

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, 2022.

1. OPERATING AND FINANCIAL PERFORMANCE:

During the period under review, overall financial performance of the Corporation remained satisfactory. An overview of the performance of State Life for the half year 2022 as compared to last period is summarized below:

- 1.1 Total Income of the State Life increased to Rs. 160,636 million in half year 2022 as against Rs. 113,671 million in the preceding period, registering an increase of 41.3%. If the impact of fair value loss of Rs. 3,477 million (last period gain: 967 million) is excluded; total income for period ended June 2022 would be Rs. 164,114 million as against Rs. 112,703 million in June 2021 up by 45.6%.
- 1.2 Acquisition expenses for the half year 2022 are Rs. 6,432 million as compared to Rs. 5,878 million in half year 2021 showing an increase of 9.4%. Management expenses for the half year 2022 are Rs. 5,669 million as compared to Rs. 4,991 million in half year 2021 showing an increase of 13.6%. Overall management expense ratio to gross total premium income for the half year 2022 is 12.4% as against 18.3% for corresponding period of 2021.
- 1.3 Payments to policyholders in the half year 2022 were Rs. 68,152 million as against Rs. 42,081 million in the corresponding period of 2021, showing an increase of 62.0%.
- 1.4 Statutory funds at the end of half year 2022 was Rs.1,346,889 million as against Rs. 1,187,484 million in the corresponding period 2021, showing an increase of 13.4%.
- 1.5 The basic and diluted Earnings Per Share (EPS) for the half year 2022 was Rs.91.46 as compared to Rs. 69.66 in the same period last year, showing rise of 31.3%.

2. BUSINESS PORTFOLIO WISE PERFORMANCE:

2.1 INDIVIDUAL LIFE BUSINESS:

First year gross premium income under Individual Life policies, during the half year 2022 was Rs. 5,471 million as compared to Rs. 5,352 million in the last year corresponding period, showing an increase of 2.2%. Gross renewal premium was Rs. 36,889 million in half year 2022 whereas it was Rs. 35,346 million in the corresponding period of 2021, showing an increase of 4.4%.

2.2 GROUP LIFE BUSINESS:

Gross premium under Group Life policies during the half year 2022 was Rs. 9,495 million as compared to Rs. 7,264 million in the half year 2021, showing an increase of 30.7 percent.

2.3 TAKAFUL BUSINESS:

Premium under Takaful business during the first half of 2022 was Rs. 107 million as compared to Rs. 31 million in the same period last year showing an increase of 239.9 percent.

2.4 HEALTH INSURANCE BUSINESS:

Premium under Health and Accident Insurance business during the half year 2022 was Rs. 46,036 as compared to Rs. 12,373 million in the preceding period, showing an increase of 272.1%, mainly due to health insurance policies undertaken for Sehat Sahulat Program and Social Health Protection Initiative Program.

2.5 REAL ESTATE:

Breakup of rental income and expenses are stated hereunder:

| | Half Year (Rs. in million) | | |
|---------------|----------------------------|------|----------------|
| | 2022 | 2021 | % Inc./ (Dec.) |
| Rental Income | 764 | 615 | 24 |
| Expenses | 369 | 355 | 4 |
| Net | 395 | 260 | 52 |

2.6 INVESTMENT:

Net investment income including capital gains and unrealized losses during the half year 2022 was Rs. 63,268 million as compared to Rs. 54,435 million in June 2021, showing an increase of 16.2%. If impact of unrealized loss of Rs. 3,477 million is excluded (gain last period: Rs. 967 million); the net investment income would be Rs. 66,746 million as compared to Rs. 53,467 million in June 2021 showing an increase of 24.8%.

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. FUTURE OUTLOOK:

3.1 HEALTH INSURANCE:

Corporation is managing mega social health programs covering more than 150 million populations across the country. Corporation has implemented Phase-III of the Federal Sehat Sahulat Program which covers more than 30 million families in the designated districts. This constitutes more than 50% population of Pakistan. Besides managing social health programs, Corporation has developed various corporate & individual health insurance products like Sehat Salam, Sehat Zindagi, Sahara Family, Sinf-e-Aahan, Haari Plan, etc.

3.2 FAMILY TAKAFUL:

Corporation is planning for Bancatakaful operations and for this purpose it has entered into Bancatakaful agreements with prominent banks of Pakistan like UBL, Bank of Punjab, Dubai Islamic Bank and Bank Al-Falah. Efforts are being made for enhancement of Takaful Business.

3.3 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, re-launching of group insurance (with enhanced features) of bread earners of families registered under BISP.

3.4 DIGITIZATION:

Plans are underway to expand digital footprints to deliver hassle-free online digital services to policyholders. In this regard, digital apps have been launched facilitating policyholders for online premium payment. Corporation has also established a dedicated DR Site to cater IT logistics at health insurance offices, hospitals to provide real time and swift services to the beneficiaries of the social health Program. Corporation has also introduced e-claim payments system. Plans for empowering agent network with digital tools and digitization of policy documents are also underway.

PROFIT

Profit after tax for the period under review was Rs. 4,481.6 million (last period: Rs. 3,204.2 million) in which Rs. 3,274.1 million (preceding period: 2,219.4 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
Shoaib Javed Hussain

Karachi,

Dated: 31st August, 2022