

Directors' Report to the Shareholders

The Board of Directors are delighted to present the audited financial statements for the year ended 31st December 2021 in its 49th Annual Report of the Corporation.

Compliance with the Code of Corporate Governance for Insurers, 2016

In accordance with SRO 1045(1)/2016 dated 9th November 2016, issued by Securities & Exchange Commission of Pakistan (SECP) on Corporate Governance rules for Insurers, 2016, the Board of Directors are pleased to confirm the following:

1. The financial statements, prepared by the management of State Life Insurance Corporation of Pakistan (the Corporation), present the result of its operations, cash flows and changes in equity.
2. Proper books of account of the Corporation have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, International Financial Reporting Standards or any other regulation or law (including but not limited to the Shariah guidelines/principles) as applicable in Pakistan, have been followed in preparation of financial statements and any deviation from them have been disclosed.
5. The system of internal controls is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts about the Corporation's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance.

2. Financial Performance and Operating Results:

Overall performance of the Corporation remained satisfactory. An overview of the performance of State Life for FY 2021 as compared to last year is summarized below:

Total Income of the Corporation including unrealized capital loss of Rs. 8,555 million (2020: Rs. 615 million capital gain) increased to Rs. 271,258 million in 2021 as against Rs. 224,633 million in the preceding year, registering an increase of 20.8 percent.

Acquisition expenses for FY 2021 were Rs. 19,995 million as compared to Rs. 16,597 million in FY 2020 showing increase of 20.5 percent; Marketing and Administrative expenses were Rs. 10,312 million in FY 2021 as compared to Rs. 8,381 million in the preceding year showing an increase of 23.0 percent. Overall management expense ratio to total premium income for FY 2021 was 18.65 percent as against 20.92 percent to last year.

Insurance benefits paid to policyholders in the year 2021 were Rs. 98,038 million as against Rs. 64,688 million last year, registering an increase of 51.6 percent.

3. Business Portfolio Wise Performance

3.1 INDIVIDUAL LIFE BUSINESS – PAKISTAN’S OPERATIONS:

First year gross premium under Individual Life policies during the year 2021 was Rs. 16,100 million as compared to Rs. 13,838 million in the year 2020, showing an increase of 16.4 percent. Gross renewal premium was Rs. 97,147 million in FY 2021, whereas it was Rs. 91,227 million in FY 2020, resulting an increase of 6.5 percent.

3.2 INDIVIDUAL LIFE BUSINESS – OVERSEAS OPERATIONS:

Our overseas business, first year gross premium under Individual Life policies, during the year 2021 was Rs. 150 million as against Rs. 221 million in the year 2020, showing a decline of 32.2 percent. Gross renewal premium in FY 2021 was Rs. 2,025 million as compared to Rs. 2,016 million in 2020, showing a meager increase of 0.4 percent.

3.3 GROUP LIFE BUSINESS:

Premium under Group Life policies during the year 2021 was Rs. 14,692 million net of experience refund/ERF as compared to Rs. 4,137 million in the corresponding year, showing increase of 255.1 percent.

3.4 HEALTH INSURANCE BUSINESS:

Premium under Health and Accident Insurance business during the year 2021 was Rs. 32,176 million net of experience refund/ERF as compared to Rs. 7,975 million in 2020, showing a remarkable increase of 303.4 percent mainly due to health insurance policies undertaken for the Prime Minister’s National Health Insurance Program.

3.5 REAL ESTATE:

Break up of rental income and expenses are:

	<u>Rs. in million</u>		
	<u>2021</u>	<u>2020</u>	<u>Inc/(Dec)</u>
Rental and other income	1,202	1,060	13
Expenses	790	501	58
Net Income	412	559	(26)

3.6 INVESTMENT:

Net investment income for FY 2021 was Rs. 109,469 million including capital loss of Rs. 8,555 million (FY 2020: 615 million capital gain) higher by 3.7 percent over the previous year’s investment income of Rs. 105,598 million.

4. Key Operating and financial data

Summarized financial performance for the last six years is annexed -A

5. Others Disclosures

- There is no statutory payment outstanding as on Dec 31, 2021 on account of taxes, duties, levies, and charges except as disclosed in notes to the Financial Statements.
- The value of investment made by the employees' retirement funds, operated by the Corporation, as per their financial statements as of December 31, 2021, the audit of which are in progress, are as follows:

	Rs. in Million
Pension Fund	28,724
Gratuity Fund – Officers	87
Provident Fund	5,801

6. Number of Meetings of the Board

Four meetings of the Board were held during the year under review and attended by the following members:

S.NO.	Director's Name	Meetings Attended
1	Mr. Shoaib Javed Hussain, Chairman (from 17.03.2021)	2
2	Dr. Muhammad Sohail Khan Rajput, Chairman (till 16.03.2021)	2
3	Mr. Iftikhar ul Hasan Shah	4
4	Mr. M. Saeedullah Khan Niazi	3
5	Mr. Ghiasuddin Ahmed	4
6	Mr. Ali Mubashir Kazmi	4
7	Mr. Abdul Qadir Memon	4

6.1 Pattern of Shareholding

As at December 31, 2021

Categories of Shareholders	No. of Shares Held
Government of Pakistan through Ministry of Commerce (100 percent)	49 million
Total	49 million

7. Advertisement

Advertising is communication and the introduction of non-specific products or services through various carriers; it may be through press media, social media or TV and radio. Improving consumer insurance literacy is important, better consumer knowledge would also help avoid unrealistic consumer expectations and disappointment. Since we have large population of the country which are still unaware of insurance benefits therefore reluctant to invest in. Although State Life Insurance Corporation is covering major share in insurance industry but we cannot understate the power of aggressive advertising.

The year 2021 was difficult for the CCD as well due to 2nd phase of Covid-19 but the management of State Life is always being supportive to Corporate Communications Department (CCD) when it comes to advertising by providing enough funds to implement its multi-media advertising campaigns. Despite of facing Covid-19 pressure we kept our presence on social media i.e. Facebook, LinkedIn, Instagram, YouTube and Twitter through multiple GIFs, Motion Graphics and commemorating posts on different public occasion/National holidays as well as to enhance the brand image of SLIC.

State Life stepped forward to resolve public grievances via E-Kacheri for the very first time in the history of the Corporation. We conducted CSR activity by plantation drive. We have signed multiple MoUs with Bykea, Banca and Health (Sehat Sahulat Card Scheme) for better customer experience. CCD ran a radio campaign on Sehat Sahulat scheme. In December 2021 CCD also launched short corporate press campaign on leading National newspaper in English/Urdu with an intention to highlight the robust business growth. Since we have stepped in 50 years of excellence CCD is working on multiple projects and events coming ahead in year 2022.

State Life is the only player in the insurance industry that continuously maintains 'AAA' rating by PACRA. CCD also released casual advertisements to keep the presence in literary circles as well as in diversified social weekly/monthly magazines and sponsorships of multiple events throughout the year 2021.

8. Human Resource Development

Human resource development remained the most valuable asset of the organization. Training plays a vital role in development of human resource; it is a continuous process that leads an organization to achieve its goals. State Life, holds trainings, workshop, seminars and courses through Human Resource Development Division (HRDD) for the skill development of their largest marketing network in Insurance Industry and for their employees to provide better services to their policyholders. Training and development of human resource is a continuous process and works on the concept "Return on training investment" strategy.

In FY 2021, following courses were conducted, physically as well as via internet:

Title of Course	2021		2020	
	Courses	Participants	Courses	Participants
Staff /Officers Training	191	5,876	151	6,194
Sales Force Training	728	25,772	323	6,008
Various Courses via Zoom	338	62,805	96	73,671
Total	1,257	94,453	570	85,873

In the year 2021, we provided job opportunities to 19,344 (2020: 21,636) new Sales Representatives. Our Field Force, the largest in the country stands 123,880 (Sales Representative and Sales Manager) as on 31-12-2021.

9. Insurer Financial Strength Rating

The rating takes into account State Life Insurance Corporation of Pakistan's (SLIC) sound market position within the Life Insurance industry emanating from extensive and well-penetrated distribution network, experienced management team and robust financial profile. The rating reflects State Life Insurance Corporation's robust risk absorption capacity on the back of Government of Pakistan's (GoP) guarantee for policyholders' liabilities. The sum insured including bonuses (if any) declared by State Life insurance Corporation are guaranteed as to payment in cash by GoP under article 35 of the Life Insurance (Nationalization) Order, 1972. The Corporation in spite of challenging economic climate and global pandemic has been able to grow its GPW by approximately 6%. With an emphasis on existing business lines, the organization pursues a growth strategy that seeks to broaden its product offerings. - Health Insurance, Bancassurance, and Window Takaful.

During CY20, the total GPW of the industry grew by 4.6% to PKR 233bln in CY20 as against a decline of 1.2% to PKR 223bin in CY19. COVID-19 is an ongoing challenge. While it has taken a toll on many businesses, its ramifications are still unfolding. However, due to present pandemic situation, the demand for Life Insurance products is expected to increase over near term which in turn is expected to result in new business growth for the industry.

State Life Insurance Corporation of Pakistan's ability to maintain its leadership in the life insurance sector is important. In this regard, successful execution of the envisaged business strategy including diversification and continued growth is essential. Additionally, implementation of core insurance ERP system will enable efficient business operations with the real time provision of services to all stakeholders.

10. Future Outlook

We continue to have a positive outlook on the long-term growth potential of the business; however, we do presage certain headwinds in the short-term owing to coronavirus crises in

the form of rupee depreciation and higher inflation which might have an impact on the future results.

The management remains fully committed to managing these challenges and delivering sustainable profitable growth capitalizing on our strong brands, management capabilities and operational excellence. We intend to grow our business by developing innovative products, efficient delivery channels and state of the art contact center.

Federal Sehat Sahulat Program

The Federal Government's Sehat Sahulat Program formerly known as the Prime Minister National Health Programme has been implemented in more than 90 districts across Pakistan and provides protection against catastrophic health expenditures to its designated beneficiaries.

The scheme was started in 2016, which was based on BISP data to approximately three million families. Later in 2019, the coverage was further expanded to cover the entire population of AJK, FATA, 7 districts of Punjab, Tharparkar and also to transgender and disabled community, registered with NADRA.

Under this scheme, a total of 1,066,000+ patients have been provided the health care services up-to Rs. 60,000/- for secondary procedures and Rs. 300,000/- for tertiary procedures per family per annum from 850+ empaneled hospitals across Pakistan.

State Life has incurred more than Rs. 25 billion of claims in lieu of the provided services.

As per recent 3rd party satisfactory survey more than 97.38 percent of families have shown satisfaction upon the services provided under the program.

In 2021, State Life has won the competitive bidding for implementing the universal Health Coverage across Pakistan. Starting from January 2022, the scheme will be implemented for entire population having permanent address of Islamabad, GB, AJK, FATA, Tharparkar and Punjab. In this phase, the tertiary coverage has been increased to Rs. 400,000/- per family per annum. This phase of scheme has a worth of around 440 billion in the next three years.

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 KP Province. The target population of beneficiaries which was 2.1 million families has been further expanded in 2020.

The Program has entered into new phase where the hospitalization coverage under the program has been increased to Rs. 40,000 per person for secondary procedures and Rs. 400,000 for tertiary care treatments. The program also provides maternity & tertiary transport and funeral expense.

State Life has won the competitive bidding for extension of coverage to 100 percent population of KP, where more than 7 million families would be covered. This scheme has a worth of around 100 billion in the next five years.

Starting from the end of 2020, the implementation of the KP program throughout the province to cover the 100 percent population (round 7 million families) took a record time of only seven months.

Under KP scheme, a total of 959,000+patients have been provided the health care services and more than Rs. 24 billion of claims have been incurred in lieu of the services provided.

State Life is committed to operate practices with the highest possible service standards delivered ethically and professionally. State Life, as an implementation partner of universal health coverage, will strive its best to successfully implement the largest social health protection schemes across Pakistan in a swift manner. In addition, H&AI division has also started the corporate health business and soon will capture the major clients in Pakistan.

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 which rests on key Shariah principles of mutual cooperation, solidarity and well-being of a community, and based on the principles of Wakala Waqaf 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 surplus 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 during FY 2021 an amount of Rs. 181.484 million has been made in respect of Takaful business. Efforts are being made for enhancement of business in the upcoming FY 2022.

Bancassurance

The State backed and guaranteed products are witnessing robust growth with the passage of each day. The outreach of Bancassurance Division is making its mark in banking industry where not only the partner banks namely United Bank Limited (UBL), Bank Alfalah (BAFL), National Bank of Pakistan (NBP), Silk Bank, First Women Bank (FWBL) and Samba Bank are forthcoming but non partner banks are also approaching SLIC with a view to optimizing insurance cover for their clients. With 29% growth in the year 2021, the Banca Division is gearing up its

efforts to roll out more client friendly products along with assured return and it is also contemplating to curb unhealthy practices prevailing in the market initiated by insurance concerns who are compromising on local laws and regulations.

The future of Bancassurance Division is expected to strengthen in the months to come keeping pace with the vision of Chairman SLIC.

11. Actuarial Valuation

Actuarial valuation as at 31st December 2021, the actuarial surplus arising during the inter-valuation period on participating policies was Rs. 96,323 million (2020: Rs. 85,521 million). The details of bonuses declared are stated as an appendix.

12. Dividend

Profit after tax (PAT) attributable to Shareholders for FY 2021 and FY 2020 was Rs. 6,625.472 million and Rs. 4,206.342 million respectively in which an amount of Rs. 4,601.606 million (FY 2020: 2,386.156 million) has been transferred to Ledger Account "D" Solvency reserve on the advice of Appointed Actuary; profit available to shareholders is Rs. 2,023.866 million (2020: 1,820.186 million). 15% of PAT which is Rs. 303.580 million is retained in General Reserve. Rest of the profit of Rs. 1720.286 million (2020: Rs. 1,460.496 million) is payable Share of Dividend to Government of Pakistan.

13. Statutory Auditors

The accounts for the year ended 31st December, 2021 were jointly audited by a panel of auditors comprising of (i) M/s. BDO Ebrahim & Company, Chartered Accountants, Karachi and (ii) M/s. Grant Thornton Anjum Rahman, Chartered Accountants, Karachi. The accounts of Gulf Zone were audited by M/s. Sajjad Haider & Co. Chartered Accountants, Dubai, UAE.

The Auditors Report for the financial year 2021 does not contain any qualification, reservation or adverse remark. The Auditors' Report is enclosed with the financial statements in this Annual Report.

14. Consolidated Accounts

The Consolidated Accounts of the Corporation are annexed in this Annual Report.

15. Subsidiary Companies:

The Corporation has three subsidiaries as on 31-12-2021:

- i. State Life (Lackie Road) Properties (Private) Limited
- ii. State Life (Abdullah Haroon Road) Properties (Private) Limited
- iii. Alpha Insurance Company Limited

16. 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.

Finally, we wish to thank our employees and sales force whose dedication and commitment has been a source of strength for the organization.

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



Shoaib Javed Hussain
Chairman

Karachi,
Dated: 28th April, 2022

Appendix-A

Key Operating and financial data:

	<u>Rs. in Million</u>					
	2021	2020	2019	2018	2017 (restated)	2016 (restated)
FIRST YEAR PREMIUM (Net)	16,343	14,019	12,876	18,918	17,688	17,036
RENEWAL PREMIUM (Net)	98,950	93,037	91,087	85,998	74,462	66,708
GROUP PREMIUM INCLUDING HEALTH (Net)	46,868	12,112	8,584	10,100	8,610	6,078
INVESTMENT INCOME (Net)	109,469	105,598	95,802	70,277	51,015	64,526
POLICY BENEFITS	98,038	64,688	57,049	50,249	44,955	37,939
SURPLUS APPROPRIATED TO SHAREHOLDERS' FUND	2,408	2,138	1,878	1,738	1,580	1,519
PROFIT BEFORE TAX	9,334	5,926	2,797	2,675	2,256	1,831
TAXATION	2,708	1,720	813	883	709	618
PROFIT AFTER TAX	6,625	4,206	1,984	1,792	1,546	1,212
EARNINGS PER SHARE (RS) Rs. 100 each	143.24	97.78	51.61	56.6	51.55	40.41
BONUS TO POLICY HOLDERS	86,974	77,371	69,753	62,046	57,231	55,433
TOTAL ASSETS	1,366,112	1,203,383	1,058,836	930,231	829,462	749,001