

36th Annual Report 2008



STATE LIFE **INSURANCE CORPORATION OF PAKISTAN**

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سنگ سدا اپنوں کی چاہت رہے

حاصل ہمیں خوشیوں کی دولت رہے

You don't need to say much to show you care.
With a State Life Insurance policy you can give your family
the financial protection they need.



STATE LIFE
INSURANCE CORPORATION OF PAKISTAN

اسٹیٹ لائف کی بیمہ پالیسی
ایک تابندہ روایت نسل در نسل



Corporate Information	4
Management	5
Core Values	7
Chairman's Review	8
• Performance	8
• Business Portfolio Wise Performance	8
• Business Supporting Activities	8
• The Future	9
• Actuarial Valuation	9
• Auditors	9
• Note of Appreciation	9
Appendix to Actuarial Valuation	10
Auditors' Report	16
Balance Sheet	18
Profit & Loss Account	20
Statement of Changes in Equity	21
Statement of Cash Flows	22
Revenue Account	23
Statement of Premiums	24
Statement of Claims	25
Statement of Expenses	26
Statement of Investment Income of Statutory Funds	27
Notes to the Financial Statements	28
Statement by the Appointed Actuary	58
Statement of Directors	59
Progress at a Glance since Inception	60



BOARD OF DIRECTORS

Mr. Shahid Aziz Siddiqi
Mr. Ejaz Ahmed
Mr. Kamal Afsar
Mr. Qamar Zaman Chaudhry
Mrs. Spenta Kandawalla
Mr. Aslam Faruque
Mr. Amin Qasim Dada
Mr. Rasheed Y. Chinoy
Syed A. Wahab Mehdi
Syed Hur Riahi Gardezi

From 12-06-2008
From 13-05-2008 to 11-06-2008
Up to 10-05-2008

CHAIRMAN
CHAIRMAN
CHAIRMAN
DIRECTOR
DIRECTOR
DIRECTOR
DIRECTOR
DIRECTOR
DIRECTOR
DIRECTOR

SECRETARY BOARD

Mr. Akbar Ali Hussain

BOARD AUDIT COMMITTEE

Syed Hur Riahi Gardezi
Mrs. Spenta Kandawalla
Mr. Aslam Faruque
Mr. Rasheed Y. Chinoy
Syed A. Wahab Mehdi
Mr. Sher Ali Khan

CHAIRMAN
MEMBER
MEMBER
MEMBER
MEMBER
SECRETARY

AUDITORS

PAKISTAN

M/s. Riaz Ahmed & Company,
CHARTERED ACCOUNTANTS

M/s. Avais Hyder Liaquat Nauman
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
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CHAIRMAN

Mr. Shahid Aziz Siddiqi
From: 12-06-2008

Mr. Ejaz Ahmed
From 13-05-2008 to 11-06-2008

Mr. Kamal Afsar
Up to 10-05-2008

EXECUTIVE DIRECTORS

Mr. M. Javed Khan
Up to 13-03-2008

Syed Arshad Ali

Ms. Nargis Ghaloo

Mr. Mohammad Yahya
From 12-08-2008

Mr. Allah Rakha Aasi
From 06-10-2008

DIVISIONAL HEADS

(Principal Office)

Mr. Ansar Hussain
Mr. M. Yahya Chamadia
Mr. Sher Ali Khan
Mr. Sohail Hashmi
Mr. Nasir Javed Khan
Mr. Khizar Hayat Aamir
Mr. Saleem Khaliq
Mr. Sultan A. Sheikh
Mr. Shahrukh Sabzwari
Mr. Muhammad Izqar Khan
Mr. M. Faisal Mumtaz
Mr. Shahid Aziz Khan

Investment
Personnel & General Services
Internal Audit & Compliance
Research & Analysis
Real Estate
Finance & Accounts
Computer
Marketing (Individual Life)
Actuarial
Group & Pension
Policyholders Services
Legal Affairs

CHIEF MEDICAL OFFICER

Dr. Mrs. Ghazala Nafees



INDIVIDUAL LIFE

Regional Chiefs

Ch. Madad Ali Anjum	Central Region - Lahore
Raja Zafar Ali Shan	Northern Region -Islamabad
Mr. Maqsood A.Choudhry	Multan Region - Multan
Mr. S.A.H.Kazmi	Southern Region - Karachi

Zonal Chief

Gulf Countries

Mr. Mohsin Abbas	Gulf Zone, Dubai-UAE
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Zonal Heads

Southern Region

Mr. M. Khalid Sheikh	Karachi Zone (South)
Mr. Dur Muhammad Baladi	Hyderabad Zone
Mr. A. Sattar Abro	Mirpur Khas Zone
Mr. Quwat Ali Jatoi	Sukkur Zone
Mr. S.Hassan Raza	Karachi Zone (Central)
Mr. Kenaya Lal Shaheen	Quetta Zone
Mr. Sultan Masood Naqi	Karachi Zone (Eastern)
Mr. Ghulam Rasool Abro	Larkana Zone

Multan Region

Mr. Tahir Ahmed Khan	Multan Zone
Mr. R. N. Shikrani	Rahim Yar Khan Zone
Ch. Akhtar Hussain	Bahawalpur Zone
Mr. A. Aleem Chaudhry	Sahiwal Zone
Mr. Ramzan Shahid	Dera Ghazi Khan Zone

Central Region

Mr. Najamul Hassan	Gujranwala Zone
Mr. Mumtaz A. Chaudhry	Lahore Zone (Western)
Mr. M. Dawood Nasir	Faisalabad Zone
Sh. Zahid Imam	Lahore Zone (Central)
Mr. S.M.Iqbal Qureshi	Sialkot Zone
Mr. Khalid M.Shahid	Sargodha Zone

Northern Region

Mr. Iftikhar Ahmed	Rawalpindi Zone
Mr. Azhar Hussain	Islamabad Zone
Ch. Muhammad Ejaz	Peshawar Zone
Mr. Muhammad Saeed	Swat Zone
Mr. Mehmood H. Malik	Gujrat Zone
Mr. M.Yousuf Farooqui	Mirpur (AK) Zone
Mr. Raja Rab Nawaz	Abbottabad Zone

GROUP LIFE

Zonal Heads

Mr. Nadeem Bessey	Karachi Zone
Mr. Fakhar Abbas	Lahore Zone
Mr. Khalid Mansoor	Rawalpindi Zone
Mr. Tahir Majeed	Peshawar Zone



OBJECTIVES

- To run life insurance business on sound lines.
- To provide more efficient service 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 means of mobilizing national savings.
- To widen the area of operation of life insurance and making it available to as large a 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.



I feel pleasure in presenting the 36th Annual Report of State Life Insurance Corporation of Pakistan, together with the audited accounts for the year ended December 31, 2008 prepared in terms of Article 30 of the Life Insurance (Nationalization) Order, 1972, (President's Order No.10 of 1972).

Accounts for the year 2008 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 2008 as compared to 2007 is given hereunder:

- 1.1 Total Income of the State Life Insurance Corporation increased to Rs.41,830 million as against Rs.36,222 million in the preceding year, registering an increase of 15.5%.
- 1.2 Management expenses for the year 2008 were Rs.8,000 million as compared to Rs. 6,266 million in 2007 showing an increase of 27.67%. Overall expense ratio for the year 2008 was 35% as against 33.4% for the year 2007.
- 1.3 Payments to policyholders in the year 2008 was Rs.12,779 million as against Rs. 10,783 million in 2007, being an increase of 18.5%. Claims have mainly increased due to maturity of the old policies.
- 1.4 Total amount of statutory funds of the State Life Insurance Corporation in 2008 was Rs.177,459 million as against Rs. 156,737 million in 2007, showing an increase of 13.22%.

2. BUSINESS PORTFOLIO WISE PERFORMANCE:

2.1 Individual Life Business – Pakistan's Operations:

First year premium income under Individual Life policies, during the year 2008 was a record Rs.4,982 million as compared to Rs.3,715 million in the year 2007, resulting in an increase of 34.10%. Renewal premium was Rs.13,428 million in 2008 whereas Rs.11,630 million was in 2007, resulting in an increase of 15.46%.

2.2 Individual Life Business – Overseas Operations:

First year premium income under Individual Life policies, during the year 2008 was Rs.199 million as compared to Rs.159 million in the year 2007, being an increase of 25.16%. Renewal premium was Rs.642 million as compared to Rs.502 million in 2007, showing an increase of 27.89%.

2.3 Group Life Business:

Premium under Group Life policies during the year 2008 was Rs.3,564 million as compared to Rs. 2,822 million in the year 2007, showing an increase of 26.29%.

2.4 Real Estate:

During the year 2008 net operating income from Real Estate portfolio was Rs.342 million as against Rs.316 million in 2007, being an increase of 8.2%. Increase in income was achieved as a result of renting of vacant spaces and renewal of lease agreements with tenants.

2.5 Investment:

Net investment income including capital gains during the year 2008 was Rs.18,791 million as compared to Rs. 17,187 million in 2007, showing an increase of 9.33%.

Corporation carries its investments in shares at cost in the books of accounts; however the market value of these investments is higher than the carrying cost representing unrealized capital gains. It is the practice of the Corporation to realize capital gains to the extent of maintaining bonus rates to its policyholders.

3. BUSINESS SUPPORTING ACTIVITIES:

- 3.1 Trained and skilled manpower is the key to success of any organization. Corporation always makes endeavors to develop a strong field force by creating new employment opportunities, encouraging youths to join the Corporation's field force by arranging seminars, workshops and by imparting training and conducting special courses for field force of the Corporation. During the year 2008, State Life continued with its practice of imparting training to field workers and to other employees by arranging Seminars, workshops and technical sessions. Specialized Courses such as Foundation Course, Management Orientation Study Course and Marketing Management Series were also conducted by the Field Manpower Development (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 The role of advertising cannot be ignored in the business performance of State Life in the year under review. Advertising and Sales promotion Department, now named as Corporate Communications Department, on one hand provided backup support to the Marketing Force by launching multi-media advertising campaigns and other BTL activities while on other hand it continued its sales promotion and public relations activities throughout the year. The advertisement campaigns were based on hard sell messages, corporate image building, facilitation to marketing force on achieving business targets, bonus announcement to policyholders, Eid Mubarak to Policyholders etc. In the year 2008 all medium of advertising i.e. Television, Radio, Newspapers, Outdoor Advertising, have been fully utilized. State Life had also sponsored some important sports and literary events for Corporate image building. Since the most of our population lives in the rural areas, specially produced Radio programmes in Urdu and regional languages like Punjabi, Sindi, Baloochi & Pushtoo had been broadcast from Radio Pakistan and FM Channels which have deep penetration in the rural and sub-urban areas.

4. THE FUTURE

4.1 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.

4.2 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.

4.3 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. Marketing of individual life policies through this distribution channel is also actively under consideration of the Corporation.

5. ACTUARIAL VALUATION

As per 22nd actuarial valuation as at 31st December 2008, the actuarial surplus arising during the inter-valuation period was Rs. 14,095.72 million. The details of bonuses declared are stated as an appendix.

6. AUDITORS

The accounts for the year ended 31st December, 2008 were jointly audited by a panel of auditors comprising of (i) M/s. Riaz Ahmad & Company, Chartered Accountants, Karachi and (ii) M/s. Avais Hyder Liaquat Nauman, Chartered Accountants, Karachi. The accounts of Gulf Countries were audited by M/s. Sajjad Haider & Co., Chartered Accountants, Dubai, UAE.

7. 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.

(Shahid Aziz Siddiqi)
Chairman

Karachi,
29th April 2009



The bonus rates declared are as under:

A. PAKISTAN RUPEE POLICIES

I. Whole Life And Endowments Assurance

Subject to the Notes, for with profit Whole Life and Endowment policies in force for the full sum assured as at 31st December 2008:

a. **Reversionary bonuses** per thousand sum assured per annum (2007 figures are given for comparison).

	2007			2008		
	For first five policy years Rs.	From 6th policy year to 16th policy year Rs.	From 17th policy year onwards Rs.	For first five policy years Rs.	From 6th policy year to 16th Policy year Rs.	From 17th policy year onwards 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 2009, 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. 1000 (same as 2007 valuation) per thousand sum assured.

d. **Special Terminal Bonus** will be paid on claims by maturity in 2009, where a Family Income Benefit (FIB) is inforce 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 2007 valuation).

e. **Loyalty Terminal Bonus** will be paid on claims by death or maturity in 2009 to policies with risk year 1989 or earlier. The rate will be Rs.200 per thousand sum assured.

Notes:

1. Jeevan Sathi and Shadabad policies will be treated as Endowment policies.
2. Big Deal policies will receive bonuses on 25% of the sum assured only.
3. 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 2008: