

7th MEETING OF THE BOARD OF DIRECTORS

ORS	HELD AT	ON	TIME
BOOK	Karachi	Thursday & Friday December 21 & 22 '72	10:00 a.m.

The 7th Meeting of the Board of Directors of the State Life Insurance Corporation of Pakistan was held on Thursday and Friday, the 21st and 22nd December 1972 at 10:00 a.m. in the Board Room of the Corporation at Karachi, as per notice of the Corporation dated 15th December 1972.

The following were present:

1. Mr. H. U. Beg, SQA., PTS.	Chairman
2. Mr. S. F. Alam	Member
3. Mr. Samee-ul-Hasan	Member
4. Mr. M. S. Janjua	Member
5. Mr. D. M. Quraishi, TQA	Member
6. Mr. P. Sequeira	Member
7. Mr. A. A. Toor, PA&AS	Member
8. Mr. S. A. Walajahi	Member
9. Mr. M. Zulqarnain	Member

Mr. S. S. Akhtar and Mr. S. A. Zahid, consulting Actuaries and Mr. M. A. Ghani Training Consultant, Pakistan Burmah Shell also attended the meeting by special invitation.

Mr. S. Aftab Ahmad and Mr. M. Sadiq Khan were in attendance.

ITEM NO: 1: Confirmation of the Minutes of the 6th Board Meeting held on 7th December 1972 at Karachi.

The Minutes of the 6th Board meeting held on 7th December 1972 were confirmed.

ITEM NO: II: To consider and approve the new Agency Commission and Organisation Structure.

The draft Agency Commission and Organisation Structure for the State Life circulated with the Agenda was discussed. The following observations were made:-

Group Insurance:

(1) It was observed that the existing high first year commission had given rise to serious malpractices of illegal rebating and renewal business being re-written as first year business. It was, therefore, decided that there will be no commission on Government and Semi-Government Group YRT Business.

It was further decided that Group YRT Commission rates would be the same in the first and subsequent years. The schedule proposed in the circulated draft was adopted except that in the first slab, the commission rate was reduced to 6% and in the second slab to 5%

It was further decided that group YRT contracts would be issued on an yearly renewable basis and not on a fixed three year contract basis.

The circulated draft proposals regarding Group Permanent were approved except that renewal commission rates of 2-3/4% , 2-1/4% and 1-3/4% were rounded up to 3%, 2-1/2% and 2% respectively.

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(2) The Agents Commission Structure:

The agent's commission structure in the circulated draft was approved with the following modification:

- (a) FIB Rider will get the same commission as the basic policy Plus bonus of 5% on commission if the mode of payment is yearly.
- (b) the additional 10% for arranging payment of the second premium within the days of grace will be payable on production of evidence satisfactory to State Life that the agent contacted the policyholder and arranged such payment.

(3) Agents Group Insurance:

It was decided that Group Insurance would be provided to agents on the following terms and conditions:

- (a) All agents who have earned FYAC of Rs. 2,000 or above in 1972 or who may earn at least the same amount of FYAC in 1973 and thereafter would be insured for a sum of Rs. 10,000 if they go through a course of training prescribed by the Corporation. The insurance cover will be effective from the 1st of the month following the fulfilment of the above conditions and payment of 50% of the annual premium at the rate to be determined by the Corporation. State Life will pay the remaining 50%.
- (b) If the agent does not fulfil the production requirement in the year following his admission to the membership of the Group Term Scheme, he may continue his insurance by paying 100% of the premium as long as he is working for the Corporation.
- (c) The amount insured is payable on death provided:
 - i) His age at death does not exceed 60 years;
 - ii) He has paid the premium as required;
 - iii) His contract as an Agent with the Corporation is in force at the time of death.

(4) Employers of Agents:

After prolonged discussion of this problem in all its aspects, it was decided that the first year over-riding commission on direct business would be as follows, irrespective of whether the employer of agents is in the first or the second tier.

<u>Basic first year agency commission in direct Unit in calendar year.</u>	<u>First year over-riding as percentage of agents first year commission.</u>
Upto Rs. 7,999	37-1/2%
Rs. 8,000 to 12,999	45%
Rs. 13,000 to 19,999	50%
Rs. 20,000 and over.	57-1/2%

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First year over-riding commission on the business of the indirect Units was decided as follows:-

<u>Basic first year agency commission in entire Unit in calendar year.</u>	<u>Over-riding Commission as percentage of agents first year commission.</u>
Upto Rs. 24,999	12-1/2%
Rs. 25,000 to 39,999	17-1/2%
Rs. 40,000 to 79,999	22-1/2%
Rs. 80,000 and over.	27-1/2%

The proposals in the circulated draft regarding the basic first year commission and additional production bonus to Employers of Agents would stand modified to give effect to the above.

The proposal regarding additional bonus for team work was not approved.

With regard to Employer of Agents, the circulated draft proposals relating to second and later year's policy commission and additional commission for Persistency were approved.

The proposal for additional service commission was not approved.

The proposal regarding the deletion of sub-rule (2) of draft Rule 39C dated 21st June 1971 was approved.

It was decided to provide Group Insurance to Employers of Agents on the following terms and conditions:-

- (a) Employer of Agents in 1st tier who have earned FYAC of Rs. 6,000 or about and Rs. 20,000 and above respectively in 1972 or who may earn at least the same amount of FYAC in 1973 and thereafter would be insured for a sum of Rs. 15,000 and 25,000 respectively provided they pass a course of training prescribed by the Corporation. The insurance cover will be effective from the 1st of the month following the fulfilment of the above conditions, and payment of 50% of the annual premium at the rate to be determined by the Corporation. State Life will pay the remaining 50%.
- (b) If the Employer of Agents does not fulfil the production requirement in the year following his admission to the membership of the Group Term Scheme he may continue his insurance by paying 100% of the premium as long as he is working for the Corporation.
- (c) The amount insured is payable on death provided:
 - i) His age at death does not exceed 60 years;
 - ii) He has paid the premium as required;
 - iii) His contract as an Employer of Agent with the Corporation is in force at the time of death.

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(5) Field Organisation Structure:

With regard to the permanent field organisation structure, the following organisational chart was approved.

Chief Manager	- Rs. 45 lacs F.Y.P. quota - Fixed benefits plus bonus
Area Manager	- Cost 2% of F.Y.P. - Rs. 10 lacs F.Y.P. quota - Fixed benefits plus bonus
Sales Manager (Senior Employer)	- Cost 5% of F.Y.P. - Over-riding Commission only as agreed on 21.12.72.
Sales Officer (Junior Employer)	-do-
Sales Representative (Agent)	-do-

(6) The following transitional arrangements will govern Field Officers other than those who are appointed Area Managers or Chief Managers:

- a) All those on Over-riding Commission will be fitted into permanent structure w.e.f. 1.1.73, eliminating excess tiers. They will be designated Sales Manager or Sales Officer as decided by the Unit General Manager.
- b) All those on salary who have not fulfilled their contract upto 31st December 1972 in every respect will also be put on Over-riding Commission w.e.f. 1.1.73 eliminating excess tiers. They will be designated either Sales Manager or Sales Officer depending on the decision by the Unit General Manager.
- c) Those on salary basis who fulfil the contract in every respect by 31-12-1972 will have the option to continue on the same contract subject to (i) eliminating excess tiers to conform to new law; (ii) making necessary adjustments in contract in view of (i) above, to keep within the cost limit, being the lower of the old and the new limits; (iii) they will be fitted parallel to either Sales Manager or Sales Officer as decided by the Unit General Manager, but, in any case the new designation of Sales Manager or Sales Officer will be given; (iv) if they complete the modified contract in every respect in 1973 they will continue in 1974 and so on; (v) if present contract does not expire on 31st December 1972, pro rata performance upto 31.12.72 will be taken into account and the new contract will be given effect from 1.1.73.

(7) Area Manager's Remunerations:(i) Permanent Basis:

Salary (no scale)	Rs. 1,000 p.m.
House Rent Allowance	30%
Free Car	
Driver (subject to maximum of Rs. 150, p.m.)	
Staff Bonus, Provident Fund)	
Gratuity, Medical Benefits)	As per State Life Regulations.

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Plus production bonus as follows:

- (1) Nil on completion of first Rs. 7 lac FYP per calendar year;
- (2) Rs. 4,000 per lac FYP completed in calendar year in excess of Rs. 7 lacs.

(ii) Transitional:

Salary (on scale)	Rs. 1000-75-1750
House Rent Allowance	30%
Free Car	
Driver (Subject to maximum expenses of Rs. 250/- per month)	
Fixed entertainment allowance	Rs. 200/- per month
Staff Bonus, Provident Fund)	
Gratuity, Medical Benefits)	As per State Life Regulations.

(8) General Remarks regarding Area Manager:

- (i) For both permanent and transitional basis, his quota will be Rs. 10 lacs F.Y.P. per annum.
- (ii) Area Managers appointed w.e.f. 1.1.1973 will be on transitional basis (if they do not want permanent basis). Thereafter all Area Managers will be appointed on permanent basis.
- (iii) Area Managers appointed on transitional basis will be put on permanent basis w.e.f. 1st July, 1973 if by 30th June, 1973 they do not complete at least Rs. 3,50,000/- F.Y.P.
- (iv) An Area Manager on transitional basis who by 31st December 1973 does not complete at least Rs. 7 lacs FYP will be put on permanent basis w.e.f. 1st July 1974.
- (v) If by 31st December 1973 an Area Manager on transitional basis does not do Rs. 10 lacs FYP, but does at least Rs. 7 lacs, his emoluments will be reduced proportionately w.e.f. 1st January, 1974.
- (vi) Area Managers whose performance is unsatisfactory are liable to be terminated or reverted to Sales Manager.

(9) Chief Managers:

The quota of a Chief Manager may be Rs. 45 lacs FYP per annum. His emoluments will be as follows:

Salary in the scale	Rs. 2,000-125-3,500
House Rent Allowance	30%
Fixed entertainment Allowance	Rs. 300 p.m.
Development Allowance	Upto Rs. 500/- p.m.
Free Office car with driver	
Staff Provident Fund)	
Medical facilities)	
Gratuity & Bonus)	As per State Life Regulations.

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Plus production bonus of Rs. nil on the first 45 lacs FYP in a calendar year, and Rs. 1,000/- per lac FYP on excess of Rs. 45 lacs in a calendar year.

(10) Agents and Employers of Agents Regulations:

It was felt that there was no need for these Regulations as they could be covered either by rules, administrative instructions and/or contract. It was decided that a standard contract would be prepared for the purpose.

In the meantime a legal opinion should also be obtained in the matter.

(11) Organisational Chart for the Units:

The Board discussed the organisational chart for the Unit prepared by Mr. S. A. Walajahi and Mr. M. S. Janjua. It was felt that the organisational set up should be such as is functional, practical and economical. The responsibilities should be clearly defined so that each person may be held accountable for specific functions. After thorough discussion the chart, attached as annex to these minutes, was approved in principle. It was decided that the Unit Heads would examine it further and bring it up for the Board's consideration.

ITEM NO: III To consider and approve State Life Employees (Service) Regulations

The draft State Life (Employees) Service Regulations were taken up for consideration. Mr. A. A. Toor briefly introduced the Regulations and explained their salient features. The Regulations were there-after discussed at length. The following main points emerged out of the discussion:

1) Application and extent:

It was felt that the proposed clause regarding the application of these Regulations required to be modified so as to make it clear that these Regulations would not apply to the employees on deputation or on contract except to the extent specified in the terms of their deputation or contract which might be altered from time to time.

2) Classification of employees:

The draft Regulations provided for 15 grades, 10 for the non-executive staff and 5 for the executive staff in accordance with the recommendations of the Salaries Committee of the Life Insurance Management Board. It was felt that in view of the decision taken in respect of revised field structure, the salaried field posts of Area Managers and Chief Managers should also be provided for in these grades. The post of Area Manager should be at the level nearly of a Deputy Manager and that of Chief Manager at the level of an Assistant General Manager, which would constitute a new grade in between a Manager and a Deputy General Manager. This would raise the number of executive grades to 7 as follows starting from Grade (11):

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- (11) Junior Officer
- (12) Assistant Manager
- (13) Deputy Manager
- (14) Area Manager
- (15) Manager
- (16) Chief Manager/Asstt: General Manager and
- (17) Deputy General Manager

It was decided that the performance conditions attached to the posts of Area Manager and Chief Manager should also be incorporated in the Regulations.

3) Fixation of pay of employees already in service:

The Board agreed that the pay of an employee who was in service on 31st December, 1972 would be fixed in accordance with the following principles:

- a) He would be placed in one of the grades prescribed under these Regulations in the light of his level of responsibility, work and salary as on 1st January, 1973
- b) After his placement in a grade, his pay would be fixed in the scale applicable to that grade in accordance with a fixation formula to be determined by the Board in such a way that his total emoluments after fixation were not less than his total emoluments as on 31st December, 1972.

For the purpose of this fixation, the emoluments would include pay, monthly equivalent of bonus and such allowances ^{and} monthly benefits as the Board may decide.

It was further decided that employees in the non-executive grades might be given the option to retain their existing pay and terms regarding allowances, Provident Fund, Gratuity and medical attendance as a whole (but excluding Bonuses), in lieu of the pay fixed as above and other similar benefits under the Regulations of the Corporation.

4) Awards and incentives for acquiring technical qualification

It was decided that instead of technical pay, provision should be made for cash awards and other incentives for passing professional examinations.

Mr. Ghani suggested that before drawing up a scheme for this purpose, the Board might like to consult the incentive scheme prepared by the Pakistan Burmah Shell for its employees. Others welcomed this idea and it was decided that Mr. Ghani would supply a copy of the incentive scheme of the Pakistan Burmah Shell, which would be consulted for drawing up a scheme for Corporation's employees.

5) Conveyance Allowance:

It was felt that an Area Manager and a Chief Manager should also be provided with an office car. In the case of an Area Manager, however, the provision of a car would be subject to such expense limits as the Board may prescribe from time to time.

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6) Age of Retirement:

It was agreed that the age of retirement for employees should be 58 years as in the case of Government servants under the Constitution. For employees who had already crossed the age of 58 years, it was decided that they may be offered a contract of appointment for a period of one year effective from 1st January, 1973.

7) Daily Allowance on Tour:

It was agreed that the officers of the rank of Chief Manager/Assistant General Manager and above should be paid actual boarding and lodging expenses, if they stay in a hotel, in which case they will not be entitled to any daily allowance.

8) Sick Leave:

It was decided that provision for Sick Leave should also be made in the Regulations as this facility was available to most of the employees of the integrating units.

It was ultimately decided that the Regulations would be modified in the light of the above discussion by Mr. Toor in consultation with Mr. Samee-ul-Hasan, Mr. S. S. Akhtar and Mr. S. A. Walajahi.

Subject to the modifications to be so made, the draft Regulations were approved.

CONDOLENCE RESOLUTION

During the course of the meeting on 22nd December, 1972, a message was received by Mr. M. Zulqarnain that Dr. Mohammad Aslam, his elder brother in Lahore had unfortunately expired. The Board immediately adjourned its proceedings for a short while and passed the following condolence resolution.

“Resolved that the Board of Directors of State Life Insurance Corporation notes with deep sense of grief the news of the sad demise of Dr. Mohammad Aslam, elder brother of Mr. M. Zulqarnain. The Board expresses its heartfelt sympathies with Mr. Zulqarnain and his family and pray that the departed soul may rest in peace and May God give the bereaved family the strength to bear this great loss.”

ITEM NO: IV: To consider proposed Bye-Laws regarding the formation of State Life Insurance Employees Cooperative Society Limited:

ITEM NO; V: To consider policy regarding General Insurance business of the Corporation:

The above items IV & V were deferred due to lack of time.



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ITEM NO: VI: Any other matter with the permission of Chair:

The Chairman placed before the Board the following Memorandum presented by the Executive Director (Investments):

(1) Investments and Yield on the Life Fund Portfolio as on 31-10-1972

The memorandum indicated that the total portfolio of the State Life (at book value as on 31-10-72) amounted to Rs. 139.87 crores consisting of Rs. 119.24 crores of assets in West Pakistan and Rs. 20.63 crores of assets in East Pakistani securities. Unadjusted for the depreciation in the value of shares and appreciation in the value of the real estate, it was observed that investments in West Pakistani securities yielded a gross return of 5.5% per annum. Between various categories of investments, corporate debentures, which claim 7.14% of total investments in West Pakistani assets, were showing the highest yield of 8.82% per annum. On the other hand, real estate, which claims 9.26% of total investments, showed an yield of 3.01% per annum.

The Board noted the position of the portfolio as at 31-10-1972.

(2) Funds for the Car Care building at Kutchery (Ziauddin) Road Karachi.

A total of Rs. 46 lacs was approved by the erstwhile (EFU) insurance company, prior to nationalisation, for the construction of this building. On subsequent enquiry, prior to nationalisation, it was learnt that an additional 30,000 sq.ft. can be further covered. The building plans for the additional area were approved by KDA and the structure raised. However, since until then the expenditure was within the sanctioned amount of nationalisation, formal sanction of the Board of EFU for expenditure on additional covered area was not obtained. At the originally approved rate of Rs. 45 per sq. ft. of construction cost together with ancillary expenditure on Architect's fees, etc., the additional area is estimated to cost Rs. 18 lacs.

The Board sanctioned the additional amount of Rs. 18 lacs. The Board also regularised the additional expenditure of Rs. 61,000 incurred in respect of payment to Telephone Deptt. which exceeded the originally sanctioned amount of Rs. 46 lacs. The amount will be adjusted against the additional amount of Rs. 18 lacs sanctioned by the Board.

(3) Memorandum for passing a Resolution and approving the Special Power of Attorney in favour of National & Grindlays Bank appointing the Bank as our agent for accepting deposit of title deeds of ESSO Fertilizers to safeguard State Life Investment of Rs. 29 lacs in the debentures of the company:

The erstwhile American Life and New Jubilee had subscribed Rs. 29 lacs (25 & 4 respectively) to a One Crore rupee debenture loan issued by ESSO Fertilizer Co. in 1968. The loan maturing April, 1976, carries an interest @ 8% payable half yearly.

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As security of the loan, Esso had under-taken to create a first mortgage lien on its Fertilizer Plant by deposit of title deeds.

In June, 1971 Esso informed the erstwhile ALICO that they had drawn the "Memorandum of Deposit" for creating an equitable mortgage in favour of all the lenders and that with the consent of certain lenders, the National & Grindlays Bank (NGB) Chundrigar Road, Karachi is to be appointed as the agent of the lenders to accept deposit of title deeds on their behalf.

To enable National & Grindlays Bank to act on behalf of State Life, the Board passed the following Resolution and approved the following Special Power of Attorney.

RESOLUTION

Resolved that a special Power of Attorney may be granted in favour of National & Grindlays Bank Limited, Karachi duly signed by the Chairman and Executive Director (Investment) of the State Life Insurance Corporation of Pakistan in the form attached (as per standard terms, suggested by ESSO) in order to authorise the National & Grindlays Bank to accept deposit of Title Deeds from Esso Fertilizer Company Limited for creating an equitable mortgage, in favour of the lenders of Esso, including this Corporation.

SPECIAL POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

THAT THE STATE LIFE INSURANCE CORPORATION OF PAKISTAN (established under Life Insurance (Nationalisation) Order of 1972) having its Principal Office at 3rd Floor, State Life Building, I.I. Chundrigar Road, Karachi, being successors in - interest of the assets and liabilities appertaining to the Life Insurance business in Pakistan of American Life Insurance Company and New Jubilee Insurance Company, holding Debentures of Rs. 25 lacs and Rs. 4 lacs respectively being the Debenture Holder which expression shall, wherever the context so requires or permits, include its successors, assigns and transferees), does hereby nominate constitute and appoint National and Grindlays Bank Ltd., Karachi (hereinafter called the Attorney) its true and lawful attorney in the name and on behalf of the Debentures Holder to accept from the Esso Pakistan Fertilizer Company Limited (herein called the Company) the deposit of title deeds in respect of all that several pieces and parcels of land in Dehs Jung and Raharki, Taluka Ubaro, District Sukkur, Pakistan admeasuring 400 acres or any part thereof together with all buildings and structures thereon together with plant and machinery constituting the fertilizer plant of the Company with the intention of creating an equitable mortgage thereon for the purpose of securing proportionately the payment to the lenders (which include the Debenture Holder) mentioned in Schedule I hereto and hereinafter referred to as the said lenders of all moneys now owing or at any time hereinafter owing from the Company to the said lenders with interest thereon and all other charges, costs, commissions, fees and expenses connected therewith pursuant to or under the loan agreements/debentures specified in Schedule II hereto

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AND the Debenture Holder hereby agrees that all acts, deeds and things lawfully done by the said Attorney shall be construed as acts, deeds and things done by the Debenture holder and the Debenture Holder undertakes to ratify and confirm all and whatever the said Attorney shall lawfully do or cause to be done for us by virtue of the power hereby given.

IN WITNESS WHEREOF the Debenture Holder has caused this document to be executed and its corporate seal affixed by its duly authorized officials this _____ day of -----19 _____)
 Pursuant to the resolution)
 of its Directors the Common)
 Seal of _____)
 _____)
 is hereunto affixed in the)
 presence of _____)
 _____ and)
 _____)
 Directors who have also set and)
 subscribed their respective hands)
 hereto and in presence of)
 _____)
 _____)
 Notary Public, _____)

The Meeting then ended at 4 a.m. with a vote of thanks to the Chair.

Confirmed.
[Signature]
 H. U. Beg
 6/1/73

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