

27TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MEMBER BOOK	Karachi	Monday, the 5th August, 1974	10.00 AM

The 27th meeting of the Board of Directors of the State Life Insurance Corporation of Pakistan was held on Monday/Tuesday, the 5th/6th August 1974 at 10/11 A.M. respectively at Karachi.

The following Directors were present.

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

Mr. S.A. Zahid also attended by special invitation on 5th August, 1974 only.

Mr. Nisar Hussain, Asstt:General Manager(Admin.) and Mr. M. Sadiq Khan, Secretary - Board were also present.

The following business was transacted:-

ITEM I: CONFIRMATION OF THE MINUTES OF THE 26TH MEETING OF THE BOARD OF DIRECTORS HELD ON 14TH TO 16TH MAY AT LAHORE AND ON 20TH, 22ND AND 23RD MAY 1974 AT KARACHI.

The minutes of the 26th meeting of the Board of Directors held on 14th to 16th May at Lahore and on 20th, 22nd and 23rd May 1974 at Karachi, were considered and the following observations/amendments were made:-

(1) Item II: Stipend Scheme for Employers of Agents.

In the second para, after the third sentence, the following was added:-

"He also expressed the fear that if stipends were given to Employers of Agents in one form or another, they might get habituated to them and ask for their continuation even after the scheme had ended, particularly in view of the fact when there was no such demand from the field force of 'A' Beema Unit".

(2) Item III-(3): Service to Policyholders.

The first sentence was replaced by the following:-

"Mr. Samee-ul-Hasan said that a draft report of the Computerisation sub-Committee had been received by him. The said report had still to be approved by the sub-Committee. After approval of the sub-Committee, on which all Units were represented, it would go to the full Computerisation Committee for finalisation after which the report would be presented to the Board".

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- (3) Item VI: To consider the report of Area Manager's performance Review Committee.

Under sub-heading (4) 'Other conditions', in sub-clause (iv) in second para, the second sentence was amended to read as follows:

"The total monthly cost of each Area Manager should be compiled in the prescribed proforma".

- (4) Under sub-heading (6) 'Transport', in 4th para, in the 3rd sentence, between the words "'C' Beema Unit" and "would", the words "in consultation with the General Manager 'A' Beema Unit" were added.

- (5) Item XV: Any Other Item with the permission of the Chair

The existing heading of para (2)(iii), was changed to read:

"Incentive Bonus to Chief Managers".

Procedure for Board meetings:

It was observed that in order to enable the members of the Board to give due thought and consideration to the material presented to them in the Board, the agenda and the working papers should be circulated sufficiently in advance and that the number of items on the agenda should not be too many. It was accordingly decided that 15 days notice as prescribed under the Regulations for normal Board meetings should be given and the working papers should be circulated at least a week before the date of the meeting.

In this connection, it was suggested that in order to enable the Board Secretariat to circulate the papers in time, the Directors who want any item to be considered by the Board, should send the necessary working papers to the Board Secretariat as soon as they decide to do so, instead of waiting for the notice for meeting. Papers received upto ten days before the date of a meeting will be included in the agenda for that meeting. Those received after the aforesaid date will be excluded and kept for the next following meeting.

The above procedure will, of course, not apply in case of emergent meetings.

It was also decided that the Board meetings would, in future, be held regularly in the third week of each month. The exact date would, however, be announced each time on the basis of administrative convenience.

Subject to the above observations and amendments the minutes of 26th meeting of the Board were confirmed.

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ITEM II: TO CONFIRM THE FOLLOWING ALREADY APPROVED BY CIRCULATION:

- (i) Sind Road Transport Corporation's additional debenture issue of Rs.4 crores - proposed State Life's commitment of Rs.50 lacs.

The Board confirmed its resolution dated 7th June 1974 to purchase the SRTC's debentures for an amount of Rs.50 lac on the following terms and conditions:-

1. Commitment charges @ $1\frac{1}{2}\%$ per annum on the principal sum of debentures remaining undisbursed, payable quarterly after the thirtieth, (30th) day of the date of sanction.
2. Debentures to carry interest @* 4% above Bank Rate per annum, payable half yearly.
3. Debentures to be secured by a guarantee from Provincial Government (both with regard to principal amount and interest thereon) and floating charge on the newly created assets of the S.R.T.C.
4. Debentures to be redeemed in four equal annual instalments starting after two years from the date of issue.
5. The S.R.T.C. to furnish reports on its operations as and when required by State Life.
6. Such other terms and conditions as State Life may require.

*The rate of 4% above bank rate was subsequently revised to $2\frac{1}{2}\%$ above bank rate by the Controller of Capital Issues. The Board approved change vide item XIII(i) of these minutes.

- (ii) Investment Corporation of Pakistan's Debenture issue of Rs.10 crore - proposed State Life's commitment Rs.1.50 crore.

The Board confirmed its resolution dated June 17, 1974 on the above subject and agreed to subscribe to the proposed debentures to the extent of Rs.1.50 crores on the following terms and conditions:

- 1) Interest @ $2\frac{1}{2}\%$ above the Bank Rate, payable half yearly.
- 2) Security to be a continuing guarantee of the Federal Government with respect to principal and interest thereon and other dues.
- 3) Redemption to be in 6 annual instalments commencing from April 1, 1977 and ending on April 1982.

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- 4) ICP to furnish information on its operations as and when required by State Life.
 - 5) Such other terms and conditions as State Life may prescribe.
- (iii) Application of Hysons Sugar Mills Ltd., for underwriting its public issue of debentures amounting to Rs.187.50 lac - proposed State Life's commitment of Rs.25 lac.

The Board confirmed its resolution dated June 20, 1974 on the above subject and agreed to underwrite the public issue of the company's non-convertible debentures of Rs.187.50 lacs in the amount of Rs.25 lac on the following terms and conditions:-

- 1) Technical examination and professional assistance fee @ $\frac{1}{2}\%$ of the nominal amount of debentures to be underwritten by State Life.
 - 2) Commitment charge @ $1\frac{1}{2}\%$ p.a. payable quarterly on the principal sums remaining undisbursed from time to time, commencing from 30 days after the date of sanction by the State Life's Board.
 - 3) Underwriting commission @ 1% of the nominal amount of debentures to be underwritten by State Life.
 - 4) Interest @ 4% above the Bank Rate, payable half yearly.
 - 5) Penal interest @ 2% over and above the rate of interest specified at (4) above on sums remaining unpaid on due dates.
 - 6) Debentures to be secured by first charge on fixed assets ranking pari passu with other senior creditors. In addition, the debentures to be taken-up by the State Life against its underwriting commitment would be fully secured with respect to principal and interest thereon and other dues by a continuing guarantee in form and substance acceptable to State Life, from a commercial bank.
 - 7) Debentures to be redeemed in 12 half yearly instalments after an initial grace period of 2 years.
 - 8) The company to furnish information on its operations as and when required by State Life.
 - 9) Such other terms and conditions as State Life may prescribe.
- (iv) Grant of Advances from Provident Fund - Employees of State Life.

The Board confirmed its resolution dated 30th June 1974 on the above subject as follows:-

"Resolved that

the employees be provisionally allowed advances out of the amounts subscribed by them to their Provident



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Fund Accounts together with interest thereon, in accordance with Regulations 10 and 11 of the draft State Life Employees (Provident Fund) Regulations, reproduced below, subject to adjustments, if any, to be made in these Regulations by the Government when these Regulations are ultimately approved by the Government and duly notified."

Regulations 10 and 11 of the draft State Life Employees (Provident Fund) Regulations.

"10. Borrowings from the Fund.-

(1) The Administrators may, out of the amount lying at the credit of a member's account, allow payment of premia on the policies of insurance on the life of the member or of his spouse provided the policy is assigned to the Administrators in such manner as may be determined by the Administrators from time to time.

(2) The Administrators may, out of the amount subscribed by a member himself inclusive of interest accrued thereon, grant, at their absolute discretion, an advance to the member to meet

- (a) cost of purchase or construction or repairs of a house or a site for a house, provided the house or the site for a house is mortgaged to the Administrators in such manner as may be determined by the Administrators from time to time;
- (b) expenses on the marriage of the subscriber, his son or daughter or dependent sister or brother;
- (c) expenses of pilgrimage out of Pakistan;
- (d) expenses incurred in connection with the prolonged illness of the subscriber or any member of his family actually dependent on him and
- (e) obligatory expenses on a scale appropriate to the subscriber's status in connection with funerals or ceremonies which by his religion it is incumbent on him to perform.

(3) The advance for the purchase of a house or site for a house shall not exceed 12 months' pay and the advance for other purposes shall not exceed 3 months' pay of the member, provided that in no case shall the advance exceed 90% of the amount subscribed by the member himself inclusive of interest thereon."

"11. Refund of advance.-

An advance granted under regulation 10, together with interest thereon, shall be recovered by regular deductions from the monthly salary bills of the member starting from

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the month following that in which the advance is drawn in such number of instalments as may be determined by the Administrators in each case but in no case exceeding 60 if the advance is for the purchase or construction of a house or a site for a house, and 36 if it is for other purposes."

In this connection it was observed that there were no Administrators at present. It was accordingly decided that advances may be granted provisionally by the General Managers in the case of Units and the Executive Director (Admin.) in the case of Principal Office pending confirmation in due course by the Administrators of the Fund as and when appointed.

It was further observed that as the Provident Fund was intended to be a retirement benefit for the employee, advances therefrom (except for advances for payment of life insurance policies) should not be granted liberally.

A question was raised regarding the bifurcation of accounts of composite companies between Life and General sides. The Board was informed that guide-lines for the bifurcation had already been issued by the Principal Office Accounts Department and that necessary action was under way. The General Managers were requested to ensure that the bifurcation was completed and the share of General side released after getting the necessary clearance from the Principal Office by 31.8.74.

The Executive Director (Investment) was requested to consider and suggest the rate of interest to be charged on advances from the Provident Fund.

**ITEM III: TO REVIEW THE PROGRESS OF BUSINESS UPTO JUNE 1974
AND TO CONSIDER MEASURES FOR FURTHER IMPROVEMENT**

The Board considered the review of business operations upto June 1974 prepared by Executive Director (Sales & Development) and the measures suggested by him for further improvement. On the basis, of the suggestions made by Executive Director (Sales & Dev.) and others, it was decided that the following action should be taken to promote the business.

- (i) There should be better sales planning for maintaining a regular and steady flow of business.
- (ii) Efforts should be made to have bigger and better field force.
- (iii) Investment oriented policies promising higher return should be introduced to compete with other media of savings.
- (iv) New plans, say on occupational basis, like Executive policy, Industrialists policy, Ladies policy, etc., might be introduced. Such plans have special appeal. Mr. S.A. Zahid promised to bring out 3 new plans for the consideration of the Board.

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- (v) Efforts should be made to extend the area of operation of Life Insurance to the lower income groups which had increasing potential. The current fall in the number of policies and increase in average sum assured and average premium indicated concentration on selective market which was likely to shrink in course of time.
- (vi) Aggressive publicity and advertising should be under-taken to highlight the benefits of life insurance to the policyholders and to show life insurance at work including payment of claims etc.
- (vii) Persistent efforts should be made to improve service to the policyholders.

Mr. S.A. Zahid suggested that the State Life should consider the feasibility of providing the facility of deduction of life insurance premia at source as was available in the case of Postal Life Insurance. It was agreed that the matter would be considered by the Executive Director(Admin.) and taken up with the Government.

At the suggestion of Mr. S.A. Zahid it was also agreed that the State Life should move the employers providing contributory Provident Fund, to allow payment of life insurance premium not only from the employees' own subscription but also out of the employer's contribution. It was agreed that Mr. Zahid would attend to this matter.

In regard to the conservation of business, Mr. Janjua referred to the proposals sent by him for appointing special staff to secure renewal of lapsed policies and solicited Board's approval. It was pointed out that the appointment of salaried staff to solicit renewal of business in the manner suggested by him would violate rules and regulations. However, the possibility of appointing some office staff out of the existing strength, in accordance with the regulations could be considered. It was decided that Mr. Janjua would bring up a revised proposal in accordance with the Regulations and Act, for the consideration of the Board.

It was also decided that in future the review of business operations should be a regular feature of the Board's meetings and the six-monthly results of business be given due publicity.

ITEM IV: TO CONSIDER THE PROGRESS REGARDING REVIEW OF EXISTING FIELD STRUCTURE.

The Board was informed of the progress made towards the collection of data for review of the existing field structure. It was learnt that while 'B' and 'C' Beema Units had sent most of the data, the 'A' Beema Unit had promised to send it soon. The General Manager, 'A' Beema Unit was requested to expedite the despatch of the necessary information.

The Board observed that the collection of data was somewhat behind schedule. The collection of the data should be expedited and every effort made to complete the review in time.

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ITEM V: TO CONSIDER AND APPROVE THE BUDGETS FOR THE YEAR 1974.

The draft revenue and capital budgets of 'B' & 'C' Beema Units and the draft operating budget of the Principal Office for the year 1974, were presented to the Board by the Executive Director (Finance & Admin.). The following observations were made in this connection:

(1) Although the percentages of estimated expenses to premium income during 1974 were almost the same as in 1973, there had been an increase in the office and other over-head expenses in absolute terms. The increase was attributable to (a) increase in salaries (b) additional staff and (c) increase in contingent expenditure like office rent, stationary and printing, conveyance and communications etc. It was felt that while the Corporation had little control over the increase in salaries, it could exercise effective control over the additional staff and contingent expenditure. It was accordingly decided that except typists, stenotypists and stenographers no additional staff should be appointed unless it was absolutely necessary. As far as possible efforts should be made to fill in the existing vacancies by drawing surplus staff from other Units/offices instead of making fresh recruitments.

(2) In order to effect transfers from one Unit/Office to another, there should be a standing Committee of the Asstt:General Managers incharge of Personnel departments of all the three Units and the Principal Office. This Committee should keep with it a list of the surplus staff of each Unit.

(3) Mr. S.A. Zahid observed that while the over-head expenses had increased, the premium income was not keeping pace with the expenses. Therefore unless concerted efforts were made to increase the premium and to control the expenses, the expense ratio would go up.

(4) Mr. Samee-ul-Hasan felt that the estimates of renewal premium were rather over optimistic. These estimates showed a growth rate of about 15%, whereas the actual rate had been about 10%. Accordingly he anticipated that the actual premium would be lower than that shown in the budget. Consequently the expense ratio would be higher.

(5) In regard to the Principal Office budget, the expense ratio on supporting functions was almost the same as in 1973 or less, except for Training Deptt. where it was more. The increased expense on investment was considered to be a worth while investment.

(6) Mr. S.A. Walajahi observed that the expenses on publicity needed to be increased in view of the increased sales activities of the Corporation and the rising cost of advertising. It was agreed that the budget would be revised on the basis of actual experience after 30th September.

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Subject to the above observations and comments, the Board approved the budgets of 'B' & 'C' Beema Units and the Principal Office of the Corporation as follows (subject to details given in the working paper):

(i) 'B' Beema UnitRevenue Budget - Ordinary Life.

<u>Premium Income</u>		<u>1974 (Budget) (Rs)</u>
First Year Premium	-	1,60,00,000
Renewal Premium	-	<u>8,18,00,000</u>
		<u>9,78,00,000</u>

Management Expenses

<u>First Year business</u>	<u>Amount</u>	<u>as %age of premium</u>
Office	- 25,48,000	15.93
Field	- <u>1,18,52,000</u>	<u>74.08</u>
Total	- <u>1,44,00,000</u>	<u>90.01</u>

Renewal business

Office	- 1,06,91,000	13.07
Field	- <u>75,00,000</u>	<u>9.17</u>
Total	- <u>1,81,91,000</u>	<u>22.24</u>
Grand Total	- <u>3,25,91,000</u>	<u>33.32</u>

Revenue Budget - (Group Life)

		<u>1974</u>
Premium income	-	1,75,00,000
Expenses	-	17,04,600
%age of expenses to premium	-	9.74%

Capital Budget

Opening balance on 1.1.74	-	28,20,096
Additions during the year	-	<u>2,67,000</u>
Total	-	<u>30,87,096</u>
Less retirement during the year	-	(-) <u>50,000</u>
		30,37,096
Less depreciation	-	(-) <u>4,06,927</u>
Closing balance on 31.12.74	-	<u>26,30,169</u>

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(ii) 'C' Beema Unit

Revenue Budget - Ordinary Life

<u>Premium Income</u>		<u>1974 (Budget) (Rs)</u>
First Year Premium	-	1,86,00,000
Renewal Premium	-	7,48,00,000
Total	-	<u>9,34,00,000</u>

Management Expenses

<u>First Year business</u>	<u>Amount</u>	<u>as %age of premium</u>
Office	- 57,83,700	31.1
Field	- <u>1,33,96,500</u>	<u>72.0</u>
Total	- <u>1,91,80,200</u>	<u>103.1</u>

Renewal business

Office	- 97,14,050	13.0
Field	- <u>46,54,400</u>	<u>6.2</u>
Total	- <u>1,43,68,450</u>	<u>19.2</u>
Grand Total	- <u>3,35,48,650</u>	<u>35.9</u>

Revenue Budget - (Group Life)

		<u>1974</u>
Premium Income	-	2,67,50,000
Expenses	-	14,65,800
%age of expenses to premium	-	5.5%

Capital Budget

Opening balance on 1.1.74	-	20,54,160
Additions during the year	-	<u>14,74,643</u>
Total	-	35,28,803
Less retirement during the year	-	(-) <u>2,43,000</u>
		32,85,803
Less depreciation	-	(-) <u>4,81,097</u>
Closing balance on 31.12.74	-	<u>28,04,706</u>

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(iii) Principal Office

(a) Supporting Functions

	1974 (Budget) (Amount in Rs)	%age of total assumed premium of Rs.28.75 crore
1. Chairman and Board Secretariat	4,15,644	.15
2. Administration	6,66,012	.23
3. Accounts	5,40,720	.19
4. Public Relation	3,40,500	.12
5. Publicity media	6,50,000	.23
6. Training	9,69,684	.34
7. Sales & Development	4,50,888	.16
8. Actuarial	3,13,464	.11
9. Research & System	2,09,196	.07
10. Audit and Inspection Service	3,00,588	.10
11. Pre Audit	70,092	.02
12. General expenditure	34,800	.01
	<u>49,61,588</u>	<u>1.73</u>

(b) Original functions

(1) Overseas department

	1974 (Budget) Rs.
First Year Premium	15,00,000
Renewal Premium	<u>35,00,000</u>
Total Premium	50,00,000
Total expenses	20,14,000

(2) Pension department

1974 (Budget) Rs.
3,97,644

(3) Investment department

Investment other than Real Estate

Income	...	Rs.	8,81,00,000
Expenses	...	Rs.	<u>10,58,000</u>
Net Income	...	Rs.	8,70,42,000
Capital employed	..	Rs.	120,00,00,000
Net yield (percentage of net income to capital employed)			7.25%

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Real Estate

Income	...	Rs. 1,66,00,000
Expenses excluding depreciation	...	Rs. 74,27,000
Net income before depreciation	...	Rs. 91,73,000
Depreciation	...	Rs. 45,00,000
		Rs. 46,73,000
Capital employed	...	Rs. 15,00,00,000
Net yield before depreciation	...	6.11%
Net yield after depreciation	...	3.11%

3. The above budgets were based on the actuals for 1973 and the projected increase during 1974. It was decided that each Unit and the Principal Office would report their actual performance as upto 30th June, 1974 to the Board by 30th September 1974. Thereafter the budgets would be revised, if necessary.

ITEM VI: TO CONSIDER MEASURES FOR IMPROVEMENT OF EFFICIENCY.

The Board noted the steps taken by the General Managers to improve the efficiency and service to the policyholders. The Board desired that the General Managers should keep themselves in constant touch with the working of their various departments particularly the policyholders service department and continue to take appropriate measures for improvement.

ITEM VII: TO REVIEW PROGRESS REGARDING THE IMPLEMENTATION OF SETTLEMENT WITH THE EMPLOYEES FEDERATION.

The Board was informed that out of total of 12 items included in the settlement, action had already been taken on 10 items. The remaining 2 items were in hand. The Board noted this progress with satisfaction.

The main item outstanding concerned the grant of advances for conveyance and house building. The Board was informed that the following actions had been taken in this regard:-

- (i) Cooperative Societies had been activated except in a few cases.
- (ii) A scheme for house building in collaboration with the House Building Finance Corporation was under consideration of the Executive Director(Investment).

However, the Insurance Rules providing for grant of such advances under the Insurance Amendment Act 1970 had not so far been framed. These rules were being framed by the Controller of Insurance, and the State Life had to expedite the matter.

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ITEM VIII: TO REVIEW PROGRESS ON THE CRASH PROGRAMME.

The Board noted the progress on the Crash Programme and the following observations and decisions were made.

1. Distribution of prizes for Chairman's Shield.

It was decided that the results of the contest be compiled and despatched to the Principal Office, by the Units by 15th of August at the latest. The distribution of prizes would be made on Monday the 26th August 1974. If information was not received from any Unit within time, the decision would be taken on the basis of the information made available.

2. Cash flow and banking arrangements.

Executive Director (Investment) informed that some information was still awaited from 'A' Beema Unit. He also reported the latest figures of cash flow, from which it transpired that there was a need to have a more effective control over receipts and expenditure.

It was decided that the Executive Director (Inv.) should prepare a report on this matter in consultation with the General Managers and Chief Accountants concerned for the consideration of the Board in its next meeting.

3. Financing Operation of Cooperative Societies for Field and Office staff.

The General Manager, 'C' Beema Unit remarked that his staff were not agreeable to pay the high rate of interest charged by the Cooperative Societies.

Mr. A.A. Toor suggested the possibility of subsidising the rate. It was felt that the subsidy would be quite heavy in the case of advances for house building. However, some subsidy could be considered in the case of conveyance advances. It was decided that the General Managers would give to the Executive Director (Inv.) projections of their requirement for vehicle advances for the next five years. The Executive Director (Investment) will then prepare a paper on the feasibility of the subsidy.

4. Installation of Group Scheme - Office and Field Staff.

It was decided that each Unit would be allowed to have a separate scheme of Group Insurance for office and field staff, to be underwritten by the respective Units themselves. The Principal Office's scheme may be given to 'B' Beema Unit.

5. Juvenile and Annuity Insurance.

It was observed that there was not much demand for this type of insurance in the country. Annuities were mainly being purchased for tax evasion. Therefore it was decided that the annuity rates may not be revised.

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6. Delegation of Financial Powers below Executive Directors in the Principal Office.

It was observed that Executive Directors had already been delegated full powers to incur expenditure within their own departmental budgets. The Executive Directors may, therefore, subdelegate these powers to their subordinate officers, if necessary.

7. Special Board meeting to consider in depth the working of the Corporation and the 3 Units particularly in 1973

It was decided to hold a Board meeting to discuss the overall working of the Principal Office and the Units after the receipt of the audited accounts.

The meeting then adjourned to meet again on Tuesday, the 6th August at 11.00 A.M.

TUESDAY, THE 6TH AUGUST 1974.

The meeting reassembled on Tuesday, the 6th August 1974 at 11 AM and transacted the following business:-

ITEM IX: TO CONSIDER THE QUESTION OF REVIVAL OF LAPSED GROUP INSURANCE POLICIES.

Attention of the Board was invited to its earlier decision under which switching over of Group Insurance business from one Unit to another was disallowed. The point brought up for Board's consideration was that if a Group Insurance policy lapsed, should it then be open for other Units to compete for that policy. It was decided that the original Unit should be allowed six months to try and revive that policy on its own books. Thereafter it would be open for other Units to compete for that policy.

ITEM X: TO CONSIDER THE REPORT OF THE COMMITTEE APPOINTED BY THE BOARD TO STUDY REVIVAL OF LAPSED POLICIES.

Consideration of this item was deferred, pending further study by the General Manager, 'A' Beema Unit and Executive Director(S & D), who would submit their report for the consideration of the Board.

ITEM XI: TO CONSIDER THE QUESTION OF DISPOSAL OF CARS TO OFFICERS IN POSSESSION OF OFFICIAL VEHICLES ALTHOUGH NO LONGER ENTITLED TO THIS FACILITY.

The Board considered the question of disposal of cars in possession of officials who were not entitled to cars. It was decided that the following policy should be adopted in this regard:-

- (1) If the vehicle was originally provided to the official concerned under valid authority, it may be offered to him for sale at the value determined in accordance with the Board's resolutions dated 6th September 1973 and 13th October 1973.

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(2) If the vehicle was acquired by the officer concerned without any valid authority, the officer should be asked to surrender the car or to pay the current market price therefor.

(3) 'Valid Authority' for this purpose shall mean:

(i) For the period of Trusteeship, i.e. 19.3.72 to 31.10.72, the 'Trustee' concerned, Chairman or Secretary LIMB.

(ii) For period prior to 19.3.72, the Chief Executive of the Insurance Company concerned or any other competent authority designated in this behalf or in the absence thereof, the precedent and practice of that company to be established as a matter of fact.

It was further decided that the decision as to whether a car was acquired under valid authority or not for the above purpose, shall lie with the General Manager concerned in the case of a Unit and the Executive Director(Admin.) in the case of Principal Office. In case of doubt the General Managers may refer the matter to the Principal Office of which the decision shall be final.

A point was raised that in some cases where a car was not originally acquired under valid authority, an offer might have already been made to the official concerned at the price stipulated in the Board's resolutions dated 6.9.73 and 13.10.73. It was decided that such cases should be referred to Executive Director(Admin.) for final decision and appropriate action.

ITEM XII: TO CONSIDER THE QUESTION OF PREPARATION OF COMPREHENSIVE LIST OF BENGALI POLICYHOLDERS.

The consideration of this item was deferred for the time being.

ITEM XIII: - I N V E S T M E N T

(i) Commitment charge on the debentures of Sind Road Transport Corporation

The Board considered the proposal to waive the commitment charge applicable to the two debenture loans advanced by the Corporation to the SRTC. It was pointed out that the Corporation had not charged commitment fee on the debentures of Punjab Road Transport Board. Moreover the other members of the consortium of financial institutions had also dispensed with the condition of commitment charge on the debentures of SRTC. It would, therefore, be only, fair to SRTC to allow the benefit of this waiver from the State Life. Keeping in view these facts, the Board agreed to waive the commitment charge on the two debenture loans of Rs.50 lac each advanced by the Corporation to the SRTC.

The Board was further informed that while the Second government guaranteed debenture loan to SRTC was approved by

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the Board at the rate of 4% above the Bank Rate on the recommendation of the consortium, the Controller of Capital Issues had approved the rate of interest at 2½% above the Bank Rate which was the normal rate applicable to all debenture issues guaranteed by the government. The first debenture loan was also approved by the Board at this rate. The revised rate had been accepted by other members of the consortium.

All other terms and conditions of the debenture loans to the SRTC would remain unchanged.

The Board agreed to the reduction in the rate of interest from 4% above Bank Rate to 2½% above Bank Rate on the Second debenture loan to SRTC.

- (ii) Application of Pakistan National Oils Limited for underwriting its rights-cum-public issue of debentures amounting to Rs.75 lac to the extent of Rs.20 lac

The Board considered the application of Pakistan National Oils Limited for a debenture loan of Rs.20 lac, the proceeds of which would be utilized for investment in the share capital of its subsidiary, Pakistan National Produce Company Limited (PNPC) which had been established to undertake the business of rice milling. The Board noted that the financial projections indicated that PNO's operations would yield adequate profits and cash flow for dividend distribution and debt servicing over the next four years and that the proposed debentures would qualify as 'approved investment' under the Insurance Act, 1938.

Mr. Samee-ul-Hasan suggested that the Corporation should explore the possibility of getting 20% of the loan converted into ordinary shares at par at any time during the currency of the loan. He also suggested that the Corporation should take-up with CIAC the question of reducing the interest differential of ½% on convertible debentures so as to relate it to the portion of the loan on which conversion option was applicable rather than the entire loan.

The Board agreed to underwrite this debenture issue of the Pakistan National Oils Ltd., to the extent of Rs.20 lac on the following terms and conditions:-

1. Project examination and professional assistance fee @ ½% of the nominal amount of debentures to be underwritten by State Life.
2. Commitment charge at the rate of 1½% p.a. payable quarterly commencing after 30 days from the date of sanction by the State Life's Board on all amounts remaining undisbursed from time to time.
3. Underwriting commission @ 1% of the nominal amount of debentures to be underwritten by State Life.

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4. Rate of interest to be 4% above the Bank Rate, in case the debentures are non-convertible and 3½% above the Bank Rate, in case they are convertible. Interest to be payable half-yearly.
5. Penal interest @ 2% over and above the rate of interest specified at (4) above on all amounts remaining unpaid on due dates.
6. Security to be first charge on fixed assets ranking pari passu with other senior creditors and a floating charge on total assets. Unless it is established that the Government in effect owns at least 25% of the PNO's share capital through the medium of a Corporation, the debentures to be taken up by State Life would be additionally secured by a continuing bank guarantee with regard to payment of the amounts of principal and interest thereon and other dues.
7. Redemption to be in eight equal annual instalments after a grace period of one year from the date of disbursement.
8. Such other terms and conditions as State Life would prescribe.

(iii) Review of investment policy and fresh investments in the Life Fund portfolio during September 1, 1973 to July 31, 1974.

The Board reviewed the investment policy being pursued by Investment Department in the management of the life fund portfolio and approved the strategy spelt out in E.D.(Investment)'s Memorandum No. Inv-35/74 on the above subject. The Board also noted and confirmed the net changes in the Life Fund investment portfolio in the field of government securities, shares, debentures, GTDRs, and deposits with the commercial banks during the period between September 1, 1973 to July 31, 1974 as set out in the said Memo. The Board further noted that a large portion of the marginal accretions during the next five months from 1st August, 1974 to 31st December, 1974 (estimated Rs.11.69 crore) would be invested in the real estate, policy loans, FDRs and GTDRs. The Board also approved the arrangement whereby funds would be placed in the form of FDRs of one year maturity for enabling the banks to provide housing loans to the State Life's employees. It was observed that although the FDR's under this arrangement would be free from any lien of house building loans to be advanced by the banks to State Life employees, as a matter of gentleman's agreement, the Investment Department would continue to renew the FDRs until such time the house building loans by the banks to the staff are liquidated.

The Board also noted with satisfaction the expected increase in the yield on Life Fund based on the estimates of investment income earned during the first half of the current year, 1974 and the projections for the balance of the year.

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- (iv) Application of Avari Hotels Limited for a debenture loan of Rs.2.83 crore - proposed State Life's commitment of Rs.35 lac.

The Board reconsidered the application of Avari Hotels Limited for a debenture loan of Rs.35 lac which was declined in an earlier meeting of the Board held on 14th May, 1974 on grounds of unsatisfactory dealings of its sponsors with State Life, default in servicing of our debenture loan in the past and the likelihood of an emerging surplus in the supply of five star hotel accommodation at Karachi. The main basis for re-consideration was that the principal sponsor of the company, Mr. D.B. Avari, had promised at a meeting of the consortium of financial institutions held on 10th July, 1974 to resolve the dispute on the plot of land sold by Mr. Avari to former ALICO and inherited by State Life in respect of which a suit was pending in the Lahore High Court, to the satisfaction of State Life. The sponsors further promised to clear all overdues and give a firm undertaking that no default would take place in future with regard to payment of interest and debt instalments on due dates.

In view of the above, the Board agreed to subscribe to the company's additional debentures of Rs.2.83 crore to the extent of Rs.35 lac. Mr. Samee-ul-Hasan, emphasized that the portion of Avari Hotels debentures proposed to be subscribed by the State Life should carry a conversion option upto 20% of their holdings into ordinary shares of the company at par value at any time during the currency of the loan. The Board agreed and approved the loan 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 undisbursed from time to time, commencing after 30 days from the date of sanction by the Board of Directors.
3. Interest @ $3\frac{1}{2}\%$ above the Bank Rate, in case the debentures are convertible and 4% above the Bank Rate in case they are non-convertible. Interest to be 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 present and future immovable assets and properties and a floating charge on current assets. In addition, debentures will be secured fully for payment of the amounts of principal and interest thereon and other dues on due dates, by a continuing bank guarantee, in form and substance acceptable to State Life.

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6. Redemption in 14 half-yearly instalments after a grace period of 3 years from the date of disbursement.
7. The sponsors of the company to resolve their dispute relating to the plot of land sold by Mr. D.B. Avari to former ALICO and inherited by State Life, with the Corporation to its entire satisfaction.
8. The company to clear all dues of principal and interest including penal interest, if any, falling due on State Life's first debenture loan. The company to give firm assurance to State Life that no default would take place in future with regard to payment of interest and debt instalments on due dates in respect of all present and future loans.
9. The sponsors to arrange a subordinated loan of Rs.25.00 lac for meeting the overruns of Lahore Hilton project and to provide firm assurance that they would be responsible for meeting any overruns that might arise in future in case of Karachi Hilton project also.
10. The company to furnish information its operations as and when required by State Life.
11. The sponsors not to undertake any other project or divert resources of the company till their two projects namely Lahore Hilton and Karachi Hilton are implemented and are in a position to declare a regular and reasonable dividend to the shareholders to the satisfaction of State Life.
12. State Life to have the option to appoint a Director on the Board of Avari Hotels Limited.
13. Such other terms and conditions as State Life may prescribe.

(v) Mortgage Loans - request for waiver of interest.i) Mrs. Shams Khaleeli

The Board declined Mrs. Shams Khaleeli's request for the waiver of interest amounting to Rs.14,431.32 in respect of the mortgage loan of Rs.1,19,442.50 advanced to her late husband Brig.Ahmad Khaleeli by EFU. However, purely on compassionate ground, the Board agreed to make the following concessions:

Subject to Mrs. Khaleeli paying Rs.16,714.80 out of the outstanding amount of Rs.26,714.80, the State Life would allow the following relaxations:

- a) documents in respect of her property shall be released upon her signing a demand promissory note in respect of Rs.10,000/-, being the balance of the loan.
- b) The State Life would not charge any interest on the remaining amount of Rs.10,000/-.

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- (vii) Proposal for the construction of a centrally airconditioned multi-storeyed building on plot No. 'C' & 'D' at the Mall Road, Rawalpindi.

The Board was informed that State Life owned four plots, 'A', 'B', 'C' & 'D', in one row adjoining each other on the Mall Road, Rawalpindi. Plot 'A' was earmarked for a multi-storeyed car park while a building had been constructed at plot 'B'. Executive Director (Investment) further informed that there was an acute shortage of office space at Rawalpindi, and there was a long queue of notable tenants such as NPT and the Defence Production Board on the State Life waiting list. The Defence Production Board had expressed their keenness to obtain 25,000 Sq.ft. of office space.

Keeping this in view the Board approved the construction of a centrally air-conditioned multi-storeyed building on plots 'C' and 'D' on the Mall Road, Rawalpindi.

As regards the appointment of architects and airconditioning consultants, the Board decided that a statement should be prepared giving the list of architects who applied for the Pre-Qualification advertisement for State Life's proposed sixteen storey building at Islamabad. The list of architects and air-conditioning consultants should be scrutinised by the Executive Committee and a panel approved out of which the E.D.(Investment) could assign jobs on various building projects being undertaken by the State Life.

- (viii) Purchase of land around Quaid-e-Azam Mazar

The Executive Director (Investment) informed the Board that the government planned to develop a commercial centre in the area around the periphery of Quaid-e-Azam Mausoleum at Karachi. The Board noted that investment of roughly Rs.4 crore in the proposed commercial centre is estimated to yield a net return of 9% provided the land is purchased at the rate of Rs.200/- per Sq.yd. and the plot ratio is fixed at 1:1. The Board approved the purchase of approximately 9 acres of land at the rate of Rs.200/- per Sq.yd. on 99 years' lease and the construction of a commercial complex at a cost of Rs.4 crore around the Quaid-e-Azam Mausoleum.

- (ix) To consider the disposal of an X-Ray Unit & E.C.G. Machine lying with 'C' Beema Unit.

The Executive Director (Investment) informed the Board that in pursuance of Executive Committee decision taken on 24.10.1973, the sale of the X-Ray plant and E.C.G. machine was widely publicized through advertisement in the press. The response received so far was discouraging. The offer for X-Ray plant hardly exceeded Rs.35,000/-. The sale was recently discussed with a group of young doctors who were setting up a Medi Care Centre on modern lines and were looking for equipment for their proposed clinic. The group has agreed to offer a price of Rs.1 lac for the X-Ray plant, with the stipulation

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that the cost of such parts of the plant which were not in working order and needed replacement (as the plant is fairly old) would be adjusted against the purchase price on a survey being undertaken by Siemens. The net price would be paid in the following manner. Sixty percent of the price would be paid cash down. The balance 40% would be paid in 24 monthly instalments beginning from January, 1975.

The Board, approved the sale of the X-Ray plant on the above terms and conditions subject to suitable safeguards for the recovery of the balance 40% of the price.

- (x) Proposal for the purchase of Plot No.13-C/L, measuring 8229 Sq.Yds. on Ziauddin Road, Karachi.

The Executive Director(Investment) proposed to the Board that open plots of land at attractive site should be purchased to take advantage of capital appreciation in the future and the general slump in the commercial real estate market at present. In this connection he recalled his earlier Memorandum for the purchase of plot No. 13-C/L on Ziauddin Road which is owned by Esso and was offered almost a year ago at the rate of Rs.400 per Sq.yds. In addition, the State Life was also to pay the brokerage and the registration charge. Mr. M.S. Janjua, General Manager, 'A' Unit, while agreeing to the purchase of open plots including the said plot, emphasised that an embargo should be placed on future constructions of buildings at Karachi, that investment in buildings should be concentrated in the northern areas which were the major contributors of premium income to the State Life.

The Executive Director(Investment) pointed out that while there could be no fundamental disagreement on stepping up investments in the northern areas, in fact the State Life had already decided to undertake construction at Hyderabad, Multan and Rawalpindi, it would be suicidal to the compulsions of maximisation of returns on life funds to allow investment opportunities to slip by where they were converging and otherwise too few. This was so, for two main reasons. Firstly, the interest of northern areas could have been neglected or put to jeopardy if the investment was suffering owing to limitations of resources or choice between opportunities in the northern areas vis-a-viz the southern areas. In fact, owing mainly to the lack of attractive investment opportunities throughout the country, the State Life is carrying excessive liquidity and is expected to end-up with a holding of Rs.16.50 crore in GTDRs, besides Rs.20 crore in FDRs with the banks by the end of the current year. Secondly, with inflation eroding the real value of investments of life funds and investment in shares, against the background of heavy depreciation in the shares portfolio of life funds and collapse of the stock market, being highly hazardous, the only avenue available for hedging the life funds against the effects of inflation is large scale investment in real estate. Any self-imposed embargo on future constructions at Karachi will hamstring the life fund's ability to make capital gains and fight the corrosive impact of inflation.

The Board approved, in principle, the proposal of Executive Director(Investment) to purchase open commercial plots all over Pakistan including Karachi. The Board also approved the purchase

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of Esso plot No.13,C/L, located at Ziauddin Road, and authorised him to finalise the transaction with the approval of the Chairman.

The Board also authorized all the Directors to bring concrete proposals for developing real estate properties in different regions of the country for its consideration.

(xi) USIS Project at Islamabad.

The Executive Director(Inv.) apprised the Board that USIS had approached State Life with a suggestion that we may construct a building at Islamabad with an approximate covered area of 25000 Sq.feet, which they would take on a long lease. The proposal was approved in principle by the Chairman on 2nd March 1974. Accordingly, the Capital Development Authority was approached, and they had provisionally allotted to us a plot of land in the Blue Area, measuring 160 x 180 Sq.ft., at a price of Rs.110 per Sq.yd. The total cost of the plot works out at Rs.3,52,000.00.

Negotiations are underway with USIS for finalising the terms of agreement for future tenancy on the basis that the State Life would build a non-airconditioned building but would bear the cost of installation of the airconditioning plant. The airconditioning plant would be imported by USIS at its own cost. With this arrangement, we quoted a tentative rent at the rate of Rs.2.37 per Sq.ft. per month, payable in advance for 5 years.

USIS now suggests that they are also willing to provide suspended ceiling, the lighting fixtures and the toilet fixtures which togetherwith the airconditioning plant, will be paid out of their resources but would become the property of State Life as and when they leave the premises. On this basis, USIS is seeking a further reduction in the rate of rent.

The Board approved the proposal in principle and authorised the Executive Director(Investment) to finalise the negotiations with the approval of the Chairman.

ITEM XIV: ANY OTHER ITEMS WITH THE PERMISSION OF THE CHAIR.

(1) Mr. M.S. Janjua raised certain points on which the following decisions were taken :-

(a) Cash award to officers.

"It was decided to give cash awards to employees in category 'C' & 'D' also on qualifying or passing the following technical examinations:

- Certificate courses in Insurance and related fields as approved by the Corporation. Rs. 200/-
- A.C.I.I.(Life), A.P.I.I.A., A.C.M.A. Rs. 750/-
- A.I.A., F.C.I.I.(Life), C.L.U., F.L.M.I. Rs. 1000/-

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(b) Development Managers.

The consideration of this item was deferred.

(c) Stay in first class hotels.

It was decided that the matter should be examined in the light inter-alia of the Government instructions on the subject and the relaxation, if any, allowed in the case of members of the Board of Industrial Management as well as other autonomous bodies under the Federal Government.

(2) Claim under policy No.39989 (of former Adamjee Insurance Co.) in respect of late Anwar Ali Khan Sandelo

The Executive Director(S&D) informed the Board, that the above case, which had been rejected by the Board earlier, had now been received through the Government. It was observed that the Board had declined this claim because the policy was not in force at the time the insured died and the claim was legally not payable. No ex-gratia payment was approved by the Board as a matter of policy. There were no new facts to justify the revision of the earlier decision. However, in view of the interest shown by the Government, it was decided that the Government may be informed of the above position.

(3) Special Pay - Delegation of powers to Chairman and Executive Director(Administration).

The Board approved the proposal to delegate to the Chairman and the Executive Director(Admin.) the powers to grant special pays upto Rs.350/- per month and Rs.100/- per month respectively and passed the following resolution to this effect:-

"Resolved

that in exercise of the powers conferred by Regulation 7 read with Regulation 3(i) of the State Life Employees(Service) Regulations-1973, the Board of Directors of the State Life Insurance Corporation of Pakistan is hereby pleased to delegate to the Chairman and the Executive Director (Admin.), powers to grant special pay upto the limits and subject to the conditions mentioned against each below,

- Chairman Rs.350/- per month in any one case, in case of all employees of the Corporation.
- Executive Director (Administration) Rs.100/- per month in any one case, in case of employees of Principal Office.

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It was noted that the General Managers had already been delegated powers to sanction special pay upto Rs.100/- per month in any one case, in the case of the employees of their respective Units.

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

*Confirmed
Rashid
19/2/75*

Rashid
Chairman

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