

Directors' Report

For the first quarter ended
March 31, 2020

I am pleased to present the Directors' Report of State Life Insurance Corporation of Pakistan along with its un-audited interim financial statements for the first quarter ended March 31, 2020.

FINANCIAL PERFORMANCE:

An overview of the performance of State Life during the first quarter of 2020 versus performance in the corresponding period of last year is given hereunder. However, the sudden outbreak of pandemic COVID-19 throughout the country has halted the business activities under the lock down announced by the Government.

- 1.1 Net Income of State Life, including unrealized fair value loss of Rs. 28,307 million comes to Rs. 19,643 million in the first quarter of 2020 as against Rs.45,147 million in the corresponding quarter-2019, registering a decrease of 56%. If fair value loss impact is excluded; the reported period income would be Rs. 47,949 million i.e. 15% increase over the same period last year.
- 1.2 Acquisition expenses for the quarter 2020 were Rs. 2,391 million as compared to Rs.2,272 million in the same quarter of last year, showing an increase of 5%, Marketing and Administrative expenses were Rs. 1,956 million as compared to Rs.2,006 million showing a slightly decrease of 2.5%. Overall management expense ratio to gross premium income for the quarter 2020 was 19.4% as against 20.8% for the preceding quarter.
- 1.3 Payments to policyholders in the first quarter of 2020 were Rs. 13,074 million as against Rs. 10,299 million in the corresponding period 2019, showing an increase of 27%.
- 1.4 Statutory funds as at March quarter of 2020 was Rs. 998.60 billion as against Rs. 903.44 billion in the corresponding period 2019, showing an increase of 10.53%.
- 1.5 The basic and diluted Earnings Per Share (EPS) for the quarter ended March 31, 2020 was Rs. 11.77 which is 54% lower than the corresponding figure of Rs.25.79 because unrealized fair value loss of Rs. 28,307 million, accounted for in the period under review..

2. BUSINESS PORTFOLIO WISE PERFORMANCE:

2.1 INDIVIDUAL LIFE BUSINESS

First year gross premium income under Individual Life policies, during the first quarter 2020 was Rs.1,872 million as compared to Rs. 1,531 million in the corresponding period, resulting an increase of 22%. Gross renewal premium was Rs.17,857 million in the first quarter 2020 whereas it was Rs. 17,585 million in the corresponding period of 2019, resulting an increase of about 2%.

2.2 GROUP LIFE BUSINESS:

Gross premium under Group Life policies during the first quarter of 2020 was Rs. 861 million as compared to Rs. 688 million in the same of quarter 2019, showing an increase of 25%.

2.3 HEALTH INSURANCE BUSINESS:

Gross premium under Health Insurance policies during the first quarter 2020 was Rs.3,900 million as compared to Rs. 1,974 million in the corresponding period of 2019, showing significant increase of 98%, mainly due to health insurance policies undertaken for the Prime Minister's National Health Insurance Program.

2.4 INVESTMENT:

Net investment income including capital gain and unrealized capital loss on financial assets during the first quarter of 2020 was Rs. -3,025 million as compared to Rs. 24,365 million in corresponding period of 2019. Report period income was declined due to unrealized capital loss by 28,307 million was accounted for. If this impact is excluded, net income of 2020 quarter would be Rs. 25,282 million which is 21% increased verses pervious quarter of last year.

2.5 REAL ESTATE:

In the first quarter of 2020, 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:

	First Quarter March – Rs. In million		
	<u>2020</u>	<u>2019</u>	<u>Inc/(Dec)</u>
Rental Income	308	261	47
Expenses	114	118	(4)
Net	194	143	51

3. The Future

Federal Sehat Sahulat Program

The Federal Sehat Sahulat Program formerly Prime Minister National Health Programme has been implemented in more than 66 districts across Pakistan and provides protection against catastrophic health expenditures to the poor segment of society.

More than 50 million individuals would be targeted to provide them insurance coverage against catastrophic health care expenditure. Beside pure BISP data, the 100% population of FATA and Tharparkar are covered under the scheme. Further, coverage is extended to cover all the disabled personnel and registered transgender community of Pakistan. Plans are underway to expand the scheme to cover 100% population of Azad Jammu & Kashmir.

Under the scheme, a total of 233,000+ patient has been provided health care services upto Rs. 300,000 from 300+ empanelled hospitals across Pakistan. State Life has incurred more than 5 Billion of claims in lieu of provided services.

As per recent 3rd party satisfactory survey more than 98% of families have shown satisfaction upon the services provided under the program.

The Program is perceived to be expanded to 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 the districts of the KP province. The target population of beneficiaries has been extended to more than 2.1 Million families.

The scheme has entered into new phase where the hospitalization coverage under this scheme has been increased to Rs. 40,000 per person for secondary procedures and 400,000 for tertiary care treatments. The scheme also provide wage loss, maternity transport and funeral expenses.

So far, 200,000 admissions have been incurred under the scheme in more than 80+ hospitals of KP. Under the new phase, inter-district portability has been extended to all across Pakistan which enable patients of KP to seek health care coverage across State Life's network of more than 300+ hospitals.

The government of KP is planning to extend the scheme to cover 100% population of Khyber Pakhtunkhwa. State Life being public sector organization would strive to extend its services to manage social health program in most efficient and economical way.

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, 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 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 has launched Takaful Operations under Family Takaful Fund and efforts are being made for takaful business, as disclosed in Note 1.3 to these Financial Statements.

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.

Profit

Profit after tax for the period under review was Rs. 505.92 million (last period: Rs. 902.60) in which Rs. 53.92 million (preceding period: 344.46 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
Riaz Ahmad Memon

Karachi,

Dated: 31-08-2020