

70TH MEETING OF THE BOARD OF DIRECTORS

HELD AT	ON	TIME	
Karachi	Thursday 23rd December, 1982	10.30	A.M.

The 70th Meeting of the Board of Directors called pursuant to notice dated 14th December, 1982 was held at the Principal Office at Karachi on Thursday, the 23rd December, 1982 at 10.30 A.M.

The following were present:

1. Mr. N.A. Jafarey - Chairman
2. Mr. S.S.A. Bukhari - Director
3. Mr. Mahboob Siddiqui - Director
4. Mr. Samee-ul-Hasan - Director
5. Mian Abdul Qadir - Director
6. Mr. Safdar Ali Chaudhry - Director
7. Mr. Agha Nasir Ali - Director

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

The following business was transacted:-

ITEM 1: CONFIRMATION OF MINUTES.

The minutes of 69th Meeting of the Board of Directors held on 2nd September, 1982 were confirmed.

ITEM 2: IMPLEMENTATION REPORT ON THE DECISIONS OF PREVIOUS BOARD MEETING.

The Implementation Report on the decisions taken in 69th meeting of the Board of Directors held on 2nd September, 1982 was placed before the Board. The Board noted the report.

ITEM 3: RECORDING OF MINUTES.

The Board recorded the minutes of the :

- (i) 61st meeting of the Executive Committee held on 10th August, 1982 with the observation that in "Item 10": "Extention in Grace Period in respect of commitment fee on Debenture Loans to Habib Group of Industries", for the word "examination" the word "re-examination" shall be substituted;
- (ii) 62nd meeting of the Executive Committee held on 20th September, 1982;
- (iii) 63rd meeting of the Executive Committee held on 26th October, 1982; and
- (iv) 64th meeting of the Executive Committee held on 23rd November, 1982.

ITEM 4: APPOINTMENT OF AUDITORS FOR AUDIT OF THE CORPORATION'S ACCOUNT FOR THE YEAR 1982.

The Executive Director (B&A) informed the Board that the Executive Committee in its 63rd meeting held on 26th October, 1982, subject to the confirmation of the Board, approved:

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1. Appointment of the following firms of Chartered Accountants who had audited Corporation's accounts for 1979, 1980 and 1981 to carry out audit of 1982 accounts also:-

- (i) M/s. Riaz Ahmed & Co., Karachi
- (ii) M/s. Mino M. Bamjee & Co., Karachi
- (iii) M/s. Hamid Choudhry & Co., Lahore

2. That the port-folio of auditors will remain the same as for 1981 audit.

The Board confirmed the above decision.

ITEM 5: CORPORATION'S BUDGET FOR THE YEAR 1983.

The Executive Director (B&A) Memorandum No.130/82 regarding Corporation's budget estimates for the year 1983 and revised budget estimates for the year 1982 was placed before the Board.

The Memorandum listed following reasons necessitating revision of budget estimates for the year 1982:-

- (a) FYP is now estimated to grow to Rs.161 million during 1982, up by 20% over the previous year, as against Rs.152 million projected in the original budget estimates.
- (b) Renewal Premium Income (cash collections only excluding APL and outstanding premium) is estimated to grow by 11% to Rs.450 million in the year, 1982 as against Rs.433 million projected in the original budget estimates.
- (c) In some heads of expenses, savings are expected whereas in some areas deficits are anticipated. However, the net effect on account of these adjustments would be saving of Rs.0.09 million in the administrative expenses as projected in the original budget estimates.

The reasons giving rise to higher administrative expenses over the original budget estimates were enumerated as under:

i) Increase in dearness allowance announced by the Government in its budget in June, 1982 and payment of bonus to the staff at 2½ months salary during the year 1982 (½ month each for 1980 and 1981 and 1½ for 1982) as against provision for the bonus equal to 1½ month salary;

ii) leave encashment to the tune of Rs.1.935 million was provided to the staff as against a budgeted provision of Rs.1.50 million;

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iii) higher payment on account of reimbursement of newspaper costs and tea expenses allowed to Officers;

iv) increase in stationery prices and printing charges;

v) expenses to the tune of Rs.1.05 million on account of 10th Anniversary Celebrations;

vi) shifting expenses in the amount of Rs.1.2 million.

The Executive Director (B&A) stated that the budget estimates for the year 1983 were based on the following principal assumptions on the revenue side.

i) Estimated growth of FYP at 20% to Rs.193 million during the period.

ii) Estimated growth in renewal premium income by 11% to Rs.500 million during the period.

iii) The estimated growth in group premium by 12.5% to Rs.260.7 million during the period.

iv) Estimated growth in Investment income from an estimated amount of Rs.427.5 million in 1982 to Rs.461.55 million in 1983.

The Chairman invited the Directors to offer their comments on the various proposals contained in the Memorandum. Director Mr. Samee-ul-Hasan made the following observations:-

(a) RENEWAL EXPENSE RATIO

Mr. Samee-ul-Hasan expressed his concern over the ever-rising renewal expense ratio which was estimated to be 31.1% for 1982 and 31.4% for 1983.

(b) SHIFTING OF PRINCIPAL OFFICE AND ZONAL OFFICES IN THE NEW PREMISES.

The Board noted, as pointed out in the Memorandum, that most of the State Life Offices had been shifted, or were in process of being shifted, to the Corporation's own premises and that this factor, to some extent, was responsible for higher renewal expense ratio.

(c) MEDICAL EXPENSE.

Mr. Samee-ul-Hasan said that medical expenses have sharply risen from Rs.3.32 in 1980 to Rs.5.3 million in 1981 and were estimated to rise to Rs.7.53 million in 1982. He was of the opinion that measures were necessary to check the abuse of medical facility in order to keep the expenses on this account within reasonable limits.

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in some of the Zones and particularly in cases pertaining to rural areas. He called for suitable probing into the causes thereof and for suggesting remedies to counter unethical practices.

The Board then approved the following revised budget estimates for the year 1982 and the budget estimates of income and expenditure for the year 1983:

REVISED BUDGET ESTIMATES FOR 1982
AND BUDGET ESTIMATES FOR 1983.

(Rs. in Millions)

	Budget Estima- tes 1982	Revised Bud- get Estima- tes 1982	Budget Esti- mates for 1983
A. INCOME			
First Year Premium	152.000	161.000	193.000
Renewal Premium	433.000	450.000	500.000
Annuity Premium	1.000	0.850	0.900
Group Premium	220.000	231.500	260.700
TOTAL PREMIUM INCOME	806.000 =====	843.350 =====	954.600 =====
Interest on APL/ANF Loan	31.000	34.804	39.227
Other Income	0.050	0.960	0.730
Interest & Dividend (Gross)	320.000	396.101	421.093
Rental Income(Gross)	30.000	28.135	38.350
TOTAL OTHER INCOME	381.050 =====	460.000 =====	499.400 =====
B. POLICY PAYMENTS			
Death Claims	46.680	53.180	61.235
Maturity Claims	170.000	220.247	264.000
Surrender	85.000	99.000	110.000
Cash Bonus	10.000	10.000	7.920
Group Claims	143.000	163.940	185.095
Profit Commission	11.000	12.000	13.035
Annuities	1.000	1.000	0.700
TOTAL POLICY PAYMENTS	466.680 =====	559.367 =====	641.985 =====

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Heads of Account	Budget Estima- tes 1982	Revised Bud- get Estima- tes 1982	Budget Esti- mates for 1983
C. PAYMENT TO FIELD WORKERS			
First Year Commission	54.800	61.244	73.408
First Year Overriding Commission	51.682	56.363	67.564
Renewal Commission	17.320	18.000	20.000
Renewal Overriding Commission	8.660	9.000	10.000
Production Bonus to Area Managers	4.560	4.830	5.790
Stipend Scheme	0.500	0.500	0.714
Field Prizes and Awards	1.665	1.328	2.061
Field Group Insurance	1.100	1.340	1.610
Field Medical Expenses	1.900	2.011	2.420
Cash Compensation in lieu of Allied Facili- ties	6.325	6.700	8.050
Group Commission	2.250	2.314	2.723
TOTAL PAYMENTS TO FIELD WORKERS	150.762 =====	163.630 =====	194.340 =====

D. ADMINISTRATIVE EXPENSES

Salaries	75.060	77.310	86.143
Travelling	6.240	5.850	6.822
Audit Fees	0.400	0.400	0.465
Medical Fees	1.580	1.530	1.832
Law Expenses	1.550	1.470	1.012
Advertisement	3.450	3.350	3.770
Printing & Stationery	3.950	4.130	5.485
Policy Stamps	1.050	1.050	1.140
Staff Welfare	18.560	17.640	21.441
Postage, Telegrams & Telephones	5.600	5.370	5.785
Electricity & Gas	3.900	3.900	4.375
Entertainment	0.700	0.650	0.715
Bank Charges	0.390	0.370	0.408
Conferences & Meetings	1.150	1.210	1.472
Prizes & Awards	0.200	0.150	0.200
Training Expenses	0.800	0.760	0.975
Data Processing Expen- ses	1.200	1.100	1.250
Miscellaneous Expenses	14.320	12.770	12.809
Rent Expenses (State Life Buildings)	6.000	5.950	10.715
Rent (Other Offices)	2.800	2.800	2.780

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Bad Debt Expenses	6.000	6.000	6.000
Gratuity Expenses	4.000	3.500	3.820
Depreciation	8.100	8.600	9.600
10th Anniversary Expenses	-	1.050	-
TOTAL ADMINISTRATIVE EXPENSES	167.000	166.910	189.014

BUDGET ESTIMATES FOR 1983 FOR OFFICES AT JEDDAH, KUWAIT AND DOHA (QATAR)

	Jeddah Rs.	Kuwait (Expansion) Rs.	Doha (Qatar) Rs.	TOTAL Rs.
1. Salaries & Allowances (Officers)	2,79,000	2,79,000	2,79,000	8,37,000
2. P.F. (Corporation's) Contribution (Officers)	9,000	9,000	9,000	27,000
3. House Rent to Officers	1,85,000	1,85,000	1,85,000	5,55,000
4. Salaries & Allowances (Staff)	1,00,000	1,00,000	1,00,000	3,00,000
5. P.F. (Corporation's) Contribution.	5,000	5,000	5,000	15,000
6. Entertainment	19,000	19,000	19,000	57,000
7. Car Maintenance & Insurance	28,000	28,000	28,000	84,000
8. Travelling Expenses	35,000	35,000	30,000	1,00,000
9. Office Rent	3,04,000	3,04,000	2,76,000	8,84,000
10. Postage/Couriers	11,000	11,000	11,000	33,000
11. Telephone & Telex Expenses	44,000	44,000	44,000	1,32,000
12. Office Tea	7,000	7,000	7,000	21,000
13. Printing & Stationery	11,000	11,000	11,000	33,000
14. Conveyance	4,000	4,000	4,000	12,000
15. Utilities	34,000	34,000	34,000	1,02,000
16. Miscellaneous Expenses	5,000	5,000	5,000	15,000
TOTAL :	10,80,000	10,80,000	10,47,000	32,07,000

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The following capital budget estimates for 1983 were placed before the Board:-

(Rs. in Millions)

<u>Z O N E</u>	<u>App. Budget 1982</u>	<u>Prop. Budget 1983</u>
Karachi Zone	0.450	0.470
Hyderabad Zone	0.125	0.150
Lahore Zone	0.500	0.650
Rawalpindi Zone	0.125	0.200
Peshawar Zone	0.100	0.066
New Offices	0.600	0.800
Overseas Division	0.400	0.400
Group & Pension	0.100	0.200
Principal Office	1.000	1.000
Replacement of Cars	0.900	0.600
TOTAL :	<u>4.300</u>	<u>4.636</u>
	=====	=====

The Board approved the above capital budget estimates with the following amendments:-

1. Provision for Peshawar Zone was increased to Rs.0.100 million on the request of E.D. (S&D).
2. Provision on account of replacement of car was increased to Rs.0.900 as ED (S&D) pointed out that staff cars in some of the Zones were in bad shape.

The Board authorised the Chairman/Executive Director (B&A) to allocate the funds between various costs centres and also to make re-allocations between different heads of accounts within the overall budget as sanctioned above.

ITEM 6: GRANT OF TECHNICAL ALLOWANCE TO OFFICERS OF THREE INSURANCE CORPORATIONS FOR ACQUIRING TECHNICAL QUALIFICATIONS.

The Executive Director (B&A) placed before the Board Memorandum No.131/82 informing that the Committee appointed by the Government to look into the question of technical allowance to officers had submitted its report to the Government. Although the State Life recorded a note of dissent but the Government has accepted the recommendations of the majority of the members and has approved the following:

(a)	<u>Technical Qualification</u>	<u>Rate of Technical Pay (Rs. per month)</u>
1.	Fellowship of the Institute of Actuaries or	600/-

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Technical QualificationRate of Technical Pay (Rs.per month)

- | | |
|---|-------|
| 2. Associateship of the Institute of Actuaries or Faculty of Actuaries. | 500/- |
| 3. Fellowship of the Chartered Insurance Institute. | 400/- |
| 4. Associateship of the Chartered Insurance Institute. | 300/- |

- (b) 45 persons mentioned at para 9 of the report who are in receipt of Technical Allowance at the rate approved by the Board of Directors of State Life Insurance Corporation of Pakistan in its meeting held on 17th to 19th March, 1977 may continue to receive the said Technical Allowance as the discontinuance of the same will cause hardship. But, in future, the employees acquiring such qualifications shall not be paid Technical Allowance.

The Technical Pay to the officers of the three Insurance Corporations at the rates mentioned at (a) above may be allowed with effect from 1-11-1982.

The Ministry in its separate letter No.1(7)/78-Ins(N) dated 6th December, 1982, has also stated that :

- (a) Pay and allowances have specifically been provided in the Regulations and these cannot be covered under the provision of incentives and awards exclusively meant for acquiring professional and technical qualifications by an existing employee during the tenure of his office.
- (b) Pay and allowances have been specifically reviewed by the 2 Wage Commissions and a Pay Commission. Both the 2 Wage Commissions and the Pay Commission have also specifically reviewed the question of granting technical pay and technical allowance to the employees for acquiring professional qualifications during the tenure of service.
- (c) Regulation 11 and 14 of Service Regulations allow the Corporation to make initial appointments above the minimum of the pay scale and the appointing authority can appoint a qualified person at such higher level in a pay scale as may be deemed fit.

In view of the above, the Ministry of Commerce feels that it would not be appropriate to invoke the provision of Regulation No.8 of the Service Regulations which is exclusively meant for existing employees for acquiring professional qualifications and therefore, the State Life has been advised to consider appointment of such persons under the provision of Regulation 11 & 14.

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Some Directors were of the view that in the report of the said Committee, the matter of providing or offering incentives to the technically qualified persons required by the Corporation remains unresolved. Director Mr. S.S.A. Bukhari suggested that the remedy lay in the amendment of Corporation's Service Regulation for which proposal may be sent to the Government.

ITEM 7: REVISION OF MANAGEMENT GRADE.

The Executive Director (B&A) placed before the Board Memorandum No.132/82 with regard to the revision of Management Grades. The Chairman informed the Board that the action proposed in the Memorandum had already been taken.

ITEM 8: BUDGET ALLOCATIONS FOR PROPOSED BRANCHES AT JEDDAH & DOHA AND PROPOSED EXPANSION AT KUWAIT.ITEM 9: CAPITAL BUDGET FOR COMPUTATIONAL EQUIPMENT FOR ACTUARIAL DEPARTMENT.

The Board observed that Memorandums No.133/82 and 134/82 of Director & Consulting Actuary had been disposed off in item 5 relating to budget.

ITEM 10: INSTALLATION OF LIFT IN PGI SQUARE, LAHORE

The Executive Director (RED) placed before the Board Memorandum No.135/82 seeking approval for an additional amount of Rs.10,000/- on account of shifting cost of lift from State Life No.5, Lahore to PGI Square, Lahore and Rs.3,000/- on account of supervision cost. The memorandum explained that the proposal for shifting the lift as aforesaid was approved by the Board in its 68th meeting held on 12th May, 1982 at a cost of Rs.2,75,000/- and Zenith Elevators were asked to undertake the job. They have now requested for revision of their quotation up by 25% due to rise in cost of wages, raw material, 5% surcharge on imports and higher exchange rate of U.S. Dollar. However, other Lift Suppliers and Maintenance Contractors have tendered bid for Rs.2,85,000/- with 12 months free maintenance service.

The Board approved payment of additional amount of Rs.10,000/- towards shifting cost of lift as aforesaid and Rs.3,000/- as supervision cost.

ITEM 11: PROFESSIONAL FEE OF CONSULTANTS, DARUWALA & COMPANY FOR STATE LIFE BUILDING NO.9ITEM 12: STATE LIFE VERSUS NASIM AHMED.ITEM 13: STOP BOOKING RENTAL INCOME AFTER RENT FALLS INTO ARREARS.ITEM 14: MORTGAGE LOAN TO MST. KHAIRUNNISA MIRZA.

It was decided that the items would be discussed in the next meeting of the Executive Committee.

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ITEM 15: RELAXATION OF AGE LIMIT OF CERTAIN EMPLOYEES.

The Board approved the proposal contained in Executive Director (B&A) Memorandum No.140/82 for relaxation of age at entry in respect of the following employees in term of Regulation 14(2) of the Service Regulations:-

S.No.	Name	Designation	Division/ Department	Age at entry in service.
1.	Mr. M.Afzal Mirza	Manager	Staff Training	48 years 7 months
2.	Mr. Abdul Aziz	Driver	R.E.D.	28 years 5 months
3.	Mr. Fateh Mohammad	Driver	R.E.D.	25 years 5 months
4.	Mr. Shakir Ali	Liftman	R.E.D.	25 years 9 months
5.	Mr. S.Sibte Abbas Zahidi.	Liftman	R.E.D.	27 years 7 months
6.	Mr. Abid Hussain Ch.	Jr. Clerk	R.Pindi Zone	28 years

ITEM 16: UNDERWRITING REQUIREMENT ON OVERSEAS
NEW BUSINESS AT THE ZONES.

It was decided that the item would be discussed in the next meeting of the Executive Committee.

ITEM 17: ANY OTHER BUSINESS.WAR INJURIES (COMPENSATION INSURANCE) ACT,
1943 - PROPOSAL TO APPOINT CORPORATION AS
GOVERNMENT AGENT UNDER THE PROVISIONS OF.

The Chairman informed the Board that the Government proposed to appoint the Corporation as its agent under the provisions of War Injuries (Compensation Insurance) Act, 1943.

Director Mr. Samee-ul-Hasan pointed out that business relating to war injuries could not conveniently be carried on by the Corporation and that PIC/NIC was better equipped and experienced to deal with such business. The Board observed that war injuries business could better be administered by PIC/NIC and the Government may like to appoint any of them as its agent under the said Act. It was decided to send a reply to the Government accordingly.

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

N. A. Jafarey
(N.A. Jafarey)
Chairman