

## 59TH MEETING OF THE BOARD OF DIRECTORS.

DIRECTORS	Held AT	ON	TIME
MINUTE BOOK	Karachi	Monday 6th October, 1980	1.30 p.m.

The 59th Meeting of the Board of Directors of the Corporation called pursuant to notice dated 1st October, 1980 and scheduled tentatively for 4th October, 1980 was held at the Principal Office at Karachi on Monday, the 6th October, 1980 at 1-30 p.m.

The following were present:

1. Mr. P. Sequeira - Chairman
2. Mr. S.S.A. Bukhari - Joint Secretary (Ins.)  
Ministry of Commerce,  
and ex-officio Director.
3. Mr. Nisar-un-Nabi - Director
4. Mr. Samee-ul-Hasan - Director
5. Mr. S.A. Walajahi - Director

Mr. A. Mateen, Secretary to the Board was also present.

The following business was transacted:-

ITEM 1: ANNUAL ACCOUNTS OF THE CORPORATION FOR THE YEAR ENDED 31ST DECEMBER, 1979.

The Executive Director B&A's Memorandum No.29/80 presenting the annual accounts of the Corporation for the year ended 31st December, 1979 was placed before the Board. The Executive Director B&A explained at length the salient features of the accounts and reviewed the operations of State Life during the year as outlined in the Memorandum. He then requested the Board to approve and sign the statements of accounts.

A. Mr. Samee-ul-Hasan made the following observations:-

(i) Market value of assets.

The market value of the assets in form AA need not be shown separately if the same is more than the book value but in such a case a certificate to that effect is required to be appended to form AA as per regulation 6 of the First Schedule to the Insurance Act. In future this requirement should be kept in mind.

(ii) The market value of the ordinary share portfolio was Rs.5 crore higher than the book value. The value of the Federal Government securities was Rs.1.70 crore more than the book value on the quoted prices but on the basis of actual transactions the value thereof was more than Rs.10 crore over the book value.

(iii) The Corporation held bonds and debentures valuing Rs.8.58 crore which are guaranteed by the Government but as their realizability appeared somewhat doubtful it was thought prudent to make a provision of Rs.1 crore under the head "Bad and Doubtful Debts".

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(iv) Value of Land and House properties may be, roughly speaking, more than Rs.8 crore over the book value.

(v) Policies with cash loans and APL advances.

Steps should be taken to ensure correct accounting of Cash and AP Loan including interest thereon. Also, the said portfolio should be pruned to remove cases where the charges exceed the surrender value including C.V. of bonuses.

Mr. Samee-ul-Hasan stated that he had no further observations to make in regard to the Accounts but suggested that he would raise two or three matters under "any other business" for which permission was granted by the Chairman.

B. Renewal Expense Ratio.

(i) Mr. S.A. Walajahi commenting on the accounts under review observed that the renewal expense ratio emerging therefrom was 27.7% against the approved budgeted figure of 27.4 per cent which represented exactitude in preparing the budget.

LICI

(ii) Mr. S.A. Walajahi pointed out that the accounts of LICI had remained unaudited year after year since its take-over by the Corporation and suggested that a policy decision to resolve the matter should be taken well before the finalisation of the next accounts. The Board decided that this matter should be gone into by the Executive Director B&A who should revert to the Board in due course with concrete suggestions for effectively tackling the same.

C. Rental Income.

Mr. S.S.A. Bukhari suggested that the recent changes in the Rent Restriction laws should be carefully studied with a view to finding ways and means of improving the rental income from the real estate holdings of the Corporation.

D. Group Premium.

(i) The Chairman observed that group premium had registered a growth rate of under 6 per cent whereas the cash collections during the year were recorded at more than 15% over those of 1978. He asked the ED(B&A) to comment. ED(B&A) explained that group business had reached near-saturation point but the



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performance of the G&P division during the year in the matter of realisation of outstanding premiums at December 31, 1978 was far more effective which accounted for the much larger cash collections as compared with 1978.

(ii) Investment yield.

On an inquiry by the Chairman, ED (B&A) confirmed that the Corporation, by providing additional Rs.1 crore, reversed a major part of the credit in the accounts for interest accruing on Government guaranteed debentures in default. This provision had the effect of reducing the yield from 10.3% in 1978 to 9.9% in the year under review, otherwise the yield would have been maintained at the same level as the previous year.

(iii) Office/allied facilities etc. to the field.

The Chairman observed that the expenditure of about Rs.35 lakhs on the above as well as on group insurance and medical facilities for the field workers appeared, on the face of it, to be disproportionately high. He inquired whether in arriving at the expenses in respect of the above any allowance had been made for what it would have cost the Corporation to provide the above facilities rather than reimbursement. ED(B&A) replied that no allowance had been made which on a rough estimate would have cost the Corporation about Rs.20 lakhs so that the net difference would be about Rs.10/15 lakhs instead of Rs.35 lakhs. The trend was consistent with the actuarial forecast by Mr. Akhtar at the time of introduction of the reimbursement scheme that the graph would rise in the first couple of years and thereafter show a continuous decline.

E. Investment of Rs.1,03,880.

The Board observed that as per note 6 of the Auditors report on the balance sheet and revenue account the shares of the book value of Rs.1,03,880 could not be verified. With regard to this note Mr. P. Sequeira as Chairman recorded with the approval of the Board his usual minute as in all the previous years as per annexure to these minutes.

F. Tax Assessment.

The Board observed that refunds aggregating Rs.1,18,24,543 were due on account of tax assessment indicating a sort of hidden reserve.

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G. General

There being no other questions or observations, the Chairman concluded the discussion on the audited accounts. He associated himself with the complimentary remarks of the Directors in regard to ED (B&A) and his division's advancing the date of preparation of the final accounts by three months and expressed the hope that further ground would be covered next year in reducing the gap.

The Chairman further stated that it was gratifying to note that the Corporation presented a picture of health and sound growth inspite of strict adherence to the principle of conservatism in accounting ever since the Corporation was established. Despite inflationary and other unforeseen factors, State Life had continued to make steady progress while observing austerity, simplicity and economy. He was confident that the increasing burden of higher expenditure resulting from the Wage Commission II Award and other such expenses will be squarely met by higher growth rate in business, continued exercise of economy on all fronts and application of a sound investment policy as in the past. He thanked his colleagues for their management contribution during the year under review.

Thereafter the Board approved the revenue account, appropriation account and balance sheet togetherwith the notes thereon for the year ended 1979 as also the provisions made therein and passed the following resolution:

RESOLVED

(a) That the 7th annual accounts of the Corporation incorporating the revenue account, the appropriation account and balance sheet together with the notes, provisions and charges for the year ended 31st December 1979 initialled by M/s. Riaz Ahmed & Co., Chartered Accountant and placed before the Board be and are hereby approved and the Chairman and Directors present affix their signatures on the accounts.

(b) That a copy of the approved accounts together with the Directors Report be forwarded to the Federal Government after all the auditors have affixed their signatures to the accounts.



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After the passage of the above resolution by the Board, the balance sheet and the revenue account together with the appropriation account appended thereto, the notes to the accounts and form "AA" were duly signed by the Chairman and Directors present.

ITEM 2: ANY OTHER BUSINESS.(a) AMENDMENT TO THE SERVICE REGULATION - RETIREMENT ON MEDICAL GROUNDS.

The Executive Director B&A's Memorandum No. 30/80 proposing amendment to the State Life Employees (Service) Regulations by adding Regulation 20(A) so as to provide for retirement of employees on medical grounds was placed before the Board. The Board approved the amendment in principle but desired that the wordings of the proposed regulation required revision.

(b) SECOND WAGE COMMISSION AWARD.

Mr. Samee-ul-Hasan stated that in consequence of the second Wage Commission Award, the Corporation's renewal expense ratio would increase. He stated that the economy report which had earlier been approved by the Board recommended that the staff ratio should, by a process of natural wastage and turnover, be reduced by employing computer in all possible areas and that computer should replace human labour as far as possible. This, he was of the opinion, would together with increasing volume of business bring the increasing expense ratio within bounds. The Board decided that as a matter of urgency it should address itself to the task of doing more and more work through computer in order to replace the manual system and for this purpose necessary staff for Computer Division should be made available. The Board constituted an Implementation Committee consisting of ED(B&A) and ED(PHS). The Board also authorised recruitment upto the full complement of staff in the Computer Division as determined by the Directors' Committee as and when necessary.

(c) ALLIED FACILITIES TO FIELD PERSONNEL.

Mr. Samee-ul-Hasan stated that the decision of reimbursement of Costs to the Employer of Agents in lieu of allied facilities to the extent of 4.35 per cent subject to certain prescribed conditions was taken in good faith to overcome the shortage of space which the Corporation could not furnish and due to which the field officers felt much aggrieved and was posing a big administrative problem. He suggested, however, that the scheme required to be reviewed in order to find areas of modification and improvement, with the following objects in view:-

1. Whether the original assumptions have been met or whether the Corporation's costs are likely to continue to increase with the introduction of the reimbursement scheme? If so, what steps should be taken to control costs.

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2. Whether the scheme lends itself open to abuse by field officers? If so, what modifications and checks should be introduced to prevent this happening?
3. Whether the developmental needs warrant the continuation of the scheme in the present form or whether it required modification? If so, how?

The Board decided to review the working of the scheme immediately after the close of business in 1980 preparatory to engaging in discussions with the representatives of field workers in 1981 as per agreement with them.

(d) Mr. Samee-ul-Hasan inquired as to what arrangements are proposed to be made for the conduct of the Corporation's business in the absence of the Chairman who was likely to proceed on an overseas business tour. Mr. S.A. Walajahi observed that the same procedure as was adopted by the first Chairman of State Life Insurance Corporation of Pakistan in appointing an acting Chairman could be resorted to. He cited the most recent example of the State Bank of Pakistan, where in the absence of the Governor and the Deputy Governor the Senior most Executive Director was given the over-all charge of the State Bank. Mr. Hasan pointed out that there was no provision in LINO, the Rules or Regulations for such appointment which may not be legal. Mr. S.S.A. Bukhari observed that the business of the Corporation was in no way interrupted during the absence of the last Chairman and inquired what the Rules and/or Regulations provided in this respect.

The Chairman stated that he did not foresee any difficulty in the matter if and when he did proceed on tour. He referred to Regulations 3(2) and (3) and 5(2) and (3) of the State Life (General) Regulations which prescribed the procedure for calling and holding meetings of the Executive Committee and/or the Board and required the Chairman to initiate the steps in that regard with which he proposed to comply if occasion arose. Regulation 6(2) also provided for assignment to any Executive Director of the functional areas presently being looked after directly by the Chairman. Mr. Hasan stated that he would be satisfied so long as steps were taken before the departure of the Chairman to ensure that it is possible to convene meetings of the Executive Committee and the Board in the absence of the Chairman.

There being no other business the meeting ended with a vote of thanks to the Chair.

  
( N.A. JAFAREY )  
Chairman

ANNEXURE

Note of Mr. P. Sequeira

In the matter of consideration of the Accounts of the Corporation for the year 1979, I sought the permission of the

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Board, which was granted to record the following note in respect of the factual position and/or my observations/reservations relating to 556 enemy shares of erstwhile ILACO and/or the amount of Rs.1,03,880 as in the previous years and subject to which I signed the said accounts as heretofore:

- (1) The Honourable Insurance Appellate Tribunal have, in their judgement dated 28-9-1976 dismissed the application 3-B of State Life in respect of the said shares.
- (2) The Honourable Insurance Appellate Tribunal have also in their order dated 23-11-1976 dismissed the application of State Life for leave to appeal to the High Court against the order dated 28th September, 1976.
- (3) The State Life have filed a constitutional petition No.D-93 in February, 1977 in the High Court of Sind against the Insurance Appellate Tribunal and the respondents.
- (4) In view of the continued appearance of the note (Clause 6 of the Auditors' Report) prefixed to the Accounts, in relation to the sum of Rs.1,03,880/-, I re-affirm and re-state the position relating to the above shares and/or amount of Rs.1,03,880 as per minutes dated 4-11-1974, 10-7-1975, 22-11-76, 15-11-77, 23-12-1978 and 26-12-1979 pertaining to the Corporation's accounts for the period ending 31-12-1973, 31-12-1974, 31-12-1975, 31-12-1976, 31-12-1977 and 31-12-1978 respectively as applicable again to the accounts as at 31-12-1979.

6th October, 1980

P. Sequeira

*M. J. J. J.*

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