

## 72ND MEETING OF THE BOARD OF DIRECTORS

HELD AT	ON	TIME	
Karachi	Monday 3rd October, 1983	11.30	A.M.

The 72nd meeting of the Board of Directors called pursuant to notice dated 14th September, 1983 was held at the Principal Office at Karachi on Monday, the 3rd October, 1983 at 11.30 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 Board confirmed the minutes of its 71st meeting held on 29th August, 1983.

ITEM 2: IMPLEMENTATION REPORT ON THE DECISIONS OF 71ST MEETING.

The Implementation Report on the decisions taken in the 71st meeting of the Board prepared by the Secretary to the Board was placed before the Board.

"Item 3: Final Accounts for the year ended 31st December, 1983.

Staff Turn Over

The Board discussed the staff turn-over figures for the year 1982, placed before it. It was decided that after study of staff turn-over for the past 3 years and keeping in view the STF-II report, P&GS Division shall prepare a cogent and comprehensive manpower policy and would put up the same for the approval of the Board/Executive Committee.

Economy Committee

The Executive Director - B&A's Memorandum in this regard was placed before the Board. The Board observed that but for the economy measures pursued in accordance with the recommendations of the Economy Committee, the renewal expenses ratio would have been much higher due to inflationary pressures which have continued to be operative. It was decided that the economy measures would continue and be re-inforced.

"Item 4: Additional Budget - Leave Encashment"

The Executive Director (B&A) Memorandum containing the information required by the Board was considered.

The Board decided that :

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- (a) no additional budget on account of leave encashment would be provided and that any unavoidable expenses on this account be met by re-appropriation from within the sanctioned budget; and
- (b) refusal of leave and consequent encashment in any Zone or Principal Office should not exceed 50% of the overall leave applied for.

Renewal Premium Income - Renewal Expense Ratio

The Executive Director (B&A) Memorandum No.103/83 containing details of adjustment of renewal premium income relating to prior years which resulted in partly bringing down renewal expense ratio, as desired by the Board, was placed before, and noted by, it.

ITEM 3: RECORDING OF MINUTES.

The Board recorded the minutes of :

- (i) 71st meeting of the Executive Committee held on 23rd July, 1983; and
- (ii) 72nd meeting of the Executive Committee held on 29th August, 1983.

At the instance of Mr. S.S.A. Bukhari, Joint Secretary (Insurance) and ex-officio Director, it was decided that a copy of the minutes of each meeting of the Executive Committee should be forwarded to him immediately after the meeting for his information.

ITEM 4: BUSINESS PROGRESS REPORT.

(a) Life Business

The Executive Director (S&D) placed before the Board a review of Life Business performance for and upto the month of August, 1983. The review revealed that :

- (i) The FYP of the Corporation during the month increased by 42.73% and by 33.65% on Year-to-Date basis.
- (ii) The No. of new policies increased by 35.92% during the month and 25.69% on Year-to-Date basis.
- (iii) New Sum Assured increased by 50.09% during the month and by 31.02% on Year-to-Date basis.
- (iv) Persistency of business (2nd year premium collection) during the month was 72.76% and 74.96% on Year-to-date basis as against 64.43% last year on whole year basis.

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- (v) Renewal Premium (on cash basis) increased by 8.7% during the month and 14.72% on year-to-date basis.

The Board recorded its satisfaction over the business performance.

(b) Group Business

The Executive Director (G&P) placed before the Board progress report of Group business for the month of August, 1983. The report depicted a downward trend for the month to the extent of 35.49%. However, on year-to-date basis an increase of 19.41% was indicated.

ITEM 5: ACTUARIAL VALUATION REPORT AND BONUS TO POLICYHOLDERS.

The Board considered Consulting Actuary's memorandum regarding Actuarial Valuation of the Corporation business as at the close of 1982. The memorandum made the following recommendations for bonus to the Policyholders:

- (A) Reversionary Bonus Rates per thousand sum insured per annum.

	<u>1980</u>	<u>1982</u>
<u>Anticipated Endowments</u>		
Term upto 14 years incl	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	22
Terms 20 years and over	28	33
<u>Whole Life</u>	35	35
<u>Persistency Bonus*</u>		
To all with Profits policies excluding Anticipated Endowments.	3	7

\*Note:

All With Profits policies in force for the full sum insured which entered in 1976 or earlier will get persistency bonus for two years, viz. 1981 and 1982. If they entered in 1977, they will get persistency bonus for one year viz. 1982. If they entered in 1978 or later, they will not get any persistency bonus at the 1982 valuation.

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Interim Bonuses

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

Terminal Bonuses

Terminal bonuses to those with profits policies, other than Anticipated Endowments, which mature in 1983 or 1984, or which give rise to a claim by a death occurring in 1983 or 1984, provided the policy was in force for the full sum insured at maturity or death.

The rates of terminal bonus will be as follows:-

<u>No. of years' Premiums paid</u>	<u>Terminal Bonus</u>
- 10 or less	Nil
- more than 10	Rs.20 per thousand sum insured for each year in excess of 10 years subject to a maximum terminal bonus of Rs.400 per thousand sum insured

To reckon the Terminal Bonus, premiums advanced under the APL provisions will be counted. The policyholder will not be deprived of the Terminal Bonus if he took a loan under the policy, provided always that the policy remained in force for the full sum insured until maturity or death in 1983 or 1984.

No terminal bonuses will be allowed if the policy is surrendered or made paid-up. Hence terminal bonuses carry no cash values. Terminal bonuses will not vest until they actually become payable on maturity or death in 1983 or 1984 under the conditions stated above.

In all publicity material and field communications which refer to Terminal Bonuses, the following note should be incorporated:

"Terminal bonuses are especially sensitive to the future profits of the Corporation. Hence no indication can or should be given of the terminal bonuses, if any, which may be allowed on maturities or death claims occurring after 1984."

(B) Family Income Benefits  
in course of payment.

The Actuaries recommended that Family Income Benefits under With Profits policies which are in course of payment as at 1st January, 1984, the life insured under the policy having died, should be increased with effect from the said date at the following rates. The corresponding rates, declared following the 1980 valuation are shown in brackets:

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Year of life insured's death

Increase in Family  
Income Benefit with  
effect from 1st Jan-  
uary, 1984.

1981 or earlier

12% (8%)

1982

6% (4%)

1983

nil (nil)

Notes:

(a) The above increases will be allowed on the total of "the basic Family Income Benefit plus any previous increases allowed".

(b) 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.

(C) Foreign Currency Policies

The Actuaries recommended following rates of bonus on foreign currency policies. The 1980 bonus rates are also shown for comparison :

Reversionary Bonus Rates per thousand sum insured per annum

	<u>£</u>		<u>Other Currency</u>	
	<u>1980</u>	<u>1982</u>	<u>1980</u>	<u>1982</u>
<u>Anticipated Endowments</u>				
- Term upto 14 years incl	N/A	N/A	12	12
- Terms 15-19 years incl	N/A	N/A	16	16
- Term 20 years & over	N/A	N/A	23	23
<u>Endowments</u>				
- Term upto 14 years incl	12	12	12	12
- Terms 15-19 years incl	18	20	16	17
- Terms 20 years & over	26	30	23	25
<u>Whole Life</u>	35	35	32	32

Persistency Bonuses\*

To all with profits  
policies excluding  
Anticipated Endowments

3	3	3	3
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\* Note on Persistency bonus for Pakistan Rupee policies will apply here also.



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Interim Bonuses

Until the next valuation, the Actuaries recommended that interim bonuses at the above rates be allowed on with profits policies becoming claims, in the usual manner.

Terminal Bonuses

Terminal Bonuses will not be allowed to foreign currency policies.

Family Income Benefits in course of payment.

Family Income Benefits under with profits policies which are in course of payment as at 1st January, 1984, the life insured under the policy having died, should be increased with effect from the said date at the following rates, being the same as the corresponding rates declared following the 1980 valuation.

Year of life insured's death	Increase in FIB with effect from 1st Jan 84
1981 or earlier	8%
1982	4%
1983	Nil

The same Notes apply as in the case of the Pakistan Rupee Business.

The Director & Consulting Actuary stated that the policies issued by former East Pakistani Companies, East West Mutual, Grand Mutual, IGI, Pakistan Mutual, Standard Insurance and Union Insurance will get bonus at only Rs.10 per thousand per annum for 1981 and 1982 (compared with Nil for East Pakistani Companies and Rs.6 for the other 6 Companies in 1979 & 1980) and no persistency and terminal bonus. Policies of LICl will get no bonus.

The Board approved the above recommendations of the Consulting Actuaries and also enhanced bonus on Whole Life Policies from the proposed Rs.35 to Rs.38 per thousand sum assured per annum. The Board also decided to give reversionary bonus of Rs.2/- per thousand sum insured per annum extra to Big Deal policies in view of the fact that the premium for the endowment component of such policies was at a higher rate than usual. The Board, however noted that at the 1980 valuation bonus notices sent to big deal policyholders were erroneously based on the face sum insured, whereas they should correctly be based on endowment component which is 25% of the face sum insured.

F.I. Rider

The Directors observed that the family income rider had not been as popular as it should have been and that vigorous sales promotional efforts were needed in this regard. The Board desired that the Executive Director (S&D) give his special attention for promoting sale of the rider and, if necessary, arrange special training to the field force for this purpose.

ITEM 6: APPOINTMENT OF AUDITORS FOR AUDIT OF THE CORPORATION ACCOUNTS FOR THE YEAR 1983.

The Executive Director (B&A) placed before the Board Memorandum No.97/83 proposing appointment of the following firms

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of Chartered Accountants for audit of the Corporation account for the year 1983, the distribution of port-folio to remain unaltered

- (i) M/s. Riaz Ahmed & Co., Karachi
- (ii) M/s. Minoo M. Bamjee & Co., Karachi
- (iii) M/s. Hameed Chaudhry & Co., Lahore

The memorandum also proposed payment of audit fee not exceeding Rs.1,80,000/- for the year, 1983 as against Rs.1,65,000/- in the preceding year and out-of-pocket expenses not exceeding Rs.1,00,000/- against the preceding year limit of Rs.85,000/-. Enhancement in out-of-pocket expenses was proposed owing to increase in travelling, lodging and boarding expenses.

The Board approved the proposal for appointment of the above firms of Chartered Accountants. The Board however, approved payment of audit fee of Rs.1,65,000/- only, but agreed to the proposal for enhancement of out-of-pocket expenses to Rs.1,00,000/-.

#### ITEM 7: GRATUITY

Re-consideration of the decision taken in the 71st meeting of the Board with regard to gratuity to the employees was deferred.

#### Actuarial Valuation of gratuity liability in respect of Corporation Officers.

The Director & Consulting Actuary Mr. Samee-ul-Hasan, stated that he would be able to carry out actuarial valuation of Corporation's liability on account of gratuity to the Officers provided the following informations were furnished to him:

- (a) List of all Officers alongwith their dates of birth and the dates of joining service.
- (b) Basic pay of each officer as at 1-10-1983.
- (c) Turn-over of Officers during the past three years including all cases of cessation of employment by death, retirement, resignation etc.
- (d) 5 years history of typical Officers numbering not more than 50.

#### Gratuity Fund

The Director & Consulting Actuary stated that -

- (a) he will also draft a trust deed for creation of gratuity fund and gratuity rules which would be effective from 31-12-1983.
- (b) Initial contribution to the gratuity fund should be determined by the P&GS Division.
- (c) For the purpose of creation of gratuity fund and obtaining approval under the Income Tax Ordinance, it would be necessary to ascertain the basic pay as at 30th June for as many number of years as possible for all the officers.



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ITEM 8: ANY OTHER BUSINESS.

- (a) ADDITIONAL BUDGET FOR 1983 - SALARIES, GRATUITY, PROVISION, ALLIED FACILITIES AND FIELD PRIZES AND AWARDS.

The Executive Director (B&A) placed before the Board Memorandum No.101/83 proposing allocation of additional budget in the amount of :

- (i) Rs.4.40 million under the head "salary - officers" on account of recent revision in officers salaries structure;
- (ii) Rs.6.97 million on account of provision for gratuity necessitated due to the revision in the pay-scale of officers;
- (iii) Rs.0.495 million as capital budget on account of "seating and allied facilities" to be provided to the field personnel at Karachi and Lahore Zones; and
- (iv) Rs.0.135 million on account of field prizes and awards.

The Board approved the proposal as at (i), (ii) and (iii) above. In respect of (iv) above it was decided that the deficit, if any, should be met by re-appropriation from within the sanctioned budget.

- (b) BY-PASS SURGERY OF MR. JALIL A. KHAN, AREA MANAGER, RAWALPINDI.

The Executive Director (S&D) Memorandum No.102/83 with regard to permission for by-pass surgery in U.K. to Mr. Jalil A. Khan, Area Manager, Rawalpindi, was placed before the Board for consideration. The Board declined the proposal recording that the expenses on this account would be debitible to his account recovery of which would not be possible in view of the heavy amount involved.

- (c) PAY-SCALES OF AREA MANAGERS.

The Executive Director (S&D) placed before the Board Memorandum No.106/83 requesting the Board to confirm the decision of the Executive Committee taken in its 72nd meeting held on 29th August, 1982 to the effect that subject to the approval of the Federal Government basic pay of Area Manager be raised to Rs.2,000/- per month in line with the revised pay structure of Deputy Managers.

The Board confirmed the said decision of the Executive Committee and decided that approval of the Ministry of Commerce for this increase be obtained immediately.

- (d) MR. YOUSUF H. SHIRAZI'S LETTERS

The letters written to the Editors 'DAWN' and 'MUSLIM' under the caption "STATE OF LIFE INSURANCE" were placed before

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the Board for discussion. It was decided that no reply to the above letters was necessary and the Corporation should continue to publicise its activities and the results achieved as in the past.

(e) HALF-YEARLY ACCOUNTS.

The half yearly accounts as at 30th June, 1983 were placed before the Board. The Chairman appreciated that the quarterly accounts had been prepared and circulated among the Directors. He stated that what was required was that causes of the increase in expenses be properly probed and factors responsible therefore be brought to light. He said that the Directors should go through the accounts and communicate their observations to E.D. (B&A).

(f) COMMERCIAL AUDIT BY AUDITOR GENERAL

The Board was informed that the Corporation's Accounts were being audited by the Commercial Audit Team of the Auditor General of Pakistan in terms of Article 11(1)(iv) of Pakistan (Audit and Accounts) Order, 1973. Director, Mr. S. Hasan, stated that the audit was not necessary in view of the fact that the Corporation's auditors were also appointed with prior consent of the Auditor General of Pakistan. The Board was informed that the Corporation had initially taken a similar stand and had made the following objections to the said audit when the same was proposed:-

- (i) In view of Article 28 of LINO, Article 11(1)(iv) of Pakistan (Audit and Accounts) Order, 1973 has no applicability to State Life.
- (ii) The Auditor General of Pakistan cannot assume power to undertake audit of State Life in terms of Article 11(1)(iv) of said Order of 1973 and his jurisdiction is ousted by Article 28 of LINO.
- (iii) Article 28 of LINO is a special provision of law and shall prevail over the general provisions of Article 11(1)(iv) of Audit and Accounts Order.
- (iv) Duplication arising out of the audit by the Auditor General will introduce friction, contradictions and confusion in the working of this Corporation. Such a situation could never have been intended by the legislature.

The Board desired that its endorsement of the above stand be placed on record.

(g) PROPOSALS FOR MEETINGS OF THE BOARD/EXECUTIVE COMMITTEE.

It was decided that papers relating to the proposals to be submitted to the meetings of the Board/Executive Committee should reach the Board Secretariat at least 72 hours before the

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holding of the meeting so that the same can be circulated amongst the Directors well in time. Papers received thereafter should be placed in the next following meeting.

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

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

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