

## 66TH MEETING OF THE BOARD OF DIRECTORS

HELD AT	ON	TIME
Karachi	Wednesday 14th October, 1981	12.00 Noon

The 66th meeting of the Board of Directors convened pursuant to notice dated 1st October, 1981 was held at the Principal Office at Karachi on Wednesday, the 14th October, 1981 at 12.00 noon.

The following were present:-

1. Mr. N.A. Jafarey - Chairman
2. Mr. S.S.A. Bukhari - Director
3. Mr. Nisar-un-Nabi - Director
4. Mr. Samee-ul-Hasan - Director

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

The following business was transacted:-

ITEM 1: (a) CONFIRMATION OF MINUTES.

The Board confirmed the minutes of its 65th meeting held on 27th August, 1981.

(b) MATTERS ARISING OUT OF 65TH MEETING.

(i) While recording minutes of the 49th meeting of the Executive Committee in the 65th meeting of the Board, Director Mr. S.S.A. Bukhari had desired to have a list of duties of Mr. Nasir Javaid Khan, Assistant Manager. Executive Director B&A accordingly placed before the Board copy of an office order dated 1-9-1981 regarding list of duties assigned to him which was noted by the Board.

(ii) While considering amendments to the Service Regulations (Item 5) in its 65th meeting the Board had desired that the question whether regulation 22 of the Service Regulations should still be amended even though the term of First Wage Commission had expired be examined by the Law Department. The opinion dated 30-9-1981 of Mr. Mansoor Ahmed Khan to the effect that the amendment was still necessary was placed before, and noted by, the Board.

ITEM 2: FINAL ACCOUNTS FOR THE YEAR 1980.

The Executive Director B&A placed before the Board Memorandum No.96/81 with regard to 8th annual accounts of the Corporation consisting of the Revenue Account and Balance Sheet for the year 1980. The Memorandum explained the salient features of the accounts as also of the business performance during the year under review. The Executive Director B&A pinpointed the causes of low rate of growth and of ever-increasing expenditure. In regard to various payments to the field, the Executive Director suggested devising ways and means to eliminate abuses of various facilities.

The Chairman then invited the directors to express their views on the annual accounts. The following points were raised by Mr. Samee-ul-Hasan.

## 66TH MEETING OF THE BOARD OF DIRECTORS

HELD AT

ON

Karachi

Wednesday 14th October, 1981

TIME

12.00

Noon

(a) Early Finalisation.

He congratulated E.D. B&A for early finalisation of the accounts and expressed the hope that efforts would continue for keeping down the level of expenditure.

(b) Death Claims.

He informed the Board that available experience (while not rigorously conclusive) gives grounds to infer that the mortality under non-medical cases is no worse than under medically examined cases, and that there is a case for raising non-medical limits boldly. As a result of this, the number of cases referred for medical examination would be reduced. Steps be taken to prune the list of medical examiners and ensure better quality of medicals.

(c) Maturity Claims.

He attributed the ever-growing volume of maturity and survival benefit claims to the high share of anticipated endowment policies in the overall portfolio. He said anticipated endowment policies constituted 46% of the total sum insured in force and this adversely affected the cash flow. The Chairman and other directors were, however, of the view that nothing could possibly be done about it as the choice as to policy plan rested solely with prospective policyholders.

(d) Stipend Scheme.

Mr. Samee-ul-Hasan, pointed out that the small amount being paid on account of stipends suggested that the scheme was not successfully working and amount of stipend offered did not attract good agents. He stressed the need of formulating a more useful stipend scheme which should offer reasonable amount of stipend and aim at imparting extensive training to carefully selected promising S.Rs. after completion of their preliminary training. The duration of the training should be one month on a full time basis, and the stipend should be limited to this period.

(e) Field Office Expenses.

Mr. Samee-ul-Hasan said that FYP had risen by 12.5% during the period under review but the increase in field office expenses is in the vicinity of 32% which does not represent healthy sign. He was of the view that such expenses could be brought down substantially by eliminating dummies. E.D.(B&A) explained that reimbursement of office expenses was based on the FYP figures of 1979 and stressed that there was need to do away with dummies.

(f) Administrative Expenses.

Mr. Samee-ul-Hasan, stated that in due course of time operations in Karachi Zone will be completely computerised and a number of employees would then be rendered surplus. The employees so rendered surplus could be adjusted against future needs of the Corporation. He desired that the matter be examined as to how many persons are required for serving per thousand policies and the present ratio in that regard should be systematically reduced. The current rate of natural wastage should be

CHAIRMAN'S  
INITIALS

## 66TH MEETING OF THE BOARD OF DIRECTORS

HELD AT

ON

TIME

Karachi

Wednesday 14th October, 1981

12.00 Noon

determined and a manning policy developed so that the combination of natural wastage and growing business leads to a better staffing ratio per 1000 policies in force.

(g) Staff Welfare Expenses.

The Board expressed its concern over the persistent increase in expenses on account of Staff Welfare. While appreciating the reasons for the increase in medical expenses due to liberalisation of the limits and the increase in hospitals and doctors charges, the Board desired that the officers utilising medical facilities excessively without any justification should be issued a letter of warning and a note be also made in their ACRs, if considered necessary after reviewing their replies.

(h) Life Funds.

Mr. Samee-ul-Hasan observed that the renewal expense ratio has persistently increased. He was of the view that this indicated that the Corporation was not doing sufficient business and the situation warranted corrective measures.

The Chairman concluded the discussion by making the following observations:-

1. The 1981 accounts should be ready by June 1982 and all-out efforts be initiated in that direction right now.
2. The budget for the year 1982 should be placed before the Board for approval not later than 15th December, 1981.
3. Research should be instituted in the field of (a) Marketing (b) Systems (c) Actuarial with a view to framing appropriate business policies and to devise office procedures consistent therewith.

Thereafter the Board approved the revenue account, appropriation account and balance sheet together with the notes thereon for the year ended 1980 as also the provisions made therein and passed the following resolution :

RESOLVED

- (a) That the 8th 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, 1980 initialled by M/s. Riaz Ahmed & Co., Chartered Accountants 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.

66TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS  
MINUTE BOOK

HELD AT

ON

TIME

Karachi

Wednesday 14th October, 1981

12.00  
Noon

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 3: ANY OTHER BUSINESS.

(a) BONUS RECOMMENDATION FOLLOWING 1980 ACTUARIAL VALUATION FOR RUPEE POLICIES.

The Chairman placed before the Board a note from the Consulting Actuaries making the following recommendations for payment of bonus following 1980 actuarial valuation for rupee policies:-

1. Reversionary Bonus Rates per thousand sum insured per annum.

	<u>1980</u>	<u>1978</u>
<u>Anticipated Endowments</u>		
Term upto 14 years incl	Rs 12	12
Terms 15 to 19 years incl	18	18
Terms 20 years and over	26	26
<u>Endowments</u>		
Term upto 14 years incl	12	12
Terms 15 to 19 years incl	19	18
Terms 20 years and over	28	26
<u>Whole Life</u>	35	33
<u>Persistency Bonus</u>		
To all With Profits policies excluding Anticipated Endowments	3	* 2

\* All With Profits policies in force for the full sum insured which entered in 1974 or earlier will get persistency bonus for two years, viz 1979 and 1980. If they entered in 1975, they will get persistency bonus for one year viz 1980. If they entered in 1976 or later, they will not get any persistency bonus at the 1980 valuation.

2. Interim Bonuses.

Until the next valuation, actuaries recommended that interim bonuses at the above rates be allowed on With Profits policies becoming claims, in the usual manner.

3. Family Income Benefits in course of payment.

Family Income Benefits under With Profits policies which are in course of payment as at 1st January, 1982, the life insured under the policy having died, should be increased with effect from the said date at the following rates:

CHAIRMAN'S  
INITIALS



## 66TH MEETING OF THE BOARD OF DIRECTORS

HELD AT	ON	TIME
Karachi	Wednesday 14th October, 1981	12.00 Noon

Year of Life insured's death	Increase in Family Income Benefit with effect from 1st January 1982.
1979 or earlier	8%
1980	4%
1981	nil

In the case of Family Income Benefits, there will be no further "interim" increase until the next valuation. They will be reviewed at the next valuation.

4. Policies issued by former East Pakistani companies and East & West Mutual, Grand Mutual, IGI, Pakistan Mutual, Standard and Union Insurance will get Bonus at only Rs.6 per thousand per annum for 1979 and 1980 and no persistency Bonus. Policies of LICCI will get no Bonus.

The Board approved the above recommendations.

(b) APPLICATION OF PUNJDARYA LIMITED FOR DEBENTURE LOAN OF Rs.60,00,000/-.

(Mr. Samee-ul-Hasan did not participate in the discussion on this proposal).

The Chairman placed before the Board Memorandum No. 97/81 with regard to the application of Punjdarya Limited for a debenture loan of Rs.60,00,000/- to meet part of the cost of setting up a motorcycle Assembly/Manufacturing Unit at Lahore Shaikhupura Road, Lahore. The Chairman explained the broad features of the project and the Board discussed at length the proposal particularly in view of the fact that the sponsors initial investment is only 7.4% of the total finance required for the implementation and running of the project but is proposed to be raised to 10% subsequently by retention of future profits.

In view of the fact that the companies managed and sponsored by the Shirazi group were running on sound and profitable lines, have a good record of servicing the debts in all the projects financed by the Corporation, and the project under discussion appears to be sound, the Board approved a debenture loan of Rs.60,00,000/- to Punjdarya Limited on the terms and conditions outlined in the Memorandum and as mentioned below:-

1. The company to pay to State Life :
  - (a) Project examination and professional assistance fee at 1/2 per cent of the amount of debentures applied for to State Life. The fee shall be non-refundable. (since received)
  - (b) Commitment fee at 0.125 per cent per month on the nominal amount of debentures remaining undisbursed from time to time.

## 66TH MEETING OF THE BOARD OF DIRECTORS

HELD AT

ON

TIME

Karachi

Wednesday 14th October, 1981

12.00  
Noon

The commitment fee shall be payable in respect of the period of State Life's commitment, which is one year from the date of sanction by the Board/Executive Committee. But no commitment fee shall be charged in respect of the 30 days from the date of issue of the sanction letter.

The first instalment of commitment fee shall fall due three months after the date of sanction by the Board/Executive Committee. The subsequent instalments shall fall due at three monthly intervals thereafter, the last instalment falling due at the end of the commitment period. Notwithstanding the condition herein contained the State Life will be at liberty to deduct accrued commitment fee when making any disbursement at any time.

Failure to pay an instalment of commitment fee within 15 days of its falling due shall release State Life from its commitment in respect of the undisbursed amount of debentures. The terms and conditions set out below apply in respect of the disbursed amount.

The company may apply to State Life to revive its commitment in respect of the undisbursed amount, and such application shall be accompanied by a non-refundable project re-examination fee of ¼ per cent of the said undisbursed amount. The State Life may, at its absolute discretion, revive its commitment for the whole or part of the said amount on the same terms or on revised terms.

2. Prior to the disbursement of debenture loan the company to satisfy State Life and provide from an auditor acceptable to State Life certificate evidencing that the sponsors have subscribed Rs.5 million towards the share capital and that these funds have been duly utilised towards the implementation of the project.

3. Disbursement of the debenture loan to the company would be made according to a programme to be drawn up by State Life in consultation with the company and subject to the fulfilment to the satisfaction of State Life of the conditions below and in para 2 above :

- (a) Creation including registration of first charge on the present and future fixed assets of the company and a floating charge on its current assets through a Trust Deed.
- (b) Delivery of the debenture certificates and other documentation to State Life.

4. Notwithstanding the provisions of para 3 above, the company may draw funds prior to the fulfilment of the conditions stated in the said para 3 provided it furnishes a bank guarantee in a form and in substance acceptable to State Life from a bank acceptable to State Life together with an equitable mortgage of the Company's entire fixed assets. The said bank guarantee will remain valid and in force, until release by State Life on completion to State Life's satisfaction of all the conditions including those stated in (a) and (b) of para 3 above.

## 66TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS

HELD AT

ON

TIME

MINUTE BOOK

Karachi

Wednesday 14th October, 1981

12.00  
Noon

Rs.20 lac (face value) shares of Panjdarya Limited or shares of quoted companies of like value in which sponsors are involved, together with blank transfer deeds duly executed. These shares would be released once all these standards are met, but not in any case, during the grace period of the debenture loan.

(iv) For determining the number of shares to be deposited, in case of quoted shares, the quoted market value on the date of deposit to be taken as the basis.

(v) In case of a third default and after providing thirty days written notice to the company, State Life shall have the right to appropriate all or part of the shares, towards amounts in default without further reference to the company, or any other body, or Court of Law. The number of shares to be appropriated shall be determined by the market value of shares less five per cent on the date of adjustment/appropriation or the actual sale proceeds, in case the shares are sold in the market.

Further, and without prejudice to its other remedies in the above events and failure to meet and/or comply with the conditions in para 11(b) sub-para (i), (ii) & (iii) State Life shall at any time thereafter be entitled to call for immediate payment of the entire outstanding balance of the debenture loan together with all arrears of interest, service fee and penal interest.

12. State Life shall not consider application for or issue NOC for loans on first charge pari passu as long as the ratios set-out in para 11(b) above are not met and in any case, at their discretion.

13. In case (a) the State Bank ceases to determine/make public the bank rate and/or (b) the interest bearing debentures in respect of this debenture loan become illegal, or are otherwise affected, in a manner which in the opinion of State Life/debenture holder is adverse to the interest of State Life/debenture holder, by reason of any law, rule or direction of the Federal Government or the Provincial Governments, then the company shall as soon as it is called upon to do so, replace the said debentures by such other security or instrument or certificate as may be required by State Life/debenture holder on terms and conditions determined by State Life/debenture holder. If the replacement required by State Life is not acceptable to the company, the company shall, within three months of the date it is notified of the requirement of State Life/debenture holders repay the entire outstanding balance of the debenture loan and all interest, service fee and penal interest outstanding calculated upto the date of such repayment.

14. The company shall not declare or pay any dividend during any year without the prior written consent of State Life/debenture holders.

15. The company shall not advance any funds by way of loans or investments in subsidiaries, associates, affiliates or other parties without the prior written consent of State Life/debenture holders.

CHAIRMAN'S  
INITIALS

## 66TH MEETING OF THE BOARD OF DIRECTORS

HELD AT	ON	TIME
Karachi	Wednesday 14th October, 1981	12.00 Noon

16. State Life shall at any time have the right to inspect the premises, moveable and immoveable property and books of the company and obtain information and clarifications direct from the company's external auditors. All costs whatsoever in connection with the foregoing shall be borne by the company.

17. Subject to the payment of commitment charges as provided in para 1(b) above, State Life's commitment shall remain valid for one year from the date of sanction by its Board/Executive Committee.

18. Such other terms and conditions as State Life may prescribe from time to time.

(c) APPOINTMENT OF AUDITORS FOR AUDIT OF CORPORATION'S ACCOUNT FOR THE YEAR ENDING 31ST DECEMBER, 1981.

The Executive Director B&A placed before the Board Memorandum No.98/81 with regard to appointment of Auditors for audit of the Corporation's account for the year ending 31st December, 1981. The Board approved the proposal therein contained for appointment of the following Auditors for audit of the Corporation's Account for the year ending 31st December, 1981.

1. M/s. Riaz Ahmed & Co., Karachi.
2. M/s. Minoos Bamjee & Co., Karachi.
3. M/s. Hameed Chaudhri & Co., Lahore.

The Board also approved payment of audit fee not exceeding Rs.1,65,000/- for the year, 1981 and actual out of pocket expenses not exceeding Rs.85,000/-.

(d) ADVERTISEMENT BUDGET 1981.

The Executive Director B&A placed before the Board Memorandum No.99/81 proposing that the budget for advertisement expenses for the year 1981 be increased by 6,00,000/-. The memorandum explained that the need for enhancement of the budget has arisen consequent on the Government decisions whereby the autonomous Corporation are now required to pay their Press Advertisement Bill at commercial rates. The Memorandum also explained that the Government by its circular dated 21st January, 1981 has also authorised the Corporations to increase their budget in this regard by 40%. The Board approved the proposal and increased the budget for advertisement expenses for the year 1981 by Rs.6,00,000/-.

(e) INVESTMENT IN REAL ESTATE.

The Chairman placed before the Committee a paper on investment in real estate which proposed procedures for the purchase and sale of immoveable properties.

Mr. Samee-ul-Hasan made the following points:-



DIRECTORS  
MINUTE BOOK

## 66TH MEETING OF THE BOARD OF DIRECTORS

HELD AT

Karachi

ON

Wednesday 14th October, 1981

TIME

12.00

Noon

- (i) that the Corporation should pursue a policy of acquiring properties having prime locations;
- (ii) that purchase of land where time limit for construction is prescribed should, as far as possible, be avoided;
- (iii) that whereas sale or purchase of immoveable properties by advertisement in the press was generally acceptable mode, assistance of real estate brokers should be availed of on payment of reasonable commission to be prescribed by the Corporation.


The Board discussed the advisability of evaluation of properties by qualified Valuers and Surveyors and came to the conclusion that such valuations have not been found to represent true market value and cannot be relied upon entirely for taking real estate investment decisions.

The Board decided that the Real Estate Department should examine and put up specific proposals for the sale of uneconomic real estate units owned by the Corporation in the next Board Meeting.

(f) COMMERCIAL/INDUSTRIAL LEASING.

The Chairman's Memorandum No.100/81 proposing ventures in commercial/industrial leasing by the Corporation was placed before the Board in which main features of the leasing plan were spelt out. The Board approved the proposal in principle and desired that the same be examined further particularly from the legal standpoint.

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

  
( N.A. Jafarey )  
Chairman

CHAIRMAN'S  
INITIALS