

37th Annual Report 2009



STATE LIFE
INSURANCE CORPORATION OF PAKISTAN

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Corporate Information

BOARD OF DIRECTORS

Mr. Shahid Aziz Siddiqi		Chairman
Mr. Qamar Zaman Chaudhry	Up to 18-09-2009	Director
Mr. Shafqat Naghmi	From 18-09-2009 to 24-03-2010	Director
Mrs. Spenta Kandawalla		Director
Mr. Aslam Faruque		Director
Mr. Amin Qasim Dada		Director
Mr. Rasheed Y.Chinoy		Director
Syed A. Wahab Mehdi		Director
Syed Hur Riahi Gardezi		Director
Mr. Shahid Rahim Shaikh	From 30-03-2010	Director

SECRETARY BOARD

Mr. Akbar Ali Hussain

BOARD AUDIT COMMITTEE

Syed Hur Riahi Gardezi	Chairman
Mrs. Spenta Kandawala	Member
Mr. Aslam Faruque	Member
Mr. Rasheed Y.Chinoy	Member
Syed A. Wahab Mehdi	Member
Mr. Abdul Hafeez Shaikh	Secretary

AUDITORS

PAKISTAN

M/s. Anjum Asim Shahid Rahman,
Chartered Accountants

M/s. Riaz Ahmad & Company,
Chartered Accountants

GULF COUNTRIES

M/s. Sajjad Haider & Co.,
Chartered Accountants

APPOINTED ACTUARY

Mr. Shujaat Siddiqui
MA, FIA, FPSA,

PRINCIPAL OFFICE

State Life Building No.9, Dr. Ziauddin Ahmed Road, Karachi-75530
Telephones: 99202800-9 UAN 111-111-888 Fax: 99202820
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Management

CHAIRMAN

Mr. Shahid Aziz Siddiqi

EXECUTIVE DIRECTORS

Syed Arshad Ali

Ms. Nargis Ghaloo

Mr. Muhammad Yahya

Mr. Allah Rakha Aasi

Mr. Shoaib Mir Memon

Up to 16-11-2009

DIVISIONAL HEADS

(Principal Office)

Mr. Ansar Hussain

Mr. Sohail Hashmi

Mr. Sher Ali Khan

Mr. Muhammad Izqar Khan

Dr. Muhammad Yousuf Khan

Mr. Abdul Hafeez Shaikh

Mr. Saleem Khaliq

Mr. Shahrukh Subzwari

Mr. Nadeem Bessey

Mr. M. Yahya Chamadia

Mr. S.H. Kazmi

Mr. Nabil Ghafoorzada

Mr. Nasim ul Haque

Mr. Shahid Aziz Khan

Mr. Faisal Mumtaz

Investment

Research & Analysis

Special Projects under Chairman Sectt.

Finance & Accounts

P&GS

Internal Audit & Compliance

I.T.

Actuarial

Group & Pension

Policyholders Services (I&E)

Marketing (Individual Life)

Real Estate (Project Maintenance)

Real Estate (Management)

Legal Affairs

Policyholders Services

CHIEF MEDICAL OFFICER

Dr. Mrs. Ghazala Nafees



INDIVIDUAL LIFE

Regional Chiefs

Mr. Abdul Sattar Abro	Southern Region - Karachi
Ch. Madad Ali Anjum	Central Region - Lahore
Raja Zafar Ali Shan	Northern Region - Islamabad
Mr. Maqsood A. Choudhry	Multan Region - Multan

Zonal Chief

Gulf Countries

Mr. Khalid Mehmood Shahid	Gulf Zone, UAE-Dubai
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ZONAL HEADS

Southern Region

Mr. M. Khalid Shaikh	Karachi Zone (Southern)
Mr. Dur Muhammad Baladi	Hyderabad Zone
Mr. Riaz Ahmed Arain	Mirpur Khas Zone
Mr. Iqbal A. Gill	Sukkur Zone
Mr. Mohsin Abbas	Karachi Zone (Central)
Mr. Kanaya Lal Shaheen	Quetta Zone
Mr. M. Saeed Khan	Karachi Zone (Eastern)
Mr. Ghulam Rasool Abro	Larkana Zone

Multan Region

Mr. Tahir Ahmed Khan	Multan Zone
Mr. Riaz Ahmed Shahzad Bodla	Rahim Yar Khan Zone
Mr. Z.M. Kamran Shamsi	Bahawalpur Zone
Ch. Akhtar Hussain	Sahiwal Zone
Mr. M. Ramzan Shahid	Dera Ghazi Khan Zone

Central Region

Mr. Najamul Hassan	Gujranwala Zone
Mr. M. Dawood Nasir	Lahore Zone (Western)
Mr. R.N. Shikrani	Faisalabad Zone
Mr. Mumtaz A. Choudhry	Lahore Zone (Central)
Mr. S.M. Iqbal Qureshi	Sialkot Zone
Mr. M. Tahir Cheema	Sargodha Zone

Northern Region

Mr. Azhar Hussain	Rawalpindi Zone
Mr. Khalid Mansoor	Islamabad Zone
Ch. M. Ejaz	Peshawar Zone
Mr. Muhammad Saeed	Swat Zone
Ch. Abdul Nasir	Gujrat Zone
Mr. M. Yousuf Farooqi	Mirpur (AK) Zone
Mr. Mehmood H. Malik	Abbottabad Zone

GROUP LIFE

Zonal Heads

Mr. Sultan Masood Naqi	Karachi Zone
Mr. Fakhar Abbass	Lahore Zone
Mr. M.A.A. Kazmi	Rawalpindi Zone
Mr. Tahir Majeed	Peshawar Zone



Core Values

OBJECTIVES

- To run life insurance business on sound lines.
- To provide more efficient services to the policyholders.
- To maximize the return to the policyholders by economizing expenses and increasing the yield on investment.
- To make life insurance a more effective mean of mobilizing national savings.
- To widen the area of operation of life insurance and making it available to as large section of the population as possible, extending it from the comparatively more affluent sections of society to the common man in towns and villages.
- To use the policyholders' fund in the wider interest of the community.

MISSION STATEMENT

To remain the leading insurer in the country by extending the benefits of life insurance to all sections of society and meeting our commitments to our policyholders and the nation.

QUALITY POLICY

To ensure satisfaction of our valued policyholders in processing new business, providing after sales service and optimizing return on Life Fund through a quality culture and to maintain our position as the leading life insurer in Pakistan.



Chairman's review

I feel pleasure in presenting the 37th Annual Report of State Life Insurance Corporation of Pakistan, together with the audited accounts for the year ended December 31, 2009 prepared in terms of Article 30 of the Life Insurance (Nationalization) Order, 1972, (President's Order No.10 of 1972).

Accounts for the year 2009 are prepared on the accounting formats in accordance with the accounting regulations issued by the Securities and Exchange Commission of Pakistan (SECP) vide SRO 938 dated December 12, 2002 under the Insurance Ordinance 2000.

1. OVERALL PERFORMANCE:

During the period under review, State Life Insurance Corporation performed exceptionally well in its core business operation despite of over all economic recession. An overview of overall performance of State Life Insurance Corporation during the year 2009 as compared to 2008 is given hereunder:

- 1.1 Total Income of the State Life Insurance Corporation increased to Rs. 49,914 million as against Rs.41,830 million in the preceding year, registering an increase of 19%.
- 1.2 Management expenses for the year 2009 were Rs.11,633 million as compared to Rs. 8,000 million in 2008 showing an increase of 45%. Overall expense ratio for the year 2009 was 41% as against 35% for the year 2008.
- 1.3 Payments to policyholders in the year 2009 were Rs. 15,724 million as against Rs. 12,779 million in 2008, being an increase of 23%. Claims are mainly increased due to maturity of the old policies.
- 1.4 Total amount of statutory funds of the State Life Insurance Corporation in 2009 was Rs.199,445 million as against Rs. 177,459 million in 2008, showing an increase of 12%.

2. BUSINESS PORTFOLIO WISE PERFORMANCE:

2.1 INDIVIDUAL LIFE BUSINESS - PAKISTAN'S OPERATIONS:

First year premium income under Individual Life policies, during the year 2009 was a record Rs.6,975 million as compared to Rs. 4,982 million in the year 2008, resulting in an increase of 40%. Renewal premium was Rs.16,936 million in 2009 whereas Rs.13,428 million was in 2008, resulting in an increase of 26%.

2.2 INDIVIDUAL LIFE BUSINESS - OVERSEAS OPERATIONS:

First year premium income under Individual Life policies, during the year 2009 was Rs.250 million as compared to Rs.199 million in the year 2008, being an increase of 26%. Renewal premium was Rs. 839 million as compared to Rs. 642 million in 2008, showing an increase of 31%.

2.3 GROUP LIFE BUSINESS:

Premium under Group Life policies during the year 2009 was Rs.3,560 million as compared to Rs. 3,564 million in the year 2008.

2.4 REAL ESTATE:

During the year 2009 net operating income from Real Estate portfolio was Rs. 274 million as against Rs. 342 million in 2008, being a decrease of (20%). This decrease is mainly due to recession in the economy of the country. The recession caused down sizing of multinationals to cut down on expenses. This reduction has increased the vacant space of State Life Buildings thus reducing income.

2.5 INVESTMENT:

Net investment income including capital gains during the year 2009 was Rs. 21,271 million as compared to Rs. 18,791 million in 2008, showing an increase of 13%.



3. BUSINESS SUPPORTING ACTIVITIES:

3.1 Training and development of manpower is the prime focus of a dynamic and progressive organization. State Life has the privilege of having the largest distribution network. Corporation has a continued training and development program to have a strong and trained field force and always makes endeavors by creating new employment opportunities for youths to join the corporation's field force by arranging seminars, workshops and by imparting training and conducting special courses. During 2009, State Life continued with its practice of imparting training to field workers and to other employees. As well as specialized courses viz: Foundation Course, Management Orientation Study Course and Marketing Management Series were also conducted by the Field Manpower Development Department (FMD) for field workers. Further, computer trainings were also provided to the field executives and employees of the Corporation.

3.2 The primary purpose of the Policyholders Services Division is to provide quality service to the policyholders of the Corporation. In this regard, measures were taken at all the zonal offices to improve the services such as prompt settlement of claims and handling of complaints of policyholders or their successors on priority basis. These steps not only have increased the level of customer satisfaction but have also contributed towards the retention of our existing policyholders.

Apart from above, various computer programs and soft modules are continuously being introduced for the Zonal/Regional management to eliminate unnecessary paper work, thus reducing the time span required for providing such services.

3.3 Advertising plays a very significant role in business development specially in large commercial organizations like State Life. In a scenario where a large cross section of population is still without life insurance or in fact unaware of the benefits of life insurance, the need of aggressive advertising cannot be ignored. The management of State Life is fully aware of advertising needs of the Corporation and has provided adequate funds and support to Corporate Communications Department (CCD) to implement its multimedia advertising programme in the year under review. In 2009, after long interval, State Life has produced a Corporate TV Commercial in the line of our old popular TVC "Aay Khuda Meray Abbu Salamah Rahain". This commercial had been extensively telecasted from popular terrestrial and satellite TV channels. Apart from this press campaigns on Corporate Image Building, Bonus Announcement to Policyholders, Business Achievements, Recognition to Marketing Force etc., has also been launched on national and regional newspapers. Radio being the most popular medium of publicity specially in the rural and sub urban areas has also been fully utilized. Specially produced Radio Programmes in Urdu and regional languages have been broadcasted from Radio Pakistan and popular FM Channels. In 2009, as corporate social responsibility, state life also sponsored some major sports and philanthropic events for corporate image building.

4. INSURER FINANCIAL STRENGTH RATING:

4.1 In 2009, a strategic decision was taken to obtain Insurer Financial Strength (IFS) rating for State Life. This task was assigned to the Pakistan Credit Rating Agency (PACRA). It is a matter of satisfaction for State Life that it has been assigned Insurer Financial Strength (IFS) rating of "AAA". The rating denotes State Life's exceptionally strong capacity to meet policyholder and contract obligations. The rating reflects State Life's leading position in life insurance business in Pakistan, its extensive distribution network, good management quality, comprehensive information system and growing business volumes. The rating also represents State Life's robust financial profile emanating from its sound investment portfolio and prudent system of risk management.

4.2 A rating of "AAA" is the highest possible for an insurer to achieve and State Life stands alone in the life insurance industry to have been assigned this rating.



5. THE FUTURE

- 5.1 Unit linked life insurance products were introduced in Pakistan with the entry of private sector life insurers. With increasing consumer awareness, the market for these products has been growing in the country. State Life also plans to enter this line of business. With the implementation of IT infrastructure enhancements, which is in hand, State Life would be in a position to enter this market segment also.
- 5.2 Takaful insurance is another line of business which offers bright prospects in the future. The Takaful rules were finalized by the Government in 2005. Presently, existing insurers are not permitted to carry on Takaful business. If and when the rules are amended, State Life would actively consider commencing Takaful operations.
- 5.3 Bancassurance is an alternate distribution channel to sell life insurance products through banks. This line of insurance business ensures wide coverage at lesser cost. State Life is already doing some bancassurance business on a corporate group basis while the marketing of individual life policies through bancassurance is in its final planning stage. In this connection a Bancassurance cell under a qualified and experienced General Manager has already started operating in the Marketing Division. When this business takes off successfully, it is expected that it would bring an all round improvement in the financial performance of State Life besides providing a new avenue for business growth.
- 5.4 As part of implementation of IT Strategy of State Life, an integrated software solution pertaining to Core Insurance Business Applications and ERP (Enterprise Resource Planning) has been acquired. Existing hardware and communication infrastructure is also being enhanced. Upon its implementation; it would be possible to provide centralized on-line processing facilities for Policy Holder Services, Marketing and other business functions of the Corporation. It is envisaged that it would result in effective management information system, better customer service and healthy growth in business.

6. ACTUARIAL VALUATION

As per 23rd actuarial valuation as at 31st December 2009, the actuarial surplus arising during the inter-valuation period was Rs.15,586.85 million. The details of bonuses declared are stated as an appendix.

7. AUDITORS

The accounts for the year ended 31st December, 2009 were jointly audited by a panel of auditors comprising of (i) M/s. Riaz Ahmad & Company, Chartered Accountants, Karachi and (ii) M/s. Anjum Asim Shahid Rahman, Chartered Accountants, Karachi. The accounts of Gulf Countries were audited by M/s. Sajjad Haider & Co., Chartered Accountants, Dubai, UAE.

8. NOTE OF APPRECIATION

I am pleased to place on record deep appreciation on behalf of the Board of Directors as well as on my own behalf, of the efforts made by the all tiers of the sales force and devotion to duty of the staff and officers for the overall betterment of the Corporation.



Actuarial Valuation

as at December 31, 2009

Appendix

The bonus rates declared are as under:

A. PAKISTAN RUPEE POLICIES

I. Whole Life and Endowment Assurance

Subject to the Notes, for with profit Whole Life and Endowment policies in force for the full sum assured as at 31st December 2009:

a. Reversionary bonuses per thousand sum assured per annum (2008 figures are given for comparison).

	2008			2009		
	For first five policy years	From 6th policy year to 16th policy year	From 17th policy year onwards	For first five policy years	From 6th policy year to 16th Policy year	From 17th policy year onwards
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Whole Life	60	110	150	60	110	150
Endowments						
Term:						
20 years and over	50	94	130	50	94	130
15 to 19 years inclusive	35	81	81	35	81	81
14 years and less	20	66	—	20	66	—

b. **Interim Bonus** will be allowed till the next Actuarial Valuation at the rates mentioned in I(a) above, subject to “C” below.

c. **Terminal Bonus** will be paid on claims by death or maturity in 2010, where more than 10 years’ premiums have been paid. The rate will be Rs 50 per thousand sum assured for each year’s premium paid in excess of 10 years subject to a maximum of Rs 1,000 (same as 2008 valuation) per thousand sum assured.

d. **Special Terminal Bonus** will be paid on claims by maturity in 2010, where a Family Income Benefit (FIB) is in force at maturity as a supplementary contract, or as a built-in benefit, and has been in force for more than 10 years. The rate will be Rs 10 per thousand basic sum assured under the policy for each year in excess of 10 years that the FIB has been in force, subject to a maximum of Rs 200 per thousand basic sum assured (same as 2008 valuation).

e. **Loyalty Terminal Bonus** will be paid on claims by death or maturity in 2010 to policies with risk year 1990 or earlier (same as 2008 valuation). The rate will be Rs. 200 per thousand sum assured.

Notes:

- Jeevan Sathi and Shadabad policies will be treated as Endowment policies.
- Big Deal policies will receive bonuses on 25% of the sum assured only.
- For Whole Life by limited payments, bonuses will be allowed at the same rate as for Whole Life. The bonuses are admissible even after the completion of premium paying period for each year the policy has been in force for full sum assured.

II. Anticipated Endowment Assurance

For with profits Anticipated Endowments/Three Stage/Three Payment policies (excluding Sada Bahar Plan) in force for the full sum assured as at 31st December 2009:



a. Reversionary bonuses per thousand sum assured per annum would be as per the following schedule (2008 figures are given for comparison):

Term:	2008			2009		
	For first five policy years	From 6th policy year to 16th policy year	From 17th policy year onwards	For first five policy years	From 6th policy year to 16th Policy year	From 17th policy year onwards
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
20 years and over	35	69	100	35	69	100
15 to 19 years inclusive	25	59	59	25	59	59
14 years and less	19	53	-	19	53	-

b. **Interim Bonus** will be allowed till the next Actuarial Valuation at the rates mentioned in II (a) above, subject to "C" below.

c. **Terminal Bonus** will not be paid on these policies.

d. **Special Terminal Bonus** as mentioned in I (d) above, will be paid on cases having Family Income Benefit supplementary contract. The Special Terminal Bonus will be calculated on the basic sum assured under the policy, and not on the residual survival benefit.

e. **Loyalty Terminal Bonus** as mentioned in I (e) above, will be paid on claims by death or maturity in 2010 to policies with risk year 1990 or earlier. The Loyalty Terminal Bonus will be calculated on the basic sum assured under the policy, and not on the residual survival benefit.

f. If the policyholder lets a Survival Benefit remain with State Life, a Special Reversionary Bonus will be added six months after the due date of the Survival Benefit. For Survival Benefits falling due in 2010, which the policyholder opts to leave, Special Reversionary Bonuses will be allowed as follows (same as 2008 valuation):

Period between Survival Benefit due date and maturity date	Special Reversionary Bonus per Rs. 1000 Survival Benefit	Period between Survival Benefit due date and maturity date	Special Reversionary Bonus per Rs. 1000 Survival Benefit
20 years	Rs. 3,165	9 years	Rs. 1,005
18 years	Rs. 2,765	8 years	Rs. 845
16 years	Rs. 2,350	7 years	Rs. 695
14 years	Rs. 1,940	6 years	Rs. 555
12 years	Rs. 1,545	5 years	Rs. 420
10 years	Rs. 1,175	4 years	Rs. 300

Note: Policies under Family Pension Plan (Table 12) will not be eligible for Special Reversionary Bonuses.

III. Sada-Bahar Plan

Sada-Bahar Plan was launched during 2006. For policies in force for the full sum assured as at 31st December 2009:

a. Reversionary bonuses per thousand sum assured per annum would be as per following schedule (2008 figures are given for comparison):

Term:	2008	2009
	For first five policy years	For first five policy years
	Rs.	Rs.
20 years and over	44	44
15 to 19 years inclusive	31	31
14 years and less	24	24



- b. Interim Bonus will be allowed till the next Actuarial Valuation at the rates mentioned in III (a) above, subject to “C” below.

IV. Super (Table 72), Sunehri (Table 73) & Shehnai (Table 77) policies

- a. Bonuses under these policies are credited to the policy after the policy has acquired an Adjusted Opening Cash Value. The bonus is credited on the Adjusted Opening Cash Value and not on minimum guaranteed surrender value. Bonuses will be credited at the end of the policy year. These bonuses are payable when the Cash Value under the policy is payable.
- b. The rate of bonus is Rs. 105 per thousand per annum of the Adjusted Opening Cash Value. This bonus rate will be allowed till the next valuation.
- c. Reversionary, Terminal or any other bonus declared as a result of this valuation will not be payable under these policies. However, bonus mentioned under “VII” below, if applicable, will be allowed.

V. Personal Pension Scheme (Table 71)

- a. Bonuses under Personal Pension Scheme where “pension is being paid” will be allowed on Pension Payments. Pension payments will be increased by bonus from the policy anniversary falling in the year 2010. This increase will also be available on pension payments commencing in 2010.
- b. The rate of bonus is Rs 80 per thousand per annum of the pension payments.
- c. Reversionary, Terminal or any other bonuses declared as a result of this valuation, will not be payable under these policies.

VI. Specified Major Surgical Benefit

- a. Specified Major Surgical Benefit was announced for the first time in 1992 actuarial valuation. This benefit has been retained in 2009 valuation. This benefit is available to all with-profit policies, which have been in full force as at 31st December 2009 and have been continuously in force for at least five complete policy years at the date of surgery. The maximum benefit for such policies is Rs 250,000. However, if the with-profit policies have been in full force as at 31st December 2009 and have been continuously in force for at least ten complete policy years at the date of surgery then the maximum benefits for these policies will be Rs 500,000.
- b. Under such policies, if the life assured undergoes specified major surgery during the inter-valuation period i.e. from 1st January 2010 to 31st December 2010 on account of a specified dread disease, the Corporation would pay 50% of the basic sum assured (in case of Anticipated Endowment plans, 50% of the remaining sum assured after deducting any due survival benefit(s)), subject to above given maximum amounts. The amount payable will be adjusted against future survival benefit payments, maturity or death claims.
- c. If the insured is covered under more than one policy, the maximum amount paid on all the policies together will depend on the number of years the policies have been continuously in full force. For policies that have been continuously in full force for at least five years but less than 10 years, the maximum benefit paid under all such policies together will be limited to Rs 250,000. For policies that are continuously in full force for at least ten years, the maximum benefit payable under each policy is limited to Rs 500,000 or 50% of the sum assured, whichever is less.
- d. The specified surgeries and all other related conditions are the same as those announced in 2008 bonus declaration.

VII. Family Income Benefits Where Life Assured Has Died

Family Income Benefit to heirs or nominees of deceased life assureds will be increased by 7.5% from policy anniversaries in the year 2011 under with profit policies.

Note: The percentage increase will be allowed on the actual benefit paid on policy anniversaries (including any prior increases) in the year 2010.



VIII. Terminal/Loyalty Terminal Bonus for (with-profit tables/plans) paid-up policies

- a. Terminal Bonus on Whole Life and Endowment type paid-up policies will be paid on claims by death or maturity in 2010, where the policy has been on the books for more than 10 years. The rate will be Rs 50 per thousand paid-up sum assured for each year in excess of 10 years subject to a maximum of Rs 1,000 per thousand paid-up sum assured. Jeevan Sathi and Shadabad policies will be treated as Endowment policies.
- b. The above terminal bonus will also be paid to Anticipated Endowment paid-up policies on claims by death only. No terminal bonus will be paid to anticipated endowment policies on claims by maturity in 2010.
- c. Loyalty Terminal Bonus on Whole Life and Endowment type paid-up policies will be paid on claims by death or maturity in 2010 to policies with risk year 1990 or earlier. The rate will be Rs. 200 per thousand paid-up sum assured. Jeevan Sathi and Shadabad policies will be treated as Endowment policies.
- d. The above Loyalty Terminal Bonus will also be paid to Anticipated Endowment paid-up policies on claims by death or maturity in 2010 to policies with risk year 1990 or earlier.

Note: Terminal/Loyalty Terminal Bonus for paid-up policies will be calculated on the paid-up sum assured and not on the basic sum assured.

IX. East West Mutual etc.

Policies issued by the East West Mutual, Grand Mutual, I.G.I., Pakistan Mutual, Standard and Union Insurance and former East Pakistani companies will not get Terminal Bonuses, Special Terminal Bonuses, Loyalty Terminal Bonuses and Specified Major Surgical Benefit.

B. POLICIES EXPRESSED IN UAE DIRHAM AND US DOLLAR

- a. Policies expressed in UAE Dirham:

Reversionary bonuses per thousand sum insured per annum (2008 figures are given for comparison).

	2008		2009	
	For first	From sixth policy	For first	From sixth policy
	five policy years	year onwards	five policy years	year onwards
	Dh	Dh	Dh	Dh
Whole Life	21	39	21	39
Endowments				
Term:				
20 years and over	17	33	17	33
15 to 19 years inclusive	10	24	10	24
14 years and less	5	17	5	17
Anticipated Endowments				
Term:				
20 years and over	8	26	8	26
15 to 19 years inclusive	5	18	5	18
14 years and less	3	14	3	14



b. Policies expressed in US Dollar:

Reversionary bonuses per thousand sum insured per annum (2008 figures are given for comparison).

	2008		2009	
	For first	From sixth policy	For first	From sixth policy
	five policy years	year onwards	five policy years	year onwards
	\$	\$	\$	\$
Whole Life	23	42	23	42
Endowments				
Term:				
20 years and over	17	33	17	33
15 to 19 years inclusive	10	23	10	23
14 years and less	5	16	5	16
Anticipated Endowments				
Term:				
20 years and over	8	24	8	24
15 to 19 years inclusive	5	17	5	17
14 years and less	3	13	3	13

c. Interim Bonus on death and maturity claims will be allowed till the next bonus declaration, at the rates mentioned in B(a) and B(b) above.

d. Family Income Benefit to heirs or nominees of deceased lives assured will be increased by 4% from policy anniversaries in the year 2011 under with profit policies.

Note: The percentage increase will be allowed on the actual benefit paid on policy anniversaries (including any prior increases) in the year 2010.

C. NO SURRENDER VALUE OF BONUSES UNTIL THREE YEARS' PREMIUMS HAVE BEEN PAID

The Surrender Value of Reversionary Bonuses on an in force policy will be payable if at least one of the following two conditions has been fulfilled:

- (i) The policyholder has actually paid at least three full years' premiums
- (ii) The policy has completed at least three policy years.

However, these conditions will be waived in case of Single Premium policies. These conditions will also be waived in the case of a death claim and all bonuses whether declared or interim will be payable. Also, in the case of a death claim in the first three policy years, where the premiums are in arrears, in order to determine whether the policy could have been kept in force, surrender values of bonuses will be taken into account.

“Actual payment” means payment in cash/pay order/bank draft/cheque after it has been realized.

CAUTION:

Terminal, Special Terminal, Loyalty Terminal Bonuses and the Specified Major Surgical Benefits are especially sensitive to the future surplus of State Life. Hence, no indication can or should be given of Terminal, Special Terminal, Loyalty Terminal Bonuses and Specified Major Surgical Benefit, if any, which may be allowed after the year 2010.



Auditors' Report

to the Member of State Life Insurance Corporation of Pakistan

We have audited the annexed financial statements comprising of:

- i) balance sheet;
- ii) profit and loss account;
- iii) statement of changes in equity;
- iv) cash flow statement;
- v) revenue account;
- vi) statement of premiums;
- vii) statement of claims;
- viii) statement of expenses; and
- ix) statement of investment income

of the State Life Insurance Corporation of Pakistan (the Corporation) as at December 31, 2009 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Corporation's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the Approved Accounting Standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit. These statements constitute consolidation of all the accounting statements on the Corporation basis and Statements of International Business Operations in United Arab Emirates (other currencies) audited by Sajjad Haider & Co., Chartered Accountants. The financial statements of the Corporation for the year ended December 31, 2008 were audited by Riaz Ahmad and Company, Chartered Accountants and Avais Hyder Liaquat Nauman, Chartered Accountants who had expressed a qualified opinion regarding non-recognition of receivable from Employees' Pension Fund and impairment loss on doubtful balance of 'Premium due but Unpaid' in their report dated April 29, 2009. These matters have been resolved during the year.

Except as discussed in paragraphs (1) and (2) below, we conducted our audit in accordance with the Auditing Standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion and, after due verification we report that:

1. Securities and Exchange Commission (Insurance) Rules, 2002, require subsequent remeasurement of available-for-sale investments at lower of cost or market value where the market value is to be taken as lower if the fall is other than temporary. The Corporation follows the accounting policy to determine the "lower of cost or market value" on aggregate portfolio basis (refer note 4.13 to the financial statements), which practice, in our view is not in conformity with the aforesaid Rules. Further, as allowed by the Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. 3/2009 dated February 16, 2009, the Corporation as at December 31, 2008 considered impairment of Rs. 7,958 million in certain available for sale securities as temporary, which was to be recognized in next calendar year after adjustment of subsequent price fluctuations. However, the Corporation did not follow the requirements of the aforesaid circular. As at December 31, 2009, market value of certain available-for-sale investments was lower than the cost by Rs. 3,317.532 million for which no impairment has been recorded in the accompanying financial statements. Moreover, the certificates of investment of Rs. 100 million



Invested with First Dawood Investment Bank Limited were overdue since January 13, 2009 and are doubtful of recovery, for which impairment has not been recorded in the accompanying financial statements. In the absence of required actuarial calculations, we are unable to ascertain the financial impacts on reported surplus, profit, policyholders' liabilities, statutory funds and equity.

2. The Corporation signed a 'Fund Management Agreement' with Bureau of Emigration and Overseas Employment ("the Bureau") in the previous years to retain and invest the refundable premiums pertaining to various emigrants and to provide the Bureau with the agreed returns thereon. As at December 31, 2009 the outstanding amount held under the said agreement was Rs. 1,029.028 million on which the Corporation provided the agreed return of Rs. 123.624 million during the year. The outstanding amount has been wrongly grouped in claims payable in the accompanying financial statements. During the year, the Corporation obtained specific legal opinion as to its legal capacity to manage the aforesaid fund on behalf of the Bureau, according to which, such fund management is not authorized by the mandate of the Corporation under the Life Insurance (Nationalization) Order, 1972. The impact of this non-compliance on the amounts reported in the accompanying financial statements cannot presently be determined.
- a) proper books of accounts have been kept by the Corporation as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) except for the effects of matter stated in paragraph (2) above, the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Corporation and are further in accordance with accounting policies consistently applied;
- c) except for the effects of adjustments, if any, as might have been determined to be necessary, had we been able to satisfy ourselves in respect of the matters stated in the preceding paragraphs (1) and (2) to the financial statements together with the notes thereon present fairly, in all material respects, the state of the Corporation's affairs as at December 31, 2009 in accordance with Approved Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- d) the apportionment of assets, liabilities, revenue and expenses between funds has been performed in accordance with the advice of the appointed actuary; and
- e) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Corporation and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Riaz Ahmad & Company
Chartered Accountants

Anjum Asim Shahid Rahman
Chartered Accountants

Name of the engagement partner:
Muhammad Kamran Nasir

Name of the engagement partner:
Shahzada Saleem Chughtai

Date: 19th April, 2010

Karachi