

38TH MEETING OF THE BOARD OF DIRECTORS

RECTORS	HELD AT	ON	TIME
MINUTE BOOK	Karachi	Monday/Tuesday, 16th/17th February '76	3.00/12.30

The emergency (38th) meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on Monday/Tuesday the 16th/17th February 1976 at 3.00 p.m. and 12.30 p.m. respectively at Karachi.

The following were present:

Mr. D.M. Quraishi Chairman
 Mr. M. G. Hasan
 Mr. S. Hasan
 Mr. P. Sequeira
 Mr. S.A. Walajahi
 Mr. M. Zulqarnain

Mr. Nisar Hussain, AGM (Admn) and Mr. M. Sadiq Khan, Secretary-Board were also present.

The following business was transacted:

ITEM I: CONFIRMATION OF THE MINUTES OF THE 37TH MEETING OF THE BOARD HELD ON 6TH DECEMBER 1975.

The minutes of the 37th meeting of the Board held on 6th December 1975 at Karachi were confirmed subject to the following correction:

Under Item V - To consider and approve recovery of medical expenses - Non-medical cases.

In para 9, the words "E.D. (S&D)" occurring in the last sentence were changed to "E.D. (PHS)".

ITEM II: TO CONSIDER AND APPROVE THE DRAFT AID-E-MEMOIRE DEFINING THE ROLE OF THE BOARD OF DIRECTORS, THE EXECUTIVE COMMITTEE OF THE BOARD AND THE CHAIRMAN AND GRANT GENERAL POWER OF ATTORNEY TO THE CHAIRMAN.

The Board discussed the memorandum on the subject and decided that unless otherwise specifically required by the Board, only the following matters should be brought to the Board for its consideration and approval.

1. Budget of the Corporation;
2. budget of any particular project or sphere of the Corporation's activity which the Chairman may place before the Board;
3. review or revision of the budget by the Directors or any addition thereto or deletion therefrom;
4. matters pertaining to the framing, amendment or revision of rules or regulations framed or to be framed under Life Insurance (Nationalisation) Order 1972;

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<p>e) review and amendments in the agency system and commissions and giving such recommendations as may be deemed necessary or expedient in or about these premises;</p> <p>f) writing-off of bad and doubtful debts.</p>			
<p>2. As regards the General Power of Attorney to be granted to the Chief Executive it was decided that the matter should be examined by a Committee consisting of E.D. (P&A), Manager (Law) and the Legal Adviser to the Corporation with a view to investing the Chief Executive with such powers as may be necessary for dealing with outside agencies and for delegating powers to the other functionaries of the Corporation.</p>			
<p>3. The draft of the Power of Attorney to be proposed by the Committee should be submitted to the Chairman who will place it before the Board at its next meeting.</p>			
<p>ITEM III: <u>TO REVIEW THE PERFORMANCE OF AREA MANAGERS AND OTHER FIELD MATTERS.</u></p>			
<p>(1) <u>Area Managers</u></p>			
<p>The Board reviewed and discussed at length, on the basis of the business statements placed before the meeting the performance of the Area Managers for the calendar year 1975, the measures to be taken against those who failed to fulfil the prescribed performance standards and the performance standards to be prescribed for the year 1976.</p>			
<p>The following decisions were taken:-</p>			
<p>1. <u>REVIEW OF PERFORMANCE FOR 1975</u></p>			
<p>(a) In accordance with the recommendations made by the Zonal Heads in their meeting held at Lahore from 17th to 19th January 1976, as endorsed by E.D. (S&D) -</p> <p>(i) Those Area Managers who have completed at least 70% but less than 100% of their annual quota for 1975 by 31.12.1975 will be continued for the year 1976. But their emoluments, benefits and facilities would be reduced in direct proportion to the shortfall in their quota.</p>			
<p><u>NOTE:</u> For the purpose of arriving at the figure of reduced emoluments, the reduction in emoluments payable should bear the same proportion to the shortfall in business as the original emoluments bear to the full annual quota; in other words, the reduction in emoluments will not be related to any reduced emoluments which an Area Manager may have drawn as at 31.12.1975 by virtue of a previous shortfall in business.</p>			
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- (ii) Those Area Managers who have completed less than 70% of their annual quota for the year 1975 should be terminated w.e.f. 1.3.1976 under Regulation 22 of the State Life Employees (Service) Regulations, 1973. The persons so terminated shall be paid 3 months pay in lieu of the notice period (Pay means basic pay plus special pay but excludes all allowances). It was noted that on the basis of preliminary business figures, only 4 out of 44 Area Managers would be affected.
- (b) Area Managers whose services are being terminated and who are in possession of State Life cars should be asked to return the cars belonging to the Corporation to the Zonal Heads concerned by 1.3.1976. In case a terminated Area Manager expresses his desire and willingness to buy the car in his possession, he may be given the option to purchase the car at market value. Those who exercise this option should be allowed to buy the car in their use on payment of the full market value of the car in one lumpsum.
- (c) Area Managers whose services are being terminated and who accept appointment as Sales Manager may be allowed medical facilities for self and family in accordance with the Medical Scheme already approved by the Board for the field staff. For 'eligibility' purposes, 50% of the FYP Income completed by an Area Manager in 1975 should be taken as the basis for entitlement to medical facilities.
- (d) The production figures of the Area Managers should be verified thoroughly and it should be ensured that no wrong credit has been given to any Area Manager. The verification should be done after due pre-audit by the Zonal Accountants concerned and countersigned by the respective Zonal Heads. On the basis of these verifications the Zonal Heads should give a certificate to the effect that the Area Managers had been terminated in accordance with the standards laid down by the Board, after fully satisfying themselves in regard to the accuracy of the business figures. A serious view would be taken if it was later found that the Zonal Head had certified inaccurate figures without exercising proper care and caution.

2. PERFORMANCE STANDARDS FOR 1976.

- (i) Area Managers who have completed 100% of their annual quota for the calendar year 1975 should continue on the standard terms and conditions as approved by the Board subject to the fulfilment of performance standards as laid down in para (ii) below:
- (ii) The performance standards for the year 1976 will be as under:

A. QUOTA

Old Basis: First Year Premium Income of Rs. 7 lacs to be completed as under:

- 15% of the quota being Rs. 1,05,000 by 31st March 1976.
- 40% of the quota being Rs. 2,80,000 by 30th June 1976.

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- 65% of the quota being Rs. 4,55,000 by 30th September 1976.
- 100% of the quota being Rs. 7,00,000 by 31st December 1976.

New Basis: First Year Premium Income of Rs. 4 lacs to be completed as under:

- 15% of the quota being Rs. 60,000 by 31st March 1976.
- 40% of the quota being Rs. 1,60,000 by 30th June 1976.
- 65% of the quota being Rs. 2,60,000 by 30th September 1976.
- 100% of the quota being Rs. 4,00,000 by 31st December 1976.

The above mentioned quotas will be reduced for the less developed areas in the proportion already agreed by the Board in its earlier meetings.

B. COSTS

In the case of Area Managers appointed on the old basis, the cost (including all payments made by way of pay, allowances, incentive bonus and all other perquisites including car but excluding the office expenses) should not exceed 7% of the first year premium in any case.

NOTE: This requirement is already incorporated in the appointment letters of Area Managers under the New Scheme.

C. PERSISTENCY

In the case of Area Managers both on the old basis and under the new scheme, the Persistency Ratio i.e. the second policy year premium collection in the calendar year 1976 divided by the first policy year premium collection in the previous calendar year 1975 should not be less than 60%.

3. INCENTIVE BONUS FOR 1976.

The Area Managers Incentive Bonus Scheme for 1976 should be continued as follows:-

Old Basis:

- a) Area Managers who have completed their annual quota in 1975 will draw incentive bonus @ $1\frac{1}{2}\%$ of FYP for the year 1976 w.e.f. 1.1.1976.

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- b) Area Managers who have not completed their annual quota but have been retained by virtue of having completed atleast 70% of the quota in 1975 will draw incentive bonus @ 1% of FYP for the year 1976 w.e.f. 1.1.1976.
- c) The balance of incentive bonus viz $\frac{1}{2}$ % in the case of (a) and (b) above will be disbursed as soon as the full annual quota prescribed for the year 1976 has been completed at any time during the calendar year 1976.

New Basis:

- a) Area Managers under this scheme who have completed their annual quota in 1975 will draw incentive bonus @ 1% of the FYP for the year 1976 w.e.f. 1.1.1976.
- b) The balance of incentive bonus viz $\frac{1}{2}$ % will be disbursed as soon as the full annual quota prescribed for the year 1976 has been completed at any time during the calendar year 1976.

PERFORMANCE REVIEW:

4. While the performance of the Area Manager should be reviewed by the Zonal Heads and the E.D.(S&D) every month, the review of their performance as contemplated in Regulation 4(ii) (c) (2) of the State Life Employees (Service) Regulations 1973 should be undertaken as at 30.6.1976. The Area Managers should be immediately apprised of the performance standards for 1976 and informed of the consequences in terms of the said regulation of their failure to complete the prescribed quotas described in 2(ii)A above as at 30.6.1976.

ENTERTAINMENT:

5. It was agreed to accept the recommendations of the Zonal Heads as endorsed by E.D.(S&D) that Area Managers be reimbursed entertainment expenses for holding Agency meetings in the year 1976 within the limitations of the overall procurement cost of 5% excluding incentive bonus and office expenses, subject to the following conditions:-

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|--|-------------------|
| (1) If the production in the previous year was below Rs. 7 lacs. | upto Rs.150/-PM |
| (2) If the production in the previous year was more than Rs. 7 lacs but less than Rs. 10 lacs. | upto Rs. 250/- PM |
| (3) If the production in the previous year was more than Rs. 10 lacs. | upto Rs. 300/- PM |

NOTES:

- (i) Before issuance of the letters of termination the Area Managers concerned should be given the option to resign and accept appointment as Sales Manager under the Sales Manager's Incentive Scheme as and when finalised.

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the scheme should be centrally administered. Following this decision, the Labour Ministry invited I.L.O. Experts to advise the Government on a new Pension Scheme and also elicited the views of State Life.

3. In December last, the Additional Secretary Labour invited State Life to furnish estimates of the cost of administering the scheme if entrusted to State Life, after laying down the parameters. State Life furnished the views of the Actuaries to the Ministry which indicated that the proposed benefits would cost roughly 8% of the wages excluding the cost of State Life. It was also pointed out that State Life would be prepared to handle any of the three operations connected with the scheme viz: (a) collection of contributions, (b) disbursement of benefits and (c) investments of funds on a 'no profit no loss' basis. The State Life also advocated a flat benefit related to the first Rs.500 of an individual's wage.

4. On 23rd December 1975, the Federal Government promulgated the Employees Old-Age Benefits Ordinance which provided for benefits less than those earlier discussed with State Life and at the same time provided a cost ceiling of 5% of the wages of every person in insurable employment in any establishment, industry, trade or other organisation employing ten or more persons. On rough estimates this would involve about 10 to 12 lakhs workers through 10,000 to 12,000 Employers. It was also provided in the Ordinance that the Scheme would be administered either through the establishment of a separate organisation or by nominating an existing institution under Section 4(1) of the Ordinance.

5. Efforts were pursued vigorously with the Labour Ministry by all concerned on behalf of State Life and the first indication that State Life was being considered as the "Institution" for the administration of the scheme was received in Newspaper reports.

6. The Additional Secretary, Labour thereafter called upon State Life to indicate whether it would be prepared to administer the scheme as the "Institution" and what would be the terms and broad costs involved. A reply was given by the Chairman, State Life in his letter dated February, 4, 1976 reiterating the willingness of State Life to run the scheme on a 'no profit no loss' basis within the framework of the existing set up of the Group & Pensions Department and with suitable expansion to meet the objectives in view and retaining as far as possible a distinct identity for the purpose of the Government's Pension Scheme. It was made clear that the Pensions Funds would be entirely distinct from the Life Fund of State Life and that the Chairman State Life would be the focal point of accountability on behalf of the institution to the Governing Board of Trustees and Ministry of Labour. In the Chairman's letter, no commitment was made on behalf of State Life in regard to the costs of the scheme except to furnish estimates which had been arrived at after consultation with various agencies dealing with computers, identity cards, etc., but it was made clear that further detailed preparatory work by State Life to meet the 'date line' of 1-7-1976 announced by the Prime Minister would depend entirely on the Government's nominating the State Life as the Institution for the purpose immediately.

7. A meeting was held on 12-2-1976 by the Chairman, Mr. Samee-ul-Hasan, Consulting Actuary and Director and the E.D.(G&P) with Mr. Nasrum Minallah, Additional Secretary Labour, Mr. Moinuddin, Joint Secretary and other officers. At this meeting certain charts prepared by State Life were presented to the Additional Secretary and the Chairman, explained at length the earlier proposals

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and the need for an urgent decision. In reply to a specific enquiry from the Additional Secretary, as to whether the estimated cost of 5% of wages would be sufficient to meet the proposed benefits of the Scheme, Mr. Samee-ul-Hasan, Consulting Actuary and Director explained at length the difficulties in estimating cost at this stage but stated at the same time that the scheme envisaged by the Ordinance should be implemented without change; and in the light of an evaluation of the scheme after 2 or 3 years such changes as may be required may then be considered. The Chairman also added that it would be necessary that the notification be issued urgently in favour of State Life if the 'Date line' of 1st July 1976 has to be met. He also made it clear that within the broad parameters of policy to be laid down by the Federal Government and/the Governing Board of Trustee, the institution should be given a free hand for administering the scheme with which the Additional Secretary was in full agreement.

8. The Additional Secretary had no further questions to ask and confirmed that the State Life had been selected as the 'Institution' for the purpose of administering the proposed scheme. He also instructed his officers to issue the necessary notification forthwith and informed the Chairman that the State Life should proceed with all the arrangements on the understanding that State Life had been declared as the institution for the purpose. The Chairman undertook to send a draft of the proposed Memorandum of Understanding to be executed with State Life within a few days and Mr. Nasrum Minallah, Additional Secretary likewise indicated that he would be visiting Karachi after a month to see the progress.

9. At this stage Mr. M.G. Hasan, E.D.(P&A) enquired about the relationship of the proposed Pensions Division with the existing Accounts and Administration Departments. The position was explained in detail by the Chairman, the basis of which was that the relationship between the Labour Ministry/Governing Body and State Life would be that of Principal and Agent respectively and the new set up would function virtually as a separate entity as far as possible as envisaged by the Ordinance and the Labour Ministry, with separate funds and accounting etc. The Pension Fund as earlier explained would be entirely distinct from the Life Fund. There were legal problems with regard to certain operational areas vis-a-vis State Life and the new institutional set up as also certain aspects of the Insurance Act provisions which had to be considered. These were already under examination by the legal adviser of the Corporation.

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

Confirmed *[Signature]*
9-3-76

[Signature]
Chairman.

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