

Directors' Report to the Shareholders

We are pleased to present the Directors' Report of State Life Insurance Corporation of Pakistan together with the condensed interim unconsolidated financial statements (un-audited) for the nine months period ended September 30, 2023.

1. OPERATING AND FINANCIAL PERFORMANCE:

During the period under review, financial performance of the Corporation showed an appreciable growth. An overview of the performance of State Life during the nine months period of 2023 as compared to the same period of last year is given hereunder:

1.1 Net Income of the State Life during the current nine months period was Rs. 337,039 million as against Rs. 234,054 million in the preceding period, registering an increase of 44.0%. If the impact of unrealized losses is excluded, total income for the period ended September 30, 2023 would be Rs. 336,989 million as against Rs. 243,435 million in September 2022 showing 38.4% increase.

1.2 Management expenses for the nine months period ended September 30, 2023 were Rs. 23,493 million as compared to Rs. 18,271 million in the previous period showing an increase of 28.6%. Overall management expense ratio to total premium income for the current nine months was 12.6% as against 13.3% for corresponding period of 2022.

1.3 Payments to policyholders in the current nine months period were Rs. 176,329 million as against Rs. 111,046 million in the corresponding period 2022, showing an increase of 58.8%.

1.4 Earnings Per Share (EPS) for the nine months period is Rs. 216.65 which is 13.9% higher than the corresponding figure of Rs. 190.20 in the same period of last year. The Corporation has not issued any instrument which would dilute its basic earnings per share when exercised. Therefore, there is no dilutive effect on the earnings per share.

2. BUSINESS PORTFOLIO WISE PERFORMANCE:

2.1 INDIVIDUAL LIFE BUSINESS:

First year gross premium income under Individual Life policies, during the current nine months is Rs. 10,863 million as compared to Rs. 8,484 million in the last year corresponding period, depicting an increase of 28.0%. Gross renewal premium was Rs. 68,775 million in current nine months period whereas it was Rs. 54,648 million in the corresponding period of 2022, showing an increase of 25.9%.

2.2 GROUP LIFE BUSINESS:

In current nine months gross premium under Group Life policies after adjustment of experience refund (including unearned premium) was Rs. 9,731 million as compared to Rs. 10,042 million in the last period, showing decrease of 3.1%.

2.3 HEALTH INSURANCE BUSINESS:

Gross premium under Health Insurance policies after adjustment of experience refund during nine months of 2023 was Rs. 97,274 million as compared to Rs. 64,701 million in the preceding period 2022, showing an increase of 50.3% mainly due to health insurance agreements executed for providing health insurance coverage to population of Punjab, KP, GB, Ex-FATA, AJ&K, ICT and Tharparkar district of Sindh.

2.4 TAKAFUL BUSINESS:

Premium under Takaful business during the nine months of 2023 was Rs. 279 million as compared to Rs. 165 million in the same period last year showing an increase of 69.6%.

2.5 REAL ESTATE:

In the nine months period of 2023, Real Estate Division (RED) performance remained strong mainly due to the completion of Islamabad Tower and Rahimyarkhan building. Breakup of rental income and expenses are stated hereunder:

	Rs. in million		
	For the Nine months		
	2023	2022	Inc/(Dec)
Rental Income	1,388	953	45.6%
Expenses	(539)	(506)	6.4%
Net	849	447	90.1%

2.6 INVESTMENT:

Net investment income including capital gains and unrealized losses during the nine months ended September 2023 was Rs. 150,909 million as compared to Rs. 96,794 million in September 2022, showing an increase of 55.9%. If the impact of unrealized losses is excluded, net investment income stood at Rs. 150,859 million as compared to Rs. 106,175 million in September 2022 showing an increase of 42.1%.

3 INSURER FINANCIAL STRENGTH RATING:

State Life Insurance Corporation of Pakistan is the only Insurer in the Pakistan's insurance industry that is continuously maintaining 'AAA' rating by Pakistan Credit Rating Agency (PACRA). The 'AAA' rating represents SLIC's exceptionally strong capacity to meet policyholders and contractual obligations.

4 FUTURE OUTLOOK:

4.1 ECONOMIC OUTLOOK:

Macroeconomic factors have shown some improvement due to appreciation of Pakistani rupee. However, Corporation foresees economic challenges in the future which is likely to hinder the growth of insurance sector as well as Corporation. Performance of the Corporation remained strong during the period under review. However, if inflationary environment and economic woes persists, we may witness slowdown in business growth. Management of the Corporation is closely monitoring the economic situation and is committed to protect the interest of its policyholders and shareholders.

4.2 HEALTH INSURANCE:

Corporation is efficiently managing social health insurance initiatives providing impatient medical care for more than 180 million individuals across Pakistan. The Provision of medical services is accessed through network of 1200+ hospital.

Active initiative has been taken to expand health insurance coverage to entire Baluchistan. Corporation is entering into corporate health insurance segment and introduce hybrid health product like Sehat Salamat Health Insurance Plan to cater the diversified need of corporate clients. Similarly, to cater the individual need of different segments of society the Corporation introduce valuable individual plan like Sinf-e-Aahan Cancer Protection Plan for Women, Hari Plan, Sahara Family Health Insurance Plan and Sehat Zindagi Health Insurance Plan to cater the needs of individual clients. Corporation anticipates the reduction in group health insurance premium in the coming years due to reduction in coverage of government funded health insurance schemes.

4.3 FAMILY TAKAFUL:

State Life Window Takaful operations have been started with Bank Al-Falah Limited and Faysal Bank Limited. Whereas, similar operations with some other prominent banks like UBL, Dubai Islamic Bank and Bank of Punjab are expected to be started shortly for enhancement of Takaful Business.

4.4 BANCASSURANCE:

The outreach of Corporation's Banca business, with the assistance of partner banks; is making its mark in banking industry. Also, non-partner banks are approaching Corporation with an aim to optimizing insurance cover for their clients. Plans are underway for addition of non-banking financial institutions for soliciting insurance business.

4.5 GROUP AND PENSION:

For enhancing group business, Corporation is introducing new plans like term insurance for government employees of KP, financial assistance and retirement benefits scheme for employees of Sindh government, travel insurance (both road and railway), re-launching of group insurance (with enhanced features) for bread earners of families registered under

BISP. Besides, various options are being explored and offered to the Bureau of Emigration for group life insurance of emigrants moving abroad on job visa.

4.6 DIGITIZATION:

Strategic plans are underway for digital transformation of the Corporation. Some of the initiatives include revamping of existing website to provide best level of customer engagement through various portals and apps, integration of compliant management system and mobile app (android and IOS) with the website, digitization of policy documents, launch of takaful application for issuance of policy, launch of application for digital insurance certificate for Bureau of Emigration policies, etc. Steps are being taken for providing mobile app to the field workers for accessing information related to their policyholder's status. Impact of these measures are likely to be apparent in the year 2024 and onwards.

5 NOTE OF APPRECIATION:

We are pleased to place on record the deep appreciation on behalf of the Board of Directors for the efforts made by all the tiers of the field force and devotion to duty of the staff and officers for the overall performance of the Corporation. We are grateful to the Ministry of Finance, Ministry of Commerce, Insurance Division, Securities and Exchange Commission of Pakistan, State Bank of Pakistan, our reinsurers and business partners for their support for their continued guidance and assistance. May our future efforts continue to contribute to the nation's wellbeing in the economic and fiscal fields.

On behalf of the Board of Directors



Shoalb Javed Hussain
Chief Executive Officer



Sulaiman S. Mehdi
Chairman

Karachi.

Date: November 14, 2023