

## Directors' Report to the Shareholders

I am pleased to present the Directors' Report and Chairman's Review of State Life Insurance Corporation of Pakistan together with the condensed interim financial information (un-audited) for the half year ended 30<sup>th</sup> June 2018.

### OPERATING AND FINANCIAL PERFORMANCE:

During the period under review, financial performance of the Corporation remained satisfactory. An overview of the performance of State Life during the half year 2018 as compared to half year 2017 is given hereunder:

- 1.1 Total Income of the State Life increased to Rs.82,303 million in half year 2018 as against Rs. 60,359 million (restated) in the preceding half year, registering an increase of 36.4%. If the impact of unrealized gains / (Losses) is excluded, total income at period ended June 2018 would be Rs. 75,554 million as against Rs. 65,806 million in June 2017 up by 14.81%.
- 1.2 Management expenses for the half year 2018 were Rs.11,286 million as compared to Rs.10,266 million in half year 2017 showing an increase of 10%. Overall management expense ratio to total premium income for the half year 2018 was 28.52% as against 30.86% for corresponding period of 2017.
- 1.3 Payments to policyholders in the half year 2018 were Rs. 22,138 million as against Rs. 18,543 million in the corresponding period 2017, showing an increase of 19.40%.
- 1.4 Total amount of insurance liabilities at the end of half year 2018 was Rs.838,437 million as against Rs. 748,215 million (restated) in the corresponding period 2017, showing an increase of 12%.
- 1.5 The basic and diluted Earnings Per Share (EPS) for the half year 2018 is Rs. 36.47 as compared to Rs. 27.21 (restated) in the same period last year. If the impact of unrealized gains / (Losses) is excluded, earning per share at period ended June 2018 would be Rs. 24.04 as against Rs. 20.01 in June 2017, showing rise of 20%.

## 2. BUSINESS PORTFOLIO WISE PERFORMANCE:

### 2.1 INDIVIDUAL LIFE BUSINESS:

First year gross premium income under Individual Life policies, during the half year 2018 is Rs.6,392 million as compared to Rs. 5,980 million in the last year corresponding period, resulting an increase of 6.9%. Gross renewal premium was Rs. 28,390 million in half year

2018 whereas it was Rs. 23,480 million in the corresponding period of 2017, resulting in an increase of 20.9%.

## 2.2 GROUP LIFE BUSINESS:

Gross premium under Group Life policies during the half year 2018 was Rs.2,223 million as compared to Rs. 2,180 million in the half year 2017, showing an increase of 2%.

## 2.3 HEALTH INSURANCE BUSINESS:

Gross premium under Health Insurance policies during the half year 2018 was Rs.2,569 million as compared to Rs. 1,629 million in the preceding period 2017, showing an increase of 58%, 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:

In the half year 2018, Real Estate Division (RED) performed satisfactorily in the context of Real Estate Management, breakup of rental income and expenses are stated hereunder:

	<u>Rs. in million</u>		
	Half Year		<u>Inc/(Dec)</u>
	<u>2018</u>	<u>2017</u>	
Rental Income	598	515	83
Expenses	296	264	32
Net	302	251	51

## 2.5 INVESTMENT:

Net investment income including capital gains and unrealized gains/(losses) during the half year 2018 was Rs. 42,790 million as compared to Rs. 27,146 million (restated) in June 2017, showing an increase of 58%; excluding unrealized gains/(losses) the net investment income stood at Rs. 36,041 million as compared to Rs. 32,592 in June 2017 showing an increase of 10.60%

## 3. FUTURE OUTLOOK:

### **Prime Minister's National Health Insurance Program (PMNHIP)**

Prime Minister National Health Insurance Program has been implemented in 41 districts across Pakistan and provides health protection to the poor segment of society.

During its first phase 3.1 million poor families are being targeted in 41 focused districts across Pakistan to provide them health insurance card. Through this card, enrolled families can access indoor health care services up to Rs. 300,000 from 170 empanelled hospitals across Pakistan.

The districts in which health care services have been started includes Islamabad (ICT), Muzaffarabad, Kotli (AJK), Skardu, Diamer (GB) Khyber Agency, Bajour Agency, Quetta, Loralai, Lasbela, Kech, Gwader (Balochistan), Rahim Yar Khan, Khanawal, Narowal, Sargodha, Layyah, Bhakkar, Khushab, Vehari, Hafizabad (Punjab), Kohat, Mardan, Chitral, Abbotabad(KPK), Hyderabad, Thatta, Sujawel, Tando Muhammad Khan, and Jacobabad (Sindh). In these Districts more than 90,000 individuals have been provided with services ranges from minor surgeries to open heart surgeries.

According to recent 3<sup>rd</sup> party survey, more than 97% of families who have accessed services are completely satisfied with the program.

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

#### **KPK Sehat Sahulat Program:**

Social Health Protection Initiative started in 2016 with four districts of Khyber Pakhunkhwa having only 100,000 target households has now been spread to all districts of the Khyber Pakhunkhwa with 2.2 million target families. Maximum 8 members of the family are being covered annually for a coverage limit of Rs. 30,000 (for secondary treatment) for each member and with a Rs. 300,000 for the whole family for Tertiary coverage. Along with poorer segments of population the registered "Transgenders" are also being covered under the scheme. Females are being given special attention and for the first time the tertiary coverage for breast cancer has been enhanced to Rs. 350,000/-. The Government of KP has changed the status of program and it has now permanent budget rather than being part of the ADP.

#### **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 Wakala Waqaf Model. Under a Takaful arrangement, individuals come 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 Insurance Corporation is in the process of launching Takaful Operations under Family Takaful Fund as disclosed in Note 1.3 to these Financial Statements.

### **Bancassurance**

Bancassurance is an alternate distribution channel having divergent needs of the market than the traditional "Agency" sales channel. State Life Bancassurance Division was established to penetrate into untapped Bancassurance Market and to acquire the business due to its cost effectiveness. State Life Bancassurance started the operation during the last quarter end of 2012 after signing first agreement with United Bank Limited. Further State Life signed agreement with five banks including FWBL, NBP, Summit Bank, Samba and Silk Bank for the strategic partnership in distribution of its Bancassurance products. State Life has continued to gain firm ground in this channel and negotiations with more other banks are ongoing.

Reinforced with State Life's reputation in the market, its Bancassurance channel is gradually showing sustainable growth and will undoubtedly contribute significant all-round improvement in the financial performance of State Life in coming years while providing a new avenue for business growth.

### **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.

#### 4. 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



Shoaib Mir  
Chairman

Karachi,

Date: 10 September 2018