

Directors' Report

For the first quarter ended
March 31, 2019

I am pleased to present the Directors' Report and Chairman's Review of State Life Insurance Corporation of Pakistan along with its un-audited interim financial statements for the first quarter ended March 31, 2019.

FINANCIAL PERFORMANCE:

An overview of the performance of State Life during the first quarter 2019 versus performance in the same period of last year is given hereunder:

- 1.1 Total Income of State Life including unrealized gain increased to Rs. 46,115 million in the first quarter of 2019 as against Rs.53,279 million in the corresponding quarter-2018, registering a decrease of 13%. The main reason of this, unrealized gain which declined by 8,429 million in the first quarter of 2019.
- 1.2 Acquisition expenses for the quarter 2019 were Rs. 2,272 million as compared to Rs.3,633 million in the same quarter of last year, showing a decrease of 37%. Marketing and Administrative expenses were Rs. 2,062 million as compared to Rs.1,743 million showing an increase of 18%. Overall management expense ratio to total gross premium income for the quarter 2019 was 20% as against 25% for the preceding quarter.
- 1.3 Payments to policyholders in the first quarter of 2019 were Rs. 11,266 million as against Rs. 10,227 million in the corresponding period 2018, showing an increase of 10%.
- 1.4 Total amount of statutory funds as at March quarter of 2019 was Rs. 903,441 million as against Rs. 815,975 million in the corresponding period 2018, showing an increase of 11%.
- 1.5 The basic and diluted Earnings Per Share (EPS) for the quarter ended March 31, 2019 is Rs. 25.79 which is 55% higher than the corresponding figure of Rs.16.65.

2. BUSINESS PORTFOLIO WISE PERFORMANCE:

2.1 INDIVIDUAL LIFE BUSINESS

First year gross premium income under Individual Life policies, during the first quarter 2019 is Rs.1,531 million as compared to Rs. 2,946 million in the corresponding period, resulting a decrease of 48%, the reason of declined first year premium is, management has restructured business channel to make austerity measure and control renewal expense ratio. Gross renewal premium was Rs.17,585 million in the first quarter 2019 whereas it was Rs. 16,525 million in the corresponding period of 2018, resulting in an increase of 6%.

2.2 GROUP LIFE BUSINESS:

Gross premium under Group Life policies during the first quarter 2019 was Rs.688 million as compared to Rs. 1,048 million in the same quarter 2018, showing a decrease of 34%.

2.3 HEALTH INSURANCE BUSINESS:

Gross premium under Health Insurance policies during the first quarter 2019 was Rs.1,974 million as compared to Rs. 1,156 million in the corresponding period of 2018, showing significant increase of 70%, mainly due to health insurance policies undertaken for the Prime Minister's National Health Insurance Program.

2.4 INVESTMENT:

Net investment income including capital and unrealized gain on financial assets during the first quarter 2019 was Rs. 24,365 million as compared to Rs. 31,619 million in corresponding period 2018, showing a decrease of 23% due to unrealized gain decreased BY 8,429 million from Rs. 11,978 million in March 2018 to Rs. 3,549 million in period under review.

2.5 REAL ESTATE:

In the first quarter 2019, Real Estate Division (RED) performed average in the context of Real Estate Management and in overall rental income. Breakup of rental income and expenses are stated hereunder:

	<u>Rs. in million</u>		
	First Quarter		
	<u>2019</u>	<u>2018</u>	<u>Inc/(Dec)</u>
Rental Income	261	248	13
Expenses	119	100	19
Net	142	148	(6)

3. The Future

Prime Minister's National Health Insurance Program (PMNHIP)

Prime Minister National Health Program has been implemented in 38 districts across Pakistan and provides coverage against catastrophic health expenditures to the poor segment of society.

During its first phase 3.3 million poor families have enrolled in focused districts across Pakistan. These registered families have been provided health insurance card. Through this card they can access indoor health care services worth upto Rs. 300,000 from 170+ empaneled hospitals across Pakistan. The coverage under this scheme includes Rs. 50,000/- per family under secondary cover and tertiary care benefit of Rs. 250,000/- per family along with cash payment of transportation charges.

The districts in which health care services have been started in first phase includes Islamabad (ICT), Muzaffarabad, Kotli (AJK), Skardu, Diamer (GB) Khyber Agency, Bajour Agency (FATA), Quetta, Loralai, Lasbela, Kech, Gwader (Balochistan), Rahim Yar Khan, Khanewal, Narowal, Sargodha, Layyah, Bhakkar, Khushab, Vehari, Hafizabad (Punjab), Lodhran, Mianwali, Bahawalnagar, Bahawalpur (Punjab), Kohat, Mardan, Chitral, Abbotabad(KPK), Hyderabad, Thatta, Sujawel, Tando Muhammad Khan, and Jacobabad (Sindh). In these Districts more than 111,020 individuals have been provided with services ranging from minor surgeries to open heart surgeries.

As per recent 3rd party satisfactory survey more than 96% of families who have accessed services are completely satisfied with the program.

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

Sehat Sahulat Program-KP

The Social Health Protection Initiative (SHPI) which started in four districts of Khyber Pakhtunkhwa has been extended to all 25 districts of the KP province. The target population of beneficiaries has been extended to 1.8 million families.

The coverage under this scheme includes Rs. 30,000 per person for a family of 8 person maximum under secondary cover and tertiary care benefit of Rs. 300,000/- per family along with cash payment to cover wage loss, Maternity Tertiary transport and funeral expenses.

A total of around 1.6 million families have been enrolled and 136,284 patients have been treated under this scheme. Since the Govt of KP considers it a flagship project therefore action is underway to make it permanent through legislation.

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 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 Insurance Corporation is in the process of launching Takaful Operations under Family Takaful Fund.

Bancassurance

Bancassurance is an alternate distribution channel to sell life insurance products through banks. This line of insurance business ensures wide range coverage at lesser cost. During the last quarter of 2012, this channel started its operation after State life signed an agreement with United Bank Limited, and in 2013 also signed agreement with First Women Bank limited and Bank Alfalah. Further for procurement of Bancassurance business, State Life Insurance Corporation of Pakistan has also signed agreement with SAMBA, National Bank of Pakistan, Silk Bank and recently with HBL. The Division is vigorously perusing its expansion plans for optimal market penetration. In this regard negotiations with more banks are underway.

Reinforced with State Life's reputation in the market, its Bancassurance channel is steadily 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



Chairman

Ghiasuddin Ahmed

Karachi,
Dated: May 31, 2019