

32ND MEETING OF THE BOARD OF DIRECTORS

STORS	HELD AT	ON	TIME
E BOOK	Karachi	Tuesday, the 1st July 1975	10 A.M.

An emergency (32nd) meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on Tuesday the 1st July 1975 at 10 A.M. in the Board Room of the Corporation at Karachi.

The following Directors were present:

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

Mr. S.A. Zahid, Consulting Actuary
attended by invitation.

ITEM I: CONFIRMATION OF THE MINUTES OF THE 31ST BOARD MEETING HELD ON WEDNESDAY, THE 14TH MAY 1975.

The Minutes of the 31st meeting of the Board held on 14th May 1975 were confirmed.

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

The Board confirmed the following resolutions already approved by circulation regarding :-

- 1) Application of Larkana Woollen Mills Limited for a debenture loan of Rs.4 lac.

"RESOLVED that the State Life Insurance Corporation of Pakistan purchase debentures to the extent of Rs.4 lac out of the total additional issue of Rs.23.50 lac on the terms and conditions outlined below:

1. Project examination and professional assistance fee @ $\frac{1}{2}\%$ 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 amount of debentures remaining undisbursed from time to time, commencing after 30 days from the date of sanction by the State Life's Board of Directors.
3. Interest @ $3\frac{1}{2}\%$ above the Bank Rate in case of convertible debentures and 4% above the Bank Rate in case of non-convertible debentures. Interest would be payable half yearly. In case of convertible debentures, 20% of the debentures loan would be convertible into ordinary shares at par value at the option of State Life at any time during the currency of the loan.

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4. Penal interest @ 2% over and above the rate of interest specified at (3) above on all sums remaining unpaid on due dates.
5. Security to be first charge on fixed assets and a floating charge on current assets. In addition, debentures to be taken up by State Life would be additionally secured by a continuing bank guarantee in form and substance acceptable to State Life.
6. Redemption to be in ten half-yearly instalments after a grace period of two years.
7. Prior to the disbursement of the debentures loan:
 - a) The sponsors to furnish evidence to the effect that subscription to the share capital proposed to be paid up has been arranged by the sponsors/underwriters;
 - b) The Company to furnish evidence that commitments have been obtained for the balance amount of debentures (Rs.19.50 lac);
 - c) The Company to produce letter of approval from the Controller of Capital issues for the issue of debentures;
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.

ii) Death Claim under 'C' Beema Policies 181437, 194456 & 708897.

708897 is lapsed. 181437 and 194456 are paid up with a total sum payable of Rs.21,637/-.

The deceased's wife, who was the nominee pre-deceased the life insured. He left no sons, but only 3 daughters, one of whom is married to Mr. A.S. Kousar, Joint Secretary, Ministry of Commerce. The claimants have requested waiver of a succession certificate. The deceased being Sunni, the daughters are not entitled to the whole of the estate.

The Board allowed payment subject to the following safeguards:-

- a) The 3 daughters must undertake to distribute to the heirs, residuaries and distant kindred as required by law, and they must specifically state that they realise that collectively they are entitled only to 2/3rds.
- b) A Joint discharge by all three must be signed, and a joint cheque for the full amount be issued.

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- c) Mr. Kousar and the three beneficiaries to stand, surety as to the fulfilment of the undertakings given in (a) just above, and indemnity to State Life against double claim or losses caused by decision to pay without succession certificate.
- d) Documents to be drafted by us.

ITEM III: TO CONSIDER AND APPROVE BONUS PROPOSALS FOLLOWING THE 31ST DECEMBER 1974 VALUATION.

Mr. Zahid presented his valuation and bonus proposals. He proposed:-

- a) Habib and Crescent Star policies would get bonuses for the calendar years 1971 and 1972, at the rates last declared by each company before nationalisation.
- b) Other insurers' policies would not get any bonuses for the calendar years 1971 and 1972, beyond any bonuses already declared and attached.
- c) Insurers' policies, as well as State Life Policies, would get bonuses for the calendar years 1973 and 1974 at rates equal to the current State Life interim rates. But policies issued by the following companies will get bonuses for these two calendar years at Rs.5 per thousand sum insured per annum:-
- East West Mutual Insurance Company Limited;
 - Grand Mutual Life Insurance Company Limited;
 - International General Insurance Co., of Pakistan Ltd.;
 - Pakistan Mutual Insurance Company Limited;
 - Standard Insurance Company Limited;
 - Union Insurance Company of Pakistan Limited.
- d) State Life Policies issued from the 1st November 1972 to 31st December 1972 would get a bonus for 1972 at the current interim rates.
- e) Interim bonuses may be allowed on deaths or maturities for the calendar years 1975 and 1976, at the same rates as allowed under paragraph (c) above.
- f) Policies issued by the following companies will get no bonuses for the calendar years 1973 and 1974.
- Bengal Life and General Insurance Co.Limited;
 - Eastern Insurance Co.Limited;
 - Eastern Life Insurance Co.Limited;
 - Eastern Mercantile Insurance Co.Limited;
 - East Pakistan Cooperative Insurance Society Ltd.;
 - Great Eastern Insurance Co.Limited
 - Homeland Insurance Co.Ltd.;
 - National Insurance Co.of Pakistan Ltd.
 - Popular Insurance Co.Ltd.

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Mr. Zahid said that the with-profit business by itself is not earning the bonus rates he proposes because of the high expenses and despite the investment yields. The renewal expenses ratio for 1974 was provisionally estimated at 29.3% and the yield on the life fund at 7.5%. It was only because of substantial underwriting profits on group insurance that these bonuses could be declared. He regretted that there was no scope for any increase.

Mr. Zahid's bonus proposals were adopted and he was requested to finalise the valuation report accordingly.

ITEM IV: TO REVIEW THE PERFORMANCE OF AREA MANAGERS.

The following decisions were taken in regard to the Area Managers whose performances had to be reviewed as at 30th June 1975 in terms of the letters issued to them by the Unit concerned.

- a) Area Managers who have not completed 80% of their quota for the period 1st January 1975 to 30th June 1975 which was fixed at 40% of the Annual Quota should be terminated w.e.f. 25th July 1975 on payment of 3 months pay in lieu of notice period.
- b) Area Managers who have completed 80% but less than 100% of the quota for the period 1.1.75 to 30.6.75 will be permitted to continue but their emoluments, benefits, perquisites, facilities etc., will be reduced in direct proportion to the shortfall in their quota.
- c) If an Area Manager falling under category (a) above has had the use of an office car, he may be given an option to buy the car at the market value less Rs.5,000/- or the book value, whichever ever is higher - (the market value to be assessed by the surveyors appointed by the Alpha Insurance Company Limited) provided he does not contest the decision of the Corporation and agrees to work in the field force on a full time basis either as a Sales Manager or Sales Officer or Sales Representative. If the Area Manager does not agree to purchase the car on this basis, it may be sold in the open market to the highest bidder by inviting quotations through the Press but preference may be given to the Area Manager if he decides to buy the car at a price offered by the highest bidder.
- d) All Area Managers who complete 80% or more of their quota for the period 1st January 1975 to the 30th June 1975 should be informed in writing (and their acknowledgement obtained) that failure to fully comply with the prescribed performance standards for the year 1975 (Annual Quota, cost ceiling and persistency ratio) will make their services liable to termination.

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It was agreed that the Units will send to the Principal Office copies of the letters issued to the Area Managers in terms of the decisions mentioned above together with the details of the figures relating to business as well as cost in the prescribed proforma not later than 25th July 1975.

The meeting then adjourned to meet again at 4 P.M.

The Meeting reassembled on Tuesday 1st July 1975 at 4 P.M.

The following were present:

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

Mr. S. Hamid Mukhtar, Chief Accountant and Mr.M.Sadiq Khan Secretary - Board were also present.

ITEM V: TO CONSIDER AND APPROVE THE BALANCE SHEET AND ACCOUNTS OF THE CORPORATION FOR THE YEAR ENDING 31ST DECEMBER 1974.

The balance sheet and accounts of the Corporation for twelve months ended 31st December 1974 together with Auditors Report thereon were taken up for consideration.

At the outset Mr. P. Sequeira requested the Board to allow him to make his individual observations on the basis of his last year's comments relating to note No.6 of Auditor's Report in respect of ILACO shares of the book value of Rs.1,03,880/-. As in the last year, the Board allowed him to do so without prejudice.

After some discussion in which the Directors raised certain queries and sought clarification on a number of points, the Board approved the balance sheet and accounts for the period 1.1.1974 to 31.12.1974 together with Auditor's Report thereon and passed the following resolution:

RESOLUTION

"RESOLVED THAT"

1. Pending final determination of the amounts realisable, the following further provisions be made in the accounts for the year 1974 in respect of balances in books of the Corporation:-

- a) Provision for loans on mortgages Rs.7,35,637
- b) Provision for House Property Rs. 80,358
- c) Provision for Bad & doubtful debts Rs.3,25,328

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2. A provision of Rs.15,61,748 for Staff Gratuity be made in addition to Rs.22,09,552 carried from last period.
3. General Reserve:

During the year 1974 an amount of Rs.5,00,000/- of 'C' Beema Unit shown in Balance Sheet in 1973 in Investment Reserve have been transferred to 'General Reserve'.
4. A further sum of Rs.56 lac be charged to Revenue Account on account of compensation payable under Article 39 of Life Insurance (Nationalisation) Order 1972, and the balance of compensation payable be written off over a further period of 8 years.
5. The second accounts of the Corporation incorporating the said provisions and charges for the year 1974 initialled by M/s A.F. Ferguson & Co., M/s Ford, Rhodes, Robson, Morrow, Chartered Accountants and signed by the Chief Accountant placed before the Board be and are hereby approved and the Chairman and Directors present may affix their signatures thereon. It was resolved further that together with the Directors' Report, a copy of the approved accounts be forwarded to the Federal Government after full signature of the Auditors.
6. Resolved further that M/s A.F. Ferguson & Co., and M/s Ford, Rhodes, Robson, Morrow Chartered Accountants be appointed as Auditors for the purposes of Returns which the Corporation is required to submit to the British Deptt. of Trade at a fee to be agreed upon by the Chairman.

Following the passing of the above Resolution by the Board, the Balance Sheet, Revenue Account along with the certificates thereto, the Note to the Accounts and Form 'AA' were duly signed by the Chairman and Directors present.

ITEM VI: STATE LIFE VEHICLES IN POSSESSION OF FIELD OFFICERS

The General Manager, 'A' Beema Unit brought to the notice of the Board that before Nationalisation, some field officers were provided with Company-owned cars by the defunct Companies, which were still in their possession and which should have been withdrawn long time ago. Most of these vehicles were in a very poor condition and their recovery would involve lot of time and money besides protracted litigation. He further stated that a number of these officers were active and good producers of business and were interested to purchase these vehicles. It would, therefore, be advisable to sell these vehicles to them at market value.

After due consideration, the Board approved the proposal and decided that such Field Officers who were in possession of State Life Vehicles be given an option to buy these cars at market value on payment of full price of the car in lumpsum.

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While the vehicles should not be sold below the book value and in any case not lower than the market value, the reserve price should be determined through the Surveyors of Alpha Insurance Company. For determining the market value quotations should be obtained through the press. The car should be sold to the Field Officer at the price quoted by the highest bidder or the value assessed by the Surveyor or the book value whichever is higher.

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

Confirmed subject to amendments in today's meeting. Riaraahmad 20/8/75

Riaraahmad
Chairman