

Directors' Report to the Shareholders

I am pleased to present the Directors' Report of State Life Insurance Corporation of Pakistan together with the condensed interim financial information (un-audited) for the half year ended 30th June 2020.

OPERATING AND FINANCIAL PERFORMANCE:

During the period under review, overall financial performance of the Corporation expanded however, expected growth of the business could not be achieved due to the sudden outbreak of pandemic COVID-19 hit the economy and halted the business activities under the lockdown announced by the Government. An overview of the performance of State Life during the half year 2020 as compared to the preceding period is given hereunder:

- 1.1 Total Income of the State Life increased to Rs. 73,138 million in half year 2020 as against Rs.72,516 million in the preceding period, registering an increase of 0.9%. If the impact of fair value loss of Rs. 15,195 million (last period: 10,841 million) is excluded; total income at period ended June 2020 would be Rs. 88,333 million as against Rs. 83,357 million in June 2019 up by 6%.
- 1.2 Acquisition and Management expenses for the half year 2020 were Rs.8,665 million as compared to Rs.9,338 million in half year 2019 showing decrease of 7%. Overall management expense ratio to total premium income for the half year 2020 was 23.4% as against 22.5% for corresponding period of 2019.
- 1.3 Payments to policyholders in the half year 2020 were Rs.23,225 million as against Rs.25,252 million in the corresponding period 2019, showing decrease of 8%.
- 1.4 Statutory funds at the end of half year 2020 was Rs.1,036,397 million as against Rs.910,334 million in the corresponding period 2019, showing an increase of 13.8%.
- 1.5 The basic and diluted Earnings Per Share (EPS) for the half year 2020 was Rs.47.34 as compared to Rs. 39.74 in the same period last year, showing rise of 19%.

2. BUSINESS PORTFOLIO WISE PERFORMANCE:

2.1 INDIVIDUAL LIFE BUSINESS:

First year gross premium income under Individual Life policies, during the half year 2020 was Rs.3,157 million as compared to Rs.3,980 million in the last year corresponding period, resulting decrease of 20.7%, one of the main reasons of declined in first year premium is management has restructured business distribution channel in order to bring management expenses within the prescribed limit of SECP. Gross renewal premium was Rs.29,779 million in half year 2020 whereas it was Rs.30,764 million in the corresponding period of 2019, resulting decrease of 3.2%.

2.2 GROUP LIFE BUSINESS:

Gross premium under Group Life policies during the half year 2020 was Rs.1,146 million as compared to Rs.2,776 million in the half year 2019, showing decrease of 58.7%.

2.3 HEALTH INSURANCE BUSINESS:

Gross premium under Health Insurance policies during the half year 2020 was Rs.7,942 million as compared to Rs.4,066 million in the preceding period, showing an increase of 95.3%, mainly due to enhancement of the Prime Minister's National Health Insurance Program and Sehat Sahulat Program of the Government of KPK.

2.4 REAL ESTATE:

Net rental income was declined by Rs. 11 million due to real estate expenses slightly increased in the half year 2020. Further, notional rental income of Rs. 64 million was reversed in half year 2020 (last period: 69 million) to implement International Accounting Standard 40. After that, breakup of rental income and expenses are stated hereunder:

	Half Year (Rs. in million)		
	2020	2019	Inc/(Dec)
Rental Income etc.	528	528	-
Expenses	293	282	11
Net	235	246	(11)

2.5 INVESTMENT:

Net investment income including capital gains and unrealized losses during the half year 2020 was Rs.36,121 million as compared to Rs.32,119 million in June 2019, showing an increase of 12.5% excluding fair value loss of Rs. 15,195 million (last period: Rs. 10,841 million); the net investment income would be stood at Rs. 51,316 million as compared to Rs. 42,960 million in June 2019 showing an increase of 19.5%.

3. FUTURE OUTLOOK:

Federal Sehat Sahulat Program

The Federal SehatSahulat Program formerly Prime Minister National Health Programme has been implemented in more than 66 districts across Pakistan and provides protection against catastrophic health expenditures to the poor segment of society.

More than 50 million individuals would be targeted to provide them insurance coverage against catastrophic health care expenditure. Beside pure BISP data, the 100% population of FATA and Tharparkar are covered under the scheme. Further, coverage is extended to cover all the disabled

personnel and registered transgender community of Pakistan. Plans are underway to expand the scheme to cover 100% population of Azad Jammu & Kashmir.

Under the scheme, a total of 233,000+ patient has been provided health care services upto Rs. 300,000 from 300+ empanelled hospitals across Pakistan. State Life has incurred more than 5 Billion of claims in lieu of provided services.

As per recent 3rd party satisfactory survey more than 98% of families have shown satisfaction upon the services provided under the program.

The Program is perceived to be expanded to in all districts of Pakistan. State Life insurance Corporation being the largest social health insurance Corporation of Pakistan will seek this opportunity as continuation of its initiatives of corporate social responsibility and expansion of social health market across Pakistan.

Sehat Sahulat Program-KP

The Social Health Protection Initiative (SHPI) which started in four districts of Khyber Pakhtunkhwa has been extended to all the districts of the KP province. The target population of beneficiaries has been extended to more than 2.1 Million families.

The scheme has entered into new phase where the hospitalization coverage under this scheme has been increased to Rs. 40,000 per person for secondary procedures and 400,000 for tertiary care treatments. The scheme also provide wage loss, maternity transport and funeral expenses.

So far, 200,000 admissions have been incurred under the scheme in more than 80+ hospitals of KP. Under the new phase, inter-district portability has been extended to all across Pakistan which enable patients of KP to seek health care coverage across State Life's network of more than 300+ hospitals.

The government of KP is planning to extend the scheme to cover 100% population of Khyber Pakhtunkhwa. State Life being public sector organization would strive to extend its services to manage social health program in most efficient and economical way.

Family Takaful

The Corporation on receipt of license to start Window Takaful Operations established a statutory fund namely "Family Takaful Fund" to offer Family Takaful Contracts. Family Takaful Contract is an arrangement to which rests on key Shariah principles of mutual cooperation, solidarity and well-being of a community, and based on the principles of WakalaWaqaf Model. Under a Takaful arrangement, individual comes together and contribute towards the common objectives of protecting each other against financial losses by sharing the risk on the basis of mutual assistance. The obligation of Waqf for Waqf participant's liabilities is limited to the amount available in the Waqf Fund. In case there is a deficit in the Waqf Fund, the Window Takaful Operator shall grant an interest free loan (Qard-e-Hasna) to make good the deficit. The Loan shall be repayable from the

future surpluses generated in the Waqf Fund, without any excess of the actual amount given to it. Repayment of Qard-e-Hasna shall receive priority over surplus distribution to participants from the Waqf Fund.

State life has launched Takaful Operations under Family Takaful Fund and efforts are being made for takaful business, as disclosed in Note 1.3 to these Financial Statements.

Information Technology

IT Division of State Life works with vision to "Achieve organizational goals through the use of information & Communication Technology (ICT) and to improve productivity and efficiency of process within the organization and enhance quality services to all stake-holder". Besides routine IT operations, State Life putting extensive efforts for implementation of newly evolved IT Strategy which includes: Implementation of Pre-packaged Software Solution for Core Businesses & supporting functions and deployment of New ICT infrastructure.

The successful implementation of IT Strategy will ensure provision of all mandated services online, more efficiently and effectively to all stakeholders including: Policyholders, field staff, senior management and regulators. The ongoing efforts will strengthen internal processes of State Life and facilitate its policyholders by providing them better service delivery mechanism.

Profit

Profit after tax for the period under review was Rs. 2,035.639 million (last period: Rs.1,413.156 million) in which Rs. 1,147.204 million (preceding period: 487.534 million) has been transferred to Ledger Account "D" (Solvency reserve), on the advice of Appointed Actuary. No interim dividend is declared.

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 Insurance Division, Securities and Exchange Commission of Pakistan 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


Chairman / Director
Riaz Anwar

Karachi,

Dated: August 31, 2020