>70. Divisional Head (F&A) presented before the Board, a position note dated 02-04-2013 together with a copy of Memorandum dated 25th March, 2013 submitted to BAC regarding Draft Policy/SOPs for making provision & identification of contingent liabilities.</p> <p>71. Acting ED(F&A)/DH(F&A) informed the Board that a memorandum was submitted to Board Audit Committee requesting for revisiting of their recommendations regarding reframing the policy for writing back of policy claims and the liabilities which was considered by BAC at its 48th meeting held on 2nd April, 2013 and decided as under:</p> <p>a) <u>Writing back of policy claims and reinstatement of all liabilities, if claim arises:</u></p> <p>i) Policy claims which are outstanding for three or more years shall be written back, as per current policy i.e. by debiting to Claims Reserve Account and crediting Unclaimed Outstanding Maturity/Death Claim into Income Account.</p> <p>[This policy has been adopted under the Income Tax Law, which provides that if the liability has been allowed as deduction from income from business and the said liability has not been paid within a period of three years the end of year in which the deduction was allowed, the unpaid amount of the liability shall be added back to taxable income and shall be chargeable to tax under the head "Income from Business" in the first year following the end of the three years.]</p> <p>ii) In case a policyholder/claimant approaches the zonal office for payment of claim, which was previously written back, and the Claims Department is fully satisfied with the genuineness of the claim and claimant, the written</p>		

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

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DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	3 RD APRIL, 2013	
<p>Action: Secretary (BAC) DH(F&A)</p>	<p>back claim be reinstated and payment of reinstated policy claim be made by debiting Unclaimed Outstanding Maturity/Death Claim into current year expenses and crediting to Claims Reserve Account.</p> <p>[Board Audit Committee recommended to the Board to approve the proposed amendment. However, opinion of statutory auditors may be obtained before implementation of the policy.]</p> <p>iii) Reinstatement of liabilities including policy claims will be made after taking approval of ED (F&A) for amount upto Rs.1.0 million and from Chairman for amount exceeding Rs.1.0 million.</p> <p>b) <u>Financial authority to approve payment of contingent liability arising out of final court order:</u></p> <p>The financial authority of the Chairman, earlier approved as Rs.5 million, has been revised to Rs.10 million.</p> <p>2. Acting ED(F&A) requested that the Board of Directors may please consider the above recommendations of BAC while approving the revision in Policy/SOPs for Making Provision and Identification of Contingent Liabilities.</p> <p>Contents of the Memorandum submitted to the Board Audit Committee at its 48th meeting regarding review of its recommendations given by it at its 46th meeting to the Board of Directors in respect of policy for writing back of policyholders' unclaimed amount, which was approved by the Board of Directors in 232nd meeting held on 4th February, 2013.</p> <p>72. The draft Policy/SOPs for Making Provision & Identification of Contingent Liabilities was submitted to Board of Directors at its 232nd Meeting after making amendments to incorporate the recommendations of Board Audit Committee at its 47th meeting to the Board: Following recommendations were incorporated in the draft:</p> <p>i) All receivable income/investment/loan and income be reviewed initially for six months upto 2014 and afterwards on quarterly basis.</p> <p>ii) Provisioning of doubtful receivable be completed in one and half year instead of three years against such receivables.</p> <p>iii) Provisions regarding the receivables against rent be made on yearly basis.</p> <p>iv) Provision regarding the legal cases be made on the basis of legal opinion from Law Affairs Division and if necessary from outside lawyers in consultation with Law Affairs Division.</p> <p>v) Instead of Rs.20 million, court cases upto Rs.10 million or more to be identified, reviewed and reported to F&A Division by the Legal Affairs Division (LAD) for reporting as contingent liabilities.</p>		
	<p>CHAIRMAN'S INITIALS</p> 		

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DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	3 RD APRIL, 2013	
<p>vi) Liability previously written back to be reinstated and paid to the claimant to the extent of claim be approved with the prior approval of ED (F&A)/Chairman, State Life as per financial authority assigned to above officers.</p> <p>73. The Board in its 232nd held on 4th February, 2013 approved the Policy/SOPs with the changes recommended by BAC at its 46th meeting. One of the significant amendments proposed by the BAC in the Policy/SOPs relates to writing back of policy claims (copy of Board's minutes attached as Annex "A" to the Memorandum). The BAC recommendation to the Board is as under:</p> <p>"Policy of treating unclaimed policy amount will continue to operate as per existing Rules. Current Policy stipulate payment of claims within five years of expiry of life policy after obtaining prior approval of ED (F&A) and Chairman of the company. Simultaneously, the amount of claim so paid will be debited to income account and credited to liability account."</p> <p>74. DH(F&A) stated that the policy for writing back of policyholders' claims after three years instead of five years was adopted in 2004 vide Corporation's circular No.PHS/PO/CIR/06/2004 dated 9th February, 2004 (Annex "B" to the Memorandum) on the advice of statutory auditors in compliance of International Accounting Standards. The policy is being followed continuously in the Corporation since then. Another point for reconsideration is regarding the approving authority. The BAC has recommended to get the written back claim reinstated after approval of ED (F&A)/Chairman as per their financial authority. The practice is that when the policyholder/claimant approached the zonal office for payment of claim and the Claims Department is fully satisfied with the genuineness of the claim and claimant, the written back claim is reinstated and paid as per delegation of financial powers of the officers in the zone.</p> <p>75. DH(F&A) further mentioned that the third issue is accounting treatment of payment of reinstated claim which was previously written back. As per International Accounting Standards (IAS), reinstatement of claims (previously written back) cannot be made by debiting the Income, as IAS does not allow to reverse the income recorded in the previous period rather it states that the reinstatement should be recorded as expense in the year of reinstatement.</p> <p>76. DH(F&A) therefore, requested the members of Board Audit Committee to revisit their recommendations and reframe their recommendations regarding writing back of policy claims and the liabilities in the light and reasons mentioned in above paras. The rephrasing is proposed as under:</p> <p>i) Policy claims which are outstanding for three or more years shall be written back, as per current policy i.e. by debiting to Claims Reserve Account and crediting Unclaimed Outstanding Maturity/Death Claim into Income Account.</p> <p>ii) In case a policyholder/claimant approaches the zonal office for payment of claim, which was previously written back, and the Claims Department is fully satisfied with the genuineness of the claim and claimant, the written back claim be reinstated and</p>			

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DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	3 RD APRIL, 2013	
Action: Secretary (BAC) ED(F&A) DH(F&A) DH(A&C)	<p>payment of reinstated policy claim be made as per delegation of financial powers by debiting Unclaimed Outstanding Maturity/Death Claim into current year expenses and crediting to Claims Reserve Account as per limit allowed in delegation of financial powers for claims (Annex "C" to the Memorandum). However, reinstatement of claims exceeding to Rs.1.0 million be referred to Principal Office and processed through Central Claims Committee.</p> <p>iii) Liabilities other than policy claims should also be written back if not claimed within three years. Reinstatement of such liabilities be made after taking approval of ED (F&A) for amount upto Rs.1.0 million and from Chairman for amount exceeding Rs.1.0 million.</p> <p>77. The Board of Directors at its 233rd Meeting held on 11th March, 2013 had directed DH(F&A) to obtain the opinion of the external auditors and submit the memorandum in this regard to the Board Audit Committee at its next meeting.</p> <p>78. After deliberations, the Board resolved as under:</p> <p>RESOLVED: "that the Policy/SOP for making provision and identification of contingent liabilities earlier approved by the Board at its 232nd Meeting held on 4th February, 2013 on the recommendations of the Board Audit Committee at its 46th meeting held on 13-12-2012 placed at Annexure-B to the Minutes of the 232nd Meeting as submitted by F&A Division in its memorandum now amended to the extent of decision of the Board Audit Committee at its 48th meeting held on 02-04-2013 as follows is hereby confirmed:-</p> <p><u>Writing back of policy claims and reinstatement of all liabilities, if claim arises:</u></p> <p>i) Policy claims which are outstanding for three or more years shall be written back, as per current policy i.e. by debiting to Claims Reserve Account and crediting Unclaimed Outstanding Maturity/Death Claim into Income Account.</p> <p>[This policy has been adopted under the Income Tax Law, which provides that if the liability has been allowed as deduction from income from business and the said liability has not been paid within a period of three years the end of year in which the deduction was allowed, the unpaid amount of the liability shall be added back to taxable income and shall be chargeable to tax under the head "Income from Business" in the first year following the end of the three years.]</p> <p>ii) In case a policyholder/claimant approaches the zonal office for payment of claim, which was previously written back, and the Claims Department is fully satisfied with the genuineness of the claim and claimant, the written back claim be reinstated and payment of reinstated policy claim be made by debiting Unclaimed Outstanding Maturity/Death Claim into current year expenses and crediting to Claims Reserve Account.</p>		
	<div style="text-align: right;">CHAIRMAN'S INITIALS</div> 		

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DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	3 RD APRIL, 2013	
<p>Action: Secretary (BAC) ED(F&A) DH(F&A) DH(IA&C)</p>	<p>[Board Audit Committee recommended to the Board to approve the proposed amendment. However, opinion of statutory auditors may be obtained before implementation of the policy.]</p> <p>iii) Reinstatement of liabilities including policy claims will be made after taking approval of ED (F&A) for amount upto Rs.1.0 million and from Chairman for amount exceeding Rs.1.0 million.</p> <p>Financial authority to approve payment of contingent liability arising out of <u>final court order</u>:</p> <p>The financial authority of the Chairman, earlier approved at Rs.5 million, has been revised to Rs.10 million."</p> <p>"that the DH(F&A) is hereby requested to circulate under the signature of DH(F&A) and DH(IA&C) jointly, the finally approved Policy/SOPs for making provision and identification of contingent liabilities in the financial statements after incorporating the approved recommendation of the Board Audit Committee at its 48th meeting mentioned in the position note above at para 72 of the Board Minutes to the earlier approved Policy/SOPs given at Annexure B to the 232nd Minutes of the Board to all the Executive Directors, Divisional Heads, Regional Chiefs, Zonal Heads and all concerned for their information and compliance."</p> <p>ITEM (9) PRESENTATION OF BUSINESS REVIEW FOR G&P, MARKETING, INVESTMENT AND REAL ESTATE DIVISIONS FOR THE PERIOD ENDED ON 28-02-2013.</p> <p>79. The business review of Group & Pension and Investment Divisions for the period ended on 28th February, 2013 were circulated before the Board which was noted.</p> <p>80. DH(G&P) presented before the Board business review of G&P Division for the period ended on 28th February, 2013 during which G&P Division collected at total premium of Rs. 759.792 million as against Rs. 661.474 million for corresponding period of last year showing an increase of 14.86%. The number of new policies sold during the period upto 28th February, 2013 was 32 as against 37 during the corresponding period upto 28th February, 2012.</p> <p>81. The Board was informed that the total premium for the period upto 28th February, 2013 for Lahore Zone was Rs. 432.950 million as against 178.906 million during the corresponding period upto 28th February, 2012 showing an increase of 142%.</p> <p>82. The business review of Investment portfolio of the Corporation for the period upto 28th February, 2013 was submitted to the Board. The book value of investment portfolio net of provision of Rs. 281 million which was Rs. 322.633 billion as at 31st December, 2012 has increased to Rs. 329.642 billion as on 28th February, 2013 showing an increase of Rs. 7.009 billion and a percentage increase of 2.17% over the corresponding period of last year. The Investment portfolio as on 28th February, 2013 in Governments Securities, Corporate Debts, Equities, Bank Deposits, Investment Property and Loans to Policy Holders were</p>		
<p>Action: ED(G&P) DH(G&P) DH(Inv)</p>	<p>CHAIRMAN'S INITIALS</p> 		

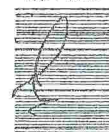
MINUTES OF 234TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	3 RD APRIL, 2013	
	<p>Rs. 239.776 billion, Rs. 2.873 billion, Rs. 29.539 billion, Rs. 29.735 billion, Rs. 2.960 billion and Rs. 24.995 billion respectively. The Investment in government securities constitutes 72.69% of the total portfolio of State Life.</p> <p>83. State Life earned investment income of 6.549 billion on its investment portfolio upto 28th February, 2013 as against Rs. 5.624 billion during the corresponding period of last year.</p> <p>84. The Book value of delisted, unquoted and subsidiary companies are Rs. 62, 404,292, Rs. 1,094,060,820 and Rs. 241,610,472 respectively. State Life purchased shares with the book value of Rs. 291.823 million for the period under review and sold shares with a book value of Rs. 23.174 million for Rs. 32.269 million realizing capital gain of Rs. 9.095 million. State Life has purchased PIBs of face value of Rs. 2.002 billion at a yield of 12.10% from the secondary market. The book value of quoted equity portfolio stood at Rs. 28.141 billion while its market value of Rs. 68.005 billion showing in a appreciation of Rs. 39.864 billion as on 28th February, 2013.</p> <p>ITEM (10) PROTECTION OF SALARY OF SUPERINTENDENTS ON PROMOTION AS ASSISTANT MANAGER DURING THE YEAR 2011 IN TERMS OF CBA AGREEMENT 2011-12. (ED(P&GS)'s Memorandum dated 26-03-2013)</p> <p>85. Executive Director (P&GS) Memorandum dated 26th March, 2013 regarding protection of salary of Superintendents on promotion as Assistant Manager during the year 2011 in terms of CBA Agreement 2011-12 was presented before the Board.</p> <p>86. The Board was informed that on award of 45% increase to the staff as a result of CBA agreement 2011-2012, the pay scale of Superintendents has become higher than the maximum of pay scales of Assistant Managers, therefore it is not possible to protect the salaries of Superintendents promoted to the grade of Assistant Managers during the year 2011 as a result of CBA agreement 1995-1996, according to which the Corporation is bound to protect the salaries of these promoted Superintendents, whatever, they were drawing except medical and children education allowance.</p> <p>87. ED(P&GS) mentioned that the Pay Scales of officers of SLIC were last revised w.e.f. 01-07-2008, since then the Pay Scales for staff were revised twice i.e. 35% w.e.f 01-01-2009 and 45% w.e.f. 01-01-2011.</p> <p>88. To resolve the issue, a committee was constituted vide memorandum dated 25th May, 2012. After detailed deliberations the committee resolved and recommended that these Superintendents may be allowed Personal Pay up to the extent, that their salaries can be protected in terms of CBA Agreement. The Personal Pay so arrived shall be the first charged against any revision of Pay Scales of officers in future and will also be reckoned for the purpose of Pension, Bonus and leave encashment.</p> <p>89. The Memorandum of the above mentioned subject was placed before the Human Resources Committee in its 10th meeting held on 8th June, 2012 who discussed the above mentioned subject and had resolved as under:-</p>		

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DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	3 RD APRIL, 2013	
Action: Secretary (HRC) ED(P&GS) DH(P&GS)	<p>"that the proposal was deliberated in length and it was recommended to the Board these Superintendents may be allowed Personal Pay upto the extent, that their salaries can be protected in terms of CBA Agreement 1995-1996. The personal pay so arrived shall be adjusted in any revision of Pay Scales of officers in future. That Personal Pay would also be reckoned for the purpose of Pension, Bonus and Leave Encashment."</p> <p>90. The estimated one time financial impact as verified by F&A Division is Rs. 4,165,616/-</p> <p>91. After deliberation, the Board resolved as under :-</p> <p>RESOLVED: "that the recommendations of HR Committee at its 10th meeting held on 08-06-2012 on the proposal of ED(P&GS) to allow to the Superintendent personal pay upto the extent that their salaries can be protected in terms of CBA Agreement 1995-96 and that the personal pay so arrived shall be adjusted in any revision of pay scales of officers in future and shall also be reckoned for the purpose of pension, bonus and leave encashment is hereby approved."</p> <p>ITEM (11) GENERAL POWER OF ATTORNEY IN FAVOUR OF DIVISIONAL HEAD (LEGAL AFFAIRS). (Chairman Memorandum dated 27-03-2013)</p> <p>92. Chairman, State Life presented before the Board, a Memorandum regarding issuance of registered general power of attorney in favour of Mr. Fazal-ur-Rehman, Divisional Head (Legal Affairs) in order to deal with legal matters effectively, efficiently and properly such as appearing before the sub-registrar concerned for registration, admission and execution of the documents, signing of Petitions, Plaints as well as Written Statements, Vakalatnamas etc. on behalf of the Corporation which are required to be signed by the General Attorney duly authorized through a resolution passed by the Board of Directors.</p> <p>93. Consequent upon posting of Mr. Fazal-ur-Rehman, DGM/Divisional Head (Legal Affairs), it is proposed that he may be given powers by the Board as per Annexure-E to the Memorandum to enable him to look after the affairs of the Corporation, to sign the complaints, appeals, petitions, applications and other documents of judicial matters.</p> <p>94. Accordingly, the Board resolved as under:-</p> <p>RESOLVED: (a) "that the proposal of Chairman that Mr. Fazal-ur-Rehman, DGM/Divisional Head (LAD) be given a general power of attorney placed at Annexure-E of the Minutes in order to deal with legal matters effectively and properly such as appearing before the sub-registrar concerned for registration, admission and execution of the documents, signing of petitions, complaints as well as written statements, vakalatnamas, etc on behalf of the Corporation is hereby approved."</p>		
	Action: Chairman DH(LAD)		

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DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	3 RD APRIL, 2013	
Action: Chairman DH(LAD)	<p>(b) "that the said power of attorney placed at Annexure-E of the Minutes, be executed under the common seal of the Corporation affixed in the presence of two Directors Mr. Shahid Aziz Siddiqi, Chairman and Mr. Farooq Hadi Director and be notarized and registered in due form of law pursuant to above resolution of the Board of Directors of the Corporation."</p> <p><u>ITEM (12) ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.</u></p> <p>(a) POSITION PAPER ON CURRENT STATUS OF INVESTMENT BY STATE LIFE OF RS. 120 MILLION ON AN OFFER FOR SUBSCRIPTION OF PREFERENCE SHARES OF SILK BANK LIMITED TO FULFILL MINIMUM CAPITAL REQUIREMENT OF THE BANK. (DH (Investment) Position Note dated 25-03-2013).</p> <p>95. The DH(Investment) presented before the Board a position note on investment by State Life of Rs. 120 mn in perpetual, non cumulative, convertible preference shares of Silk Bank Limited.</p> <p>96. The Board of Director in its 233rd meeting held on 11th March 2013 had resolved as under while deliberating on the above subject :-</p> <p>Resolved:</p> <p>"that the recommendation of Real Estate and Investment Committee on the proposal of DH (Investment) to revisit the decision taken in 232nd meeting held on 4th February 2013 is hereby approved and the approval of the Board on the recommendation of the Investment Division for placement of Rs.120 million in perpetual, non-cumulative, convertible preference shares (PNCPS) issued by Silk Bank Limited yielding 14% annualized holding period return as per resolution ad para-68 on page-3915 of the minutes is hereby reaffirmed."</p> <p>"that the tripartite agreement to be executed and signed by authorized representatives of Silk Bank Limited (as issuer), Arif Habib Corporation Limited (as guarantor) and State Life (as Investor) should include specific clause with regard to merger/acquisition of bank and all steps that are required to ensure the protection of investment of the Corporation."</p> <p>"that the above agreement before execution should be vetted by an advocate of repute in banking matters preferably M/s: Sultan A. Aliana."</p> <p>"that Investment Division should release the fund only after ensuring the financial close of the transaction and after having received confirmation of receipt of the entire amount of Rs.2.4 billion less the amount of Rs.120 million to be invested by State Life."</p> <p>"that the Chairman and DH (Investment) are hereby authorized to do all such acts, deeds and things that may be necessary or required to give effect to the resolution of the Board to make the above investment."</p>		

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DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	3 RD APRIL, 2013	
Action: DH(Inv)	<p>97. DH (Investment) submitted that in compliance to Board, the agreements, Share Subscription Agreement and Put Option Agreement, have been vetted by the Legal Counsel "Sattar & Sattar" with due approval from the Chairman as M/s: Sultan A. Allana excused himself from vetting the Agreements due to their preoccupation.</p>		
Action: DH(Inv)	<p>98. DH(Investment) informed the Board that the specific clause(s) that ensure protection of State Life's investment from a possible merger/acquisition of bank have been incorporated to Share Subscription and Put Option Agreements after due approval from Legal Affairs Division.</p>		
Action: DH(Inv)	<p>99. The Board was further informed that the Agreements have already been executed between and amongst State Life, Silk Bank and Arif Habib Corporation on 25th March 2013 for subscription of =44,000,000= Preference shares of Silk Bank at a rate of Rs.2.50 per share totaling of Rs.110 million instead of Rs.120 million as SBP reduced the subscription amount from Rs.2,400 million to Rs.2,200 million and the payment has been made to Silk Bank in PNCPs subscription account titled SILKBANK Preference Shares Subscription Account, A/C No.=2003577298= after receipt of confirmation that Rs.2.09 billion (Rs.2.2 – Rs.0.11=Rs.2.09 billion) was subscribed by other investors.</p>		
Action: DH(Inv)	<p>100. The above position was noted by the Board.</p>		
	<p>ITEM (12) <u>ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.</u></p>		
	<p>(b) <u>SETTLEMENT PACKAGE OF FIRST DAWOOD INVESTMENT BANK LIMITED.</u> (DH (Investment)'s Position Note dated 27-03-2013)</p>		
	<p>101. The Board of Directors at its 230th meeting held on 4th December, 2012 had resolved as under:-</p>		
	<p>"that the recommendation of the Real Estate and Investment Committee on the proposal of DH(Investment) the following settlement package in respect of outstanding COIs of Rs. 100 million alongwith accrued interest thereon is hereby approved:-</p>		
		(Rs. In Mn)	
	Interest received	Rs. 4,378	
	Upfront Cash payment	Rs. 20.00	
	Residential Flat at price of	Rs. 4.50	
	Share of Burj Bank (8.4 mn @ Rs. 10 each)	Rs. 84.00	
	Settlement Amount	Rs. 108.50	
	Total	Rs. 112.878	
	<p>"that as recommended by Real Estate and Investment Committee the waiver of outstanding interest income of interest income of Rs. 53.119 million appearing in the Memorandum records of Investment Division is hereby approved."</p>		

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DIRECTORS	HELD AT	ON	TIME
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	<p>"that the recommendation of REIC that in future no dealing will be carried out with First Dawood Investment Bank Ltd or any of the Directors of the company is hereby approved."</p> <p>"that the recommendation of DH(Investment) that the provision of Rs. 50 million made in the books of account of State Life for the year ended December 31, 2011 be written back is hereby approved".</p> <p>"that the Chairman State Life and DH(Investment) be and are hereby authorized to take all necessary steps and sign all documents pertaining to the implementation and performance of the above approved settlement package received from First Dawood Investment Bank through Karachi Centre for Dispute Resolution(KCDR) in the presence of Mediators and to do all other incidental and ancillary acts, things and deeds including affixation of common seal on the agreement."</p> <p>102. DH(Investment) submitted to the Board a position paper on current status of the settlement package approved by the Board.</p> <p>The settlement agreement was signed in the office of the KCDR (Mediators) in the presence of Justice (R) Zafar Ahmed Sherwani, Director KCDR on 29th December 2012</p> <p>FDIBL made a payment of Rs. 20.00 Mn through cheque no. 8705637 dated 28.12.2012 issuing bank Al Baraka (Pakistan) Limited. The cheque was deposited in the account of State Life in bank a/c no. 0123050776023 maintained with Al Baraka and was cleared on the same day (Saturday). The account is daily product account at 9.50% p.a.</p> <p>Transfer of the subject shares (Burj Bank Limited) to the designated CDC account of SLIC within a period not exceeding 90 days (i.e. 28.03.2013) remains pending. On the request of FDIBL, we had written letter dated 11.02.2013 to Mr. Ahmed Khizer, CEO of Burj Bank Limited, requesting to facilitate State Life to acquire the desired number of shares as part of the terms of the agreement. They replied vide letter no. BBL/GC/CSD-006-2013 dated 20.02.2013 that the request for the transfer of shares can only be facilitated if the request is from the shareholder rather than us. The matter was conveyed to FDIBL vide letter no. INV/F&A/2013/130 dated 25.02.2013.</p> <p>Investment Division is in possession of the original title documentation of property i.e. Flat no. 7 4th Floor Madina Heights, Block 7 & 8 C.P Berar Cooperative Housing Society Karachi. As per our legal consul, which states that "the title of Ms. Salma Bano and Muhammad Irfan as well as M/s First Dawood Investment Bank are defective. As such, M/s First Dawood Investment Bank be asked to get their title completed before executing the Sale Deed of the subject flat in favor of State Life Insurance Corporation of Pakistan". This has been conveyed to FDIBL thru letter dated 18.03.2013.</p> <p>Investment Division is in contact with the management of the FDIBL to expedite the transfer of =8.4= million shares and the transfer of the property in favor of SLIC. In our responses to FDIBL, copy is always marked to KCDR and CEO FDIBL.</p>		

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Action: DH(inv) DH(LAD)	<p>Under the Application Order XXIII Rule 3 CPC, High Court of Sindh, Karachi has granted the consent decree of Rs. 108,500,000/= in suit no. 1754/2009 on 01.02.2013 as compromise has been reached between the parties vide Settlement Agreement dated 29.12.2012.</p> <p>State Life has also sent letter vide ref: INV/REIC/121/2013 dated February 15, 2013 to Ministry of Commerce (MOC) for granting permission to dispose-off the said flat which is at present in possession of RED.</p> <p>We have received letter reference FDIBL/MB/3600/2013 from FDIBL dated 21.03.2013 in regard to the verification of documents of Flat no. 7 Plot 470 CP & Bearer Co Operative Housing Society – Karachi, in response to our Advocate's observations. Clause (viii) of the letter states that "FDIBL may undertake and would indemnify SLIC if it faces any legal consequences in future, as goodwill gesture, FDIBL will protect the interest of SLIOC up to a maximum amount of Rs. 4.50 Million value of the property as per the settlement agreement, in case of any adverse decision of the society. (Annexure A). The matter is again referred to our Law Division for getting the transfer of the said flat in the name of SLIC.</p> <p>In their another letter received under reference FDIBL/MB/3599/2013 dated 21.03.2013 in which FDIBL has requested additional 30-day (i.e. April 27, 2013) to complete the transaction regarding the =8.4= Million shares of BBL to CDC account number 02683-23 of "SLIC" (Annexure B) as the settlement agreement expires on 28.03.2013.</p> <p>103. The Board noted the above position and directed DH(Investment) to rigorously follow up the above settlement package including transfer of the flat in the name of SLIC and its disposal and completion of transfer of 8.4 million shares of Burj Bank to CDC account of SLIC. The Board also directed Legal Affairs Division to look into the possibility of hiring a firm specializing in identification of assets and its possession if need arises for attachments of asset execution of the decree by the Sindh High Court in the above matter.</p> <p>ITEM (12) <u>ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.</u></p> <p>(c) <u>POSITION PAPER ON CURRENT STATUS OF PURCHASE OF CAR PARKING SPACE AND OFFICE SPACE IN BUILDING ADJACENT TO STATE LIFE BUILDING NO.11 KARACHI (INTERNATIONAL BUSINESS AND SHOPPING CENTRE).</u></p> <p>104. The Board of Directors at its 233rd Meeting held on 11th March, 2013 while re affirming its earlier decision of the purchase of the property had resolved as under:-</p> <p>"that the recommendation of the REIC at its 28th meeting held on 8th March, 2013 for consideration of the Board that the points raised by M/s. Mohsin Tayyab Ali & Co, Advocates vide their letter dated 27th February 2013 be conveyed to the vendor and issues be resolved keeping in view the clear title of property without any encumbrance, inclusion of penalty clause on failure to complete the construction in stipulated time and a</p>		
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<p>tripartite agreement between land owner, developer and State Life are hereby approved. The above issues be got cleared by M/s. Mohsin Tayebaly & Co., Advocates before any effect is given to the resolution of the Board given below to make the above investment."</p> <p>"that DH(Investment), DH(Real Estate) and DH(Legal Affairs) should ensure a clean title to the property in favour of State Life without any encumbrance before release of payment and a timeline be incorporated in the agreement in respect of completion of project and possession of the property and protection of rights of the State Life be ensured and a penalty clause be made part of the agreement."</p> <p>"that the Chairman and DH(Investment) are hereby authorized to do all such acts, deeds and things that may be necessary or required to give effect to the resolution of the Board to make the above investment."</p> <p>105. DH(LAD) informed the Board that the matter was again referred to M/s. Mohsin Tayebaly & Co. with specific queries raised by Members of the Board and placed a position paper before the Board which was discussed. The Board decided to listen to the view point of the advocate.</p> <p>106. Mr. Muhammad Shahzad Ashraf representing M/s. Mohsin Tayebaly & Co. appeared before the members of the Board on their request. He proposed that one agreement would cover the purchase of 2 floors for office space with one amenity floor for car parking. M/s. Mohsin Tayebaly & Co on the basis of their discussion/presentation before the Members of the Board will render an opinion in writing based on which an agreement will be drafted to address and overcome the earlier objections/points raised by them.</p> <p>Action: DH(LAD) DH(INV)</p> <p>ITEM (12) ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.</p> <p>(D) BUY BACK OF SHARES OF UNILEVER PAKISTAN LIMITED.</p> <p>107. The Chairman informed the Board that there is a news item in Daily Dawn of 3rd April, 2013 that Unilever Overseas Holding Limited, the parent company of Unilever Pakistan on Tuesday has conveyed its acceptance of the repurchase price of Rs. 15,000/- per share of Unilever Pakistan recommended by the Special Committee and fixed by the Karachi Stock Exchange, for holding in the hands of public, a letter sent by the Unilever Overseas Holdings to the stock exchanges said. State Life is currently holding 423,402 shares which at the currently offered price would fetch a capital gain of approximately Rs. 6 billion.</p> <p>108. DH(Investment) was directed to submit a position paper to the Board of Directors if the offer materializes at its next meeting for its consideration and necessary decision.</p> <p>Action: DH(Inv)</p> <p>109. The meeting ended with vote of thanks to the chair.</p> <p style="text-align: right;">  (CHAIRMAN) </p>			


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<p style="text-align: right;"><u>Annexure-A</u></p> <p style="text-align: center;"><u>MINUTES OF 47TH MEETING OF BOARD AUDIT COMMITTEE HELD ON 31ST JANUARY, 2013, (THURSDAY)</u></p> <p>The 47th meeting of Board Audit Committee of State Life Insurance Corporation of Pakistan was held on 31st January 2013 (Thursday) at 03:00 P.M. in the Board Room, 3rd floor, State Life Building No. 9, Dr. Ziauddin Ahmed Road, Karachi.</p> <p>Following members attended the meeting:</p> <table><tr><td>Mr. Husain Lawai</td><td>Member / Chairman</td></tr><tr><td>Mr. Farooq Hadi</td><td>Member</td></tr><tr><td>Mr. Wazir Ali Khoja</td><td>Member</td></tr><tr><td>Mr. Nihal Anwar</td><td>Member</td></tr><tr><td>Mr. Altaf Ahmed Shaikh</td><td>Secretary</td></tr></table> <p>Following officers also attended the meeting on special request:</p> <p>Mr. Abdul Hafeez Shaikh, Executive Director (F&A) Mr. Muhammad Rashid, General Manager (F&A) Mr. Qaim Zameer, Deputy General Manager (F&A) Mr. Shahzada Saleem Chughtai, Engagement Partner, Anjum Asim Shahid Rahman, CAs Mr. Muhammad Kamran Nasir, Engagement Partner, Riaz Ahmad & Company, CAs</p> <p>The Board Audit Committee deliberated upon the following items:</p> <p><u>Agenda Item 1: To approve minutes of 46th BAC meeting & review its compliance</u></p> <p>The minutes of the 46th BAC meeting held on 13th & 18th December 2012 were placed before the Committee, which were approved unanimously.</p> <p>It was agreed that henceforth draft minutes of BAC meeting be circulated to all members within seven (07) working days of the meeting and shall be deemed as approved, in case no amendment / correction is proposed by any member in subsequent seven days. After approval, relevant decisions be communicated to concerned quarters for compliance of decisions taken in the said meeting. It was further decided that Executive Director / Divisional Head should immediately comply with the directives/decisions in the light of minutes of the BAC after obtaining necessary administrative approval from the Chairman of the company/ corporation.</p>				Mr. Husain Lawai	Member / Chairman	Mr. Farooq Hadi	Member	Mr. Wazir Ali Khoja	Member	Mr. Nihal Anwar	Member	Mr. Altaf Ahmed Shaikh	Secretary
Mr. Husain Lawai	Member / Chairman												
Mr. Farooq Hadi	Member												
Mr. Wazir Ali Khoja	Member												
Mr. Nihal Anwar	Member												
Mr. Altaf Ahmed Shaikh	Secretary												

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Agenda Item 2: Introductory meeting with statutory Auditors and discuss the Proposal of M/s. AnjumAsim ShahidRahman, Chartered Accountants on preparation of Audit Manual

M/s. Anjum Asim Shahid Rahman & M/s. Riaz Ahmad & Co. presented the Audit Plan for the year ended 31st December 2012. The Committee expressed its satisfaction on the Audit Plan. However, BAC desired an updated position from concerned division/department on the following issues:

- i) Impairment in available for sale equity securities
- ii) IT Security Policy

Upon request of the statutory Auditors, the committee assured them to review the Audit fee being paid to them by the Corporation.

a) Bank Reconciliation

BAC assigned the task of conducting Audit of Bank Reconciliation statements (100% November & December 2012) to Anjum Asim Shahid Rehman, CAs. The Special Bank Reconciliation Audit report thereof shall be submitted to BAC alongwith Audit Report for the year 2012. BAC also approved Rs.300,000/- as fee for the above assignment and out of pocket expense which is to be mutually decided between F&A Division & M/s. Anjum Asim Shahid Rahman considering the cost.

b) Proposal on Gap Analysis Report/ Audit Manuals

Mr. Shahzada Saleem Chughtai, Engagement Partner, M/s. Anjum Asim Shahid Rahman submitted their proposal for preparation of Gap Analysis Report/ Audit Manuals, which is as follows:


Description	Fees in Rupees
Gap Analysis Report	1,200,000
Internal Audit Plan	800,000
Internal Audit Manual	1,000,000
Internal Audit Programs	800,000
Training Module	700,000
Total	4,500,000

He further informed the committee that subject assignment shall be completed within 8 – 12 months and also briefed about the “Independence policy issue” for External Auditors. As per Code of Ethics of International Federation of Accountants (IFAC) as adopted by

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<p>the Institute of Chartered Accountants of Pakistan (ICAP) and Revised Code of Corporate Governance, internal audit function of the Corporation should not be outsourced to External Auditors. However, they could provide assistance in performance of internal audit activities as stated in the Code of Ethics. But their acceptance of such assistance services in internal audit function may also cause a self-review threat.</p> <p>In view of the above, BAC decided that subject assignment should be advertised as per PPRA rules, however, only 'A' rated Audit firms as specified by SECP shall be invited to participate in the tendering process.</p> <p><u>Agenda Item 3: To examine and approve draft Guidelines & Chart of delegation of Financial Powers</u></p> <p>Executive Director (F&A) and Divisional Head (F&A) presented the draft Revised guidelines & Chart of Delegation of Financial Powers. The draft guidelines and chart of financial powers encompasses delegation and guidelines right from the Chairman to last rung of management. BAC was of the opinion that the Committee may propose to Board revision of delegation of power to Chairman and Executive Directors for its approval.</p> <p>As such BAC, advised the F&A division to submit the draft guidelines and chart of financial delegation for Chairman and Executive Directors only and shall be submitted within three weeks, elaborating existing delegation of powers compare with proposed revision in delegation of powers in consolidated format for Chairman and Executive Directors. Delegation of powers below EDs shall be decided by the Chairman of the company/Corporation.</p> <p>The meeting ended with the vote of thanks from the chair.</p> <p style="text-align: right;">Sd/- (Husain Lawai) Chairman, Board Audit Committee</p> <p>Dated: 05 -03-2013</p>			
<div style="text-align: right;">CHAIRMAN'S INITIALS</div> 			

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<p style="text-align: right;"><u>Annexure-B</u></p> <p style="text-align: center;"><u>MINUTES OF 1ST MEETING OF BOARD IT COMMITTEE</u></p> <p>The 1st Meeting of the Board IT Committee of State Life Insurance Corporation of Pakistan was held on Friday, 8th March, 2013 at 03-00 p.m. in the Board Room, State Life Building No. 9, Dr. Ziauddin Ahmed Road.</p> <p><u>PRESENT:</u></p> <p>1. Mr. Shahid Aziz Siddiqui, Chairman</p> <p>2. Mr. Farooq Hadi, Director</p> <p>3. Mr. Nihal Anwar, Director</p> <p>4. Mr. Furqan Ahmed Shaikh, Director</p> <p>5. Mr. Saleem Khaliq, DH(IT)</p> <p>Mr. Muhammad Ali, Secretary (ITC)</p> <p>The meeting started with recitation of verses from the Holy Quran by Mr. Nihal Anwar, Director.</p> <p>1. Mr. Shahid Aziz Siddiqui enlightened the intensions of the Board of Directors to constitute IT Committee. He informed participants that Board of Directors has keen interest in timely implementation of IT Strategy and wanted to fully sponsor implementation activities for getting maximum outcome and best delivery of services to all stakeholders through amalgamation ICT with SLIC processes.</p> <p>Afterward, Mr. Muhammad Ali gave a detailed presentation with permission of chair regarding on-going status of "Implementation of Pre-packaged software Solution" & "Improvement of ICT Infrastructure".</p> <p>2. During the discussion on financial progress Chairman enquired about complete financial position from initiation of the plan till-date and directed to provide complete details to this committee in next meeting showing total allocated budget for implementation of IT Strategy (Short term & Long Term) both, funds committed or exhausted so far and future planned activities.</p> <p>3. During this discussion DH(IT) informed participants that Data Centre is ready to start operations but are facing acute shortage of required resources to start operations. It is worth while to mention here that the Board of Directors in its 192nd meeting approved the IT Strategy along with permission to recruit (15) IT Professionals to strengthen existing IT Division capability and to implement the proposed IT Strategy. After completing proper recruitment procedure, thirteen (13) IT professionals were selected, out of which eleven (11) joined IT Division. Four of them left State Life due to better opportunities; at present seven are working.</p>			

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On this note, due ban on employment now a days' Chairman advised to IT Division to explore the possibilities for hiring required resources through the outsourcing model.

4. Chairman directed that in any case this committee intends to visit operational Data Centre as soon as possible. He further enquired when it will be possible. In response, DD(IT) committed to arrange a visit of Data Centre for the Committee followed by a demonstration of Investment Modules in Data Centre on March 29, 2013.

5. Chairman desired that the CEO of Software Solution provider M/s. SHMA Mr. Omer Morshad and Project Manager of consultant M/s. BearingPoint may be invited in next Board IT Committee meeting to apprise the Committee on project progress.

Conclusion.

The Chairman concluded the meeting with Note of thanks to members of the Board of Directors Mr. Farooq Hadi, Mr. Nihal Anwer and Mr. Furqan Shaikh.

Committee observed that SLIC IT team is working diligently but needs to improve its pace of work.

Action Items.

Sr. No.	Action Item	Responsibility	Due Date
1	Provide details of Budget approved & consumed on IT Strategy implementation since 2008.	DH(IT)	Ensuing BoD IT Committee Meeting
2	To explore the possibilities and prepare a working paper for hiring required resources through consultant.	DH/PD (IT)	Ensuing BoD IT Committee Meeting
3	Arrange a visit of Data Centre for the Committee followed by a demonstration of Investment Modules in Data Centre on March 29, 2013.	ED (IT)/DH (IT)	March 29, 2013
4	Invite Mr. Omer Morshad from M/s. SHMSA and Project Manager from M/s. BearingPoint to apprise the committee on project progress.	Secy. BoD IT Committee	Ensuing BoD IT Committee Meeting

Prepared by

Sd/-
(Muhammad Ali)

Approved by

Sd/-
(Shahid Aziz Siddiqui)

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Annexure-C

The following table shows on corporate basis, comparison of approved and revised budget estimates for 2012 and budget estimates for 2013 with actual results of 2011 in respect of income, outgo, contribution to Statutory Funds and Renewal Expense Ratio.

INCOME:

(Rupees in Millions)

Description	Actual 2011	Budget 2012	Revised Budget 2012	Variance from Budget 2012	Revised 2012 vs Actual 2011	Budget 2013	Inc/(Dec) over Revised 2012
<u>PREMIUM INCOME</u>							
(a) First Policy Year	12,009	16,312	13,970	(14%)	16%	17,646	26%
(b) 2 nd Policy Year	8,259	10,203	10,168	0%	23%	11,845	16%
(c) 3 rd and later policy years	19,995	25,445	25,445	0%	27%	32,012	26%
(d) Total	40,263	51,960	49,583	(5%)	23%	61,503	24%
Group Life Premium	4,772	6,114	7,565	24%	59%	8,104	7%
Health Insurance Premium	-	100	120	20%	-	363	203%
Total Premium (Gross)	45,035	58,174	57,268	(2%)	27%	69,970	22%
Less: Re-Insurance	(222)	(255)	(255)	0%	15%	(255)	0%
Total Premium (Net)	44,813	57,919	57,013	(2%)	27%	69,715	22%
<u>INVESTMENT AND REAL ESTATE INCOME</u>							
Investment Income	30,764	38,354	36,736	(4%)	19%	40,732	11%
Real Estate Income	742	800	767	(4%)	3%	828	8%
Inv. & Real Estate Income	31,506	39,154	37,503	(4%)	19%	41,560	11%
TOTAL INCOME	76,319	97,073	94,516	(3%)	24%	111,275	18%

Note: All figures rounded off to nearest rupee in million. All percentages are rounded off to nearest whole number

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Annexure-C-1OUTGO:

(Rupees in Millions)

Description	Actual 2011	Budget 2012	Revised Budget 2012	Variance from Budget 2012	Revised 2012 vs Actual 2011	Budget 2013	Inc/(Dec) over Revised 2012
POLICY PAYMENTS							
a) Death, Maturity & Annuities	10,368	12,835	13,104	2%	26%	13,354	2%
b) Surrenders	4,830	5,665	6,029	6%	25%	7,649	27%
c) Total	15,198	18,500	19,133	3%	26%	21,003	10%
Group Life Claims	4,223	5,381	6,097	13%	44%	6,916	13%
Health Insurance Claims	-	80	90	13%	-	304	238%
Total Policy Outgo	19,421	23,961	25,320	6%	30%	28,223	11%
MANAGEMENT EXPENSES							
Field Expenses	11,474	16,026	14,290	(11%)	25%	17,582	23%
Area Managers Exp.	1,509	2,131	1,962	(8%)	30%	2,152	10%
Policy Stamps & Medical fee	602	906	745	(18%)	24%	925	24%
Total acquisition Cost	13,585	19,063	16,997	(11%)	25%	20,659	22%
Admin. Expenses	4,196	4,816	4,866	1%	16%	5,841	20%
Investment Expenses	28	38	38	0%	36%	43	13%
Real Estate Expenses	428	470	481	2%	12%	515	7%
Health Insurance Expenses	-	12	14	17%	-	49	250%
Total Admin Exp.	4,652	5,336	5,399	1%	16%	6,448	19%
TOTAL MANAGEMENT EXPENSES	18,237	24,399	22,396	(8%)	23%	27,107	21%
Commission from reinsurers	(80)	(34)	(81)	138%	1%	(81)	0%
Management Expenses Recovered from other fund	(3)	(3)	(3)	0%	0%	(3)	0%
Reversal of Tax Provision	(75)						
Share of surplus to Shareholders	661	700	662	(5%)	0%	700	6%
Total outflow + Provn.	38,161	49,023	48,294	(1%)	27%	55,946	16%

Note: All figures rounded off to nearest rupee in million. All percentages are rounded off to nearest whole number

LIFE FUND

(Rupees in Millions)

Description	Actual 2011	Budget 2012	Revised Budget 2012	Variance from Budget 2012	Revised 2012 vs Actual 2011	Budget 2013	Inc/(Dec) over Revised 2012
Accretion to Statutory Funds	38,158	48,050	46,222	(4%)	21%	55,329	20%
Opening Statutory Funds	230,422	268,580	268,580	0%	17%	314,802	17%
Closing Statutory Funds	268,580	316,630	314,802	(1%)	17%	370,131	18%

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Note: All figures rounded off to nearest rupee in million. All percentages are rounded off to nearest whole number

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Annexure-C-2Renewal Expense Ratio

4.1 SECP has prescribed Management Expense Limit for life insurance companies vide circular No.6 dated 28th April, 2006. Later on, SECP allowed relaxation in Management Expense Limit for 2011 and 2012 vide circular No.7 of 2011 dated 18th March, 2011 and for 2012 and 2013 vide letter dated 30th March, 2012 on the request of State Life. The relaxed limits for 2012 and 2013 are as under:

S.#	Item	Limits as per circular # 7 of 2011 dated 18 th March, 2011		Amended Maximum Limits as per circular dated 30 th Mar 2012	
		2011	2012	2012	2013
i)	First Year Premium (after 10 th year of insurer in the business)	104%	100%	104%	102%
ii)	Renewal year's premium	19%	18%	19%	18%

4.2 The above relaxation was allowed on the basis of a road map given by State Life to SECP, proposing various cuts in expenses from 2013 onwards. Major reductions in expenses, as agreed by Marketing Division, include downward revision in Area Managers privilege and incentives in 2013, downward revision in commission rates in 2014, special revival campaign and further revision in commission rates in 2015. It is requested that the Corporation may take necessary steps to fulfill its commitments made with SECP, so that State Life may stay in compliance with the Expense Limits prescribed by SECP for 2013 i.e. 102% on FYP and 18% on renewal premium. From 2014 onward management expense limits are 90% of FYP and 15% of renewal premium. Corporation should have to undertake major restructuring of acquisition cost and admin expenses to comply with the expense limits of SECP applicable from 2014 onward.

4.3 Renewal Expense ratio of State Life Insurance Corporation of Pakistan on actual results for the year 2011, revised budget 2012 and projected budget for 2013 are as under:-

Descriptions	Actual - 2011	Revised Budget - 2012 after affecting the cuts	Budget - 2013
SECP's limit	19%	19%	18%
Renewal Expense Ratio of SLIC	17.4%	19%	18%

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Capital Expenditure:

5.1 Estimates for Capital Expenditure for 2013 and comparison with approved capital budget for 2012 is summarized as under:

(Rupees in Millions)

Portfolio	Budget for 2012	Budget for 2013	% Change
i) Individual Life (within Pakistan – Zones/Regions)	353.141	371.850	5.3%
ii) Group Life Division	27.497	21.014	(23.6%)
iii) Real Estate Division	*241.505	*181.000	(25.1%)
iv) Field Manpower Development Department	2.637	2.095	(20.6%)
v) I.T. Division	**603.580	**240.880	(60.1%)
vi) Principal Office	38.896	44.281	13.8%
vii) Overseas	4.241	2.503	(41.0%)
viii) Bancassurance	22.180	8.205	(63.0%)
ix) Health Insurance (BISP)	15.099	14.760	(2.2%)
Total:-	1,308.776	886.588	(32.3%)

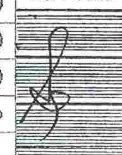
* Real Estate Division has made estimates for 2013 as under:-

Details	Budget for 2012	Budget for 2013	% Change
Major Renovation	150.000	100.000	(33.3%)
Civil works	62.000	39.000	(37.1%)
Electrical works	-	7.000	-
Lifts	2.000	4.000	100.0%
HVAC	22.000	23.000	4.5%
Furniture, Fixture and Office Equipment	3.495	6.200	77.4%
Staff Van	2.010	1.800	(10.4%)
Total:	241.505	181.000	(25.1%)

** The detail of capital budget, as requested by I.T. Division, is as under:

Details	Budget for 2012	Budget for 2013	% Change
Hardware and Networking for IL, G&P and PO	197.895	77.213	(61.0%)
Acquisition of Pre-Packaged Software Solution including Data migration & Customization	103.020	39.752	(61.4%)
Licenses for Database and Operating Systems etc.	136.070	109.473	(19.5%)
Expenses on Additional Human Resources and others	33.315	4.480	(86.6%)
Disaster Recovery Plan	99.480	-	-
Expenses on Training and Change Management	13.200	2.500	(81.1%)
Human Resource Miscellaneous Expenses	0.300	0.100	(66.7%)
Additional Entertainment Expenses	0.300	0.100	(66.7%)
Call Center	20.000	5.000	(75.0%)
Furniture Fixture & Office Equipment	-	2.262	-
Total:	603.580	240.880	(60.1%)

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SUMMARY OF CAPITAL BUDGET - 2013

Detail of capital budget is as under:

(Rs. in Millions)

Portfolio	Furniture & Fixture	Office Equipment	Computer Printer	A.C., Aircooler, Refrigerator	UPS, Generator, Stablizer	Cars/ Staff Van	Renovation & Civil Works	I.T.	TOTAL
Individual Life (Zones/Regions)	130.138	35.222	106.051	65.889	30.490		4.060		371.850
Group Life (Zones, Division)	7.401	1.381	5.219	4.263	2.750				21.014
Real Estate Division	2.000	1.600	2.000		0.600	1.800	173.000		181.000
Field Manpower Dev. Deptt.	1.211	0.037	0.095	0.480	0.272				2.095
I.T. Division	1.628	0.004	0.240	0.390				238.618	240.880
Principal Office	3.336	2.670	16.555	0.720		20.000	1.000		44.281
Overseas	1.663	0.560	0.280						2.503
Bancassurance	2.160	2.920	1.325	1.800					8.205
Health Insurance	3.460	0.500	3.740	0.260		5.800	1.000		14.760
Total	152.997	44.894	135.505	73.802	34.112	27.600	179.060	238.618	886.588

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Annexure-D

Serial # 7 Account code 191 – Advance to contractors/suppliers

ii) Exceeding 25% of contract value (with maximum limit of Rs.50 million)

	BoD	Executive Committee	Chairman	Executive Director
Ext:		Yes		
Prop.			Yes	

Serial # 8 Account Code 192-193 - Security Deposits:

(Deposit with departments like telephone, gas, water, electricity and other departments)

	BoD	Executive Committee	Chairman	Executive Director
Ext:				
Prop.			Above 100,000	Upto 100,000

New Item: Account Code 321 – Advance Tax/Tax under demand

	BoD	Executive Committee	Chairman	Executive Director
Ext:		NO PROVISION		
Prop.			Upto 300,000,000	

Subject to post facto approval of the Board of Directors for the amount exceeding Rs.300 million.

Serial # 14 Account Code 332-340 – Investment

i) Debenture and TFCs:

	BoD	Executive Committee	Chairman	Executive Director
Ext:	Above 50,000,000	Upto 50,000,000		
Prop.	Above 200,000,000	Upto 200,000,000	Upto 100,000,000	Upto 50,000,000

Executive Director and Chairman shall exercise power provided that the company is AAA rated. All other cases shall be referred to Board of Directors for specific approval.

Serial # 15 Account 348-349 Capital Expenditure

Individual authority after processing through CPC (PO)

	BoD	Executive Committee	Chairman	Executive Director
Ext:	Above 50,000,000	Upto 50,000,000	Upto 5,000,000	Upto 500,000
Prop.	Above 50,000,000	Upto 50,000,000	Upto 10,000,000	Upto 1,000,000

At the end of each quarter, a report should be submitted to the Board of Directors, comprising details of capital expenditure incurred during the quarter.

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Serial # 49: Account Code 848 - Car Repair & Maintenance Expenses:

i) Individual authority without processing through ZPC/RPC/CPC

	BoD	Executive Committee	Chairman	Executive Director
Ext:				
Prop.			Above 25,000	Concerned ED Upto 25,000

Serial # 57 : Account Code 862-869 - Advertisement :
Casual advertisement - Principal Office:

	BoD	Executive Committee	Chairman	Executive Director
Ext:				Above 10,000
Prop.			Above 25,000	Upto 25,000

Serial # 80: Account Code 939 - Training Expenses – Field

	BoD	Executive Committee	Chairman	Executive Director
Ext:				Above 50,000
Prop.			Above 500,000	Upto 500,000

Serial # 81 Account Code 950 - Miscellaneous Expenses


	BoD	Executive Committee	Chairman	Executive Director
Ext:				Above 5,000
Prop.			Above 100,000	Upto 100,000

Serial # 88: Account Code 976 – Provision/Payment of Income Tax

	BoD	Executive Committee	Chairman	Executive Director
Ext:				
Prop.			YES	

Serial # 90 Account Code 940-949 - Computer Expenses:
Cost of purchase of USB/CD/DVD/ ribbons/ ink/toners/cartridge and other computer related purchases - After processing by CPC/RPC/ZPC

	BoD	Executive Committee	Chairman	Executive Director
Ext:				Above 500,000
Prop.			Above 2,000,000	Upto 2,000,000

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**NEW ACCOUNTING CODES FOR MEETING THE REQUIREMENTS OF
SOPs/POLICY FOR MAKING PROVISIONS AGAINST DOUBTFUL DEBT**

Serial # 91 Payment of contingent liability arising out of final court order

	BoD	Executive Committee	Chairman	Executive Director
Ext:	NO PROVISION			
Prop.	Above 10,000,000		Upto 10,000,000	Upto 2,000,000
However, if there is immediate order by the court to pay amount exceeding Rs.10 million and it is not easy to call the meeting of the Board, the amount should be approved by the Chairman with the recommendations of the concerned ED and ED (F&A) subject to post facto approval of the Board.				


Serial # 92 Reinstatement of previously written back liability and approval of payment of claim (other than policy claims)

	BoD	Executive Committee	Chairman	Executive Director
Ext:	NO PROVISION			
Prop.			Above 1,000,000	Upto 1,000,000

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DIRECTORS MINUTE BOOK	HELD AT KARACHI	ON 3 RD APRIL, 2013	TIME
	<p style="text-align: right;"><u>Annexure-E</u></p> <p style="text-align: center;"><u>GENERAL POWER OF ATTORNEY</u></p> <p>This General Power of Attorney executed at Karachi this _____ day of _____ in the year 20__ by State Life Insurance Corporation of Pakistan, a statutory Corporation established under the Life Insurance (Nationalization) Order, 1972 (President's Order No. 10 of 1972) having its Principal Office at State Life Building No. 9, Dr. Ziauddin Ahmed Road, Karachi hereinafter referred to as the "Corporation" (which expression shall unless excluded by or repugnant to the context be deemed to mean and include its successors-in-interest and assigns) in favour of Mr. _____ S/o. _____ Divisional Head (Legal Affairs Division) an Officer of the Corporation.</p> <p>WHEREAS for the purpose of facilitating transaction of the business of the Corporation and ensuring speedy and efficient conduct of its legal affairs, it is expedient to appoint a General Attorney and the Board of Directors of the Corporation, hereinafter called "the Board", by a resolution dated _____ duly resolved to appoint the above named Mr. _____ S/o. _____ as the Corporation's General Attorney.</p> <p>AND WHEREAS as the Board has further resolved that this Power of Attorney may be duly executed by any two Directors of the Corporation under the Corporation's Seal affixed in the presence of the said two Directors and registered in due form of law.</p> <p>KNOW ALL PERSONS, therefore, by these presents that the Corporation does hereby nominate, constitute and appoint said Mr. _____, as its true and lawful General Attorney for the Corporation and on its behalf to do and perform all or any of the following acts, deeds and things that is to say:</p> <ol style="list-style-type: none"> i. To appear before the Registrar/sub-registrar of Assurances or any other Officer having authority to register deeds and / or documents in Pakistan and to present for registration all or any document or documents executed by and / or on behalf of the Corporation by any Director or Chairman severally or jointly and to admit the execution thereof and to do all or any acts deeds and things that may be necessary for completing registration thereof in due form of law of the said documents and to receive it back when it has been duly registered and to sign and deliver a proper receipt for the same. ii. To appear and act in all courts of law, civil or criminal, and before all judicial, revenue and administrative authorities of Government and to commence, institute, prosecute, defend or take part in any action, application, suits, 		

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<p>appeals or proceedings in which the Corporation may anywise be interested or concerned and for that purpose to subscribe, sign and verify all plaints, written statements, petitions, applications, affidavits, tabular statements, complaints and matters and things which may be necessary in relation thereto, and for which purpose to appoint vakils, attorneys, advocates, pleaders and any other lawyers and to sign all Vakalatnamas, warrants of attorneys and powers and to file and take back all or any document or papers from courts or Government or public offices, authorize the employees/Officers of the Corporation to give evidence and produce documents and to do all acts or things in relation thereto which the Attorney may think proper under the circumstances.</p> <p>iii. And generally to perform and execute all and every and any other act and deeds, matters and things which shall be necessary and expedient in or about the premises fully and effectually.</p> <p>iv. And all and whatsoever the said attorney shall and may lawfully do or cause to be done in or about the premises, the Corporation for itself its successors-in-interest and assigns do hereby covenant to ratify and confirm.</p> <p>IN WITNESS WHEREOF, the State Life Insurance Corporation of Pakistan has pursuant to a resolution of the Board of Directors of the Corporation passed at its meeting held on _____ in that behalf caused its common seal to be duly affixed hereto.</p> <p style="text-align: right;">FOR STATE LIFE INSURANCE CORPORATION OF PAKISTAN</p> <p>The common seal of the State Life Insurance Corporation of Pakistan. Has hereunto been affixed by order of The Board of Directors vide resolution Dated _____ in presence of:</p> <p style="text-align: right;">CHAIRMAN</p> <p style="text-align: right;">DIRECTOR</p> <p>WITNESSES :-</p> <p>1. _____</p> <p>2. _____</p> <p>The common seal of the State Life Insurance Corporation of Pakistan</p>			
			CHAIRMAN'S INITIALS 