

26TH MEETING OF THE BOARD OF DIRECTORS

HELD AT	ON	TIME
Lahore/Karachi	May 14 to 16, 20, 22 & 23, 1974.	

The 26th meeting of the Board of Directors of the State Life Insurance Corporation of Pakistan was held from 14th to 16th May 1974 at Lahore and later, on 20th, 22nd and 23rd May 1974 at Karachi.

The following Directors were present.

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

Mr. Syed Alamdar Raza, Joint Secretary (Insurance), Ministry of Commerce attended at Lahore on 14th May 1974 by special invitation.

Mr. M. Sadiq Khan, Secretary-Board was also present.

At the outset the Chairman welcomed Syed Alamdar Raza, Joint Secretary, Ministry of Commerce, to the Board's meeting. He said that Mr. Raza had just joined the Ministry after his repatriation from the former East Pakistan where he was serving as Commissioner Dacca at the time of the fall of Dacca. Mr. Raza being a senior civil servant, brought with him a rich and varied experience. The Chairman added that he had specially invited Mr. Raza to the Board's meeting because Mr. Raza was now dealing with the subject of insurance in the Ministry. It would, therefore, be of mutual benefit if Mr. Raza had first-hand knowledge of the Corporation's problems.

Mr. Raza thanked the Chairman and said that he was pleased to be in the meeting. He added that he too hoped to benefit from the meeting and to get a better understanding of the Corporation's problems.

Thereafter the following business was transacted.

ITEM I: TO APPROVE THE CONSTRUCTION OF A MULTI-STOREYED BUILDING AT MULTAN.

The Executive Director (Investment) presented the plan and model of a multi-storeyed commercial building proposed to be built at Multan. It was explained that the building was to be constructed on a plot of land measuring 1450 Sq.Yds. in Multan. The plot was inherited from the former ILACO component and was purchased by them at Rs.3,43,000. The plot was situated on Abdali Road, which, apart from being situated on the main life-line of the city, was also adjacent to the growing commercial centre of the city.

The State Life had obtained the services of M/s Saheer A. Associates, a leading firm of architects from Lahore for

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designing and supervision of the project. The architect explained that keeping in view the nature of the plot, the building was proposed to be constructed in two blocks, block 'A' being the main structure would consist of ground plus five storeys and Block 'B', being the side structure, would consist of ground plus four storeys. The two blocks would have a gross covered area of 40,590 Sq.ft. of which 26,893 Sq. ft. will be rentable. As against the normal proportion of 20-25% of the covered area for common facilities, in this building as much as 40% of the covered area had to be allocated for this purpose owing to the peculiar structure of the plot. This would obviously reflect on the return on investment.

Since the building had no provision for car parking, the Board desired that the plans should be reviewed and suitable provision made for this purpose. The Architects carried out the review and suggested that the provision of car parking in the basement of main block 'A' would raise the cost by roughly Rs.2,75,000. This would result in a total investment of nearly Rs.37 lacs in addition to the cost of land and would yield roughly a return of 5% on investment on the assumption that ground floor would fetch a rent at the rate of Rs.1/50 per Sq.ft. and the other floor at the rate of Rs.1.25 per Sq.ft.

The Board approved an investment of nearly Rs.37 lacs for the construction of the multi-storeyed building at Multan, in addition to the price of the land, as under:-

(i) Construction cost at the rate of Rs.75/- per Sq.ft. for the main structure.	Rs.30,43,500
(ii) Construction cost for basement and ramp at the rate of Rs.50/- per Sq.ft. for basement and Rs.15/- per Sq.ft. for ramp.	Rs. 2,74,850
(iii) Architects fee @ 4½% of (i) and (ii) above.	Rs. 1,49,325
(iv) 5% of construction cost (i & ii) for contingencies and administrative expenses.	Rs. 1,65,917
	<u>Rs.36,33,592</u>

ITEM II: STIPEND SCHEME FOR EMPLOYERS OF AGENTS.

The Board considered the stipend scheme for employers of agents prepared by the Committee appointed for this purpose by the Chairman.

The Board members generally agreed in principle to the grant of stipends to the employers of agents if it was going to help in improved production. Mr. M.S. Janjua, however, remarked that he had some reservations. He was of the view that instead of giving stipends to employers of agents, additional stipendiary agents, should be given to them which would

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improve their production. Mr. P. Sequeira and Mr. S.F. Alam did not favour the alternative suggested by Mr. Janjua. They were of the view that the scheme for employers of agents should not be linked with that of the agents. Mr. Samee-ul-Hasan agreed with M/s Sequeira and Alam and suggested that before appointing any more stipendiary agents, the stipendiary scheme for agents should be reviewed to assess its effectiveness in the past. Statistics should be collected to see how many of the stipendiary agents recruited in the past had continued and what had been the production achieved through such agents. It was agreed that the stipendiary scheme for agents would be reviewed separately and the stipendiary scheme for employers of agents would be implemented independently.

The broad outlines of the Stipend Scheme for employers of agents was discussed for about five hours and ultimately approved. It was decided that the outline of the draft scheme should be discussed with some of the employers of agents by a Committee consisting of Mr. P. Sequeira, Mr. S.A. Walajahi and Mr. M. Zulqarnain. The Committee should then bring up an acceptable formula to the Board for approval. At this stage, the meeting was adjourned and Mr. Alamdar Raza left the meeting.

The meeting re-assembled on 15th and 16th May 1974.

The Committee appointed to discuss the scheme with the employers of agents reported that they had discussed it with some employers of agents at Lahore and that they would like to do so at Karachi also. The meeting adjourned at Lahore.

At Karachi, the draft scheme was discussed with some employers of agents. After protracted discussion the Committee was able to arrive at a formula which was acceptable to the employers of agents at both Lahore and Karachi. On the basis of the agreed formula, the Board finally approved the stipendiary scheme for employers of agents as follows:-

STIPEND SCHEME FOR EMPLOYERS OF AGENTS.

The Scheme is voluntary and anyone who fulfills the conditions of eligibility may apply in the prescribed form.

1. OBJECTIVES: The objectives of the Scheme are

- a) to implement, on a priority basis, an intensive programme of training on scientific lines to be organised by the Principal Office for Sales Officers and Sales Managers.
- b) to conserve the existing manpower resources in the profession of life insurance selling so that the maximum number of employers of agents capable of achieving the expected standards of production required by State Life are equipped to do so.
- c) to assist all Sales Officers and Sales Managers to increase substantially their level of earning and, in particular, to help those Sales Officers and Sales Managers who did not come up to the minimum expectations in 1973, to achieve these minimum standards and more in 1974.

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d) to inculcate in the Sales Officers and Sales Managers regular work habits which would have a beneficial effect on their future performance.

2. COMMENCEMENT DATE, DURATION AND REVIEW:

The Scheme will be introduced as of 1st June, 1974 and will be in force for a period of three months ending 31st August, 1974. The Scheme will be reviewed at the end of each month and a final review of the operational results will be undertaken by the 15th September, 1974, by which date the Corporation will announce its future policy regarding Stipend Schemes.

3. SALES OFFICERS:

ELIGIBILITY: The following eligibility requirements A, B and C will have to be met.

A. Status

Only full-time bonafide Employers of Agents will be considered under the scheme.

B. Service

i) as on 31st May, 1974, the Sales Officers should have two years continuous service as Employer of Agents.

OR

ii) as on 31st May 1974, the Sales Officers should have three years continuous service as Agents and Employer of Agents combined provided that a Sales Officer appointed on or after 1st January 1974 will not be eligible

OR

iii) a Sales Officer appointed in 1973 should have completed minimum Rs.8,000 FYAC in the calendar year ending 31st December, 1973.

C. Production

A Sales Officer should have completed atleast Rs.15,000 FYP in 1971 or 1972 or 1973 with minimum Rs.4,000 FYAC or Rs.9,000 FYP in 1973, except one who is eligible under 3B(iii) above in which case the minimum FYAC requirement in 1973 is Rs.8,000/-.

4. QUANTUM OF STIPEND:

A Sales Officer will receive the following amounts of stipend subject to the fulfilment of the conditions laid down in (5) below:

First Month	Rs.350
Second Month	Rs.400
Third Month	Rs.450

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5. CONDITIONS TO BE FULFILLED FOR RECEIVING STIPEND:

a) A Sales Officer must undergo continuous full-time training programme in the month of July, 1974 for ten to fifteen days which will be organised by the Principal Office with the assistance of the Beema Unit concerned.

b) A Sales Officer must earn minimum FYAC or FYP as under:-

First month FYAC Rs.800 or FYP Rs. 2,000
 Second month FYAC Rs.700 or FYP Rs. 1,750
 Third month FYAC Rs.500 or FYP Rs. 1,250

Provided a Sales Officer who completes in excess of the minimum prescribed in one month is entitled to get the credit of the excess in the following month/months. Likewise, a Sales Officer who does not complete the minimum expectation in one month but makes up the deficit as well as the full quota of the next following month in that month will be entitled to receive the arrears of stipend.

c) A Sales Officer must recruit atleast two Sales Representatives in the first two months of the Scheme and three Sales Representatives during the three months of the Scheme, all of whom, on recruitment will have complied with the prescribed requirements of application, licence and training test for their category.

d) A Sales Officer must maintain a full record of his activities in the attached proforma which he will forward weekly in triplicate, one copy each to the Sales Manager, the Area Manager and the Chief Manager or Asstt.General Manager concerned.

6. SALES MANAGERS

ELIGIBILITY: Requirements A, B and C will have to be met.

A. Status

Only full-time Employers of Agents will be considered under the Scheme.

B. Service

As on 31st May 1974, the Sales Manager should have three years continuous service as Employer of Agents.

C. Production

A Sales Manager should have completed atleast Rs.50,000 FYP in 1971 or 1972 or 1973 with minimum Rs.12,500 FYAC or Rs.28,000 FYP in 1973.

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7. QUANTUM OF STIPEND:

A Sales Manager will receive the following amount of stipend subject to the fulfilment of the conditions laid down in (8) below:

First month	Rs.500
Second month	Rs.600
Third month	Rs.700

8. CONDITIONS TO BE FULFILLED FOR RECEIVING STIPEND.

a) A Sales Manager must undergo continuous full-time training programme in the month of July 1974 for ten to fifteen days which will be organised by the Principal Office with the assistance of the Beema Unit concerned.

b) A Sales Manager must earn minimum FYAC or FYP as under:-

First month FYAC	Rs.3,000	or FYP	Rs.7,500
Second month FYAC	Rs.2,500	or FYP	Rs.6,500
Third month FYAC	Rs.1,500	or FYP	Rs.4,000

Provided a Sales Manager who completes in excess of the minimum prescribed in one month is entitled to get the credit of the excess in the following month/months. Likewise, a Sales Manager who does not complete the minimum expectation in one month but makes up the deficit as well as the full quota of the next following month in that month will be entitled to receive the arrears of stipend.

c) A Sales Manager must recruit atleast three agents during the three months of the Stipend Scheme of which one must be recruited in his indirect unit and two in his direct unit.

d) A Sales Manager must maintain a full record of his activities in the attached proforma which he will forward weekly in duplicate, one copy each to the Area Manager and the Chief Manager or Asstt. General Manager concerned.

9. PAYMENT OF STIPEND.

Stipends to Sales Officers and Sales Managers are payable at the close of each month subject to fulfilment of all the requirements as stipulated above.

15th May 1974

ITEM III: CONFIRMATION OF THE MINUTES OF THE 25TH BOARD MEETING HELD ON 3RD/4TH APRIL 1974 AT KARACHI.

The minutes of the 25th meeting of the Board of Directors held on 3rd and 4th April 1974 were considered and the following observations were made.

(1) Cash Flow:

The Board was informed that as some information was still awaited from 'A' Beema Unit the cash flow arrangements could not be reviewed as desired by the Board.

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The Chairman observed that there were many matters which were required to be attended to urgently. He, therefore, suggested that a crash programme should be prepared for dealing with all urgent matters. It was decided that one of the Directors should coordinate the preparation and implementation of the crash programme on top priority basis. Mr. S.A. Walajahi was nominated to act as the coordinator for the crash programme. He was requested to help in the drawing up of the programme in consultation with the Directors concerned and implementing it on an urgent basis.

(2) Accounts and Audit:

The Executive Director(Accounts) invited the attention of the Board to the urgency of the completion of the audit of the annual accounts as early as possible because the annual report of the Corporation based on the audited accounts had to be sent to the Government urgently. The Chairman endorsed the urgency of the matter and desired that top priority should be given to the completion of the audit of the accounts.

The Executive Director(Accounts) also suggested that in order to avoid rush at the time of closing of accounts in future, there should be concurrent audit during the year on a six monthly basis. The Board endorsed this view. The Executive Director (Accounts) and the General Managers were authorised to appoint internal auditors on a consulting basis for the concurrent audit of the accounts as well as for helping in the streamlining of their accounting procedures and record.

(3) Service to Policyholders.

Mr. Samee-ul-Hasan informed that the first-phase report on computerisation had been received by him from the Systems Committee. He was satisfied with the performance and wanted to place on record his appreciation of the work done by Mr. C.M. Anwer, Actuary and Mr. Haroon of Habib Bank for preparing this voluminous document. He observed that on the basis of this report he would be in a position at least to lay down a system for bringing the initial record on the cards. In this connection, he requested approval of the Board for acquiring the services of Mr. Haroon on loan from Habib Bank on regular basis. The Board approved the proposal and authorised him to negotiate with Habib Bank.

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It was made clear that the submission of this Report would not, in any way, affect the action which the General Managers have already been authorised to take for improving service to policyholders.

(4) Complaints of switching over Group Insurance business.

It was reported that the Committee appointed to look into the matter had submitted its report to the Chairman.

The Chairman observed that Mr. Janjua had taken the plea that the switching was done before the confirmation of the minutes of the meeting. The Chairman accordingly decided that if there was any business switched over from one Unit to another after the confirmation of the minutes, the credit there-for should be reverted to the original Unit. Mr. Zulqarnain, Executive Director (Sales & Development) was authorised to look into this aspect and to take necessary action.

(5) Field Representatives Consultative Committee.

It was decided that each Unit General Manager should constitute Field Representatives Consultative Committees at his Zonal (i.e. Chief Managers) Offices. A Committee will include two representatives each from the Sales Representatives, Sales Officers and Sales Managers. The representatives will be nominated by the General Managers.

The Committees will be responsible for dealing with the problems and difficulties of the field staff in their Zones and making appropriate recommendations to their respective General Managers.

Subject to the above observations the minutes of the 25th meeting of the Board were confirmed.

ITEM IV: TO CONFIRM THE FOLLOWING, ALREADY APPROVED BY CIRCULATION.

Request of State Heavy Engineering and Machine Tools Corporation Ltd., for amendment in security to the debentures proposed to be purchased by State Life.

The Board confirmed its resolution dated 30th April 1974 approving the request of State Heavy Engineering and Machine Tools Corporation Limited for amendment in regard to the security requirements of the debentures proposed to be purchased by State Life. By this amendment, subject to the said Corporation furnishing satisfactory guarantee of the Federal Government and the debentures being registered, the State Life would waive the condition of first charge on the assets of the Corporation for the purchase of the debentures.

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ITEM V: TO CONSIDER A REPORT ON THE FIELD OPERATIONS OF THE CORPORATION.

The Board received the report submitted by Executive Director (Sales & Development) on field operations and noted the various decisions taken in this connection as enumerated in Chairman's Circular dated 11.4.74 to the Field Staff and letters dated April 23 and May 6, 1974 to the General Managers in that regard.

ITEM VI: TO CONSIDER THE REPORT OF AREA MANAGER'S PERFORMANCE REVIEW COMMITTEE.

The Board considered the new scheme for Area Managers, prepared on the basis of the report of the Committee appointed for the purpose and approved it as follows:-

New Scheme for Area Managers

(1) Eligibility

Sales Managers who completed in 1973, a minimum FYP of Rs.2 lacs (or in the case of a less developed area a minimum FYP equal to the qualifying standard set for that area) but less than Rs.3.5 lacs will be eligible for appointment as Area Managers under this scheme.

Sales Managers who completed in 1973, FYP of Rs.3.5 lacs or more will be appointed under the old basis as per clause 4(v) below:-

Provided that, where, in the opinion of the General Manager, such a person is not likely to complete the target fixed for the old scheme, the General Manager may recommend appointment under the new scheme.

(2) Target

The annual quota for an Area Manager under this scheme will be Rs.4 lacs. However, in the 7 months of the calendar year ended 31.12.73 the quota will be Rs.2.75 lacs,

Provided that in the case of less developed areas, the General Manager may fix the annual quota at less than Rs. 4 lacs depending on the potential of the area, but in any case not less than Rs.3 lacs.

(3) Remuneration

An Area Manager appointed under this scheme will be entitled to the following:-

- (a) a fixed salary comprising a basic pay of Rs.1000 p.m., House Rent Allowance at 30% of pay i.e. Rs.300/- p.m., Conveyance Allowance at Rs.200/- p.m. and entertainment allowance at Rs.300/- p.m. i.e. a total of Rs.1800/- p.m.

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Provided that in the case of less developed area where the target is less than Rs.4 lacs the Area Manager will not be entitled to receive the entertainment allowance of Rs.300/- p.m. In other words, his salary is fixed at Rs.1500/- p.m. until he has fulfilled his quota.

(b) An incentive bonus at the following rates:-

- 1% of the FYP completed as Area Manager until completion of the quota (i.e. as long as his FYP is less than Rs.4 lacs per annum or less than Rs.2.75 lacs during 7 months from June to December 1974 or in the case of a less developed area, less than the quota fixed by the General Manager).

- Additional $\frac{1}{2}$ % of the FYP on fulfilment of the quota (i.e. when his FYP is equal to or more than Rs.4 lacs per annum or Rs.2.75 lacs during 7 months from June to December 1974 or in the case of a less developed area, the quota fixed by the General Manager).

(c) Medical facilities and Provident Fund etc. as admissible to an employee of the Corporation.

(4) Other conditions

- (i) No separate reimbursement of entertainment expenses will be made in any case.
- (ii) No car/scooter will be provided by the Corporation.
- (iii) The performance of each Area Manager under this scheme, will be reviewed at the end of each quarter of the year, and appropriate action taken under the regulations, provided that the first such review for new appointees will be undertaken as at 30th September 1974.
- (iv) In the letter of appointment to Area Managers under this scheme it should be stated that the cost excluding office expenses, in any case, should not exceed 7% of the FYP.

Effort should be made to keep the cost of office expenses as low as possible. Each Area Manager should compile his total cost monthly in a prescribed proforma. This proforma should be sent to the General Manager every month. A specimen of the proforma will be separately furnished to each Unit.

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The application of this cost 'proforma' is also recommended for Area Managers appointed in 1973.

(v) Area Managers to be appointed on old basis.

Sales Managers who have completed a minimum FYP of Rs.3.5 lacs in 1973 may be appointed on the old basis with all the facilities and benefits accruing under that scheme (except that the car will be on rental basis as per item IX(iii) of Board meeting dated 24.3.74), with an annual quota of Rs.7 lacs FYP (proportionately reduced for the 7 months of the current year - June to December 1974 - to Rs.4.80 lacs). If the Area Manager fails to come up to the prescribed expectations on a review of his performance as at 30.9.1974, his emoluments etc. should be reduced and appropriate action taken in accordance with the Regulations. He may be brought at par with other Area Managers on reduced quota of Rs.4 lacs and with consequential reduction in emoluments and other facilities.

(5) Recognition of outstanding performance by Area Managers in 1973.

It was decided that due recognition should be given for outstanding performance among the Area Managers in 1973 as follows:

- (i) For completion of FYP ranging between Rs.7 lacs to Rs.10 lacs. Re-designation as Senior Area Manager without any additional remuneration.
- (ii) Rs.10 lacs FYP & over.... to be considered for appointment as Manager (Development) subject to availability of post.

It was decided that the performance of each Area Manager should be regularly reviewed and if it was found to be short of expectation, necessary action including withdrawal of car should be taken under the Regulations.

(6) Transport

It was pointed out to the Board that the maintenance of cars provided to the Area Managers was costing a lot of money to the Corporation. This required a re-consideration of the issue in detail.

It was generally felt that it would be more economical to sell the cars to the Area Managers so that

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the maintenance expenses are borne by them. In the case of Area Managers entitled to be provided with cars, the Corporation could pay petrol expenses and rental for the car as per item IX(iii) of Board's decision dated 24.3.74.

In the case of Area Managers not entitled to cars the question of payment of any petrol or rental would not arise.

A question was raised that the Area Managers may not have sufficient funds to buy the cars from the Corporation. In order to enable them to do so it was felt that the Corporation should prepare some scheme of financing them through banks or other institutions. It was decided that Mr. Safdar Ali Chowdhry, Dy. General Manager, 'C' Beema Unit would prepare a scheme for payment through the Banks, and Mr. D.M. Quraishi would give a scheme for payment through the Co-operative Societies for the consideration of the Board.

ITEM VII: TO CONSIDER THE GROUP INSURANCE OF CENTRAL GOVERNMENT EMPLOYEES.

The Board considered the note submitted by Executive Director (Sales & Development) on the above subject and decided that the Group Insurance for the Central Government employees be handled and dealt with by the Principal Office.

ITEM VIII: PAYMENT OF COMMISSION ON GROUP BUSINESS OF GOVERNMENT AND SEMI-GOVERNMENT ORGANISATIONS.

The Board reaffirmed its earlier decision not to allow any commission on Group business of Government and Semi-Government organisations.

ITEM IX: TO CONSIDER THE QUESTION OF COMPENSATION TO FIELD WORKERS RECALLED FOR MILITARY SERVICE DURING 1971 WAR.

It was decided that the field workers called for Military duty in the last war be compensated for the fall in their income during period of military duty. It was agreed that they should be paid the difference between their average monthly income during the 12 months preceding the date of their recall for active service and that drawn by them during active service. The Accounts department of the Principal Office would advise the General Managers of the Accounting Heads to which this amount would be charged.

ITEM X: ALLOCATION OF NEW CARS.

The Board was informed that as against a total requirement of 82 cars, the Government had allotted only 5 cars to State Life (namely 2 TOYOTA CORONA and 3 TOYOTA COROLLA) which number was apparently very inadequate to meet the requirements. The Chairman stated that he was taking up the matter with the Prime Minister's Secretariat again and the State Life might receive some more cars.

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As for the 5 cars already allotted it was decided to leave the allocation to the Chairman.

ITEM XI: TO CONSIDER AND APPROVE THE BUDGET FOR SPORTS AND CULTURAL ACTIVITIES FOR 1974.

The Board approved a budget of Rs.70,000 for sports and cultural activities for the year 1974 as follows:

Principal Office	Rs. 5,000
'A' Beema Unit	Rs.25,000
'B' Beema Unit	Rs.20,000
'C' Beema Unit	Rs.20,000
	<u>Rs.70,000</u>

It was further decided that the above amount would not be met from the Publicity budget.

ITEM XII: TO CONSIDER AND APPROVE EXTENSION IN THE TENURE OF LIAISON OFFICE AT ISLAMABAD.

The Board was of the view that the Liaison Office which was established last year at Rawalpindi/Islamabad had proved quite useful. It was, therefore, decided to extend it for another one year upto 31st December 1974.

ITEM XIII: TO CONSIDER AND APPROVE THE ABSORPTION OF PIC EMPLOYEES CURRENTLY ON DEPUTATION TO STATE LIFE.

The Board considered the note on the above subject. It was decided that in view of the experience gained by the following staff borrowed from the PIC and the useful work performed by them, they should be absorbed in State Life in appropriate grades:-

1. Mr. Mohd Sadiq Khan
2. Mr. S. Barkatullah
3. Mr. S. Najmul Hasan
4. Mr. S. Nawab Husain
5. Mr. Mohd Hanif
6. Mr. Ism Gul

ITEM XIV: INVESTMENTS

- (1) Application of Avari Hotels Limited for debentures financing of Rs.3.25 crore.

The Board considered the application of Avari Hotels Limited for a debenture loan for its Karachi - Hilton Project.

The Board noted that the dealings of the sponsors of the company with the State Life in the past had not been satisfactory. The dispute on the plot of land sold by the company's principal sponsor, Mr. D.B. Avari to ALICO and inherited by State Life has not yet been resolved inspite of the Corporation's best efforts. The suit filed against Mr. Avari was pending in the Lahore High Court.

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The Board also noted that the company had defaulted in the servicing of the Rs.27 lacs debenture loan in the past.

The Board further observed that unless the demand for five star hotel accommodation in Karachi grew much faster than the supply on account of new hotels being built including Hilton, Hyatt, Sheraton and International Complex and expansion of Karachi Intercontinental, a surplus situation was likely to emerge. This was likely to affect adversely the profitability prospects of the Karachi Hilton and consequently its loan repayment capacity.

In view of the above, the Board declined the proposal.

(2) Application of Packages Limited for a debenture loan of Rs.25 lacs.

The Board considered and approved a debenture loan of Rs.25 lac to Packages Limited on the terms and conditions outlined below:

1. Project examination and professional assistance fee @ $\frac{1}{2}\%$ of the nominal amount of debentures to be subscribed by State Life.
2. Commitment charges @ $1\frac{1}{2}\%$ per annum payable quarterly commencing after 30 days from the date of sanction on the principal sums remaining undisbursed from time to time.
3. Interest @ 4% above the Bank Rate, payable half-yearly.
4. Penal interest @ 2% over and above the rate of interest specified at (3) above on the amounts remaining unpaid on the due dates.
5. Security to be a first mortgage on the company's present and future immovable properties and assets ranking pari passu with other senior creditors and a floating charge on current assets.
6. Redemption in 8 half-yearly instalments after an initial grace period of 2 years from the date of disbursement.
7. The company to furnish information on its operations as and when required by State Life.
8. Such other terms and conditions as State Life may prescribe.

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- (3) Request from National Film Development Corporation Limited to the State Life to consider provision of loans to entrepreneurs in the private sector for construction of cinema houses in the country.

The Board considered the request of NAFDEC to State Life for advancing loans for the building of cinema houses to individual entrepreneurs in the private sector including Cine-color Laboratories. The request was forwarded for comments to State Life by the Ministry of Commerce, Government of Pakistan.

It was stated that in view of the unhappy repayment experience of mortgage loans, State Life had already suspended such loans.

The Board therefore, decided that State Life should consider provision of such finances only by way of subscription to the Government guaranteed debentures which may be floated by the NAFDEC carrying interest @ $2\frac{1}{2}\%$ above Bank Rate.

- (4) Application of Nowshera Engineering Company Limited for a debenture loan of Rs.10 lac.

The Board considered and approved a debenture loan of Rs.10 lac to Nowshera Engineering Company Limited, on the following terms and conditions:-

1. Project examination and professional assistance fee @ $\frac{1}{2}\%$ of the nominal amount of debentures to be taken up by State Life.
2. Commitment charge @ $1\frac{1}{2}\%$ per annum payable quarterly on the principal sums remaining undischarged from time to time, commencing after 30 days from the date of issue of the letter of sanction by the State Life.
3. Interest @ 4% above the Bank Rate, payable half-yearly.
4. Penal interest @ 2% per annum over and above the rate of interest specified at (3) above on all sums remaining unpaid on due dates.
5. Security to be first mortgage on the company's present and future immovable assets and properties and a floating charge on current assets. In addition, if it is not established that the majority of shares in the company are owned by the Government or Government sponsored institutions, the debentures to be purchased by State Life would be secured fully for payment of the amounts of the principal and interest thereon and other dues by a guarantee in form and substance acceptable to State Life, by PICIC or a scheduled Bank or a Government sponsored financial institution.

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6. Redemption in ten half-yearly instalments after a grace period of two years from the date of disbursement.
7. The company to furnish information on its operations as and when required by State Life.
8. Such other terms and conditions as State Life may prescribe.

(5) Sale of excess holdings of Government Securities and debentures of House Building Finance Corporation to the Scheduled Banks with a view to improving the return on the Life Funds.

The Board considered the Executive Director (Investment)'s Memorandum on the above subject. The Board noted and approved the arrangement in principle to temporarily discount the low-income yielding government-securities and government guaranteed debentures with commercial banks for placement of the funds in fixed deposits with them for earning a higher yield. The Board also agreed to the sale of the government loan and the HBFC debentures to Australasia Bank Limited on the terms and conditions outlined below:-

1. State Life to sell to Australasia Bank Ltd., Government securities of the face value of Rs.50 lacs and HBFC debentures of the face value of Rs.150 lacs both carrying average rate of interest of 6% per annum at par value plus accrued interest to date of sale.
2. The ABL to have the option to get the HBFC debentures transferred in its name. In case the bank decides to get the debentures so transferred, the transfer charges applicable thereto, if any, will be borne by the Bank. The re-transfer charges at the time State Life repurchases those debentures from the Bank will, however, be borne by the Corporation.
3. State Life to place Rs.2 crores out of the maturity proceeds of the above securities in fixed deposit with Australasia Bank Ltd., for a period of a 3 years at an interest rate of 9½% per annum.
4. Australasia Bank Ltd., to receive interest on the securities described in No. 1 above, during the same period of 3 years.
5. On maturity of the fixed deposit in 1977, State Life to re-purchase the securities described in No. 1 above, at par value.

ITEM XV: ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.

(1) Trust Deed between the Corporation and Lloyds Bank Ltd., of London.

Mr. Samee-ul-Hasan, Executive Director incharge of the Overseas Division raised the following matter, by permission of the Chair.

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A Trust Deed has to be made between the Corporation and Lloyds Bank Limited of London, in connection with the requirement imposed on the Corporation by the British Deptt. of Trade & Industry under Section 16 of the British Insurance Companies (Amendment) Act 1973. The terms of the Trust Deed have been agreed by Messrs. Linklaters & Paines, the Corporation's solicitors in London, and the Lloyds Bank. The engrossments were laid before the Board, which approved them.

It was resolved that the Corporation's Common Seal should be affixed to the said Trust Deed in the presence of two Directors.

(2) The Board considered the points raised by General Manager, 'C' Beema Unit for the crash programme and decided as follows:

- (i) Emoluments of senior officers from 1.1.73 to the date of their appointment as DGM/AGM/CM etc.

It was felt that there was no justification for any payment to an officer in a grade before his actual appointment in that grade. Accordingly it was decided that no payment or recovery should be made for the period 1.1.73 to the date of actual appointment of an officer in a grade.

- (ii) Payment of Agency/Over-riding commission to employees for business up to 31.12.1972 where licences/certificates are not renewed because of State Life's or previous insurers restriction on them not to transact new business.

It was observed that under the law no renewal commission could be paid to any one until he possessed valid licence/certificate of agent or employer of agent. However, as the inability of an employee to obtain the licence/certificate resulted from the restriction imposed on him by the Corporation to solicit new business, it was felt that the Government be moved to amend the law. Mr. Walajahi was requested to draft the reference to the Government.

- (iii) Chief Managers have represented against the revised formula for payment of Incentive Bonuses which State Life have unilaterally altered in relation to that communicated to them at the time of their appointment.

It was observed that the latest basis for grant of incentive bonus to Chief Managers had been laid down well in time i.e. in September 1973. The request to allow incentive bonus on earlier formulas or the later whichever was more favourable, was, therefore not justified. It was, accordingly decided that the Chief Managers would be paid incentive bonus only on the basis of the latest formula i.e. the following:

- (a) at the rate of Rs.1000 per lac of FYP in excess of their quota. For this purpose the

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quota for 1973 would be

Quota:- 1972 FYP in their territory + 7½% thereof + Rs.2 lacs FYP.

(b) Production Quota for Chief Managers - 1974.

It was decided that Production Quota for the year 1974 will be fixed on the same basis as that of 1973 i.e. it will be as follows:

Quota:- quota in 1973 + 7½% thereof + Rs.2 lacs FYP.

Incentive bonus will also be allowed on the same basis i.e. at the rate of Rs.1000/- per lac of FYP in excess of the quota.

- (iv) Officers of previous insurers were entitled to Incentive/Production Bonuses at year-end without conditions. They represent that these bonuses pro-rated monthly should be included for the purpose of fixation of their emoluments after 31.12.1972.

The Board observed that the fixations had already been finalised in accordance with the fixation formula approved by the Board. There was no provision for including any prorata amount of production bonuses in the formula. There was also no justification for that because it would amount to perpetuation of a benefit not presently being earned by the officers. As for officers engaged on production, the new scales already provide for incentive bonuses. It was therefore, decided that the proposal should not be approved.

(v) Underwriting Changes.

It was decided that the Committee appointed for the purpose should be asked to submit its final report by 31st May at the latest to the Chairman for decision.

- (vi) Increase in number of stipendiary Sales Representatives.

It was observed that it had already been decided to review the past operation of the scheme before any more stipendiary agents were added.

(vii) Stipend Scheme for Employers of Agents.

The Board had already approved the scheme.

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<p>(viii) <u>Urgent capital expenditure for telephone, office, renovation and furniture - ex-post facto sanction by Chairman.</u></p> <p>The General Manager of 'C' Beema Unit was requested to send the capital budget of his Unit to the Principal Office for the approval of the Chairman.</p>		
<p>(ix) <u>Clarification from the Chairman regarding eligibility condition for medical facilities for those with 5 years service.</u></p> <p>It was decided that eligibility requirement for medical insurance scheme will be on the same basis as that for Group Insurance.</p>		
<p>(x) <u>Medical facilities for the family of Field Officers i.e. those entitled.</u></p> <p>It was felt that the scheme needed to be re-examined to consider the feasibility of the demand for family treatment. Mr. S.F. Alam, General Manager, 'B' Beema Unit was requested to prepare a feasibility report in consultation with Alpha Insurance.</p>		
<p>(xi) <u>Reduction in interest rates for House Building/Motor Car/Scooter Loans from Co-operative Societies.</u></p> <p>It was felt that no reduction in interest rate could be made.</p>		
<p>(xii) <u>Persistency Ratio</u></p> <p>The General Manager, 'C' Beema Unit was requested to refer the matter to Mr. Samee-ul-Hasan for clarification.</p>		
<p>(xiii) <u>Clarification of Chairman's circular dated 11th April 1974 regarding business credit on promotion and period of stipend.</u></p> <p>It was made clear that the condition of obtaining the consent of the promotees to give the credit of his promotion to his former supervisor, was a condition for the grant of the credit and not for promotion. It was decided that Mr. Zulqarnain would issue the necessary clarification.</p>		
<p>(xiv) <u>Question of promotion of "employees" and special increments in 1974 and their effective date.</u></p> <p>(a) <u>Promotion</u></p> <p>The Executive Director(Admin.) stated that promotions were subject to availability of posts. The General Manager had already been requested</p>		

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the question of certain officials of 'A' Beema Unit, who were previously entitled to salaries and were later brought on over-riding basis. He stated that there were 11 such persons and that some of them had substantial business.

It was decided that a paper giving full facts and figures should be brought up for the consideration of the Board.

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



Chairman

Confirmed subject to observations made in today's meeting.

*Riaz Ahmed
5/8/74*

