

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 unconsolidated statement of financial position (un-audited) for the nine months period ended September 30, 2020.

OPERATING AND FINANCIAL PERFORMANCE:

During the period under review, financial performance of the Corporation expanded however, expected growth of the business could not be achieved due to the sudden outbreak of pandemic COVID-19 that hit the economy and halted the business activities under the lockdown announced by the Government. An overview of the performance of State Life during the current nine months period of 2020 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. 132,303 million as against Rs. 101,490 million in the preceding period, registering an increase of 30.4%. If the impact of unrealized Losses is excluded, total income for the period ended September 30, 2020 would be Rs. 135,212 million as against Rs. 120,982 million in September 2019 showing 11.8% increase.
- 1.2 Management expenses for the nine months period ended September 30, 2020 were Rs. 13,276 as compared to Rs. 14,572 million in the previous period showing decrease of 9%. Overall management expense ratio to total premium income for the current nine months was 22.4% as against 26% for corresponding period of 2019.
- 1.3 Payments to policyholders in the current nine months period were Rs.42,572 million as against Rs.36,539 million in the corresponding period 2019, showing an increase of 16.5%.
- 1.4 Total amount of insurance liabilities at the end of current nine months period was Rs. 966,326 million as against Rs.826,606 million in the corresponding period 2019, showing an increase of 16.9%.
- 1.5 Earnings Per Share (EPS) for the nine months period was Rs. 66.05 which is 27.4% higher than the corresponding figure of Rs. 51.85 in the same period of last year. The Corporation has not issued any instrument which would dilute its basic earnings per share when exercised. Therefore, there is no dilutive effect on the earnings per share.

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. 5,764 million as compared to Rs. 6,473 million in the last year corresponding period, resulting decrease of 10.9%. The reason of declined first year premium is, management has restructured business channel to control renewal expense ratio. Gross renewal premium was Rs. 46,622 million in current nine months period whereas it was Rs. 44,129 million in the corresponding period of 2019, resulting an increase of 5.6%.

2.2 GROUP LIFE BUSINESS:

In current nine months gross premium under Group Life policies was Rs. 1,936 million as compared to Rs.2,530 million in the last period, showing decrease of 23.5%. Since immigrants were banned due to Covid-19, hence our group business through bureau of immigrants affected drastically.

2.3 HEALTH INSURANCE BUSINESS:

Gross premium under Health Insurance policies during nine months of 2020 was Rs. 4,994 million as compared to Rs. 2,902 million in the preceding period 2019, showing an increase of 72% mainly due to enhancement of the Prime Minister's National Health Insurance Program.

2.4 REAL ESTATE:

In the nine months period of 2020, 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>2020</u>	<u>2019</u>	<u>Inc/(Dec)</u>
Rental Income	854	826	28
Expenses	(492)	(527)	35
Net	362	299	63

2.5 INVESTMENT:

Net investment income including capital gains and unrealized losses during the nine months ended September 2020 was Rs. 73,099 million as compared to Rs. 45,568 million in September 2019, showing an increase of 60.4%; excluding unrealized losses the net investment income stood at Rs. 76,009 million as compared to Rs. 65,059 in September 2019 showing an increase of 16.8%.

3. 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

Muhammad Sohail Rajput

Karachi,
Date: January 29, 2021