

76TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	Karachi	Wednesday 10th October, 1984	11:00 A.M.

The 76th meeting of the Board of Directors called pursuant to notice dated 30th September, 1984 was held at the Principal Office at Karachi on Wednesday, the 10th October, 1984 at 11:00 A.M.

The following were present :

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| 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 the 75th meeting of the Board of Directors held on 26th June, 1984 were confirmed.

ITEM 2: IMPLEMENTATION REPORT ON THE DECISIONS TAKEN IN THE 75TH MEETING.

The implementation report on the decisions taken in the 75th meeting of the Board was placed before the Board.

"Item 5: Corporation's Annual Accounts for the Year ended 31st December, 1983".

"Low Income From Real Estate Port-Folio".

Valuation reports in respect of the following residential units prepared by Architects M/s. Daruvala & Co., were considered :-

- (a) 1-A, Frameroze Road, Karachi.
- (b) 106, Clifton, Karachi.
- (c) 49-A, Queens Road, Karachi.
- (d) 1-B, Queens Road, Karachi.

It was decided that a comprehensive report covering legal, technical and marketing aspects in respect of only one property namely 1-A, Frameroze Road, Karachi be prepared for consideration and a decision with respect to it might also determine the course to be adopted in relation to other units.

"Wage Commission for Insurance Corporations-Financial Impact".

The Board noted the report from the P&GS Division and directed that the question raised in the 75th meeting should be examined immediately and a report submitted in the next meeting.

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"Accrued Group Profit Commission".

G.M. (B&A) was called to the meeting at this stage.

The Memorandum from E.D. (B&A) was discussed which explained that the desirability of making provision for accrued group profit commission in the books was examined and it was opined by some quarters that the provision, if made, may be added back by Income Tax Authorities thereby increasing income tax liability by a substantial margin. The Board directed that further opinions from professional experts be also obtained.

" Two Column Balance Sheet".

The Director & C.A. had desired that the General Manager (B&A) examine the desirability of having a two column balance sheet - one column for the shareholder and the other column for the life insurance fund.

Consideration on the subject was deferred.

"Auditor's Report".

In the previous meeting, the Board had desired that the Auditors observation of serious implication be attended to first and a preliminary report in this regard be submitted not later than 30th September, 1984 and that non-reconciliation of bank account was one of the matters which deserved top priority.

"Bank Account".

G.M. (B&A) reported that the reconciliation had since started in all the offices and Zones except in Hyderabad Zone. The Board directed that the bank reconciliation statements should first be prepared for the period ending 31st December, 1983 and that after this date no bank account should remain unreconciled.

"Agents Balances".

The General Manager (B&A) reported that reconciliation of Agents balances :

- (a) in Karachi Zone, was more or less upto-date;
- (b) in Lahore Zone, has since been initiated and is progressing;
- (c) in Rawalpindi Zone, while a large portion of balances have been reconciled, 1984 reconciliation is proposed to be taken in hand; and
- (d) in Peshawar and Hyderabad Zones the work has not been undertaken.

The Board directed that vigorous efforts be initiated to up-date reconciliation work in all the Zones.

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<p>The Board further directed that the matter be followed-up and a final report be placed before Board within three months.</p> <p><u>"Deficit Staff Strength in B&A".</u></p> <p>The General Manager reported that the sanctioned staff strength was not available in certain Zones particularly in Rawalpindi Zone. The Board directed that the deficit staff be provided to B&A without delay and sanction of Executive Committee be obtained wherever required.</p> <p><u>"Account Recievable".</u></p> <p>With regard to the Auditors observation that recoveries from employees were not being made regularly, the Board directed that no recovery from any employee should be withheld or postponed under any circumstances without sanction of the competent authority.</p>			
<p><u>ITEM 3: RECORDING OF MINUTES:</u></p>			
<p>The Board recorded the minutes of :</p> <ul style="list-style-type: none"> i) 82nd meeting of the Executive Committee held on 10th June, 1984. ii) 83rd meeting of the Executive Committee held on 13th June, 1984. iii) 84th meeting of the Executive Committee held on 24th June, 1984. iv) 85th meeting of the Executive Committee held on 31st July, 1984. v) 86th meeting of the Executive Committee held on 13th August, 1984. vi) 87th meeting of the Executive Committee held on 13th September, 1984. 			
<p><u>ITEM 4: APPLICATION FOR REVISED LEAVE RULES TO OFFICERS.</u></p>			
<p>Consideration on the item was deferred.</p>			
<p><u>ITEM 5: APPOINTMENT OF AUDITORS FOR AUDIT OF STATE LIFE ACCOUNTS FOR THE YEAR 1984 - CONFIRMATION OF DECISION.</u></p>			
<p>The Board confirmed the decision already taken by circulation on Executive Director (B&A) Memorandum dated 16th July, 1984 for appointment of the following firms of Chartered Accountants for the audit of Corporation's 1984 Account :-</p>			

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1. Riaz Ahmad & Co., Karachi
2. Taseer Hadi Khan & Co., Lahore
3. Hashmi & Co., Karachi.

The Board also confirmed the decision taken with regard to the payment of fee and out of pocket expenses to the Auditors as mentioned in the Memorandum.

ITEM 6: HALF YEARLY ACCOUNTS OF THE CORPORATION:

The Executive Director (B&A) Memorandum No.106/84 with regard to the half yearly accounts of the Corporation as at 30th June, 1984 was considered by the Board.

The Board observed that expenses on account of various heads as mentioned in the Memorandum were increasing, some of them disproportionately. Director Mr. Samee-ul-Hasan proposed that to overcome the situation renewal premium in subsequent years be dynamised and increased coupled with a corresponding increase in the sum insured. The Directors had their reservation to the proposal and were of the opinion that the details of the proposal needed to be examined further minutely. Mr. Samee-ul-Hasan stated that he would circulate a paper on the proposal to all the Directors.

ITEM 7: REVISION IN THE BUDGET ESTIMATES FOR 1984.

The Executive Director (B&A)'s Memorandum No.107/84 regarding Revision in the budget estimate for 1984 was considered. The following reasons for the revision in the budget estimates were given in the memorandum :

- (a) During the year, there were more appointments/promotions of Area Managers than projected, petrol price was increased and FYP recorded higher than budgeted growth.
- (b) RED intends to carry out routine maintenance of airconditioning plant, lifts, electrical appliances and other civil works to avoid any break down.
- (c) As estimated provision on account of gratuity/pension of employees for the year 1983 in the amount of Rs.34.038 million is required to be carried forward to the budget for 1984 and to subsequent years also until the gratuity and pension funds respectively are created.

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The following budgetary allocations were proposed which the Board approved :

<u>Heads of Account</u>	<u>Total</u> (Rupees in thousands)
Rest & Recreation	144
Travelling	533
Car Petrol	407
Car Rental	236
Medical (Officers)	794
Tea Expenses	125
Uniform Expenses	36
Staff Van/Car	45
Postage & Telegram	415
Telephone/Telex	1175
Conference & Meeting	235
Insurance Expenses	13
Office Repair & Maint.	155
Rent (Others)	573
Rent (SLIC)	1100
Bank Charges	75
Advertisement	123
Car Repair & Maint.	48
Car Insurance	34
Entertainment	67
Claims Investigation Exp.	20
Provision for Group Ins.	73
	<u>6426</u>
Leave Encashment	<u>(2400)</u>
	4026
Gratuity/Pension liability (Life + RED + Investment)	<u>34038</u>
TOTAL	<u><u>38064</u></u>

R.E.D.

A sum of Rs.1.936 million was recommended for maintenance expenses by the RED. E.D. (RED) agreed to reduce this sum to Rs.1.436 million which the Board approved.

It was further decided that :

- (a) the renewal expense ratio for Overseas Offices (Overseas Division at Principal Office included) be worked out; and
- (b) in view of unremunerative group operations at Dubai, proposal to close the same by 31st December, 1984 be examined.

ITEM 8: AMENDMENT IN SERVICE REGULATIONS-POWERS
TO THE BOARD FOR MAKING PENSION RULES:

ITEM 9: FACILITIES ON DEATH OF AN EMPLOYEE:

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ITEM 10: OPTION FOR RETIREMENT BENEFITS AFTER 24 YEARS OF SERVICE.

ITEM 11: HOUSE BUILDING LOAN FACILITIES TO UNIONISED STAFF:

Consideration on the above items was deferred.

ITEM 12: RECONCILIATION OF CONTROL ACCOUNTS OF PREMIUM IN SUSPENSE:

The Executive Director (B&A) placed before the Board Memorandum No.112/84 with regard to the reconciliation of control accounts of premium in suspense. The Memorandum explained that :

- (a) The external auditors in their report on the accounts of Karachi Zone for the year ended December 31, 1982 had pointed out that the control accounts of premium in suspense maintained by B&A Division and the subsidiary account maintained by New Business Department did not reconcile with each other.
- (b) The auditors had provided year wise break up of the subsidiary record as given below and had desired its immediate reconciliation with the control account :

1977	Rs. 53,708
1978	Rs. 38,019
1979	Rs. 98,459
1980	Rs. 1,66,691
1981	Rs. 1,15,977
1982	Rs. 12,05,589
	<u>Rs. 16,78,443</u>

- (c) A.G.M. (New Business) Karachi Zone explains that the subject reconciliation was never done previously by Ex-'C' Unit and also after formation of Karachi Zone. He further explains that in case the said reconciliation was carried out, it would require access to all the old source documents i.e. D.C.S., copies of P.Rs F.P.Rs etc. In view of the practical difficulties he proposed that the difference of Rs.6,58,545 be transferred to the premium account.
- (d) Zonal Accountant, Karachi Zone has also confirmed that the unreconciled balance comprises old E.F.U. items appearing before Nationalisation. He has further confirmed that premium in suspense in former 'C' Unit was never reconciled. Even after merger of Units subsidiary records were never matched with control account. All these factors resulted in accumulation of premium in suspense.

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<p>It will therefore, be impracticable to trace records relating back to the period prior to the nationalisation and locate the difference.</p> <p>(e) The premium in suspense account has been computerised from January 1983 and a schedule as at December 31, 1983 showing a credit balance of Rs.16,66,530.86 has been prepared by Computer. Now an unreconciled credit balance amounting to Rs.6,57,573.59 remains behind.</p> <p>The Memorandum proposed that in view of the difficulties explained above the Board may consider charging of difference of Rs.6,57,573.59 by crediting it to the renewal premium account.</p> <p>The Board agreed.</p> <p><u>ITEM 13:</u> <u>APPOINTMENT OF AUDITORS FOR AUDIT OF STATE LIFE ACCOUNTS FOR THE YEAR 1984.</u></p> <p>The Executive Director (B&A) placed Memorandum No.113/84 informing the Board that the three firms of Chartered Accountants namely :</p> <ol style="list-style-type: none"> 1. Riaz Ahmad & Co., Karachi. 2. Taseer Hadi Khan & Co., Lahore 3. Hashmi & Co., Karachi <p>were recommended to the Government for appointment for audit of State Life accounts for the year ending 31st December, 1984.</p> <p>While approving the appointment of the audit firms listed at Nos. (2) and (3) above, the Government have not agreed to the appointment of M/s. Riaz Ahmad & Co., Karachi as according to the Finance Division Office Memorandum No.F.6(5)-IF-II/71-2882 dated 27.10.1979 they are not eligible for the appointment for the sixth year. The Ministry wanted us to suggest a few other names in order of preference in place of M/s. Riaz Ahmad & Co., Karachi.</p> <p>The Memorandum recommended in order of preference, the followings firms of Chartered Accountants for appointment of one of them as Auditors in addition to the two firms already approved for the audit of State Life Accounts for the year ending 31st December, 1984 :-</p> <ol style="list-style-type: none"> i) M/s. Rahim Jan & Co., Karachi. ii) M/s. Ford Rhodes Robson Morrow & Co., Karachi. iii) M/s. Ebrahim Sidat & Co., Karachi. <p>The Board approved the proposal.</p> <p><u>ITEM 14:</u> <u>STATE LIFE PROPOSED BUILDING IN D.I.KHAN:</u></p> <p>The Executive Director (RED) Memorandum No.114/84 was placed before the Board. The Executive Director (RED) informed</p>			

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the Board that the purchase of land in D.I. Khan from the Cantonment Authorities had materialised and full payment of the cost of land had been made to them and that necessary formalities for execution and registration of lease deed were under-way.

The Memorandum proposed names of various Consultants in case construction on the said plot is considered worthwhile by the Board. The Board recorded that for the present, no building be constructed on the said plot of land but that a boundary wall be erected and a Chowkidar be posted for watch and ward.

ITEM 15: STATE LIFE PLOTS IN DEH THANO, MALIR, KARACHI - SURVEY NO.249 & 269:

The Board considered Executive Director (RED) Memorandum No.115/84. The Memorandum explained that :

- (a) the plots of land bearing No.249 & 269 in Deh Thano, Malir were in possession of Local Zamindars;
- (b) a tender for sale of the plots was invited through advertisement on 4.5.1984 against which Mr.Munawwar Ali Khan made highest offer of Rs.2,06,000/- per acre on as it is where it is basis;
- (c) sale of the land may be considered to Mr. Munawwar Ali Khan at the rate offered by him on as it is where it is basis; and
- (d) 20% advance would be payable at the time of agreement and the balance sale price within one year after which sale deed would be executed in favour of the Vendee.

The Board approved the proposal recording that Directors, Mr. Mahboob Siddiqui, Mian Abdul Qadir, Mr. Samee-ul-Hasan and Mr. Agha Nasir Ali had visited the site and had seen for themselves various encroachments existing thereon.

ITEM 16: ADOPTION OF REVISED LEAVE RULES FOR THE OFFICERS:

Consideration on the item was deferred.

ITEM 17: ANY OTHER BUSINESS:

- (a) State Life Building at Gujranwala.

A proposal for constructing Corporation Building at Gujranwala was discussed. In view of abnormally high prices of land and the low rents at Gujranwala, it was considered commercially not feasible to acquire a plot of land and construct any building thereon.

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(b) Office Accomodation at Faisalabad.

The Board was informed of the difficulties being faced in acquiring accomodation for the Office at Faisalabad. It was decided that the requirements for the Faisalabad Office be advertised in the press and residential/commercial units, if suitable and commercially feasible may be considered for acquisition on ownership/lease-hold basis.

(c) Under Construction Building at Islamabad.

The Executive Director (RED) proposed more stories on the under-construction building at Islamabad. The Chairman said that the question of constructing additional stories should be examined in the light of the money to be invested vis-a-vis the projected return.

(d) Pension Scheme for Officers.

The Executive Director (B&A) Memorandum No.117/84 with regard to the proposed Pension Scheme for Officers was placed before the Board. The memorandum explained that while the Ministry of Finance have conveyed their no objection in principle to the introduction of Pensionary Scheme for Officers, they have prescribed certain conditions including the condition that the rate of contribution to the pension fund shall not exceed 5% of the pay roll. The Ministry of Finance wants the Corporation to certify that the conditions laid down by it would be met if the pensionary scheme is introduced.

It was decided that the factual position be explained to the Ministry of Finance and it may be brought to their notice that it would not be financially possible to administer the proposed pension scheme within the limits prescribed by them in view of the acturial calculations which have been made during the proposed scheme.

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


(N. A. Jafarey)
Chairman

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