

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 nine months period ended September 30, 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 current nine months period of 2018 as compared to the same period of last year is given hereunder:

- 1.1 Net Income of the State Life during the current nine months period was Rs. 115,212 million as against Rs. 88,241 million (restated) in the preceding period, registering an increase of 30.6%. If the impact of unrealized gains / (Losses) is excluded, total income for the period ended September 30, 2018 would be Rs. 112,186 million as against Rs. 98,901 million in September 2017 showing 13.4% increase.
- 1.2 Management expenses for the nine months period ended September 30, 2018 were Rs. 16,872 as compared to Rs. 15,588 million in the previous period showing an increase of 8.2%. Overall management expense ratio to total premium income for the current nine months was 29.6% as against 30.6% for corresponding period of 2017.
- 1.3 Payments to policyholders in the current nine months period were Rs.34,318 million as against Rs.29,230 million in the corresponding period 2017, showing an increase of 17.4%.
- 1.4 Total amount of insurance liabilities at the end of current nine months period was Rs. 853,770 million as against Rs. 762,952 million (restated) in the corresponding period 2017, showing an increase of 11.9%.
- 1.5 The basic and diluted Earnings Per Share (EPS) for the nine months period is Rs. 48.8 which is 37.3% higher than the corresponding figure of Rs. 35.5 (restated) in the same period of last year.

2. BUSINESS PORTFOLIO WISE PERFORMANCE:

2.1 INDIVIDUAL LIFE BUSINESS:

First year gross premium income under Individual Life policies, during the current nine months is Rs.9,341 million as compared to Rs. 8,754 million in the last year corresponding period, resulting an increase of 6.7%. Gross renewal premium was Rs. 40,257 million in current nine months period whereas it was Rs. 35,465 million in the corresponding period of 2017, resulting in an increase of 13.5%.

2.2 GROUP LIFE BUSINESS:

In current nine months gross premium under Group Life policies was Rs. 2,875 million as compared to Rs.3,214 million in the last period, showing decrease of 10.6%.

2.3 HEALTH INSURANCE BUSINESS:

Gross premium under Health Insurance policies during nine months of 2018 was Rs.3,847 million as compared to Rs. 2,601 million in the preceding period 2017, showing an increase of 48% mainly due to enhancement of the Prime Minister's National Health Insurance Program and Sehat Sahulat Program of Government of KPK.

2.4 REAL ESTATE:

In the nine months period of 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>		
	For the Nine months		
	<u>2018</u>	<u>2017</u>	<u>Inc/(Dec)</u>
Rental Income	906	748	158
Expenses	466	445	21
Net	440	303	137

2.5 INVESTMENT:

Net investment income including capital gains and unrealized gains/(losses) during the nine months ended September 2018 was Rs. 58,221 million as compared to Rs. 37,341 million (restated) in September 2017, showing an increase of 55.9%; excluding unrealized gains/(losses). The net investment income stood at Rs. 55,196 million as compared to Rs. 48,002 in September 2017 showing an increase of 15%.

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 it provides health protection to the poor segment of society.

During its first phase 3.1 million poor families were targeted in 41 focused districts across Pakistan to provide them health insurance card. Through issued cards, 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), Muzaffargarh, Kotli (AJK), Skardu, Diamer (GB) Khyber Agency, Bajour Agency, Quetta, Loralai, Lasbela, Kech, Gwader (Balochistan), Rahim Yar Khan, Khanewal, Narowal, Sargodha, Layyah, Bhakkar, Khushab, Vehari, Hafizabad (Punjab), Kohat, Mardan, Chitral, Abbotabad(KPK), Hyderabad, Thatta, Sujawal, Tando Muhammad Khan, and Jacobabad

(Sindh). In these Districts more than 90,000 individuals have been provided with services ranging from minor surgeries to open heart surgeries. According to recent 3rd party survey, more than 97% of families who have access 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 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 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 stakeholder". Besides routine IT operations, State Life is 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 mandatory 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

Mohammad Younus Dagha

Karachi,

Date: 03 December 2018