

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 2021.

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 2021 as compared to last period is summarized below:

- 1.1 Total Income of the State Life increased to Rs. 113,671 million in half year 2021 as against Rs.73,138 million in the preceding period, registering an increase of 55.4%. If the impact of fair value gain of Rs. 967 million (last period loss: 15,195 million) is excluded; total income at period ended June 2021 would be Rs. 112,704 million as against Rs. 88,333 million in June 2020 up by 27.6%.
- 1.2 Acquisition and Management expenses for the half year 2021 were Rs. 5,878 million as compared to Rs.4,357 million in half year 2020 showing an increase of 34.9%. Overall management expense ratio to gross total premium income for the half year 2021 was 18.3% as against 23.4% for corresponding period of 2020.
- 1.3 Payments to policyholders in the half year 2021 were Rs.42,082 million as against Rs.23,225 million in the corresponding period of 2020, showing an increase of 81.2%.
- 1.4 Statutory funds at the end of half year 2021 was Rs.1,187,484 million as against Rs. 1,036,397 million in the corresponding period 2020, showing an increase of 14.6%.
- 1.5 The basic and diluted Earnings Per Share (EPS) for the half year 2021 was Rs.69.7 as compared to Rs. 47.3 in the same period last year, showing rise of 47.4%.

2. BUSINESS PORTFOLIO WISE PERFORMANCE:

2.1 INDIVIDUAL LIFE BUSINESS:

First year gross premium income under Individual Life policies, during the half year 2021 was Rs.5,352 million as compared to Rs.3,157 million in the last year corresponding period, resulting increase of 69.5%. Gross renewal premium was Rs.35,345 million in half year 2021 whereas it was Rs.29,779 million in the corresponding period of 2020, resulting increase of 18.7%.

2.2 GROUP LIFE BUSINESS:

Gross premium under Group Life policies during the half year 2021 was Rs.7,264 million as compared to Rs.1,146 million in the half year 2020, showing an increase of 533.7 percent.

2.3 HEALTH INSURANCE BUSINESS:

Premium under Health and Accident Insurance business during the half year 2021 was Rs. 12,374 million excluding experience refund/ERF of Rs. 4,706 million (Last period: Rs. 4,931 million) as compared to Rs. 3.011 million in the preceding period, showing an increase of 311%, mainly due to universal health insurance policies undertaken for the Social Health Protection Initiative (SHPI) Khyber Pakhtunkhwa.

2.4 REAL ESTATE:

Increase in Rental Income was due to: signing of agreements which were pending since Covid-19 and new renting during the year 2021. As far as, increase in expenses is concerned one balloon payment of property tax of State Life Building No. 11 Karachi amounting to Rs. 94 million as per order of the court.

	Half Year (Rs. in million)		
	2021	2020	Inc/(Dec)
Rental Income etc.	615	528	87
Expenses	355	293	62
Net	260	235	25

2.5 INVESTMENT:

Net investment income including capital gains and unrealized losses during the half year 2021 was Rs.54,435 million as compared to Rs.36,121 million in June 2020, showing an increase of 50.7% excluding fair value gain Rs. 967 million (loss last period: Rs. 15,195 million); the net investment income would be stood at Rs. 53,468 million as compared to Rs. 51,316 million in June 2020 showing an increase of 4.2%.

3. FUTURE OUTLOOK:

Federal Sehat Sahulat Program

The Federal Government Sehat Sahulat Program formerly known as the Prime Minister National Health Programme has been implemented in more than 68 districts across Pakistan and provides catastrophic health expenditures to the poor segment of society.

Under this scheme, a total of 720,000 patients have been provided the health care services upto Rs. 60,000 for secondary procedures and Rs. 300,000 for tertiary procedures from 500+ empanelled hospitals across Pakistan. State Life has incurred more than 16 billion of claims in lieu of provided services.

As per recent 3rd party satisfactory survey more than 97% of families have shown satisfaction upon the services provided under the program.

The Program is perceived to be expanded in all districts of Pakistan. State Life insurance Corporation is targeting more than 185 million individuals who would be provided the insurance coverage against catastrophic Health care expenditure, Universal Health coverage in FATA, Tharparkar and AJK have been implemented.

Further, the coverage has been extended to cover all the disabled persons and registered transgender community of Pakistan. Plans are underway to expand the scheme to cover 100 per cent population of Gilgit Baltistan and Islamabad.

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 KP province. The target population of beneficiaries which was 2.1 million families has been further expanded in 2020.

Under this scheme, around 45.6 million individuals are covered under health Insurance Scheme, total of 599,000 patients have been provided the health care services upto Rs. 14.9 billion for secondary and tertiary procedures from 500+ empanelled hospitals across Pakistan.

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.

Profit

Profit after tax for the period under review was Rs. 3,204.2 million (last period: Rs.2,035.6 million) in which Rs. 2,219.4 million (preceding period: 1,147.2 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

Karachi,

Dated: 6th April, 2022