

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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