

Directors' Report

For the first quarter ended
March 31, 2022

The Directors are pleased to present the Directors' Report of State Life Insurance Corporation of Pakistan (Corporation) along with its Condensed interim financial statements (Un-audited) for the first quarter ended March 31, 2022.

Financial Performance and Operating Results:

During the period under review, overall performance of the Corporation remained robust, showing positive growth compared to last year. An overview of the performance of State Life Insurance Corporation, for the period ended March 2022 as compared to same period of last year is summarized below:

- 1.1 Total Income of the Corporation including unrealized fair value gain on financial assets of Rs. 493 million (last period: loss of Rs. 2,486 million) and unearned health insurance premium of Rs. 18,450.95 million (last year: NIL) increased to Rs. 92,293 million in the first quarter of 2022 as against Rs. 54,361 million in the corresponding quarter-2021, registering an increase of 69.8 percent. If impact of fair value gain / (loss) and unearned health insurance premium is excluded; the reported period income would be Rs. 73,348 million (Last period: 56,846 million) i.e. 29 percent increase over the same period last year.
- 1.2 Acquisition expenses upto March 2022 were Rs. 3,139 million as compared to Rs. 3,202 million in the same quarter of last year, showing decrease of 2 percent; Marketing and Administrative expenses were Rs. 2,561 million as compared to Rs. 2,224 million in the preceding period showing an increase of 15.1 percent. Overall management expense ratio to gross premium income for the quarter 2022 was 9.4 percent as against 17.9 percent in the corresponding period last year.
- 1.3 Insurance benefits paid to policyholders in the first quarter of 2022 were Rs. 28,937 million as against Rs. 18,384 million last period; registering an increase of 57.4 percent.
- 1.4 Statutory funds as at March 2022 was Rs. 1,324,952 million as against Rs. 1,157,713 million in the last period, showing an increase of 14.4 percent.
- 1.5 The basic and diluted Earnings Per Share (EPS) for the quarter ended March 31, 2022 was Rs. 44.34 as compare to Rs. 42.40, showing an increase of 4.6 percent.

2. BUSINESS PORTFOLIO WISE PERFORMANCE:

2.1 INDIVIDUAL LIFE BUSINESS

First year gross premium income under Individual Life policies during quarter ended March 2022 was Rs. 2,477 million as compared to Rs. 2,641 million in the corresponding period, showing decrease of 6.2 percent. Gross renewal premium was Rs. 21,457 million in the first quarter 2022 in comparison with Rs. 20,760 million in the corresponding period, showing an increase of 3.4 percent.

2.2 GROUP LIFE BUSINESS:

Gross premium under Group Life policies during the first quarter of 2022 was Rs. 2,489 million as compared to Rs. 1,290 million in the same quarter, showing an increase of 93 percent.

2.3 TAKAFUL BUSINESS:

Premium under Takaful business during the first quarter of 2022 was Rs. 36 million as compared to Rs. 7 million in the same period last year showing an increase of 419.6 percent.

2.4 HEALTH INSURANCE BUSINESS:

Gross premium under Health Insurance policies during the first quarter 2022 was Rs. 34,077 million as compared to Rs. 5,596 million in the corresponding period of 2021, showing whopping increase of 508.9 percent mainly due to health insurance policies undertaken for Sehat Sahulat Program (Ex- Prime Minister's National Health Insurance Program) and Social Health Protection Initiative – Program of KP Government.

2.5 INVESTMENT:

Net investment income increased to Rs. 31,990 million during the first quarter of 2022 as compared to income of Rs. 24,155 million in the corresponding period of 2021. These include unrealized fair value gain on financial assets of Rs. 493 million in 2022 (2021: loss of Rs. 2,486 million). If unrealized fair value gain / (loss) impact is excluded from both periods, net investment income of 2022 quarter would be Rs. 31,497 million as against Rs. 26,640 million which is 18.2 percent increase over last period.

2.6 REAL ESTATE:

Breakup of rental income and expenses are stated hereunder:

| | First Quarter March – Rs. In million | | |
|---------------|--------------------------------------|-------------|------------------|
| | <u>2022</u> | <u>2021</u> | <u>Inc/(Dec)</u> |
| Rental Income | 385 | 352 | 10 |
| Expenses | 173 | 110 | 58 |
| Net | 212 | 242 | (12) |

2.7 INSURER FINANCIAL STRENGTH RATING:

State Life 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.

3. OUTLOOK

DIGITIZATION:

With the launch of the digital insurance portal and digital insurance mobile application during preceding year, plans are underway for next wave of digital transformation to unlock several benefits of accelerating growth and driving customer satisfaction through digital services. The aim is to expand our digital footprint to deliver hassle-free online digital services to policyholders including online premium payment collection through a variety of channels and empowering agent network with digital tools.

TAKAFUL:

Corporation is in the process of commencing Bancatakaful operations for which Bancatakaful agency agreements have been made with the prominent banks. Group Takaful business is also under consideration and the necessary arrangements are being made to accomplish this objective.

HEALTH INSURANCE:

Following broad sets of plans are being set with respect to health insurance business:-

- i. Health insurance program for government servants in KP including OPD program in 8 districts;
- ii. Universal health program in Balochistan;
- iii. Capturing corporate health insurance business market;
- iv. Implementation of digital claim submission across Pakistan;
- v. Establishment of dedicated control rooms for field staff and patient care monitoring; and
- vi. Expansion of digital health insurance business and mobile application for purchase of digital health products.

GROUP AND PENSION:

Future plans for increase in group insurance business include:

- i. Term insurance for government employees of KP;
- ii. Financial assistance and retirement benefits scheme for employees of Sindh Government;
- iii. Travel insurance; and
- iv. Insurance for driving license holders and organ insurance for emigrants;

4. Profit and Loss Account

Profit after tax (PAT) attributable to Shareholders for the period under review was Rs. 2,172.666 million (last period: 1,950.517 million) in which Rs. 1,453.528 million (preceding period: 1,248.800 million) has been transferred to Ledger Account "D" (Solvency reserve), on the advice of Appointed Actuary. No interim dividend is declared.

5. ACKNOWLEDGEMENT

We wish to thank our valued policyholders for continuing trust and confidence in our products and services. We are grateful to the Securities and Exchange Commission of Pakistan (SECP) for their continued guidance and assistance. We extend our gratitude to our reinsurers, business partners and the State Bank of Pakistan for their support.

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.

On behalf of the Board of Directors



Chairman / Director

Karachi,

Dated: May 31, 2022