

# 66th Annual Report 2017

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**Insurance Company Limited.**

A subsidiary of State Life Insurance Corporation of Pakistan

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## Company Information

### BOARD OF DIRECTORS

Mr. GHUFRAN MEMON  
CHAIRMAN

MR. JAMIL ANWAR  
DIRECTOR

MR. MUSHTAQ AHMED SHAH  
DIRECTOR

MR. MUHAMMAD RASHID  
DIRECTOR

MR. MUSHTAQ AHMAD  
DIRECTOR

MR. FAZAL-UR-REHMAN  
DIRECTOR

MR. ATHAR HUSSAIN KHOKHAR  
DIRECTOR

MR. FAISAL MUMTAZ  
MANAGING DIRECTOR & CEO

### COMPANY SECRETARY

MR. M AYAZ GHORI

### BOARD COMMITTEES

#### AUDIT COMMITTEE

MR. MUHAMMAD RASHID  
CHAIRMAN

MR. ATHAR HUSSAIN  
KHOKHAR  
MEMBER

MR. JAMIL ANWAR  
MEMBER

MR. MUSHTAQ AHMAD  
MEMBER

MR. FARAZ AHMED  
SECRETARY

**ETHICS, HUMAN RESOURCE,  
REMUNERATION,  
NOMINATION AND  
PROCUREMENT COMMITTEE**

MR. GHUFRAN MEMON  
CHAIRMAN

MR. MUSHTAQ AHMED SHAH  
MEMBER

MR. MUHAMMAD RASHID  
MEMBER

MR. MUSHTAQ AHMAD  
MEMBER

MR. ATHAR HUSSAIN KHOKHAR  
MEMBER

MR. FAISAL MUMTAZ  
MEMBER

MR. UMAIR SATTAR ABRO  
SECRETARY

### INVESTMENT COMMITTEE

MR. MUSHTAQ AHMAD  
MEMBER

MR. GHUFRAN MEMON  
CHAIRMAN

MR. MUHAMMAD RASHID  
MEMBER

MR. FAZAL-UR-REHMAN  
MEMBER

MR. FAISAL MUMTAZ  
MEMBER

MR. M AYAZ GHORI  
MEMBER

MR. ZAIN HAMIDI  
SECRETARY

### MANAGEMENT COMMITTEES

#### UNDERWRITING, RE-INSURANCE AND CO-INSURANCE COMMITTEE

MR. FAZAL-UR-REHMAN  
MEMBER

MR. GHUFRAN MEMON  
MEMBER

MR. MUSHTAQ AHMAD  
MEMBER

MR. FAISAL MUMTAZ  
MEMBER

MR. M AYAZ GHORI  
MEMBER

MR. KHWAJA BALIGUDDIN  
SECRETARY

### CLAIMS SETTLEMENT COMMITTEE

MR. MUSHTAQ AHMED SHAH  
CHAIRMAN

MR. JAMIL ANWAR  
MEMBER

MR. ATHAR HUSSAIN KHOKHAR  
MEMBER

MR. MUHAMMAD RASHID  
MEMBER

MR. FAISAL MUMTAZ  
MEMBER

MR. KHALID SHAIKH  
MEMBER

MR. SABIR ALI  
SECRETARY

### RISK MANAGEMENT, COMPLIANCE AND IT STEERING COMMITTEE

MR. JAMIL ANWAR  
CHAIRMAN

MR. GHUFRAN MEMON  
CHAIRMAN

MR. MUSHTAQ AHMED SHAH  
CHAIRMAN

MR. MUHAMMAD RASHID  
MEMBER

MR. MUSHTAQ AHMAD  
MEMBER

MR. FAZAL-UR-REHMAN  
MEMBER

MR. FAISAL MUMTAZ  
MEMBER

MR. M AYAZ GHORI  
SECRETARY



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## Company Information

### MANAGEMENT

MR. FAISAL MUMTAZ  
Managing Director/CEO

MR. KHALID SHAIKH  
General Manager (Operations)

MR. M AYAZ GHORI  
Chief Financial Officer

MR. KHWAJA BALIGHUDDIN  
Head of Underwriting &  
Re-insurance

MR. SABIR ALI  
Head of Claim & LAW

MR. FARAZ AHMED  
Head of Internal Audit

MR. UMAIR SATTAR ABRO  
Head of Human Resource

MR. SALMAN KHURSHID  
Administration

MR. ZAIN HAMIDI  
Investment Advisor

### AUDITORS

M/s KPMG TASEER HADI & Co.  
Chartered Accountants

### LEGAL ADVISOR

MR. SAJID BASHIR

### TAX CONSULTANTS

M/S EY FORD RHODES  
Chartered Accountants

### MARKETING

MR. MOHAMMAD REYAZ AHMED  
General Manager / Branch Head  
Main Branch  
Karachi

MR. AZMAT ULLAH SHAIKH  
Asst. General Manager/ Branch Head  
Central Branch  
Karachi

MR. REHAN MAQBOOL  
Branch Head  
Corporate Model Branch  
Karachi

MR. NADEEM SAFDAR  
CHOUDHRY  
General Manager & Regional Chief  
Central Region  
Lahore

MR. RIAZ AHMAD RAZZI  
Chief Manager  
Multan Branch  
Multan

MR. MANZOOR AHMED  
General Manager & Regional Chief  
Corporate Region  
Rawalpindi

S. A. RAZA  
Sr. General Manager & Regional Chief  
Northern Region  
Islamabad

MR. HAMZULLAH KHAN  
Branch Manager  
Peshawar Branch  
Peshawar

### BANKERS

United Bank Limited  
Allied Bank Limited  
JS Bank Limited  
MCB Limited  
National Bank of Pakistan  
Soneri Bank Limited

### REINSURERS

Labuan Re  
Pakistan Re-Insurance Company Ltd.  
Saudi Re  
Oman Re

### REGISTERED OFFICE

4th Floor, Building # 1-B, State Life  
Square, I.I. Chundrigar Road  
Karachi - Pakistan  
Tel: 32416041-45  
Fax: 32419968, 32422478  
E-mail: [info@alphainsurance.com.pk](mailto:info@alphainsurance.com.pk)  
Web: [www.alphainsurance.com.pk](http://www.alphainsurance.com.pk)



## Financial Highlights Ten Years At A Glance

	(Rupees in '000)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
						(Restated)		(Restated)	(Restated)	
Paid Up Capital	500,000	403,600	403,600	403,600	403,600	403,600	303,600	303,600	303,600	161,920
Reserves & Funds	659,089	512,945	387,049	438,046	435,720	377,600	296,639	261,810	221,554	262,999
Investments, Cash & Bank Balances	791,004	733,709	687,781	679,007	663,172	556,168	393,184	356,898	340,488	243,880
Gross Premium	106,277	151,448	179,989	219,652	265,239	203,849	155,043	139,767	109,245	118,809
Retained Premium	79,917	79,946	63,215	90,907	115,148	67,428	74,277	59,099	61,511	77,039
Claims Incurred	89,344	47,719	14,991	53,856	55,815	37,441	51,839	46,514	44,796	48,543
Investments and Miscellaneous Income	58,816	80,891	80,481	94,300	162,460	99,131	64,098	48,133	35,044	30,254
Profit / (Loss) Before Tax	(67,595)	(19,057)	41,128	23,056	103,200	31,883	4,876	(255)	(1,596)	2,870
Profit / (Loss) After Tax	(59,846)	(15,475)	31,664	19,509	97,677	35,208	17,848	(1,034)	(2,417)	(17,486)
Dividend - Cash	-	-	-	-	-	-	-	-	-	-
- Stock	-	-	-	-	-	-	-	-	25%	-
Underwriting Profit / (Loss)	(99,302)	(73,177)	(12,280)	(42,981)	(30,534)	(43,419)	(38,580)	(30,544)	(20,128)	(9,723)



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## **VISION STATEMENT**

With help and involvement of all its Stakeholders to make Alpha one of the leading General Insurance Company of the Country with a vibrant marketing force and efficient and responsive office staff, so as to provide best quality services to its policyholders.

## **MISSION STATEMENT**

To work zealously towards attaining these objectives and be able to compete in the open market by developing a vibrant field force and efficient and responsive office staff.

## **RATING**

JCR-VIS has assigned Insurers Financial Strength rating 'A' with stable outlook to Alpha Insurance.



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## OUR QUALITY POLICY

We are committed to provide best quality service to our valued policyholders to their satisfaction by assessing their risk need, tailoring product to their requirements and by consistent efforts to reduce time for settlement of claims. We believe that proper assessment of risks of our clients and prompt settlement of claims are the key to our Company's growth.

To comply with and continuously improve the effectiveness of our Quality Management System.





## Notice of Annual General Meeting

Notice is hereby given that 66th Annual General Meeting of Alpha Insurance Company Limited will be held on Thursday, May 31, 2018 at 4:00 p.m. at the Company's Head Office, 4th Floor, Building No. 1-B, State Life Square, I. I. Chundrigar Road, Karachi to transact the following business:

### ORDINARY BUSINESS:

1. To confirm the minutes of the Extraordinary General Meeting held on Monday, May 29, 2017.
2. To receive, consider and adopt Directors' report (English and Urdu) and Audited Financial Statements of the Company for the year ended December 31, 2017 together with the Auditors' report thereon.
3. To appoint the auditors for the year 2018 and fix their remuneration.
4. Any other matter with the permission of the Chair.

By Orders of the Board

**M Ayaz Ghori**  
Company Secretary

Karachi: May 10, 2018

### Notes:

1. The share transfer Books of the Company will remain closed from May 20, 2018 to May 30, 2018 (both days inclusive)
2. A member entitled to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting.
3. The instrument appointing a proxy must be received at the Head Office of the Company at 4th Floor, Building No. 1-B, State Life Square, I. I. Chundrigar Road, Karachi not later than 48 hours before the time appointed for the Meeting. A member shall not be entitled to appoint more than one proxy. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxies shall be rendered invalid.
4. Change of address, if any, should be notified immediately to the Company at 4th Floor, Building No. 1-B, State Life Square, I.I. Chundrigar Road, Karachi.



## Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 and Code of Corporate Governance for Insurers, 2016.

Name of company: **Alpha Insurance Company Limited**

For the year ended: **31 December 2017**

- i. This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 and the Code of Corporate Governance for Insurers, 2016 (CCG Insurer) (hereinafter called "the Codes") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance. In case where there is inconsistency with the CCG for Insurers 2016, the provisions of Public Sector Companies (Corporate Governance) Rules, 2013 ("Rules") shall prevail.
- ii. The Company has complied with the provisions of the Rules in the following manner:

S. No.	Provision of the Rules	Rule no.	Y	N											
			Tick the relevant box												
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)		✓											
2.	The Board has the requisite percentage of independent directors. At present the Board includes:	3(2)		✓											
	<table border="1"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of Appointment</th> </tr> </thead> <tbody> <tr> <td>Independent Directors</td> <td></td> <td></td> </tr> <tr> <td>Executive Director</td> <td></td> <td></td> </tr> <tr> <td>Non-Executive Directors</td> <td>Jamil Anwar Muhammad Rashid Mushtaq Ahmad Fazal ur Rehman Mushtaq Ahmed Shah Ghufran Memon</td> <td>March 24, 2017</td> </tr> </tbody> </table>	Category	Names	Date of Appointment	Independent Directors			Executive Director			Non-Executive Directors	Jamil Anwar Muhammad Rashid Mushtaq Ahmad Fazal ur Rehman Mushtaq Ahmed Shah Ghufran Memon	March 24, 2017		
Category	Names	Date of Appointment													
Independent Directors															
Executive Director															
Non-Executive Directors	Jamil Anwar Muhammad Rashid Mushtaq Ahmad Fazal ur Rehman Mushtaq Ahmed Shah Ghufran Memon	March 24, 2017													
3.	A casual vacancy occurring on the board was filled up by the directors within ninety days.	3(4)	✓												
4.	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	✓												
5.	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as board members under the provisions of the Ordinance.	3(7)	✓												
6.	The chairman of the board is working separately from the chief-executive of the Company.	4(1)	✓												



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S. No.	Provision of the Rules	Rule no.	Y	N
			Tick the relevant box	
7.	The chairman has been elected from amongst the independent directors.	4(4)		✓
8.	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)		✓
9.	(a) The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures, including posting the same on the Company's website. (www.alphainsurance.com.pk)  (b) The Board has set in place adequate systems and controls for the identification and redress of grievances arising from unethical practices.	5(4)	✓	
10.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓	
11.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b) (ii)		✓
12.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the Company.	5(5)(b) (vi)		✓
13.	(a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service. (b) A Committee has been formed to investigating deviations from the Company's code of conduct.	5(5)(c) (ii)	✓	
14.	The Board has ensured compliance with the law as well as the Company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c) (iii)	✓	
15.	The board has developed a vision or mission statement, corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.	5(6)	✓	
16.	The board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and have submitted its request for appropriate compensation to the Government for consideration.	5(8)	✓	
17.	(a) The board has met at least four times during the year. (b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. (c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	✓ ✓ ✓	



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S. No.	Provision of the Rules	Rule no.	Y	N																	
			Tick the relevant box																		
18.	The board has carried out performance evaluation of its members, including the chairman and the chief executive, on the basis of a process, based on specified criteria, developed by it. The board has also monitored and assessed the performance of senior management on annual/half-yearly/quarterly basis.	8		✓																	
19.	The board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	✓																		
20.	The board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end, and has placed the annual financial statements on the Company's website. Monthly accounts were also prepared and circulated amongst the board members.	10	✓																		
21.	All the board members underwent an orientation course arranged by the Company to apprise them of the material developments and information as specified in the Rules.	11		✓																	
22.	(a) The board has formed the requisite committees, as specified in the Rules. (b) The committees were provided with written term of reference defining their duties, authority and composition. (c) The minutes of the meetings of the committees were circulated to all the board members. (d) The committees were chaired by the following non-executive directors: <table border="1" data-bbox="264 1211 1062 1420"> <thead> <tr> <th>Committee</th> <th>Number of Members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>AC</td> <td>Five</td> <td>Muhammad Rashid</td> </tr> <tr> <td>RMC</td> <td>Eight</td> <td>Jamil Anwar</td> </tr> <tr> <td>HRC</td> <td>Six</td> <td>Ghufran Memon</td> </tr> <tr> <td>Procurement Committee</td> <td>No Committee is formed</td> <td>N/A</td> </tr> <tr> <td>Nomination Committee</td> <td>No Committee is formed</td> <td>N/A</td> </tr> </tbody> </table>	Committee	Number of Members	Name of Chair	AC	Five	Muhammad Rashid	RMC	Eight	Jamil Anwar	HRC	Six	Ghufran Memon	Procurement Committee	No Committee is formed	N/A	Nomination Committee	No Committee is formed	N/A	12 ✓ ✓	✓ (The Board of Directors have not setup any Nomination Committee and Procurement Committee.)
Committee	Number of Members	Name of Chair																			
AC	Five	Muhammad Rashid																			
RMC	Eight	Jamil Anwar																			
HRC	Six	Ghufran Memon																			
Procurement Committee	No Committee is formed	N/A																			
Nomination Committee	No Committee is formed	N/A																			
23.	The board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.	13/14	✓																		
24.	The Company has adopted International Financial Reporting Standards notified by the Commission under clause (i) of sub-section (3) of section 234 of the Ordinance.	16	✓																		
25.	The directors' report for this year has been prepared in compliance with the requirements of the Ordinance and the Rules and fully describes the salient matters required to be disclosed.	17	✓																		
26.	The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.	18	✓																		
27.	A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place. The annual report of the Company contains criteria and details of remuneration of each director.	19	✓																		
28.	The financial statements of the Company were duly endorsed by the chief executive and chief financial officer, before approval of the board.	20	✓																		



S. No.	Provision of the Rules	Rule no.	Y	N																		
			Tick the relevant box																			
29.	<p>The Board shall establish an audit committee, whose members shall be financially literate and majority of them, including its chairman, shall be Independent Non-Executive Directors, subject to the provisions of sub-rule (2) of rule 12.</p> <p>The board has formed an audit committee, with defined and written terms of reference, and having the following members:</p> <table border="1"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional Background</th> </tr> </thead> <tbody> <tr> <td>Muhammad Rashid</td> <td>Non-Executive Director(Chairman)</td> <td>Accounts, Finance and Accounting</td> </tr> <tr> <td>Ghufran Memon</td> <td>Non-Executive Director</td> <td>Finance</td> </tr> <tr> <td>Jamil Anwar</td> <td>Non-Executive Director</td> <td>Law</td> </tr> <tr> <td>Mushtaq Ahmad</td> <td>Non-Executive Director</td> <td>Public Administration and Criminal Investigation</td> </tr> <tr> <td>Faraz Ahmed</td> <td>Head of IA(Secretary)</td> <td>Finance</td> </tr> </tbody> </table> <p>The chief executive and chairman of the Board are not members of the audit committee.</p>	Name of Member	Category	Professional Background	Muhammad Rashid	Non-Executive Director(Chairman)	Accounts, Finance and Accounting	Ghufran Memon	Non-Executive Director	Finance	Jamil Anwar	Non-Executive Director	Law	Mushtaq Ahmad	Non-Executive Director	Public Administration and Criminal Investigation	Faraz Ahmed	Head of IA(Secretary)	Finance	21	✓	✓
Name of Member	Category	Professional Background																				
Muhammad Rashid	Non-Executive Director(Chairman)	Accounts, Finance and Accounting																				
Ghufran Memon	Non-Executive Director	Finance																				
Jamil Anwar	Non-Executive Director	Law																				
Mushtaq Ahmad	Non-Executive Director	Public Administration and Criminal Investigation																				
Faraz Ahmed	Head of IA(Secretary)	Finance																				
30.	The board has setup an effective internal audit function, which has an audit charter, duly approved by the audit committee, and which worked in accordance with the applicable standards. However, the Chief Internal Auditor does not have five years of relevant Audit experience.	22		(The Chief Internal Auditor does not have five years of relevant audit experience)																		
31.	The Company has appointed its external auditors in line with the requirements envisaged under the Rules.	23	✓																			
32.	No Public Sector Company shall appoint as external auditors a firm of auditors which firm or a partner of which firm is non-compliant with the International Federation of Accounts ' (IFAC) Guidelines on Code of Ethics, as applicable in Pakistan.	23 (4)	✓																			
33.	The external auditors shall observe applicable guidelines issued by the International Federation of Accountants with regard to restriction of non-audit services. The audit committee shall also ensure that the external auditors do not perform management functions or make management decisions, responsibility for which remains with the Board and management of the Public Sector Company.	23 (5)	✓																			
34.	The Company has complied with all the corporate and financial reporting requirements of the Rules.		✓																			

**Further disclosures as required under Code of Corporate Governance for Insurers 2016:**

Clause 2(5) of the Public Sector Companies (Corporate Governance Compliance) Guidelines, 2013 issued by the commission requires that any disclosure required under any other director, code, regulation or rules shall also be made in the statement of compliance, notwithstanding anything contained in the statement. Accordingly, below are the requirements of the Code of Corporate Governance for Insurers, 2016.



1. The Board has formed the following management committees.

**Underwriting, Re-Insurance & Co-Insurance Committee:**

Name of the member	Category
Mr. Fazal ur Rehman	Chairman (Non-Executive Director)
Mr. Ghufuran Memon	Member
Mr. Mushtaq Ahmad	Member
Mr. Muhammad Ayaz Ghori	Member
Mr. Khawaja Balighuddin	Secretary

**Claims Settlement Committee:**

Name of the member	Category
Mr. Mushtaq Ahmed Shah	Chairman (Non-Executive Director)
Mr. Jamil Anwar	Member
Mr. Muhammad Rashid	Member
General Manager	Member
Mr. Sabir Ali	Secretary

**Risk Management & Compliance Committee**

Name of the member	Category
Mr. Jami Anwar	Chairman (Non-Executive Director)
Mr. Ghufuran Memon	Member
Mr. Mushtaq Ahmad Shah	Member
Mr. Muhammad Rashid	Member
Mr. Mushtaq Ahmad	Member
Mr. Fazal-ur-Rehman	Member
Mr. Ayaz Ghori	Secretary

The Board has formed the following Board Committees under CCG 2016:

**Ethics, Human Resource & Remuneration Committee:**

Name of the member	Category
Mr. Ghufuran Memon	Chairman (Non-Executive Director)
Mr. Mushtaq Ahmed Shah	Member
Mr. Muhammad Rashid	Member
Mr. Mushtaq Ahmed	Member
Mr. Umair Abro	Secretary

**Investment Committee:**

Name of the member	Category
Mr. Mushtaq Ahmed	Chairman (Non-Executive Director)
Mr. Ghufuran Memon	Member
Mr. Muhammad Rashid	Member
Mr. Fazal-ur-Rehman	Member
Chief Financial Officer	Member
Mr. Zain Hamidi	Non Member/Secretary



The Board has formed an Audit committee. It comprises of five members, of whom one is independent director and four are non-executive directors. The chairman of the Committee is a non-executive director. The composition of the Audit Committee is as follows:

**Audit Committee:**

Mr. Muhammad Rashid	Chairman (Non-Executive Director)
Mr. Ghufran Memon	Member
Mr. Jamil Anwar	Member
Mr. Mushtaq Ahmed Shah	Member
Head of Audit Department	Secretary

2. The meetings of the committees except Risk Management & Compliance Committee, were held at least once every quarter prior to approval of interim and final results of the Company as required by CCG 2016. The terms of references of the audit committee have been formed and advised to the audit committee for compliance.
3. The Board has setup an effective internal audit function through competent personnel who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the insurer and they are involved in the internal audit function on a regular basis.
4. All the resident directors of the Company have confirmed that they are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the directors or their spouses is engaged in business of stock brokerage.
5. The Company has prepared a Statement of Ethics and Business Practices, which has been signed by all the directors and employees of the Company.
6. All the powers of the Board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive officer, other executive and non-executive directors and the key officers, have been taken by the Board.
7. The Chief Executive officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under CCG 2016. Moreover, the persons heading the underwriting, claim, and reinsurance departments, possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000).

<b>Name of the Person</b>	<b>Designation</b>
Mr. Muhammad Ayaz Ghori	Chief Financial Officer
Mr. Muhammad Ayaz Ghori	Company Secretary
Mr. Muhammad Ayaz Ghori	Head of IT
Mr. Muhammad Ayaz Ghori	Compliance Officer
Mr. Faraz	Head of Internal Audit
Mr. Khalid Sheikh	GM Operation
Mr. Khwaja Balighuddin	Head of Re-Insurance
Mr. Khwaja Balighuddin	Head of Underwriting
Mr. Sabir Ali	Head of Claims
Mr. Umair Sattar Abro	Head of HR



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Following changes in the appointments were made during the reporting period

Name of outgoing employee	Name of incoming employee	Designation	Reason of change in appointment
Mr. Latif Choudhry	Mr. Khalid Sheikh	GM Operations	Resignation by Latif Choudhry
Mr. Latif Choudhry	Mr. Ayaz Ghori	Compliance Officer	Resignation by Latif Choudhry
Mr. Sabir Ali	Mr. Umair Sattar Abro	Head of HR	Internal Management Changes
Mr. Maudood Ahmad Lodhi	Mr. Azhar Hussain	Chief Executive Officer	
Mr. Azhar Hussain	Mr. Ajaz Ali Khan	Chief Executive Officer	

8. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
9. The Actuary appointed by the Company neither he nor his spouse and minor children hold shares of the insurer.
10. The Board ensured that the appointed actuary complies with the requirement set out for him in Code of Corporate Governance for Insurers, 2016.
11. The Board ensures that the investment policy of the insurer is drawn up in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016 and within the timeline enshrined in the Code.
12. The Board ensures that the risk management department/function of the insurer is in place as per the requirements of the Code of Corporate Governance for Insurers, 2016.
13. The Board ensures that as part of the risk management system, the insurer gets itself rated from JCR-VIS (credit rating agency) which is being used by its risk management function/department and the respective Committee as a risk monitoring tool. The rating assigned for the year 2017 by the said rating agency is "A" with "Stable" outlook.
14. The Board has set up a grievance department/function, which fully complies with the requirements of the Code of Corporate Governance for Insurers, 2016.
15. We confirm that all other material principles contained in CCG 2016 have been complied with except for the following, towards which reasonable progress is being made by the Company to seek compliance by the end of next accounting period.
16. The Board of Directors has not clearly defined the respective roles and responsibilities of the Chief Executive Officer and Chairman of the Board.
17. The Company has not put in place, in writing, a complete program of compliance down the line under the supervision of a Compliance Officer.
18. The Board of Directors has neither formed any Nomination Committee nor assigned its responsibilities to the Ethics, Human Resource and Remuneration Committee.

**ABDUL GHUFRAN**  
Chairman





**SCHEDULE II**  
**See Paragraph 2(3)**  
**Explanation for Non-Compliance with the**  
**Public Sector Companies (Corporate Governance) Rules, 2013**

We confirm that all other material requirements envisaged in the Rules have been complied with [except for the following, toward which reasonable progress is being made by the Company to seek compliance by the end of next accounting year]: iii

Sr. No.	Rule/Sub-rule no and Clause no.	Reason for non-compliance	Future Course of Action
1.	2(d)	State Life has been the major shareholders and nominating the directors. Except one non of any minority shareholders neither attending AGM nor they nominating or supporting any independent director.	Board has taken notice and soon independent director requirement will be met.
2.	3(2)	State Life has been the major shareholders and nominating the directors. Except one non of any minority shareholders neither attending AGM nor they nominating or supporting any independent director.	Board has taken notice and soon independent director requirement will be met.
7.	4(4)	State Life has been the major shareholders and nominating the directors. Except one non of any minority shareholders neither attending AGM nor they nominating or supporting any independent director.	Board has taken notice and soon Chairman criteria will be met.
8.	5(2)	The Board gave acting CEO charge to Mr. Azhar Hussain as stop gap arrangement till the time we hire a suitable person for the post.	The Board has noted the point for future compliance.
11.	5(5)(b) (ii)	Board and management adhere to the criteria as provided in Code of Corporate Governance, Companies Act 2017 and Memorandum And Articles of Association of the Company.	The Board has noted the point and directed to prepare a separate Conflict of Interest Policy Document to comply with the rules.
12.	5(5)(b) (vi)	The Board has directed but the policy was not finalized.	The policy has almost finalized and will be implemented soon.
18.	8	The Board does evaluate the performance of its members including the Chairman and CEO in various meeting held but it is not mentioned as a separate item in the Minutes.	The point has been noted and in future a separate item will be recorded in the Minutes to comply with the rule.



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Sr. No.	Rule/Sub-rule no and Clause no.	Reason for non-compliance	Future Course of Action
21.	11	The Company has been practicing since long time to make a presentation to the Board members at the time of their appointment about the Company but unfortunately this fact has not been recorded in the minutes.	Now it has been decided that it will be the part of the Agenda as a separate item and will be recorded in the Minutes too.
22.	12	<p>The need for nomination committee was not arise as the Board members were nominated by the State Life who is the major shareholders.</p> <p>Procurement Committee does exist at management level and is fully functional without any director.</p>	<p>The Board has taken notice of this and the function of Nomination Committee is also included in HR Committee.</p> <p>The Board has taken notice of this and the function of Procurement Committee is included in the Board HR Committee.</p>
29.	21(1) & 21(2)	<p>Due to no independent director the Chairman of the Audit Committee is not an independent director.</p> <p>Due to no independent director the Chairman of the Board is not an independent director.</p>	<p>The Board has taken notice of the situation and it will be resolved soon.</p> <p>The Board has taken notice of the situation and it will be resolved soon.</p>
30.	22(2)	The Chief Internal Auditor is a member of the professional body and has been associated with the Company since 2014 and was serving as the Manager Accounts & Finance when he was promoted as Chief Internal Auditor. He is quiet capable and fit for the post, therefore the management decided to promote him as CIA to comply with regulation and at the same time save the additional cost as the Company is making losses since long time.	The Board is fully aware of the fact.

**ABDUL GHUFRAN**  
Chairman



## Directors' Report

For the year ended December 31st, 2017

### Economic Overview

GDP growth crossed the 5% mark for the first time in 10 years to close the year at 5.28% and Pakistan's economy is now worth more than USD 300bn. Services has been the major contributor to GDP by 60%. Total investment recorded a growth of 17% and national savings remained 13.1% of GDP against 14.3% last year. Consumer Price Index (CPI) remained below the expected 6% to clock-in at 4.09%. Fiscal deficit to arrive at 4.2% in FY 2017 with total revenue at PKR 4,172bn while the trade deficit has raised to PKR 24bn against target of PKR 20.4bn. Forex reserves have cooled down slightly to USD 21bn. Income per capita has reached USD 1,629.

### Insurance Sector Review

Gross Written Premium (GWP) in the Pakistan's non-life insurance increased by 11% in 2016 (11% in 2015) and in 2017 the same percentage is also expected.

Industry is facing the scenario of cut-throat competition where the insurance rates falling continuously, however underwriting results are improving over the period mainly because of no major losses. But at the same time the cost of doing business is increasing with implementation of new legal framework for insurers by the regulators. Overall the industry needs some major supports from the government to stand on its feet.

### Company Performance

The Directors of your Company presenting 66th Annual Report together with Audited Financial Statements and Auditors' Report thereon for the year ended December 31st, 2017.

Following are key financial results for the period under review:

	2017	(Rupees) 2016
Gross premium	106,277,047	151,448,143
Net Premium Revenue	79,917,377	79,945,718
Underwriting results (Loss)	(99,301,831)	(73,176,703)
(Loss) before tax	(67,595,316)	(19,057,227)
(Loss) after tax	(59,846,146)	(15,474,564)
Profit available for appropriation	146,176,900	206,122,992

Gross premium has decreased by 30% (16% decreased in 2016) over the previous year. This decrease is attributable to following facts:



1. Frequent change of CEOs over the period. Mr. Ajaz Ali Khan held the office from April 2017 to Oct 2017 and since then your directors are working hard to find an appropriate person for the job.
2. Due to underwriting reforms company is facing the dip in revenue.
3. Availability of established brands in the market it is quite difficult to increase the business
4. Non availability of captive business due to government restrictions

### **Credit Rating**

We are pleased to mention here that JCR-VIS has maintained our rating as of last year which is "A" with stable outlook.

### **Reinsurance**

Due to non-achievement of premium targets committed the reinsurers have reduced the limits assigned to the Company and reinsurance arrangements have also been switch to Excess of Loss from Proportionate treaty.

### **Contingencies and Commitments**

The Board has sufficient reasons to believe that the ultimate outcome of contingencies mentioned in note # 10 to the Financial Statements will be in Company's favour.

### **Increase in Paid-up Capital**

Your company has increased paid-up capital from Rs. 403.6 million to Rs. 500 million.

### **Dividend and Appropriations**

Due to continuous losses over the periods and for the period Directors have decided not to pay dividend for the year.

### **Earning Per Share**

Earning per share for the year 2017 has gone further down to Rs. (1.34) as Rs. (0.38) in 2016.

### **Auditors**

M/s. KPMG Taseer Hadi & Co., Chartered Accountants on completion of their tenure, being eligible, offer themselves for reappointment as Auditors of the Company. On recommendation of Audit Committee the Board proposes to appoint them for the year 2018.



### Statement of Directors

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance 1984, provisions of and directives issued under the Companies Ordinance 1984, the Insurance Ordinance, 2000, and SEC (Insurance) Rules, 2002. Any departure there from has been adequately disclosed.
- The internal control system has been augmented and has provided effective monitoring and controls to the senior management.
- There is no basis to doubt about the Company's ability to continue as a going concern.
- Statement of Compliance with the Code of Corporate Governance is attached to these Financial Statements.

### Board Meetings

During the year the twelve (12) meetings of the Board of the Directors were held, attendance details are as follows:

	<b>Attended</b>
Ghufran Memon	12
Jamil Anwar	11
Mushtaq Ahmed Shah	10
Muhammad Rashid	12
Fazal-ur-Rehman	10
Mushtaq Ahmad	12
Ajaz Ali Khan	7
Maudood Ahmad Lodhi	1



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**Insurance Company Limited.**

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### Board Committees Meetings

Following are the details of Board Committees meeting held during the year:

	No. of Meeting Held
Ethics, Human Resource and Remuneration Committee	5
Investment Committee	4
Audit Committee	5

### Management Committees Meetings

Following are the details of Management Committees meeting held during the year:

	No. of Meeting Held
Underwriting, Reinsurance and Coinsurance Committee	4
Claim Settlement	9
Risk Management & Compliance Committee	3

### Pattern of Shareholding

Pattern of shareholding is enclosed in this annual report.

### Ten Years Key Data

Ten years key data is also enclosed in this annual report.

### Acknowledgement

Our thanks are due to our valued clients for placing their confidence in the Company for protection of their risk. We acknowledge our shareholders specially State Life for their confidence by putting more capital to meet the minimum capital requirement. Our thanks are also due to the Securities & Exchange Commission of Pakistan, The Insurance Association of Pakistan, State Bank of Pakistan and all our foreign correspondents and reinsurers whose cooperation, guidance and advice have been a source of valued assistance to us.

We appreciate the services rendered by our marketing and office staff throughout the country during the year under review.

For and on behalf of the Board

ABDUL GHUFRAN

Chairman

Karachi: May 09th, 2018

## ڈائریکٹرز رپورٹ

برائے سال تختہ 31 دسمبر 2017

### مجموعی اقتصادی جائزہ

دس سالوں میں پہلی بار جی ڈی پی گروتھ %5 سے عبور کر گئی جو سال کے اختتام پر %5.28 رہی اور پاکستان کی معیشت اس وقت 300 بلین امریکی ڈالر سے زائد ہے۔ جی ڈی پی میں خدمات کا حصہ سب سے زیادہ %60 رہا۔ مجموعی سرمایہ کاری میں %17 اضافہ رہا اور قومی بچت جی ڈی پی کا %13.1 رہی جبکہ پچھلے سال یہ شرح %14.3 تھی۔ کنزیومر پرائس انڈیکس (CPI) متوقع %6 سے کم ہو کر %4.09 رہا۔ مالی سال 2017 میں مالی خسارہ مجموعی آمدنی 4172 بلین روپے کے ساتھ %4.2 پر پہنچ گیا۔ جبکہ تجارتی خسارہ 20.4 بلین روپے کے ہدف کے مقابلے میں 24 بلین روپے تک بڑھ گیا۔ فاریکس ذخائر 21 بلین امریکی ڈالر تک کچھ نیچے آئے۔ فی کس آمدنی 1629 امریکی ڈالر تک پہنچ گئی۔

### انشورنس سیکٹر کا جائزہ

پاکستان کی نان لائف انشورنس میں گراس رٹن پر بیمہ (GWP) میں %11 اضافہ ہوا 2016 میں (2015 میں %11) اور 2017 میں بھی یہی شرح نمو متوقع ہے۔

انڈسٹری اس وقت سخت مسابقت کا سامنا کر رہی ہے جس میں انشورنس رٹس مسلسل گر رہے ہیں تاہم کچھ عرصے سے بڑے نقصانات نہ ہونے کی وجہ سے انڈر رائٹنگ نتائج بہتر ہو رہے ہیں لیکن اس کے ساتھ ساتھ ریگولیٹرز کی جانب سے انشوررز کیلئے نئے لیگل فریم ورک کے نفاذ کے ساتھ کاروباری لاگت بڑی رہی ہے۔ مجموعی طور پر انڈسٹری کو اپنے پاؤں پر کھڑا ہونے کیلئے حکومت کی جانب سے بڑی پشت پناہی کی ضرورت ہے۔

### کمپنی کی کارکردگی

آپ کی کمپنی کے ڈائریکٹرز برائے سال تختہ 31 دسمبر 2017 آڈٹ شدہ مالی گوشواروں اور اس پر آڈیٹرز کی رپورٹ کے ساتھ 66 ویں سالانہ رپورٹ پیش کر رہے ہیں۔

درج ذیل اہم مالی نتائج برائے سال 2017 ہیں:-

2016	2017	
151,448,143	106,277,47	مجموعی پر بیمہ
79,945,718	79,917,377	نیٹ پر بیمہ ریونیو
(73,176,703)	(99,301,831)	انڈر رائٹنگ نتائج (نقصان)
(19,057,227)	(67,595,316)	نقصان (قبل از ٹیکس)
(15,474,564)	(59,846,146)	نقصان (بعد از ٹیکس)
206,122,992	146,176,900	دستیاب منافع برائے تصرف

- گزشتہ سال کے مقابلے میں مجموعی پرییم میں 30% کمی واقع ہوئی جو کہ 2016 میں 16% تھی۔ اس کمی کی وجوہات درج ذیل ہیں:-
- 1- گزشتہ سالوں میں سی ای او کی مسلسل تبدیلی۔ مسٹر اعجاز علی خان جنہوں نے اپریل 2017 سے اکتوبر 2017 تک آفس سنبھالا کے جانے کے بعد سے آپ کے ڈائریکٹرز کسی موزوں شخص کی تلاش کیلئے سخت محنت کر رہے ہیں۔
  - 2- انڈر رائٹنگ اصلاحات کی وجہ سے کمپنی کو ریونیو میں کمی کا سامنا ہے۔
  - 3- مارکیٹ میں موجود مسابقت کے ماحول میں کاروبار بڑھانا بہت مشکل ہے۔
  - 4- موجودہ پابندیوں کی بناء پر اسٹیٹ لائف کا بزنس کرنے سے قاصر ہیں جو کہ ہماری پیرنٹ کمپنی ہے۔

### کریڈٹ ریٹنگ

ہم یہاں بحسرت اظہار کرتے ہیں کہ VIS-JCR نے گزشتہ برس کی ہماری ریٹنگ برقرار رکھی ہے جو "A" ہے مع مستحکم آؤٹ لک۔

### ری انشورنس

وعدے کے مطابق پرییم اہداف حاصل نہ ہونے کی بنا پر ری انشوررز نے کمپنی کو تفویض کردہ حدود میں کمی کر دی ہے اور ری انشورنس انتظامات بھی پروپورٹینٹ ٹریٹی سے ایکسیس آف لوس پر منتقل ہو گئے ہیں۔

### امکانات اور وعدے

بورڈ کے پاس یقین کرنے کی کافی وجوہات ہیں کہ مالیاتی گوشواروں کے نوٹ نمبر 10 میں درج معاملات کا نتیجہ کمپنی کے حق میں ہوگا۔

### اداشدہ سرمائے میں اضافہ

آپ کی کمپنی کا اداشدہ سرمایہ جو کہ 403.6 ملین روپے تھا سے بڑھا کر 500 ملین روپے کر دیا گیا ہے۔

### منافع منقسمہ اور تصرف

گزشتہ کئی سالوں بعد موجودہ سال کے دوران مسلسل نقصانات کی بناء پر اس سال ڈائریکٹرز نے ڈیویڈنڈ ادا نہ کرنے کا فیصلہ کیا ہے۔

### فی شیئر آمدنی

سال 2017 کیلئے فی شیئر آمدنی مزید نیچے کی طرف گئی ہے جو کہ منفی 1.34 روپے ہے جبکہ گزشتہ سال منفی 0.38 روپے تھی۔

### آڈیٹرز

میسرز KPMG تا شہر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے اپنی مدت کے اختتام پر اہل ہونے کی بناء پر کمپنی کو آڈیٹرز کی حیثیت سے اپنے آپ کو دوبارہ تقرری کیلئے پیش کیا ہے۔ آڈٹ کمیٹی کی سفارش پر بورڈ نے سال 2018 کیلئے ان کے تقرری کی تجویز پیش کی ہے۔



### ڈائریکٹرز کا بیان

- مالیاتی گوشوارے جو کمپنی کی انتظامیہ نے تیار کئے ہیں ان کے کاروباری معاملات، ان کے آپریشنز کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلیوں کو منصفانہ طریقہ سے پیش کیا گیا ہے۔
- کمپنی کے حسابی کھاتوں کو باقاعدہ طور پر تیار کیا گیا ہے۔
- مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تو اتر کے ساتھ استعمال کیا گیا ہے اور اکاؤنٹنگ تخمینہ جات مناسب اور محتاط اندازوں پر مبنی ہیں۔
- مالیاتی گوشواروں کی تیاری میں پاکستان میں قابل اطلاق انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈز پر عملدرآمد کیا گیا۔ منظور شدہ اکاؤنٹنگ اسٹینڈرڈز ایسے انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز (IFRS) پر مبنی ہیں جو انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈ بورڈ نے جاری کئے اور جو کمپنیز آرڈیننس 1984 و مندرجات اور ہدایات جاری شدہ ماتحت کمپنیز آرڈیننس 1984، انشورنس آرڈیننس 2000 اور SEC (انشورنس) روٹرز 2002 کے تحت ہیں اور اگر کہیں انحراف کرنا پڑا تو وہ معقول طور پر شائع کیا گیا ہے۔
- اندرونی کنٹرول سسٹم کی توسیع کر دی گئی ہے اور اس نے سینئر مینجمنٹ کو موثر مانیٹرنگ اور کنٹرول فراہم کیا ہے۔
- گورننگ کسرن کے طور پر جاری رکھنے کیلئے کمپنی کی صلاحیت پر شک کرنے کی کوئی بنیاد نہیں۔
- اسٹیٹمنٹ آف کمپلائنس مع کوڈ آف کارپوریٹ گورننس ان مالیاتی گوشواروں کے ساتھ منسلک ہے۔

### بورڈ کے اجلاس

سال کے دوران بورڈ آف ڈائریکٹرز کے بارہ (12) اجلاس منعقد ہوئے تھے جن کی حاضری کی تفصیلات مندرجہ ذیل ہے:-

#### حاضر ہوئے

12	غفران مبین
11	جمیل انور
10	مشتاق احمد شاہ
12	محمد راشد
10	فضل الرحمن
12	مشتاق احمد
7	اعجاز علی خان
1	مودود احمد لوہی

### بورڈ کمیشنوں کے اجلاس

بورڈ کمیشنوں کے اجلاس کی تفصیلات مندرجہ ذیل ہیں جو سال کے دوران منعقد ہوئے:-

منعقدہ اجلاس کی تعداد

5

ایٹھکس، ہیومن ریسورس اینڈ ڈری میونریشن کمیٹی

4

انوسٹمنٹ کمیٹی

5

آڈٹ کمیٹی

مینیجمنٹ کمیٹیوں کے اجلاس

مینیجمنٹ کمیٹیوں کے اجلاس کی تفصیلات مندرجہ ذیل ہیں جو سال کے دوران منعقد ہوئے:-

منعقدہ اجلاس کی تعداد

4

انڈرائٹنگ، ری انشورنس اینڈ کوانشورنس کمیٹی

9

کلیم سٹیلمنٹ

3

رسک مینیجمنٹ اینڈ کمپلائنس کمیٹی

پیٹرن آف شیئر ہولڈنگ

پیٹرن آف شیئر ہولڈنگ اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

دس سالہ کلیدی ڈیٹا

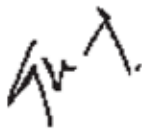
دس سالہ کلیدی ڈیٹا اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

اظہار تشکر

ہم اپنے معزز کلائنٹس کے شکر گزار ہیں جنہوں نے اپنے رسک کے تحفظ کیلئے کمپنی پر اعتماد کیا۔ ہم اپنے شیئر ہولڈرز خصوصاً اسٹیٹ لائف کے بھی تہہ دل سے شکر گزار ہیں جنہوں نے سرمائے کی قانونی ضروریات کو پورا کرنے کیلئے مزید سرمایہ کاری کر کے ہم پر اعتماد کیا۔ ہم سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، انشورنس ایسوسی ایشن آف پاکستان، اسٹیٹ بینک آف پاکستان اور اپنے تمام غیر ملکی نامہ نگاروں اور ری انشوررز کے بھی شکر گزار ہیں جن کا تعاون، رہنمائی اور مشورہ ہمارے لئے معاونت کا ذریعہ بنا۔

ہم اپنے مارکیٹنگ اور آفس اسٹاف کی جانب سے ملک بھر میں زیر تیرہ سال کے دوران فراہم کردہ خدمات کو قدر کی نگاہ سے دیکھتے ہیں اور ان کی کاوشوں کو سراہتے ہیں۔

برائے اور منجانب بورڈ



عبدالغفران  
چیئر مین

کراچی 9 مئی 2018



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2, Beaumont Road  
Karachi 75530 Pakistan  
+92 (21) 35685847, +92 (21) 35685095

## **Review Report to the Members on Statement of Compliance with the Code of Corporate Governance**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance for Insurers, 2016 and the Public Sector Companies (Corporate Governance) Rules, 2013 (combined called 'the Code') as prepared by the Board of Directors ("the Board") of Alpha Insurance Company Limited ("the Company") for the year ended 31 December 2017 to comply with the requirements of the Code.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Director's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2017.

Further, we highlight below instances of non-compliances with the requirement of the Code as reflected in paragraph references where these are stated in the Statement of Compliance:



KPMG Taseer Hadi & Co.

S. No.	Reference	Rule and Clause No.	Description
i.	Paragraph 16	Clause 12	The respective roles and responsibilities of the Chairman and Chief Executive Officer are not clearly defined.
ii.	Paragraph 17	Clause 29 & 31	The Company has not formulated a Compliance Program.
iii.	Paragraph 18	Clause 40	The Board of Directors have neither formed any Nomination Committee nor assigned its responsibilities to Ethics, Human Resource & Remuneration Committee.
iv.	S.No.21	11 & Clause 19	During the year no orientation course was carried out by the Company for its Directors.
v.	Paragraph 2	Clause 43.	The meeting of the Risk Management and Compliance Committee was not held in first quarter.
vi.	S.No.1	2(d)	There is no independent director, as defined under the Public Sector Companies (Corporate Governance) Rules, 2013.
vii.	S.No.2	3(2)	The Board of Directors does not have forty percent of its total members as independent directors.
viii.	S.No.7	4(4)	The chairman is not an independent director.
ix.	S.No.8	5(2)	<p>The Board of Directors have not evaluated the candidates for the position of the Chief Executive Officer (CEO) on the basis of the guidelines specified by the Securities and Exchange Commission of Pakistan (SECP).</p> <p>The Company has not obtained approval from the SECP of the following candidate for the appointment of CEO.</p> <p>Mr. Azhar Hussain (Acting CEO and Managing Director (MD) for the period from 1st Feb 2017 to 8th April 2017.</p>
x.	S.No.11	5(5)(b) (ii)	The Company has not formulated any Conflict of Interest Policy.
xi.	S.No.12	5(5)(b) (vi)	There is no Anti-Corruption Policy of the Company to minimize actual or perceived corruption in the Company.



KPMG Taseer Hadi & Co.

xii.	S.No.18	8	The Board of Directors have not carried out performance evaluation of its members, including the Chairman. The Board of Directors have also not monitored and assessed the performance of senior management on annual/half-yearly/quarterly basis.
xiii.	S.No.22	12	The Board of Directors have not setup any Nomination Committee and Procurement Committee.
xiv.	S.No.29	21(1)	The Chairman of the Audit Committee is not an Independent Director.
xv.	S.No.29	21(2)	The Chairman of Board of Directors is also a member of the Audit Committee.
xvi.	S.No.30	22(2)	The Chief Internal Auditor does not have five years of relevant audit experience.

**Date: 9 May 2018**

**Karachi**

*KPMG Taseer Hadi & Co.*  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Muhammad Taufiq**



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2, Beaumont Road  
Karachi 75530 Pakistan  
+92 (21) 35685847, Fax +92 (21) 35685095

### **Auditors' Report to the Members of Alpha Insurance Company Limited**

We have audited the annexed financial statements comprising of:

- (i) balance sheet;
- (ii) profit and loss account;
- (iii) statement of comprehensive income;
- (iv) statement of changes in equity;
- (v) statement of cash flows;
- (vi) statement of premiums;
- (vii) statement of claims;
- (viii) statement of expenses; and
- (ix) statement of investment income

of **Alpha Insurance Company Limited** ("the Company") as at 31 December 2017 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the repealed Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the repealed Companies Ordinance, 1984;



KPMG Taseer Hadi & Co.

- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the repealed Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2017 and of the profit, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the repealed Companies Ordinance, 1984; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

**Date: 9 May 2018**

**Karachi**

*KPMG Taseer Hadi & Co.*  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Muhammad Taufiq**



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Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

## Balance Sheet

As at December 31, 2017

	Note	2017	2016
		----- Rupees -----	
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorised share capital</b>			
[51,000,000 (2016: 50,000,000) ordinary shares of Rs.10 each]	5	<u>510,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid-up share capital			
[50,000,000 (2016: 40,360,000) ordinary shares of Rs.10 each]	5	500,000,000	403,600,000
Retained earnings		146,176,900	206,122,992
Reserves	6	10,175,000	10,175,000
<b>TOTAL EQUITY</b>		<b>656,351,900</b>	<b>619,897,992</b>
<b>LIABILITIES</b>			
<b>Underwriting provisions</b>			
Provision for outstanding claims (including IBNR)		430,990,074	198,988,834
Provision for premium deficiency		24,043,486	19,610,021
Provision for unearned premium		44,053,707	72,294,491
Commission income unearned	24	3,650,089	5,753,868
		<b>502,737,356</b>	<b>296,647,214</b>
<b>Creditors and accruals</b>			
Amounts due to other insurers / reinsurers	7	80,394,400	103,075,459
Accrued expenses	8	33,288,579	34,608,813
Other creditors and accruals	9	46,304,640	48,293,276
		<b>159,987,619</b>	<b>185,977,548</b>
<b>Other liabilities</b>			
Unclaimed dividend		3,011,260	3,011,260
<b>TOTAL LIABILITIES</b>		<b>665,736,235</b>	<b>485,636,022</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>1,322,088,135</u></b>	<b><u>1,105,534,014</u></b>
<b>CONTINGENCIES AND COMMITMENTS</b>	10		

The annexed notes 1 to 42 form an integral part of these financial statements.

  
Chief Executive

  
Chairman

  
Director

  
Director





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## Balance Sheet

As at December 31, 2017

	Note	2017	2016
		----- Rupees -----	
<b>ASSETS</b>			
<b>Cash and bank deposits</b>			
	11		
Cash and other equivalents		198,761	226,505
Current and other accounts		132,849,199	22,094,188
Deposits maturing within 12 months		-	75,000,000
		<b>133,047,960</b>	<b>97,320,693</b>
<b>Investments</b>	12	<b>657,956,532</b>	<b>636,388,384</b>
<b>Deferred Assets</b>			
	13	<b>38,675,112</b>	<b>29,395,718</b>
Deferred taxation			
Staff retirement benefits	30	<b>1,365,397</b>	<b>1,866,229</b>
		<b>40,040,509</b>	<b>31,261,947</b>
<b>Other assets</b>			
Premium due but unpaid - unsecured	14	<b>32,998,950</b>	<b>61,178,663</b>
Amounts due from other insurers / reinsurers - unsecured	15	<b>41,852,149</b>	<b>33,966,669</b>
Accrued investment income	16	<b>6,775,099</b>	<b>19,984,830</b>
Reinsurance recoveries against outstanding claims	17	<b>325,792,200</b>	<b>137,403,653</b>
Taxation - payments less provision	18	<b>47,184,173</b>	<b>37,511,437</b>
Deferred commission expense		<b>7,168,520</b>	<b>13,195,827</b>
Prepayments	19	<b>19,908,937</b>	<b>25,709,828</b>
Sundry receivables	20	<b>4,142,181</b>	<b>4,247,532</b>
		<b>485,822,209</b>	<b>333,198,439</b>
<b>Fixed assets</b>	21		
<b>Tangible</b>			
Furniture and fixtures		<b>3,823,362</b>	<b>4,875,092</b>
Office equipment		<b>101,975</b>	<b>76,108</b>
Computer and related accessories		<b>306,113</b>	<b>403,385</b>
Motor vehicles		<b>236,450</b>	<b>1,229,984</b>
Electrical installation		<b>753,025</b>	<b>779,982</b>
		<b>5,220,925</b>	<b>7,364,551</b>
<b>Intangible</b>			
Computer software		-	-
		<b>5,220,925</b>	<b>7,364,551</b>
<b>TOTAL ASSETS</b>		<b>1,322,088,135</b>	<b>1,105,534,014</b>

  
Chief Executive

  
Chairman

  
Director

  
Director



## Profit and Loss Account

For the year ended December 31, 2017

	Note	Fire and property damage	Marine, aviation & transport	Motor	Accident and health	Credit and suretyship	Miscellaneous	Aggregate	
								2017	2016
-----Rupees-----									
<b>Revenue account</b>									
Net premium revenue		21,801,408	16,053,067	20,602,660	8,330,914	1,430,249	11,699,079	79,917,377	79,945,718
Net claims		(64,333,164)	(4,356,470)	(7,821,330)	(6,971,606)	-	(5,861,775)	(89,344,345)	(47,718,815)
Premium deficiency expenses		(15,430,765)	983,538	-	976,166	(1,240,177)	10,277,773	(4,433,465)	(18,433,153)
Management expenses	23	(31,180,958)	(13,680,446)	(12,929,040)	(5,993,001)	(2,781,992)	(5,760,565)	(72,326,002)	(75,278,849)
Net commission		(6,154,250)	(2,805,991)	(2,297,547)	(416,401)	92,609	(1,533,816)	(13,115,396)	(11,691,604)
Underwriting results		(95,297,729)	(3,806,302)	(2,445,257)	(4,073,928)	(2,499,311)	8,820,696	(99,301,831)	(73,176,703)
Other income and expenses									
Net investment income								53,760,227	78,203,091
Other income	25							5,055,995	2,688,384
General and administration expenses	26							(27,109,707)	(26,771,999)
<b>Loss for the year before taxation</b>								(67,595,316)	(19,057,227)
Taxation - net	27							7,749,170	3,582,663
<b>Loss for the year after taxation</b>								(59,846,146)	(15,474,564)
<b>Profit and loss appropriation account</b>									
Balance at commencement of the year								206,122,992	221,534,492
Loss for the year after taxation								(59,846,146)	(15,474,564)
Other comprehensive income								(99,946)	63,064
<b>Balance of unappropriated profit at the end of the year</b>								146,176,900	206,122,992
<b>Loss per share - basic and diluted</b>	28							(1.34)	(0.38)

The annexed notes 1 to 42 form an integral part of these financial statements.

  
 Chief Executive

  
 Chairman

  
 Director

  
 Director



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Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

## Statement of Comprehensive Income

For the year ended December 31, 2017

	Note	2017	2016
		----- Rupees -----	
Loss for the year after taxation		(59,846,146)	(15,474,564)
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit and loss</b>			
Remeasurement (loss) / gain on defined benefit plan	30.5	(142,780)	90,092
Related deferred tax		42,834	(27,028)
		(99,946)	63,064
<b>Total comprehensive income for the year - Loss</b>		<u>(59,946,092)</u>	<u>(15,411,500)</u>

The annexed notes 1 to 42 form an integral part of these financial statements.

  
Chief Executive

  
Chairman

  
Director

  
Director



## Statement of Changes in Equity

For the year ended December 31, 2017

	Share Capital Issued, subscribed and paid - up share capital	Reserves			Total
		Capital reserves	Revenue reserves	Retained earnings	
		Reserve for exceptional losses *	General reserve		
<b>Balance as at 1 January 2016</b>	403,600,000	3,355,000	6,820,000	221,534,492	635,309,492
<b>Total comprehensive income for the year</b>					
Loss for the year after taxation	-	-	-	(15,474,564)	(15,474,564)
Remeasurement gain on defined benefit obligation - net of tax	-	-	-	63,064	63,064
<b>Balance as at 31 December 2016</b>	403,600,000	3,355,000	6,820,000	206,122,992	619,897,992
<b>Transactions with owners recorded directly in equity</b>					
Issue of 9,640,000 shares of Rs.10 each to State Life Insurance Corporation of Pakistan (Parent Company)	96,400,000	-	-	-	96,400,000
<b>Total comprehensive income for the year</b>					
Loss for the year after taxation	-	-	-	(59,846,146)	(59,846,146)
Remeasurement loss on defined benefit obligation - net of tax	-	-	-	(99,946)	(99,946)
<b>Balance as at 31 December 2017</b>	<b>500,000,000</b>	<b>3,355,000</b>	<b>6,820,000</b>	<b>146,176,900</b>	<b>656,351,900</b>

\* The reserve for exceptional losses represents amounts set aside till 31 December 1978 to avail deduction thereof in computing taxable income, as allowed previously under the old Income Tax Act of 1922. After the introduction of the Repealed Income Tax Ordinance, 1979, which did not permit the said deduction, the Company discontinued the setting aside of amounts as reserve for exceptional losses. The annexed notes 1 to 42 form an integral part of these financial statements.

  
 Chief Executive

  
 Chairman

  
 Director

  
 Director



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**Insurance Company Limited.**

A subsidiary of State Life Insurance Corporation of Pakistan

## Statement of Cash Flows

For the year ended December 31, 2017

	Note	2017	2016
		----- Rupees -----	
<b>OPERATING CASH FLOWS</b>			
<b>(a) Underwriting activities</b>			
Premiums received		133,587,484	156,860,602
Reinsurance premiums paid		(71,291,107)	(52,278,867)
Claims paid		(111,868,245)	(60,556,683)
Reinsurance and other recoveries received		66,136,593	29,698,154
Commission paid		(20,216,383)	(31,079,161)
Commission received		2,070,549	23,378,688
Other underwriting payments (management expenses)		(65,756,965)	(65,676,117)
<b>Net cash (used in) / generated from underwriting activities</b>		<b>(67,338,074)</b>	<b>346,616</b>
<b>(b) Other operating activities</b>			
Income tax paid		(11,160,125)	(7,186,046)
General and administration expenses paid		(30,944,454)	(30,906,408)
Other operating payments		(3,628,970)	(1,517,891)
Other operating receipts		7,469,171	3,911,342
<b>Net cash used in other operating activities</b>		<b>(38,264,378)</b>	<b>(35,699,003)</b>
<b>Net cash used in all operating activities</b>		<b>(105,602,452)</b>	<b>(35,352,387)</b>
<b>INVESTMENT ACTIVITIES</b>			
Profit / return received		57,922,823	60,752,532
Dividend received		11,141,777	6,700,681
Payment for investments		(844,542,633)	(367,769,777)
Proceeds from disposal of investments		820,879,846	399,443,657
Fixed capital expenditure		(472,094)	(157,155)
Proceeds from disposal of fixed assets		-	552,099
<b>Net cash generated from investment activities</b>		<b>44,929,719</b>	<b>99,522,037</b>
<b>FINANCING ACTIVITIES</b>			
<b>Net cash generated from financing activities -</b>			
Issue of right shares		96,400,000	-
<b>Increase in cash and cash equivalent</b>		<b>35,727,267</b>	<b>64,169,650</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>97,320,693</b>	<b>33,151,043</b>
<b>Cash and cash equivalents at the end of the year</b>	11	<b>133,047,960</b>	<b>97,320,693</b>



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Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

## Statement of Cash Flows

For the year ended December 31, 2017

2017

2016

----- Rupees -----

### Reconciliation to Profit and Loss Account

Operating cash flows	(105,602,452)	(35,352,387)
Depreciation expense	(2,615,720)	(3,199,608)
Gain on disposal of fixed assets	-	552,099
Increase in assets other than cash	165,419,574	85,153,376
Decrease in liabilities	(180,044,335)	(146,469,503)
Investment income	53,760,227	78,203,091
Reversal of deferred tax	9,236,560	5,638,368
<b>Loss after taxation</b>	<b>(59,846,146)</b>	<b>(15,474,564)</b>

### Definition of cash:

Cash comprises of cash in hand, policy stamps, cheques in hand and bank balances which are readily convertible to cash in hand and which are used in the cash management function on a day-to-day basis.

2017

2016

----- Rupees -----

### Cash for the purpose of the Statement of Cash Flows consists of:

#### Cash and other equivalents

- cash in hand	-	49,999
- stamps in hand	198,761	176,506
	<u>198,761</u>	<u>226,505</u>

#### Current and other accounts

- current accounts	4,108,368	4,380,149
- savings accounts	128,740,831	17,714,039
	<u>132,849,199</u>	<u>22,094,188</u>

#### Deposits maturing within 12 months

	-	75,000,000
	<u>133,047,960</u>	<u>97,320,693</u>

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive

Chairman

Director

Director



Alpha

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## Statement of Premiums

For the year ended December 31, 2017

### Business underwritten inside Pakistan

Class	Premium written (Note 22)	Unearned premium reserve		Premium earned	Re-insurance ceded	Prepaid re-insurance premium ceded		Re-insurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		2017	2016
----- <b>(Rupees)</b> -----										
<b>Direct and facultative</b>										
Fire and property damage	45,817,825	32,282,968	22,298,744	55,802,049	30,797,787	17,199,278	13,996,424	34,000,641	21,801,408	24,701,177
Marine, aviation and transport	20,102,278	8,232,202	3,612,673	24,721,807	8,207,321	1,228,861	767,442	8,668,740	16,053,067	7,370,677
Motor	18,998,150	15,738,401	9,568,749	25,167,802	4,583,433	2,290,262	2,308,553	4,565,142	20,602,660	26,946,929
Accident and health	8,806,217	3,832,611	4,307,914	8,330,914	-	-	-	-	8,330,914	6,932,207
Credit and suretyship	4,087,906	1,863,153	1,198,132	4,752,927	2,877,119	1,647,806	1,202,247	3,322,678	1,430,249	3,726,299
Miscellaneous	8,464,671	10,345,156	3,067,495	15,742,332	2,144,388	3,048,228	1,149,363	4,043,253	11,699,079	10,268,429
<b>Total</b>	<b>106,277,047</b>	<b>72,294,491</b>	<b>44,053,707</b>	<b>134,517,831</b>	<b>48,610,048</b>	<b>25,414,435</b>	<b>19,424,029</b>	<b>54,600,454</b>	<b>79,917,377</b>	<b>79,945,718</b>
<b>Treaty</b>										
Proportional / non-proportional	-	-	-	-	-	-	-	-	-	-
<b>Grand total</b>	<b>106,277,047</b>	<b>72,294,491</b>	<b>44,053,707</b>	<b>134,517,831</b>	<b>48,610,048</b>	<b>25,414,435</b>	<b>19,424,029</b>	<b>54,600,454</b>	<b>79,917,377</b>	<b>79,945,718</b>

The annexed notes 1 to 42 form an integral part of these financial statements.

  
Chief Executive

  
Chairman

  
Director

  
Director



Alpha

Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

## Statement of Claims

For the year ended December 31, 2017

### Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		2017	2016
----- <b>(Rupees)</b> -----										
<b>Direct and facultative</b>										
Fire and property damage	12,530,543	98,265,862	390,606,018	304,870,699	6,046,231	79,051,821	313,543,125	240,537,535	64,333,164	7,707,512
Marine, aviation and transport	6,110,669	14,133,066	14,262,191	6,239,794	1,793,954	9,937,355	10,026,725	1,883,324	4,356,470	2,246,333
Motor	12,950,692	22,092,126	17,938,830	8,797,396	2,385,066	1,929,000	520,000	976,066	7,821,330	9,267,017
Accident and health	6,846,453	352,931	478,084	6,971,606	-	-	-	-	6,971,606	7,721,264
Credit and suretyship	-	-	-	-	-	-	-	-	-	-
Miscellaneous	73,429,888	64,144,849	7,704,951	16,989,990	55,911,342	46,485,477	1,702,350	11,128,215	5,861,775	20,776,689
<b>Total</b>	<b>111,868,245</b>	<b>198,988,834</b>	<b>430,990,074</b>	<b>343,869,485</b>	<b>66,136,593</b>	<b>137,403,653</b>	<b>325,792,200</b>	<b>254,525,140</b>	<b>89,344,345</b>	<b>47,718,815</b>
<b>Treaty</b>										
Proportional / non-proportional	-	-	-	-	-	-	-	-	-	-
<b>Grand total</b>	<b>111,868,245</b>	<b>198,988,834</b>	<b>430,990,074</b>	<b>343,869,485</b>	<b>66,136,593</b>	<b>137,403,653</b>	<b>325,792,200</b>	<b>254,525,140</b>	<b>89,344,345</b>	<b>47,718,815</b>

The annexed notes 1 to 42 form an integral part of these financial statements.

  
Chief Executive

  
Chairman

  
Director

  
Director





## Statement of Expenses

For the year ended December 31, 2017

### Business underwritten inside Pakistan

Class	Commission paid or payable	Deferred commission expense		Net Commission expense	Other management expenses (refer Note 4,12 and 23)	Underwriting expenses	Commission from reinsurers (Note 24)	Net underwriting expenses	
		Opening	Closing					2017	2016
<b>Direct and facultative</b>									
Fire and property damage	9,803,274	8,722,719	4,419,501	14,106,492	31,180,958	45,287,450	7,952,242	37,335,208	37,056,836
Marine, aviation and transport	4,685,393	746,938	380,701	5,051,630	13,680,446	18,732,076	2,245,639	16,486,437	13,949,999
Motor	2,182,719	1,374,870	1,254,181	2,303,408	12,929,040	15,232,448	5,861	15,226,587	18,252,940
Accident and health	440,212	191,523	215,334	416,401	5,993,001	6,409,402	-	6,409,402	4,245,671
Credit and suretyship	710,972	429,584	284,565	855,991	2,781,992	3,637,983	948,600	2,689,383	2,717,559
Miscellaneous	1,325,327	1,730,193	614,238	2,441,282	5,760,565	8,201,847	907,466	7,294,381	10,747,448
<b>Total</b>	<b>19,147,897</b>	<b>13,195,827</b>	<b>7,168,520</b>	<b>25,175,204</b>	<b>72,326,002</b>	<b>97,501,206</b>	<b>12,059,808</b>	<b>85,441,398</b>	<b>86,970,453</b>
<b>Treaty</b>									
Proportional / non-proportional	-	-	-	-	-	-	-	-	-
<b>Grand total</b>	<b>19,147,897</b>	<b>13,195,827</b>	<b>7,168,520</b>	<b>25,175,204</b>	<b>72,326,002</b>	<b>97,501,206</b>	<b>12,059,808</b>	<b>85,441,398</b>	<b>86,970,453</b>

The annexed notes 1 to 42 form an integral part of these financial statements.

  
 Chief Executive

  
 Chairman

  
 Director

  
 Director



## Statement of Investment Income

For the year ended December 31, 2017

	2017	2016
	----- Rupees -----	
<b>Income from non-trading investments</b>		
<b>Loans and receivables</b>		
Return on term deposit receipts	684,451	35,137
<b>Held-to-maturity</b>		
Return on government securities	42,615,318	52,625,255
Return on term finance certificates	1,997,545	4,363,739
Amortisation of (premium) / discount	(497,222)	613,902
	44,115,641	57,602,896
<b>Available-for-sale</b>		
Dividend income	11,054,777	7,132,957
Gain on sale of available-for-sale investments	7,910,759	5,365,323
	18,965,536	12,498,280
<b>Provision for impairment in value of investments</b>		
(Provision) / reversal for diminution in value of investments classified as available-for-sale	(10,005,401)	8,066,778
<b>Net investment income</b>	<u>53,760,227</u>	<u>78,203,091</u>

The annexed notes 1 to 42 form an integral part of these financial statements.

  
Chief Executive

  
Chairman

  
Director

  
Director



alpha

**Insurance Company Limited.**

A subsidiary of State Life Insurance Corporation of Pakistan

## Notes to the Financial Statements

For the year ended December 31, 2017

### 1 STATUS AND NATURE OF BUSINESS

Alpha Insurance Company Limited (the Company) was incorporated in Pakistan on 24 December 1951 under the Indian Companies Act VII of 1913 as a public limited company and was registered as a non-life insurance company by the Securities and Exchange Commission of Pakistan (SECP) under the Insurance Ordinance, 2000. The Company is engaged in providing non-life insurance business comprising fire, marine, motor, health, credit and suretyship and miscellaneous. The Company commenced its commercial operations on 23 January 1952.

The principal and registered office of the Company is situated at 4th Floor, Building 1-B, State Life Square, I. I. Chundrigar Road, Karachi. The Company has 15 (2016: 15) branches in Pakistan. The parent entity of the Company is State Life Insurance Corporation of Pakistan holding 95.15% (2016: 93.99%) shares of the Company.

**1.1** The Board of Directors in their meeting held on 31 May 2017, approved to increase the paid up share capital of the Company by issuance of 9,640,000 shares at Rs. 10 each to the shareholders of the Company in the ratio of one share for every 4.186722 ordinary shares of the Company held by the shareholders. All the shares were subscribed by the parent company as the other shareholders renounced their right offer and an amount of Rs. 96.4 million was received by the Company against which 9,640,000 shares of Rs. 10 each were issued on 20 July 2017.

### 2 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the format prescribed by the Securities and Exchange Commission of Pakistan through the repealed Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002], vide S.R.O. 938 dated 12 December 2002.

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the repealed Companies Ordinance, 1984 and the provisions for and the directives issued by the SECP under the repealed Companies Ordinance, 1984, the Insurance Ordinance, 2000 and the repealed SEC (Insurance) Rules, 2002. Wherever the requirements of the repealed Companies Ordinance, 1984, the Insurance Ordinance, 2000, the repealed SEC (Insurance) Rules, 2002 or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the repealed Companies Ordinance, 1984, the Insurance Ordinance, 2000, the repealed SEC (Insurance) Rules, 2002 or the said directives shall prevail.

The SECP has allowed the insurance companies to defer the application of International Accounting Standard (IAS) - 39 "Financial Instruments: Recognition and Measurement" in respect of valuation of "available-for-sale investments". Accordingly, the requirements of IAS - 39, to the extent allowed by SECP as aforesaid, have not been considered in the preparation of these financial statements.



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During the year, the Securities and Exchange Commission of Pakistan ("SECP") vide S.R.O 88(1)/2017 and S.R.O 89(1)/2017 dated 9 February 2017 has issued the Insurance Accounting Regulations, 2017 and Insurance Rules, 2017 (the new Rules and Regulations). The application of these Regulations and Rules for the purpose of preparation and presentation of the financial statements was effective from 1 April 2017.

SECP vide letter ID/OSM/Alpha/2017/12427, dated 24 October 2017 has granted exemption to the Company to prepare their half yearly accounts for the period ended 30 June 2017, third quarter accounts for the period ended 30 September 2017 and annual audited accounts for the year ended 31 December 2017 in accordance with the requirements of repealed SEC (Insurance) Rules, 2002 and has allowed the application of the new Rules and Regulations effective from the accounting year commencing from 1 January 2018. Hence, these financial statements for the year ended 31 December 2017 are prepared in accordance with the requirements of repealed SEC (Insurance) Rules 2002.

The new Rules and Regulations require significant disclosures / requirements, which are relevant to the Company includes but not limited to: Presentation and disclosure of financial statements prescribed in Annexure II of the Insurance Rules, 2017, recognition of available-for-sale investments at fair value as per IAS 39 "Financial Instruments: Recognition and Measurement", recognition of premium receivable under a insurance policy / cover note as written from the date of attachment of risk to the policy / cover note and insurance policy is required to be issued where premium has been received by the insurer either in full or installment. The management has completed an initial assessment of changes required in respect of the above stated requirements and considered major impact in accordance with the format prescribed by SEC Insurance Rules, 2017 is on presentation and disclosure of financial statements as per Annexure II of the Insurance Rules, 2017 and on valuation of available-for-sale investments, the impact of which has been disclosed in note 12.1.2.

## **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities which are stated at fair value or amortised cost as applicable and obligations in respect of staff retirement benefit is carried at present value of defined benefit obligation less fair value of plan assets.

The financial statements have been prepared following the accrual basis of accounting.

## **2.3 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are prepared and presented in Pakistani Rupees, which is the Company's functional and presentation currency.

## **2.4 Critical accounting judgments and estimates**

The preparation of financial statements is in conformity with the requirements of approved accounting standards as applicable to insurance companies in Pakistan requires management to make judgments, estimates and underlying assumptions that affect the application of policies and reported amounts of assets and liabilities and income and expenses. The judgments / estimates and associated assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.



Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgment were made by the management in the application of accounting policies are as follows:

- Classification of insurance contracts (note 4.2);
- Underwriting provisions (note 4.2.3);
- Reinsurance recoveries against outstanding claims (note 4.2.6 and 17);
- Provision for premium due but unpaid (note 4.2.4 and 14);
- Provision for amount due from other insurers / reinsurers (note 4.2.5 and 15);
- Obligation in respect of defined benefit plan (note 4.4.1 and 30);
- Classification and valuation of financial assets (note 4.8.1);
- Residual values, useful lives and methods of depreciation / amortisation of fixed assets (note 4.9 and 21);
- Impairment of financial and non-financial assets (notes 4.8.1.4 and 4.10);
- Allocation of management expenses (note 4.12 and 23); and
- Current and deferred taxation (note 4.13 and 27).
- Segment Reporting (note 4.17 and 33).

### **3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on the Company's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Company's financial statements.



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- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Company's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on the Company's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Company's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The application of interpretation is not likely to have an impact on the Company's financial statements.
- IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting years beginning on or after 1 July 2018, with early adoption permitted. The Company is assessing the potential impact on its Financial Statements resulting from the application of IFRS 9, which is generally expected to have an impact on the Financial Statements of insurance businesses.



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- Amendment to IFRS 4 'Insurance Contracts'- Applying IFRS 9 'Financial Instruments' with IFRS 4 (effective for annual periods beginning on or after 1 July 2018). The amendment address issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 1 July 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's financial statements.

- The Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 23 of 2017 has clarified that the companies whose financial year closes on or before 31 December 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 applicable for financial year beginning on 1 January 2018 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. The amendments are not likely to have an impact on Company's financial statements except extended disclosures.

#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.



#### **4.1 Standards, interpretations and amendments to published approved accounting standards that are effective during the current year**

During the year, certain new standards and amendments to existing standards became effective. However, they did not have material effect on these financial statements.

#### **4.2 Insurance contracts**

Insurance contracts are those contracts under which the Company, as insurer, has accepted insurance risk from the insurance contract holder (insured) by agreeing to compensate the insured if a specified uncertain future event (the insured event) adversely affects the insured.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its tenure, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Insurance contracts are classified into the following main categories, depending on the nature and duration of risk and whether or not the terms and conditions are fixed.

- Fire and property damage;
  - Marine, aviation and transport;
  - Motor;
  - Accident and health;
  - Credit and suretyship; and
  - Miscellaneous.
- (a) Fire and property damage insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities.
- (b) Marine, aviation and transport insurance covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired or held between the points of origin and final destination.
- (c) Motor insurance provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident.
- (d) Accident and health insurance covers unforeseen cash flows and financial hardships arising due to ailments, accidents and other natural causes necessitating hospitalisation.
- (e) Credit and suretyship insurance covers performance bonds in which surety assures the obligee that the principal can perform the task.
- (f) Other types of insurance contracts are classified in the miscellaneous category which includes mainly engineering, terrorism, worker compensation, and travel insurances, etc.

These contracts are provided to individuals as well as commercial organisations with various tenures according to the nature and terms of the contract and the needs of the insured.





#### 4.2.1 Premium

Premium received / receivables under a policy is recognised as written from the date of attachment of the policy to which it relates. Premium income under a policy for direct businesses is recognised over the period of insurance from inception to expiry evenly over the period of the policy.

Premium income also includes administrative surcharge that represents documentation and other charges recovered by the Company from policy holders in respect of policies issued, at the rate of 5% of the premium written restricted to a maximum of Rs. 2,000 per policy. Administrative surcharge is recognised as premium at the time the policies are written.

Receivables under insurance contracts are recognised when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognises that impairment loss in the profit and loss account.

#### 4.2.2 Reinsurance ceded

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums is accounted for in the same period as the related premium for the direct business being reinsured. Reinsurance premium is recognised as expense after taking into account the proportion of deferred premium expense which is calculated using pattern similar to calculation of premium income for the same policy. The deferred portion of premium expense is recognised as prepaid insurance premium ceded.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contracts.

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contracts are not offset against income or expenses from related insurance contracts.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire.

The Company assesses its reinsurance assets for impairment on each reporting date. If there is an objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit and loss account.

#### 4.2.3 Underwriting provisions

Underwriting provisions in respect of the insurance contracts entered into by the Company are accounted for as under:



#### 4.2.3.1 Provision for outstanding claims including Incurred But Not Reported (IBNR)

Provision for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

##### **Outstanding claims**

The amount of claims that have been reported and are yet unpaid or partially unpaid at the end of reporting year for a given accident year.

A liability for outstanding claims (claim incurred) is recognized for all claims incurred which represents the estimates of the claims intimated or assessed before the end of the reporting period and measured at the undiscounted value of expected future payments. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates while taking into consideration the past claims settlement experience including handling costs and the Company's reserving policy. Where applicable, deductions are made for salvage and their recoveries.

Reinsurance recoveries against outstanding claims and salvage recoveries are recognized as an asset and measured at the amount expected to be received.

##### **Incurred But Not Reported (IBNR) Claims**

The losses that have incurred or are in the occurrence period at the end of reporting year and have not been intimated to the Company by that end of reporting year, or if reported, complete details are not available to the Company, so as to ascertain the amount of loss for that claim as claims outstanding.

The Company is required, as per SECP circular no. 9 of 2016 dated 09 March 2016 "Guidelines for Estimation of Incurred but not reported claims reserve, 2016" to estimate and maintain the provision for claims incurred but not reported for each class of business by using prescribed Method "Chain Ladder Method" and other alternate method as allowed under the provisions of the Guidelines.

The actuarial valuation as at 31 December 2017 has been carried out by independent firm of actuaries for determination of IBNR for each class of business. The actuarial valuation is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation as required / allowed by the circular 9 of 2016. IBNR is determined by using Chain Ladder Method for all class of business. The claim outstanding and claims paid till date are deducted from the ultimate claim payments for that particular year to derive an IBNR estimate for that year.

Any negative values are ignored. The total for each accident year shall be the total IBNR as at the end of reporting year for that risk class. IBNR triangles are made on a yearly basis for each class of business. The methods used, and the estimates made, are reviewed regularly.



#### **4.2.3.2 Premium deficiency reserve**

As per the repealed SEC (Insurance) Rules, 2002 where the cumulative unearned premium reserve for any classes of business is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after the reporting date in respect of policies in that class of business in force at the reporting date, a premium deficiency reserve is recognised as a liability to meet the deficit. The movement in premium deficiency reserve is recorded as an expense / income in the profit and loss account for the year.

For this purpose, loss ratios for each class are estimated based on historical claims development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. Further, actuarial valuation has been carried out to determine the amount of premium deficiency reserve in respect of all class of business.

#### **4.2.3.3 Provision for unearned premium**

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage and is recognised as a liability by the Company. The unexpired portion based on the actuarial valuation carried out at each year end.

#### **4.2.3.4 Commission income unearned**

Commission income from reinsurers is recognised at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates.

#### **4.2.4 Premium due but unpaid**

This is recognised at cost, which is the fair value of the consideration receivable, less provision for impairment, if any.

#### **4.2.5 Amounts due to / from other insurers / reinsurers**

Amounts due to / from other insurers / reinsurers are carried at cost which is the fair value of the consideration to be paid / received in future for services received / rendered less provision for impairment.

#### **4.2.6 Reinsurance recoveries against outstanding claims**

Claim recoveries receivable from reinsurers are recognised as assets at the same time as the claims which give rise to the right of recoveries are recognised as liabilities and are measured at the amount expected to be recovered after considering impairment in relation thereto.

#### **4.2.7 Deferred commission expense**

Commission expense and costs incurred in obtaining and recording policies are deferred and recognised as an asset and are recognised in the profit and loss account as expenses in accordance with the pattern of recognition of premium income.



#### **4.2.8 Prepaid reinsurance premium ceded**

Prepaid reinsurance represents the portion of reinsurance premium which is not yet recognised as an expense. Re-insurance premium is recognised as an expense as follows:

- For proportional reinsurance business, evenly over the period of the underlying policies; and
- For non-proportional reinsurance business, evenly over the period of indemnity.

#### **4.3 Creditors and other accruals**

Liabilities for other creditors and accruals are carried at cost which is the fair value of the consideration to be paid in future for goods and / or services received, whether or not billed to the Company.

#### **4.4 Employees benefits plan**

##### **4.4.1 Defined benefit plan**

The Company operates an approved and funded gratuity scheme for all permanent employees who attain the minimum qualification period for entitlement to gratuity. The liability / asset recognized in the balance sheet is the present value of defined benefit obligation at the reporting date less fair value of plan assets. The defined benefit obligation is calculated annually using Projected Unit Credit Method. Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in other comprehensive income.

The Company determines the net interest expense / (income) on the net defined benefit liability / (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability / (asset), taking into account any changes in the net defined benefit liability / (asset) during the period as a result of contribution and benefit payments. Net interest expense and current service cost are recognized in profit and loss account and actuarial gains / loss are recognised in other comprehensive income as they occur and are not reclassified to profit or loss in subsequent periods.

The last actuarial valuation of the Company's defined benefit plan was carried on as of 31 December 2017.

##### **4.4.2 Defined contribution plan**

The Company also operates a contributory provident fund (defined contribution plan) for all permanent employees. Equal monthly contributions are made both by the Company and the employees to the Fund at the rate of 8.33% of basic salary.

##### **4.4.3 Employees' compensated absences**

The Company accounts for liability in respect of employees' compensated absences in the period in which these are earned.



#### **4.5 Provisions, contingent assets and contingent liabilities**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent assets are not recognised and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are not recognised and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

#### **4.6 Cash and cash equivalents**

Cash and cash equivalents are carried on the balance sheet at cost / amortised cost. For the purpose of statement of cash flows, cash and cash equivalents consist of cash, cheques and stamps in hand, deposits with banks in current and savings accounts and term deposits receipts with banks with original maturities of twelve months or less.

#### **4.7 Sundry receivables**

These are recognised at cost, which is the fair value of the consideration receivable less impairment, if any.

#### **4.8 Financial instruments**

##### **4.8.1 Financial assets**

##### **4.8.1.1 Classification**

The classification of financial assets is determined at initial recognition and depends on the purpose for which the financial assets were acquired. Currently, the financial assets of the Company are classified into the following categories:

**a) At fair value through profit or loss**

These financial assets are acquired principally for the purpose of generating profit from short-term fluctuation in prices or are part of a portfolio for which there is a recent actual pattern of short-term profit taking.

**b) Available-for-sale**

These are non-derivative financial assets, which are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or changes in price.

**c) Held-to-maturity**

These are non-derivative financial assets with fixed or determinable payments and fixed maturity, in respect of which the Company has the positive intent and ability to hold to maturity.



**d) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

**4.8.1.2 Initial recognition and measurement**

Investments other than those categorised into 'financial assets at fair value through profit or loss' category are initially recognised at fair values which includes transaction costs which are directly attributable to the acquisition of the securities. Investments classified as 'financial assets at fair value through profit or loss' are initially recognised at fair values and transaction costs are expensed in the profit and loss account. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date when the Company commits to purchase or sell the investment.

**4.8.1.3 Subsequent measurement**

Financial assets classified as 'financial assets at fair value through profit or loss' are, subsequently, measured at their fair values and gains and losses arising from changes in respective fair values are included in the profit and loss account.

Available-for-sale investments are, subsequently, measured at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan on 12 December 2002. In case of quoted equity securities, the market value is determined by using Stock Exchange quotations as at the reporting date.

Investments classified as held-to-maturity are, subsequently, measured at amortised cost using the effective interest method less any impairment losses. Any premium paid or discount availed on acquisition of held-to-maturity financial assets is deferred and amortised over the term of the asset using the effective interest method.

**4.8.1.4 Impairment of financial assets**

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash outflows, discounted at the original effective interest rate.

**4.8.1.5 Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

**4.8.2 Financial liabilities**

Financial liabilities are recognised at the time the Company becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value and subsequently stated at amortised cost. Financial liabilities are derecognised at the time when these are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of financial liabilities is taken to the profit and loss account.



#### **4.8.3 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

#### **4.9 Fixed assets**

##### **4.9.1 Tangible assets**

These are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditure that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance expenditure is charged to the profit and loss account as and when these are incurred.

Depreciation is charged to the profit and loss account using the straight line method whereby the depreciable amount of an asset is written off over the estimated useful life in accordance with the rates specified in note 21 to the financial statements. The assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged on additions from the month of acquisition and on disposals upto the month of disposal.

An item of fixed assets is derecognised upon disposal and when no economic benefits are expected from its use or disposal.

Gains or losses on disposal of tangible assets are taken to the profit and loss account in the period in which disposals are made.

##### **4.9.2 Intangible assets**

Intangible assets having finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. These are amortised using the straight line method over their estimated useful lives. The useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains or losses on disposal of intangible assets are taken to the profit and loss account in the period in which disposals are made.

#### **4.10 Impairment of non-financial assets**

The carrying values of assets are reviewed at each reporting date for impairment where events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such an indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to the recoverable amounts. The resulting impairment loss is recognised in the profit and loss account.



#### **4.11 Revenue recognition**

Premium income under a policy is recognised over the period of insurance from the date of inception of the policy to which it relates till the expiry in case of marine cargo business whereas, for all other cases of premium, income is recognised as a difference between total premium written and provision for unearned premium.

Commission income is taken to the profit and loss account on a time proportionate basis in accordance with the pattern of recognition of reinsurance premium to which it relates.

Administrative surcharge recovered by the Company from policy holders is included in income.

Income from held-to-maturity investments is recognised on time proportion basis taking into account the effective yield on the investment. The difference between redemption and purchase price of the held-to-maturity investment is amortised and recognised in the profit and loss account over the term of investment.

Dividend income is recognised when the right to receive such dividend is established.

Gain / loss on sale of investments is included in the profit and loss account in the period of sale.

Return on bank balances is recognised on a time proportion basis taking into account the effective yield.

#### **4.12 Allocation of management expenses**

Management expenses have been allocated to various business segments as are deemed equitable by the management. Expenses not allocable to the underwriting business are charged under general and administration expenses.

#### **4.13 Taxation**

Tax charge for the period comprises current and deferred taxation. Tax charge is recognised in the profit and loss account except to the extent that it relates to the items recognised directly in the equity in which case it is recognised in equity.

##### **Current**

Provision for current taxation is based on profits and gains of insurance business computed in accordance with the rules specified in the Fourth Schedule to the Income Tax Ordinance, 2001 after taking into account tax credits available, if any. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the income for the period, if enacted. The charge for current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the current year for such years.

##### **Deferred**

Deferred taxation is accounted for using the balance sheet liability method in respect of all major temporary differences arising between the carrying amounts of assets and liabilities used for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilised.





Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

#### **4.14 Earnings per share**

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

#### **4.15 Proposed dividends and transfers between reserves**

Dividends, if any, declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the year in which such dividends are declared and transfers are made.

#### **4.16 Foreign currency transactions and translations**

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. All exchange differences are routed through the profit and loss account.

#### **4.17 Segment reporting**

A business segment is a distinguishable component of the Company that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting using the classes of business as specified under the Insurance Ordinance, 2000 and the repealed SEC (Insurance) Rules, 2002. The reported operating segments are also consistent with the internal reporting provided to the Chief Executive Officer who is responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

The Company has five primary business segments for reporting purposes namely fire and property damage, marine aviation and transport, motor, accident and health and credit and suretyship.

Investment and income taxes are managed on an overall basis and are, therefore, not allocated to any segment. The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

Assets and liabilities are allocated to particular segments on the basis of gross premium written during the year. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.



## 5 SHARE CAPITAL

### 5.1 Authorised share capital

2017	2016	Note	2017	2016
.....Number of shares.....			----- Rupees -----	
<u>51,000,000</u>	<u>50,000,000</u>	Ordinary shares of Rs. 10 each	<u>510,000,000</u>	<u>500,000,000</u>

### 5.2 Issued, subscribed and paid-up share capital

2017	2016		2017	2016
.....Number of shares.....			----- Rupees -----	
		Ordinary shares of Rs. 10 each:		
<u>1,162,000</u>	1,162,000	- fully paid in cash	<u>11,620,000</u>	11,620,000
<u>29,198,000</u>	29,198,000	- issued as fully paid bonus shares	<u>291,980,000</u>	291,980,000
<u>19,640,000</u>	10,000,000	- issued as right shares	5.4 <u>196,400,000</u>	100,000,000
<u>50,000,000</u>	<u>40,360,000</u>		<u>500,000,000</u>	<u>403,600,000</u>

### 5.3 Following is the pattern of the shareholding of the Company:

2017	2016		Percentage of holding		2017	2016
.....Number of shares.....			2017	2016	----- Rupees -----	
<u>47,574,843</u>	37,934,843	Parent Company *	<u>95.15%</u>	93.99%	<u>475,748,430</u>	379,348,430
<u>2,412,526</u>	2,412,526	Individuals	<u>4.83%</u>	5.98%	<u>24,125,260</u>	24,125,260
<u>12,631</u>	12,631	Director	<u>0.02%</u>	0.03%	<u>126,310</u>	126,310
<u>50,000,000</u>	<u>40,360,000</u>				<u>500,000,000</u>	<u>403,600,000</u>

\* State Life Insurance Corporation of Pakistan.

5.4 During the year, the Company has made a right issue of 9,640,000 (2016: Nil) shares at a price of Rs. 10 (2016: Nil) each to its existing shareholders in the proportion of their shareholdings. All the shares were subscribed by the parent company as the other shareholders renounced their right offer. (refer note 1.1).

	Note	2017	2016
		----- Rupees -----	
<b>6 RESERVES</b>			
<b>Capital reserve</b>			
Reserve for exceptional losses	6.1	<u>3,355,000</u>	3,355,000
<b>Revenue reserves</b>			
General reserve		<u>6,820,000</u>	6,820,000
		<u>10,175,000</u>	<u>10,175,000</u>

6.1 The reserve for exceptional losses represents amounts set aside till 31 December 1978 to avail deduction thereof in computing taxable income, as allowed previously under the old Income Tax Act of 1922. After the introduction of the repealed Income Tax Ordinance, 1979, which did not permit the said deduction, the Company discontinued the setting aside of amounts as reserve for exceptional losses.



	Note	2017 ----- Rupees -----	2016 ----- Rupees -----
<b>7 AMOUNT DUE TO OTHER INSURERS / REINSURERS</b>			
Due to reinsurers		70,197,639	92,459,546
Due to other insurers		10,196,761	10,615,913
		<u>80,394,400</u>	<u>103,075,459</u>
<b>8 ACCRUED EXPENSES</b>			
Commission in respect of outstanding premium		27,364,427	28,473,467
Other accrued expenses		5,924,152	6,135,346
		<u>33,288,579</u>	<u>34,608,813</u>
<b>9 OTHER CREDITORS AND ACCRUALS</b>			
Commission payable to agents		14,330,763	15,159,485
Cash margins against performance bonds		6,612,620	4,696,972
Federal Excise Duty and sales tax payable		18,190,496	21,609,860
Income tax deducted at source		139,367	348,973
Workers' welfare fund	9.1	2,197,746	2,197,746
Federal Insurance Fee payable		55,879	-
Others	9.2	4,777,769	4,280,240
		<u>46,304,640</u>	<u>48,293,276</u>

- 9.1** The Finance Act 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court.

The Honourable Supreme Court of Pakistan vide its judgment dated 10 November 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution.

The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated 10 November 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

In view of the above, on prudent basis the management has decided not to reverse charge for WWF recorded for the years upto 2015 amounting to Rs. 2.198 million.

- 9.2** This includes outstanding claims in respect of which cheques have been issued by the Company for claim settlement but the same have not been encashed by the claimant. The following is the ageing as required by SECP circular No. 11 dated 19 May 2014:



alpha

Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

	Note	2017 ----- Rupees -----	2016 ----- Rupees -----
- More than 6 months		<u>471,459</u>	<u>333,864</u>
- 1 to 6 months		<u>-</u>	<u>-</u>

	2017 ----- (Age-wise Breakup) -----					
	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 Months	Total
Claims not encashed	-	132,829	63,252	169,780	105,598	471,459

	2016 ----- (Age-wise Breakup) -----					
	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 Months	Total
Claims not encashed	-	18,954	115,124	199,786	-	333,864

## 10 CONTINGENCIES AND COMMITMENTS

### 10.1 Contingencies

**10.1.1** Various claims amounting to Rs. 78.718 million (2016: Rs. 93.181 million) have been lodged by various parties against the Company. The Company has not acknowledged these claims as the management considers that the Company is not liable to settle these amounts.

**10.1.2** The income tax assessments of the Company have been finalised upto tax year 2017. Matters of disagreement exist between the Company and the tax authorities for the tax year 2009, 2011, 2012, 2013, 2014, 2015 and 2016. In prior years, the Commissioner has passed amended assessment orders for the these tax years under section 122(5A), wherein tax on dividend income has been charged at corporate tax rate by treating such income as business income of the Company under Fourth Schedule to the Ordinance. Further, certain disallowances were made in respect of provision for IBNR claims, non-withholding of tax on commission expenses and payment of certain expenses in cash. The management is contesting these matters with the tax authorities and has filed appeals with the Appellate Tribunal Inland Revenue (ATIR), the Honorable High Court of Sindh (the Court) and with the Commissioner Inland Revenue Appeals (CIRA) and is confident that these matters will be decided in favour of the Company. Consequently, no provision has been made in these financial statements in respect of the above matters.

For tax years 2009 and 2014, the ACIR has passed amended assessment order under section 122(5A) of the Income Tax Ordinance, 2001 wherein tax on dividend income has been charged at corporate tax rate by treating such income as business income of the Company under Fourth Schedule to the Ordinance. As a result of the amended assessment order for tax year 2009, demand of Rs. 4.627 million was created and for tax year 2014, demand of Rs. 18.583 million was created against which the Company has paid Rs. 9.292 million. The Company has filed appeals before CIRA and if the appeal is decided against the Company, a tax liability of Rs. 13.918 million would arise.



For tax years 2015 and 2016, the ACIR passed an amended assessment order under section 122(5A), wherein tax on dividend income has been charged at corporate tax rate by treating such income as business income of the Company under Fourth Schedule to the Ordinance. Further, certain disallowances were made in respect of non-withholding of tax on commission expenses and payment of certain expenses in cash. Consequently, tax demand of Rs. 2.298 million and Rs. 6.825 million was created respectively. Against the amended assessment order, an appeal was filed before the CIRA, who vide combined appellate order dated 21 November 2017 allowed relief in respect chargeability of dividend at corporate tax rates and levy of Worker's Welfare Fund whereas additions on account of non-withholding of tax commission expense and cash expenses made by the Company were confirmed. The company has filed a further appeal before the ATIR on the issues confirmed by the CIRA. Moreover, the department has also filed appeal before the ATIR challenging the relief granted by the CIRA. If the appeal is decided against the Company, a tax liability of Rs. 9.123 million would arise.

During the current year, the ACIR issued notice dated 16 May 2017, under section 122(5A) for passing an amended order on certain issues for the tax year 2011. However, the Company has filed a writ petition before the Honorable High Court of Sindh challenging the validity of the notice being barred by limitation of time. The Court has granted an interim order and the said interim order is operating. Based on tax advisor opinion the management is confident of favourable outcome of the said appeal. accordingly, no tax provision has been recorded in these financial statements.

## 10.2 Commitments

There are no commitments as at 31 December 2017 and 31 December 2016.

	Note	2017 ----- Rupees -----	2016
<b>11 CASH AND BANK DEPOSITS</b>			
<b>Cash and other equivalents</b>			
- cash in hand		-	49,999
- Policy stamps and bond papers in hand		<u>198,761</u>	<u>176,506</u>
		<u>198,761</u>	<u>226,505</u>
<b>Current and other accounts</b>			
- current accounts		<u>4,108,368</u>	4,380,149
- savings accounts	11.1	<u>128,740,831</u>	<u>17,714,039</u>
		<u>132,849,199</u>	<u>22,094,188</u>
<b>Deposits maturing within 12 months</b>			
Term deposits - local currency	11.2	-	75,000,000
		<u>133,047,960</u>	<u>97,320,693</u>

11.1 These accounts carry interest at rates ranging between 3.75% and 4.25% (2016: 3.93% and 4.58%) per annum.

11.2 This had tenure of one month and carried mark-up at the rate 5.7% per annum. No term deposit has been placed with bank as at 31 December 2017.



	Note	2017 ----- Rupees -----	2016 ----- Rupees -----
<b>12 INVESTMENTS</b>			
<b>Available-for-sale</b>			
Quoted equity securities	12.1	114,647,006	115,941,693
Less: Diminution in the value of investments		(14,526,479)	(2,485,131)
		<u>100,120,527</u>	<u>113,456,562</u>
<b>Unquoted equity shares</b>	12.1.1	-	2,654,949
Less: Diminution in the value of investments		-	(2,035,947)
		-	619,002
		<u>100,120,527</u>	<u>114,075,564</u>
<b>Held-to-maturity</b>			
Government securities	12.2	557,836,005	501,396,084
Term finance certificates	12.3	-	20,916,736
		<u>557,836,005</u>	<u>522,312,820</u>
		<u>657,956,532</u>	<u>636,388,384</u>

### 12.1 Quoted equity securities

2017 No. of shares	2016	Face value Rupees	Nature of investee Company	Note	2017 ----- Rupees -----	2016 ----- Rupees -----
<b>Oil and gas</b>						
11,300	11,300	10	Oil & Gas Development Company Limited		2,369,127	2,369,127
5,000	5,000	10	Pakistan Oilfields Limited		2,169,519	2,169,519
92,000	92,000	10	Pakistan Petroleum limited		18,868,530	18,868,530
17,850	15,000	10	Pakistan State Oil Company Limited		6,279,552	6,279,552
35,063	35,063	10	Shell (Pakistan) Limited		784,895	784,895
<b>Chemicals</b>						
-	2,000	10	Linde Pakistan Limited		-	322,500
<b>Fertilizer</b>						
108,500	108,500	10	Engro Fertilizer Limited		6,825,543	6,825,543
79,627	79,627	10	Fauji Fertilizer Company Limited		5,892,283	5,892,283
<b>Forestry (Paper and Board)</b>						
119,500	120,000	10	Pakistan Paper Products Limited		149,375	150,000



## 12.1 Quoted equity securities

2017 No. of shares	2016	Face value Rupees	Nature of investee Company	Note	2017 Rupees	2016 Rupees
<b>Leasing</b>						
25,000	25,000	10	Orix Leasing Pakistan Limited		1,192,990	1,192,990
<b>Tobacco</b>						
23,367	23,367	10	Pakistan Tobacco Company Limited		78,710	78,710
<b>Pharmaceuticals</b>						
83,383	123,483	10	GlaxoSmithKline Pakistan Limited		5,976,082	8,850,061
26,544	37,044		Glaxosmithkline Consumer Healthcare Pakistan Limited		1,902,412	-
23,226	20,850	10	Highnoon Laboratories Limited		11,823,800	11,823,800
<b>Travel and Leisure</b>						
28,815	28,815	10	Pakistan Services Limited		199,116	199,116
<b>Commercial Banks</b>						
121,000	121,000	10	Allied Bank Limited		14,470,321	14,470,321
917,500	917,500	10	Askari Bank Limited		21,987,565	21,987,565
<b>Non-life Insurance</b>						
19,831	19,831	5	Habib Insurance Company Limited		95,830	95,830
177,777	177,777	10	Pakistan Reinsurance Company Limited		3,003	3,003
<b>Food &amp; Personal Care Products</b>						
221,190	202,000	10	Treet Corporation Limited		13,578,348	13,578,348
					<b>114,647,001</b>	<b>115,941,693</b>

12.1.1 During the previous year on 29 February 2016 the high court approved the demerger of GlaxoSmithKline (Pakistan) Limited and GlaxoSmithKline Consumer Healthcare (Pakistan) Limited which resulted in the allotment of 03 Shares of GlaxoSmithKline Consumer Healthcare (Pakistan) Limited for every 10 shares of GlaxoSmithKline (Pakistan) Limited. The Company held 123,483 shares of GlaxoSmithKline (Pakistan) Limited and accordingly 37,044 shares of GlaxoSmithKline Consumer Healthcare (Pakistan) Limited were allotted into the previous year. These shares were listed on Pakistan Stock Exchange ("PSX") on 22 March 2017 and have been classified as AFS quoted equity securities during the year by the Company.



12.1.2 The fair value of available-for-sale investments is Rs. 221,176,934 (2016: Rs. 231,566,455). Subsequent to initial recognition, these are stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of S.R.O. 938 dated 12 December 2002 issued by the Securities and Exchange Commission of Pakistan. However, the International Accounting Standard (IAS 39), "Financial Instruments: Recognition and Measurement" requires these instruments to be measured at fair value.

Had these investments been measured at fair value as required under IAS 39, their carrying values as at 31 December 2017 would have been higher by Rs. 121,056,413 (2016: Rs. 118,109,895) and shareholders equity would have been higher by Rs. 84,739,489(2016: Rs. 81,495,828).

## 12.2 Government securities

	Maturity	Principal repayment	Effective yield (% per annum)	Coupon payment	Face Value	Carrying Value	
						2017	2016
----- Rupees -----							
3 years Pakistan Investment Bonds	July-17	On maturity	11.25%	Semi-annually	345,000,000	-	342,779,587
3 years Pakistan Investment Bonds	March-18	On maturity	8.75%	Semi-annually	17,000,000	17,049,884	17,253,849
3 years Pakistan Investment Bonds	March-18	On maturity	8.75%	Semi-annually	30,000,000	30,084,676	30,432,821
3 years Pakistan Investment Bonds	April-19	On maturity	7.00%	Semi-annually	11,000,000	11,107,354	11,184,036
3 years Pakistan Investment Bonds	April-19	On maturity	7.00%	Semi-annually	12,500,000	12,611,788	12,692,047
3 years Pakistan Investment Bonds	December-19	On maturity	7.00%	Semi-annually	3,500,000	3,541,933	-
3 years Pakistan Investment Bonds	December-19	On maturity	7.00%	Semi-annually	75,000,000	75,795,090	-
5 years Pakistan Investment Bonds	March-20	On maturity	9.25%	Semi-annually	200,000,000	210,660,280	-
Treasury Bills	February-17	On maturity	6.22%	On maturity	13,000,000	-	12,929,042
Treasury Bills	February-17	On maturity	5.88%	On maturity	71,000,000	-	70,635,107
Treasury Bills	January-17	On maturity	5.86%	On maturity	3,500,000	-	3,489,595
Treasury Bills	February-18	On maturity	5.99%	On maturity	100,000,000	99,271,429	-
Treasury Bills	May-18	On maturity	6.02%	On maturity	100,000,000	97,713,571	-
					<u>981,500,000</u>	<u>557,836,005</u>	<u>501,396,084</u>

\*These include securities having a face value of Rs. 60 million (2016: Rs. 41.5 million) which have been deposited with the State Bank of Pakistan in compliance with the requirements of clause (a) of sub-section 2 of section 29 of the Insurance Ordinance, 2000.

## 12.3 Term finance certificates

Particulars	Tenure	Maturity	Number of certificates held	Rate of return (% per annum)	Profit payment	Face Value	Carrying Value	
							2017	2016
----- Rupees -----								
Bank Alfalah Limited	8 years	2017	2,000	15.00%	Semi-annually	10,000,000	-	6,970,341
Bank Alfalah Limited	8 years	2017	4,000	15.00%	Semi-annually	20,000,000	-	13,946,395
						<u>30,000,000</u>	<u>-</u>	<u>20,916,736</u>





	Note	2017	2016
		Rupees	
<b>13 DEFERRED TAXATION</b>			
Deferred tax debits / (credits) arising in respect of:			
Accelerated tax depreciation on fixed assets		1,683,656	1,493,839
Provision against premium due but unpaid		20,452,060	15,971,876
Provision for diminution in value of investment		4,357,944	1,356,323
Provision against amount due from other insurers / reinsurers		12,326,220	10,761,282
		<u>38,819,880</u>	<u>29,583,320</u>
Provision for employees' benefits plan		(144,768)	(187,602)
		<u>38,675,112</u>	<u>29,395,718</u>
<b>14 PREMIUM DUE BUT UNPAID - UNSECURED</b>			
Considered good		32,998,950	61,178,663
Considered doubtful		68,173,535	53,239,588
		<u>101,172,485</u>	<u>114,418,251</u>
Provision for doubtful recoveries	14.1	(68,173,535)	(53,239,588)
		<u>32,998,950</u>	<u>61,178,663</u>
<b>14.1 Reconciliation of provision for doubtful recoveries</b>			
Opening provision		53,239,588	39,423,126
Charge for the year		14,933,947	13,816,462
Closing provision		<u>68,173,535</u>	<u>53,239,588</u>
<b>15 AMOUNTS DUE FROM OTHER INSURERS / REINSURERS - UNSECURED</b>			
Considered good		41,852,149	33,966,669
Considered doubtful		41,087,401	35,870,941
		<u>82,939,550</u>	<u>69,837,610</u>
Provision for doubtful recoveries	15.1	(41,087,401)	(35,870,941)
		<u>41,852,149</u>	<u>33,966,669</u>
<b>15.1 Reconciliation of provision for doubtful recoveries</b>			
Opening provision		35,870,941	28,354,133
Charge for the year		5,216,460	7,516,808
Closing provision		<u>41,087,401</u>	<u>35,870,941</u>
<b>16 ACCRUED INVESTMENT INCOME</b>			
Accrued interest on Government Securities		6,429,823	19,279,678
Accrued interest on Term Finance Certificates		-	237,739
Accrued interest on Term Deposit Receipts		-	35,137
Dividend receivable		345,276	432,276
		<u>6,775,099</u>	<u>19,984,830</u>



17 REINSURANCE RECOVERIES AGAINST  
OUTSTANDING CLAIMS

These are unsecured and considered good. These includes claims receivable from Pakistan Reinsurance Company Limited (PRCL) and J.B. Boda & Co. Private Limited amounting to Rs. 127.198 million (2016: Rs. 46.879 million ) and Rs. 72.194 million (2016: Rs. 36.311 million) respectively.

	Note	2017	2016
		-----	-----
		Rupees	
18 TAXATION - PAYMENTS LESS PROVISION			
Balance as at 1 January		37,511,437	32,381,096
Tax paid including deducted at source		11,160,126	7,186,046
Provision for taxation		(1,487,390)	(2,055,705)
Balance as at 31 December		<u>47,184,173</u>	<u>37,511,437</u>
19 PREPAYMENTS			
Prepaid reinsurance premium ceded		19,424,029	25,414,435
Others		484,908	295,393
		<u>19,908,937</u>	<u>25,709,828</u>
20 SUNDRY RECEIVABLES			
<b>Advances - secured</b>			
To staff		324,256	143,452
<b>Unsecured</b>			
Long-term security deposit		1,984,910	1,919,461
Federal insurance fee		-	456,644
Miscellaneous receivables	20.1	1,833,015	1,727,975
		<u>4,142,181</u>	<u>4,247,532</u>

20.1 This includes Rs. 1,558,728 (2016: Rs. 1,558,728) receivable from State Life Insurance Corporation of Pakistan (Parent Company).



## 21. FIXED ASSETS

	Tangible					Intangible	Total
	Furniture and fixtures	Office equipment	Computers and related accessories	Motor vehicles	Electrical installations	Computer software	
----- (Rupees) -----							
<b>At 1 January 2017</b>							
Cost	14,431,026	5,077,506	8,803,973	22,578,279	4,374,547	2,411,912	57,677,243
Accumulated depreciation	(9,555,934)	(5,001,398)	(8,400,588)	(21,348,295)	(3,594,565)	(2,411,912)	(50,312,692)
Net book value	<u>4,875,092</u>	<u>76,108</u>	<u>403,385</u>	<u>1,229,984</u>	<u>779,982</u>	<u>-</u>	<u>7,364,551</u>
<b>Year ended 31 December 2017</b>							
Opening net book value	4,875,092	76,108	403,385	1,229,984	779,982	-	7,364,551
Additions	-	62,850	95,500	-	313,744	-	472,094
Disposals / write-offs							
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Depreciation charge for the year	(1,051,730)	(36,983)	(192,772)	(993,534)	(340,701)	-	(2,615,720)
Closing net book value	<u>3,823,362</u>	<u>101,975</u>	<u>306,113</u>	<u>236,450</u>	<u>753,025</u>	<u>-</u>	<u>5,220,925</u>
<b>At 31 December 2017</b>							
Cost	14,431,026	5,140,356	8,899,473	22,578,279	4,688,291	2,411,912	58,149,337
Accumulated depreciation	(10,607,664)	(5,038,381)	(8,593,360)	(22,341,829)	(3,935,266)	(2,411,912)	(52,928,412)
Net book value	<u>3,823,362</u>	<u>101,975</u>	<u>306,113</u>	<u>236,450</u>	<u>753,025</u>	<u>-</u>	<u>5,220,925</u>
Depreciation rate (% per annum)	<u>10%</u>	<u>10 - 20%</u>	<u>20%</u>	<u>20%</u>	<u>15%</u>	<u>30%</u>	
<b>At 1 January 2016</b>							
Cost	14,369,371	5,077,506	8,787,773	23,984,779	4,295,247	2,411,912	58,926,588
Accumulated depreciation	(8,497,566)	(4,843,586)	(8,163,720)	(21,350,352)	(3,252,448)	(2,411,912)	(48,519,584)
Net book value	<u>5,871,805</u>	<u>233,920</u>	<u>624,053</u>	<u>2,634,427</u>	<u>1,042,799</u>	<u>-</u>	<u>10,407,004</u>
<b>Year ended 31 December 2016</b>							
Opening net book value	5,871,805	233,920	624,053	2,634,427	1,042,799	-	10,407,004
Additions	61,655	-	16,200	-	79,300	-	157,155
Disposals / write-offs							
Cost	-	-	-	1,406,500	-	-	1,406,500
Accumulated depreciation	-	-	-	(1,406,500)	-	-	(1,406,500)
Depreciation charge for the year	(1,058,368)	(157,812)	(236,868)	(1,404,443)	(342,117)	-	(3,199,608)
Closing net book value	<u>4,875,092</u>	<u>76,108</u>	<u>403,385</u>	<u>1,229,984</u>	<u>779,982</u>	<u>-</u>	<u>7,364,551</u>
<b>At 31 December 2016</b>							
Cost	14,431,026	5,077,506	8,803,973	22,578,279	4,374,547	2,411,912	57,677,243
Accumulated depreciation	(9,555,934)	(5,001,398)	(8,400,588)	(21,348,295)	(3,594,565)	(2,411,912)	(50,312,692)
Net book value	<u>4,875,092</u>	<u>76,108</u>	<u>403,385</u>	<u>1,229,984</u>	<u>779,982</u>	<u>-</u>	<u>7,364,551</u>
Depreciation rate (% per annum)	<u>10%</u>	<u>10 - 20%</u>	<u>20%</u>	<u>20%</u>	<u>15%</u>	<u>30%</u>	



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**21.1 The depreciation charged during the year has been allocated as follows:**

	Note	2017	2016
		Rupees	
Management expenses	23	1,778,690	2,175,733
General and administrative expenses	26	837,030	1,023,875
		<u>2,615,720</u>	<u>3,199,608</u>

**21.2 Disposal of fixed assets**

	Original cost	Accumulated depreciation	Book value (Rupees)	Sale proceeds	Gain / (loss) on sale	Mode of disposal	Particulars of buyer
Assets having Written down value less than Rs. 50,000							
2017	-	-	-	-	-		
2016	1,406,500	1,406,500	-	552,102	552,102		

**22 ADMINISTRATIVE SURCHARGE**

Premium written and net premium revenue include administrative surcharge, class wise detail of which is given below:

	Note	2017	2016
		Rupees	
Fire and property damage		853,519	1,122,828
Marine, aviation And transport		758,849	930,507
Motor		917,145	917,145
Accident and health		2,000	4,000
Credit and suretyship		104,927	287,349
Miscellaneous		698,065	128,989
		<u>3,334,505</u>	<u>3,390,818</u>

**23 MANAGEMENT EXPENSES**

Salaries, wages and other benefits	23.1	27,957,561	31,964,842
Rent, rates, taxes and electricity		7,087,762	7,859,939
Legal and professional charges		4,441,994	698,020
Repair and maintenance		1,447,454	2,757,762
Communication		1,062,029	961,827
Printing and stationery		1,759,003	621,758
Subscriptions		151,992	240,241
Pre inspection fee		37,546	32,195
Travelling and conveyance		3,158,173	2,812,651
Advertisement and sales promotion		989,391	328,050
Provision for doubtful recoveries	14 & 15	20,150,407	21,333,270
Depreciation	21.1	1,778,690	2,175,733
Miscellaneous expenses		2,304,000	3,492,561
		<u>72,326,002</u>	<u>75,278,849</u>



23.1 These include Rs. 362,703 (2016: Rs. 465,886) being contribution for employees' provident fund and Rs. 243,475 (2016: Rs. 280,890) in respect of defined benefit plan.

## 24 COMMISSION FROM REINSURERS

	Commission received or receivables	Unearned Commission		2017	2016
		Opening	Closing		
Rupees					
Fire and property damage	6,648,111	4,222,057	2,917,926	7,952,242	10,847,936
Marine, aviation and transport	2,091,227	326,504	172,092	2,245,639	2,914,751
Motor	15,317	-	9,456	5,861	1,537
Accident and health	-	-	-	-	-
Credit and suretyship	845,050	459,574	356,024	948,600	746,400
Miscellaneous	356,324	745,733	194,591	907,466	1,629,517
	<u>9,956,029</u>	<u>5,753,868</u>	<u>3,650,089</u>	<u>12,059,808</u>	<u>16,140,141</u>

25 OTHER INCOME	Note	2017	2016
		Rupees	
Income from financial assets			
Interest on savings accounts		5,037,764	2,010,322
Income from non-financial assets			
Gain on disposal of fixed assets		-	552,099
Miscellaneous income		18,231	125,963
		<u>18,231</u>	<u>678,062</u>
		<u>5,055,995</u>	<u>2,688,384</u>

## 26 GENERAL AND ADMINISTRATION EXPENSES

Salaries, wages and benefits	26.1	13,156,499	15,042,277
Rent, rates, taxes and electricity		3,335,419	3,698,795
Legal and professional charges		2,090,350	428,480
Repairs and maintenance		681,157	1,297,769
Communication		499,779	452,624
Printing and stationery		827,765	292,591
Travelling and conveyance		1,486,199	1,323,600
Subscriptions		71,525	113,054
Directors' remuneration		2,410,000	750,000
Depreciation	21.1	837,030	1,023,875
Auditors' remuneration	26.2	629,750	705,377
Miscellaneous expenses		1,084,234	1,643,557
		<u>27,109,707</u>	<u>26,771,999</u>



26.1 These include Rs. 170,684 (2016: Rs. 219,240) being contribution for employees' provident fund and Rs. 114,577 (2016: Rs. 132,183) in respect of defined benefit plan.

	Note	2017 ----- Rupees -----	2016 ----- Rupees -----
<b>26.2 Auditors' remuneration</b>			
Audit fee		288,750	288,750
Half yearly review fee		94,500	94,500
Fee for regulatory return and Code of Corporate Governance		189,250	189,250
Out of pocket expenses		<u>57,250</u>	<u>132,877</u>
		<u>629,750</u>	<u>705,377</u>

## 27 TAXATION

Current		1,487,390	1,527,704
Prior		-	528,001
Deferred		<u>(9,236,560)</u>	<u>(5,638,368)</u>
	27.1	<u>(7,749,170)</u>	<u>(3,582,663)</u>

### 27.1 Relationship between tax expense and accounting profit

Loss before taxation		<u>(67,595,316)</u>	<u>(19,057,227)</u>
Effects of:			
Tax at the applicable rate of 30% (2016: 31%)		(20,278,595)	(5,907,740)
Tax impact of change in rate of tax		(8,287)	(1,280,764)
Prior year tax charge		-	528,001
Tax effect of Minimum Tax		1,487,390	1,527,704
Deferred tax asset not booked on taxable losses		<u>11,050,322</u>	<u>1,550,136</u>
		<u>(7,749,170)</u>	<u>(3,582,663)</u>

27.2 Contingencies in respect of taxation have been disclosed in note 10.1.2.

## 28 EARNINGS PER SHARE

### 28.1 Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares as at the year end as follows:

	2017 ----- Rupees -----	2016 ----- Rupees -----
Loss after tax for the year	<u>(59,846,146)</u>	<u>(15,474,564)</u>
	----- Number of Shares -----	
Weighted average number of ordinary shares	<u>44,717,808</u>	<u>40,360,000</u>
	----- Rupee -----	
Basic loss per share	<u>(1.34)</u>	<u>(0.38)</u>



## 28.2 Diluted earnings per share

Diluted earnings per share has not been presented as the Company does not have any convertible dilutive potential ordinary shares outstanding on 31 December 2017 and 2016 which would have any effect on the earnings per share if the option to convert is exercised.

## 29 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise State Life Insurance Corporation of Pakistan being the parent company, companies having directors in common, key management personnel, gratuity fund and provident fund. Transactions with these related parties (other than remuneration of key management personnel which is disclosed in note 32) are as follows:

	Parent		Post employment benefit plans	
	2017	2016	2017	2016
----- Rupees -----				
<b>Transactions during the year</b>				
Rent expense	2,667,588	4,167,896	-	-
Rent paid	707,750	4,167,896	-	-
Charge in respect of provident fund	-	-	533,387	685,126
Charge in respect of gratuity fund	-	-	358,052	413,073
Contribution to provident fund	-	-	685,126	685,126
<b>Balances as at year end</b>				
Receivable from State Life Insurance Corporation of Pakistan	1,558,728	1,558,728	-	-

## 30 DEFINED BENEFIT PLAN - STAFF RETIREMENT GRATUITY

### 30.1 General description

The Company operates an approved gratuity fund established in 1982 for its permanent employees who have completed the minimum qualifying period of service of five years. The Fund is administered by the Trustees in accordance with the provisions of the Trust Deed and contributions therein are made in accordance with actuarial recommendations. The most recent valuation in this regard was carried out as at 31 December 2017, using the Projected Unit Credit Method for valuation of the Fund.

The Company faces the following risks on account of the gratuity fund.

- Mortality risks: This is the risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit.
- Investment risks: This is the risk of investment under-performing and being insufficient to meet liabilities.
- Final salary risks: This is the risk that the final salary at the time of the cessation of service is greater than what was initially assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.



- (d) Withdrawal risks: This is the risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' services / age distribution and the benefit.

### 30.2 Principal actuarial assumptions

	2017	2016
Discount rate	9.50%	9.05%
Expected rate of salary increase	9.00%	9.00%
Mortality rates	60 years	60 years
Rate of employee turnover	SLIC (2001-05)-1 Light	SLIC (2001-05)-1 Light

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the adjusted SLIC 2001 - 2005 ultimate mortality tables.

### 30.3 Amount recognised in the balance sheet

	2017	2016
	----- Rupees -----	
Present value of defined benefit obligations	5,524,244	4,792,675
Fair value of plan assets	(6,889,641)	(6,658,904)
	<u>(1,365,397)</u>	<u>(1,866,229)</u>

The movement in the defined benefit obligation during the year is as follows:

	2017		
	Present value of defined benefit obligation	Fair value of plan assets	Total
	----- Rupees -----		
As at 1 January	4,792,675	(6,658,904)	(1,866,229)
Current service cost	511,594	-	511,594
Interest expense / (income)	456,358	(609,900)	(153,542)
	<u>5,760,627</u>	<u>(7,268,804)</u>	<u>(1,508,177)</u>
Remeasurements:			
- Loss on plan assets	-	253,919	253,919
- (Gain) / loss from change in demographic assumptions	-	-	-
- Gain due to change in financial assumptions	-	-	-
- Gain due to change in experience adjustment	(111,139)	-	(111,139)
	<u>(111,139)</u>	<u>253,919</u>	<u>142,780</u>
	<u>5,649,488</u>	<u>(7,014,885)</u>	<u>(1,365,397)</u>
Contributions made	-	-	-
Benefits paid	(125,244)	125,244	-
As at 31 December	<u>5,524,244</u>	<u>(6,889,641)</u>	<u>(1,365,397)</u>





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	2016		
	Present value of defined benefit obligation	Fair value of plan assets	Total
	----- Rupees -----		
As at 1 January	6,314,730	(8,503,939)	(2,189,209)
Current service cost	601,792	-	601,792
Interest expense / (income)	579,061	(767,780)	(188,719)
	<u>7,495,583</u>	<u>(9,271,719)</u>	<u>(1,776,136)</u>
Remeasurements:			
- Loss on plan assets	-	248,840	248,840
- (Gain) / loss from change in demographic assumptions	-	-	-
- Gain due to change in financial assumptions	12,211	-	12,211
- Gain due to change in experience adjustment	(351,144)	-	(351,144)
	<u>(338,933)</u>	<u>248,840</u>	<u>(90,093)</u>
	<u>7,156,650</u>	<u>(9,022,879)</u>	<u>(1,866,229)</u>
Contributions made	-	-	-
Benefits paid	(2,363,975)	2,363,975	-
<b>As at 31 December</b>	<u><u>4,792,675</u></u>	<u><u>(6,658,904)</u></u>	<u><u>(1,866,229)</u></u>

30.4 Amount recognised in the profit and loss account	2017	2016
	----- Rupees -----	
Current service cost	511,594	601,792
Interest expense on defined benefit obligation	456,358	579,061
Interest income on plan assets	(609,900)	(767,780)
Cost recognised in the profit and loss account	<u>358,052</u>	<u>413,073</u>

30.5 Remeasurements recognised in other comprehensive income	2017	2016
Remeasurement gains on obligation		
- Gain due to change in financial assumptions	-	12,211
- Gain due to change in experience adjustments	(111,139)	(351,144)
	<u>(111,139)</u>	<u>(338,933)</u>
Remeasurement loss on plan assets		
- Actual return on plan assets	(355,981)	(518,939)
- Interest income on plan assets	609,900	767,780
	<u>253,919</u>	<u>248,841</u>
	<u>142,780</u>	<u>(90,092)</u>

30.6 Analysis of present value of defined benefit obligation	2017	2016
Vested / Non vested		
- Vested benefits	5,359,789	4,508,982
- Non-vested benefits	164,455	283,693
Total	<u>5,524,244</u>	<u>4,792,675</u>
Types of benefits		
- Accumulated benefit obligation	2,386,808	2,065,240
- Amounts attributed to future salary increases	3,137,436	2,727,435
Total	<u>5,524,244</u>	<u>4,792,675</u>



### 30.7 Composition of plan assets

	2017		2016	
	(Rupees)	%	(Rupees)	%
Market treasury bills	-	0.00%	7,259,165	91.77%
Bank balance	7,188,477	96.56%	547,914	8.23%
Accrued interest income	256,164	3.44%	-	0.00%
	<u>7,444,641</u>	<u>100.00%</u>	<u>7,807,079</u>	<u>100.00%</u>
Payable to outgoing employees	(555,000)		(1,148,175)	
	<u>6,889,641</u>		<u>6,658,904</u>	

### 30.8 The sensitivity analysis of the defined benefit obligation to changes in principal actuarial assumptions is as follows:

Particulars	----- As at December 31, 2017 -----			----- As at December 31, 2016 -----		
	Change in assumption	Increase / (decrease) in present value of defined benefit obligation		Change in assumption	Increase / (decrease) in present value of defined benefit obligation	
		(%)	Rupees		(%)	Rupees
Discount rate	+1.00%	-9.92%	(547,759)	+0.5%	-10.03%	(480,669)
	-1.00%	11.77%	650,070	-0.5%	11.95%	572,660
Long-term salary increase rate	+1.00%	12.22%	675,093	+0.5%	12.40%	594,359
	-1.00%	-10.46%	(577,592)	-0.5%	-10.57%	(506,583)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant assumptions, same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity asset.

### 30.9 The weighted average duration of the defined benefit obligation is 10.75 years (2016: 10.92 years).

### 30.10 Expected maturity analysis of undiscounted defined benefit obligation for the gratuity fund is as follows:

Particulars	----- 2017 -----			
	Between 0-1 years	Between 2-4 years	Between 5-10 years	Total
	----- Rupees -----			
Distribution of timing of payment of benefits	<u>785,699</u>	<u>415,680</u>	<u>4,473,479</u>	<u>5,674,858</u>
	----- 2016 -----			
	----- Rupees -----			
Distribution of timing of payment of benefits	<u>66,548</u>	<u>1,402,464</u>	<u>3,179,201</u>	<u>4,648,213</u>



	2017	2016	2015	2014	2013	2012
<b>30.11 Historical information</b>	-----Rupees-----					
Present value of defined benefit obligation	5,524,244	4,792,675	6,314,730	7,574,024	7,107,817	5,892,236
Fair value of plan assets	(6,889,641)	(6,658,904)	(8,503,939)	(9,706,447)	(9,436,581)	(9,338,137)
Surplus	<u>(1,365,397)</u>	<u>(1,866,229)</u>	<u>(2,189,209)</u>	<u>(2,132,423)</u>	<u>(2,328,764)</u>	<u>(3,445,901)</u>
Remeasurements of plan liabilities	<u>(111,139)</u>	<u>(338,933)</u>	<u>723,348</u>	<u>564,706</u>	<u>(418,151)</u>	<u>(326,149)</u>
Remeasurements of plan assets	<u>253,919</u>	<u>248,841</u>	<u>221,555</u>	<u>453,841</u>	<u>(348,158)</u>	<u>(65,284)</u>

**30.12** Funding levels are monitored on an annual basis and are based on actuarial recommendations. The expected gratuity expense for the next year commencing 1 January 2018 works out to be Rs. 375,172 (2017: Rs. 230,281) as per the actuarial valuation report of the Company as of 31 December 2017.

**30.13** The disclosures made in notes 30.1 to 30.12 are based on the information included in the actuarial valuation report of the fund as of 31 December 2017.

### 31 PROVIDENT FUND RELATED DISCLOSURES

The Company has set up provident fund for its permanent employees and the contributions were made by the Company to the Fund in accordance with the requirements of Section 227 of the repealed Companies Ordinance, 1984. The total charge against provident fund for the year ended 31 December 2017 was Rs. 533,387 (2016: Rs. 685,126).

The following information is based on the un-audited financial statements of the Fund as at 31 December 2017.

	2017	2016
	----- Rupees -----	
Size of the fund - Total assets	31,055,250	33,336,983
Fair value of investments	30,125,972	32,086,284
Percentage of investments made	97%	96%

**31.1** The cost of above investments amounted to Rs. 30.428 million (2016: Rs 33.225 million).

**31.2** The break-up of fair values of investments is as follows:

	2017	2016	2017	2016
	Percentage		----- Rupees -----	
Treasury Bills	16.57%	51.50%	4,991,764	16,524,300
Pakistan Investment Bonds	83.43%	48.50%	25,134,208	15,561,984
	<u>100.00%</u>	<u>100.00%</u>	<u>30,125,972</u>	<u>32,086,284</u>



31.3 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the repealed Companies Ordinance, 1984 and the rules formulated for this purpose.

### 32 REMUNERATION OF CHIEF EXECUTIVE OFFICER AND DIRECTORS

The aggregate amounts charged in these financial statements for remuneration, including certain benefits, to the Chief Executive and Directors of the Company during the year are as follows:

	Chief Executive Officer		Directors		Executive		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
-----Rupees-----								
Managerial remuneration	3,562,000	5,321,267	-	-	8,276,268	11,973,348	11,838,268	17,294,615
Fee for attending board meeting	-	-	2,410,000	750,000	-	-	2,410,000	750,000
Conveyance allowance	-	-	-	-	562,852	778,905	562,852	778,905
Housing and utilities	-	-	-	-	2,049,861	1,992,064	2,049,861	1,992,064
Others	42,500	208,333	-	-	1,332,086	584,800	1,374,586	793,133
	<b>3,604,500</b>	<b>5,529,600</b>	<b>2,410,000</b>	<b>750,000</b>	<b>12,221,067</b>	<b>15,329,117</b>	<b>18,235,567</b>	<b>21,608,717</b>
Number of persons	1	1	7	7	14	15		

The Chief Executive officer and some of the executives are also provided with free use of Company maintained car. Executives means employees other than chief executive and directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

### 33 SEGMENT REPORTING

The Company has six primary business segments for reporting purposes namely fire and property damage, marine, aviation and transport, motor, accident and health, credit and suretyship and miscellaneous.

Assets and liabilities, wherever possible, have been assigned to the following segments based on specific identification or allocated on the basis of the gross premium written by the segments.

	-----2017-----						
	Fire and property damage	Marine, aviation and transport	Motor	Accident and Health	Credit and suretyship	Miscellaneous	Total
-----Rupees-----							
Segment assets	346,185,453	17,416,611	9,981,647	2,949,658	2,756,104	6,094,226	385,383,699
Unallocated corporate assets							936,704,436
Consolidated total assets							<u>1,322,088,135</u>
Segment liabilities	436,314,194	18,430,423	27,517,035	6,661,229	2,794,333	11,020,142	502,737,356
Unallocated corporate liabilities							162,998,879
Consolidated total liabilities							<u>665,736,235</u>



-----2016-----

	Fire and property damage	Marine, aviation and transport	Motor	Accident and Health	Credit and suretyship	Miscellaneous	Total
	-----Rupees-----						
Segment assets	135,766,881	25,485,179	16,402,880	282,237	2,634,144	56,621,257	237,192,578
Unallocated corporate assets							868,341,436
Consolidated total assets							<u>1,105,534,014</u>
Segment liabilities	134,867,601	22,691,772	37,830,527	4,185,542	2,322,727	75,235,738	277,133,907
Unallocated corporate liabilities							208,502,115
Consolidated total liabilities							<u>485,636,022</u>

#### 34 FINANCIAL INSTRUMENTS BY CATEGORY

-----2017-----

Particulars	Loans and receivables	Held-to-maturity	Available-for sale	Total
	-----Rupees-----			
<b>Financial assets</b>				
Cash and bank deposits	133,047,960	-	-	133,047,960
Investments	-	557,836,005	100,120,527	657,956,532
Premium due but unpaid	32,998,950	-	-	32,998,950
Amounts due from other insurers / reinsurers	41,852,149	-	-	41,852,149
Accrued investment income	6,775,099	-	-	6,775,099
Reinsurance recoveries against outstanding claims	325,792,200	-	-	325,792,200
Sundry receivables	4,142,181	-	-	4,142,181
	<u>544,608,539</u>	<u>557,836,005</u>	<u>100,120,527</u>	<u>1,202,565,071</u>

-----2017-----

Particulars	At fair value through profit or loss	At amortised cost	Total
	-----Rupees-----		
<b>Financial liabilities</b>			
Provision for outstanding claims (including IBNR)	-	430,990,074	430,990,074
Amounts due to other insurers / reinsurers	-	80,394,400	80,394,400
Accrued expenses	-	33,288,579	33,288,579
Unclaimed dividend	-	3,011,260	3,011,260
Other creditors and accruals	-	25,777,031	25,777,031
	<u>-</u>	<u>573,461,344</u>	<u>573,461,344</u>



-----2016-----					
Particulars	Loans and receivables	Held-to- maturity	Available- for sale	Total	
-----Rupees-----					
<b>Financial assets</b>					
Cash and bank deposits	97,320,693	-	-	97,320,693	
Investments	-	522,312,820	114,075,564	636,388,384	
Premium due but unpaid	61,178,663	-	-	61,178,663	
Amounts due from other insurers / reinsurers	33,966,669	-	-	33,966,669	
Accrued investment income	19,984,830	-	-	19,984,830	
Reinsurance recoveries against outstanding claims	137,403,653	-	-	137,403,653	
Sundry receivables	3,790,888	-	-	3,790,888	
	<u>353,645,396</u>	<u>522,312,820</u>	<u>114,075,564</u>	<u>990,033,780</u>	
-----2016-----					
Particulars			At fair value through profit or loss	At amortised cost	Total
-----Rupees-----					
<b>Financial liabilities</b>					
Provision for outstanding claims (including IBNR)			-	198,988,834	198,988,834
Amounts due to other insurers / reinsurers			-	103,075,459	103,075,459
Accrued expenses			-	34,608,813	34,608,813
Unclaimed dividend			-	3,011,260	3,011,260
Other creditors and accruals			-	<u>24,136,697</u>	<u>24,136,697</u>
			-	<u>363,821,063</u>	<u>363,821,063</u>

## 35 MANAGEMENT OF FINANCIAL AND INSURANCE RISK

### 35.1 Financial risk

The Company's activities expose it to a variety of financial risks: market risk (including yield / interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk that could result in reduction in the Company's net assets or a reduction in the profits available for dividends. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework and is responsible for developing and monitoring risk management policies.

#### 35.1.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company manages market risk by monitoring exposures in related securities by following internal risk management policies.

Market risk comprises of three types of risks: yield / interest rate risk, foreign currency risk and price risk.



### 35.1.1.1 Yield / interest rate risk

Yield / interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market yield / interest rates. The Company is exposed to yield / interest rates risk in respect of the following:

Particulars	2017					
	Effective rate (% per annum)	Interest / mark-up bearing financial instruments			Non-interest / mark-up bearing financial instruments	Total
		Maturity up to one year	Maturity after one year	Sub- Total		
----- Rupees -----						
<b>Financial assets</b>						
Cash and bank deposits	3.75 - 4.25	128,740,831	-	128,740,831	4,307,129	133,047,960
Investments	5.86 - 11.75	47,134,560	510,701,445	557,836,005	100,120,527	657,956,532
Premium due but unpaid - unsecured		-	-	-	32,998,950	32,998,950
Amounts due from other insurers / reinsurers - unsecured		-	-	-	41,852,149	41,852,149
Accrued investment income		-	-	-	6,775,099	6,775,099
Reinsurance recoveries against outstanding claims		-	-	-	325,792,200	325,792,200
Sundry receivables		-	-	-	4,142,181	4,142,181
		<u>175,875,391</u>	<u>510,701,445</u>	<u>686,576,836</u>	<u>515,988,235</u>	<u>1,202,565,071</u>
<b>Financial liabilities</b>						
Provision against outstanding claims		-	-	-	430,990,074	430,990,074
Amounts due to other insurers / reinsurers		-	-	-	80,394,400	80,394,400
Accrued expenses		-	-	-	33,288,579	33,288,579
Other creditors and accruals		-	-	-	25,777,031	25,777,031
		-	-	-	570,450,084	570,450,084
<b>Interest risk sensitivity gap</b>		<u>175,875,391</u>	<u>510,701,445</u>	<u>686,576,836</u>	<u>(54,461,849)</u>	<u>632,114,987</u>
<b>Cumulative interest risk sensitivity gap</b>		<u>175,875,391</u>	<u>686,576,836</u>			

Particulars	2016					
	Effective rate (% per annum)	Interest / mark-up bearing financial instruments			Non-interest / mark-up bearing financial instruments	Total
		Maturity up to one year	Maturity after one year	Sub- Total		
----- Rupees -----						
<b>Financial assets</b>						
Cash and bank deposits	3.93 - 4.58	92,714,039	-	92,714,039	4,606,654	97,320,693
Investments	5.86 - 15.00	450,750,067	71,562,753	522,312,820	114,075,564	636,388,384
Premium due but unpaid		-	-	-	61,178,663	61,178,663
Amounts due from other insurers / reinsurers		-	-	-	33,966,669	33,966,669
Accrued investment income		-	-	-	19,984,830	19,984,830
Reinsurance recoveries against outstanding claims		-	-	-	137,403,653	137,403,653
Sundry receivables		-	-	-	3,790,888	3,790,888
		<u>543,464,106</u>	<u>71,562,753</u>	<u>615,026,859</u>	<u>375,006,921</u>	<u>990,033,780</u>
<b>Financial liabilities</b>						
Provision against outstanding claims		-	-	-	198,988,834	198,988,834
Amounts due to other insurers / reinsurers		-	-	-	103,075,459	103,075,459
Accrued expenses		-	-	-	34,608,813	34,608,813
Other creditors and accruals		-	-	-	24,136,697	24,136,697
		-	-	-	360,809,803	360,809,803
<b>Interest risk sensitivity gap</b>		<u>543,464,106</u>	<u>71,562,753</u>	<u>615,026,859</u>	<u>14,197,118</u>	<u>629,223,977</u>
<b>Cumulative interest risk sensitivity gap</b>		<u>543,464,106</u>	<u>615,026,859</u>			



The following table demonstrates the sensitivity to possible changes in interest rates, with all other variables held constant, of the Company's profit for the year before tax and shareholders' equity based upon average balances and rates:

	Increase / Decrease in basis points	Effect on profit before tax		Effect on shareholders' equity	
		----- Rupees -----			
31 December 2017	100	(100)	6,865,768	(6,865,768)	4,806,038 (4,806,038)
31 December 2016	100	(100)	6,150,269	(6,150,269)	4,243,685 (4,243,685)

### 35.1.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company, at present, is not materially exposed to currency risk as majority of the transactions are carried out in Pakistani Rupees.

### 35.1.1.3 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 100.121 million (2016: Rs. 113.457 million) at the reporting date. The Company manages price risk by actively monitoring exposure in its quoted equity securities and by diversification of its equity portfolio.

The following table summarizes the Company's other price risk as at 31 December 2017 and as at 31 December 2016. It shows the effects of an estimated increase of 5% in the market prices as on those dates. A decrease of 5% in the fair values of the quoted securities would affect it in a similar and opposite manner.

	Fair value -(Rupees)-	Price change -- % --	Effect on fair value -(Rupees)-
31 December 2017	221,176,934	+5%	11,058,847
		-5%	(11,058,847)
31 December 2016	231,566,455	+5%	11,578,323
		-5%	(11,578,323)

However, increase of 5% in equity prices at the reporting date is restricted to amount of cost of investment of such securities as per the policy of the Company (note 4.8.1.3).





### 35.1.2 Credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of these counterparties.

#### 35.1.2.1 Concentration of credit risk

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions effects their ability to meet contractual obligations in a similar manner. The Company's exposure to credit risk is not significantly different from that reflected in the financial statements. The management monitors and limits the Company's exposure to credit risk through monitoring of client's exposure and conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sectors.

The carrying amount of financial assets represents the maximum credit exposure, as specified below:

	2017	2016
	----- Rupees -----	
Bank deposits	133,047,960	97,320,693
Investments	-	20,916,736
Premium due but unpaid	32,998,950	61,178,663
Amounts due from other insurers / reinsurers	41,852,149	33,966,669
Accrued investment income	-	237,739
Reinsurance recoveries against outstanding claims	325,792,200	137,403,653
Sundry receivables	4,142,181	4,247,532

The Company did not hold any collateral against the above during the year. The management continuously monitors the credit exposure towards the policyholders and other insurers / reinsurers and makes provision against those balances considered doubtful of recovery. During the year receivables of Rs. 20,150,407 (2016: Rs. 21,333,270) were further impaired. The movement in the provision for doubtful debt account is shown in note 14 and 15. The remaining past due balances were not impaired as they relate to a number of policy holders and other insurers / reinsurers for whom there is no recent history of default.



### 35.1.2.2 Credit quality of financial assets

The credit quality of the Company's bank balances can be assessed with reference to external credit ratings as follows:

Particulars	Rating		Rating Agency	2017 Rupees
	Short term	Long term		
<b>Bank balances</b>				
National Bank of Pakistan Limited	AAA / AAA	A1+ / A-1+	PACRA/ JCR-VIS	565,295
Allied Bank Limited	AA+	A1+	PACRA	139,852
MCB Bank Limited	AAA	A1+	PACRA	49,546
Soneri Bank Limited	AA-	A1+	PACRA	92,539
United Bank Limited	AAA	A-1+	JCR-VIS	131,536,108
JS Bank Limited	AA-	A1+	PACRA	465,859
				<u>132,849,199</u>

Particulars	Rating		Rating Agency	2016 Rupees
	Short term	Long term		
<b>Bank balances</b>				
Allied Bank Limited	A1+	AA+	PACRA	129,391
JS Bank Limited	A1+	A+	PACRA	89,393
MCB Bank Limited	A1+	AAA	PACRA	37,553
National Bank of Pakistan	A1+/A-1+	AAA/AAA	PACRA/ JCR-VIS	181,712
NIB Bank Limited	A1+	AA-	PACRA	120,925
Soneri Bank Limited	A1+	AA-	PACRA	44,223
United Bank Limited	A-1+	AAA	JCR-VIS	21,490,991
				<u>22,094,188</u>

An analysis of the age of premiums due but unpaid that are past due but not impaired are as under:

	2017	2016
	----- Rupees -----	
Upto 30 days	2,226,418	3,112,795
31 to 180 days	4,891,061	21,599,752
Over 180 days	<u>25,881,471</u>	<u>36,466,116</u>
	<u>32,998,950</u>	<u>61,178,663</u>



The credit quality of amount due from other insurers and reinsurers can be assessed with reference to external credit ratings as follows:

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance asset	2017	2016
----- (Rupees) -----					
A or above	14,239,388	143,287,842	-	157,527,230	60,648,192
A-	4,080,609	113,765,595	-	117,846,204	13,091,050
BBB	374,643	41,040,264	-	41,414,907	2,893,387
Others	23,157,509	27,698,499	-	50,856,008	94,737,693
Total	<u>41,852,149</u>	<u>325,792,200</u>	<u>-</u>	<u>367,644,349</u>	<u>171,370,322</u>

Age analysis of amount due from other insurers / reinsurers at the reporting date was:

	2017		2016	
	Gross	Impairment	Gross	Impairment
----- (Rupees) -----				
Upto 1 year	28,379,713	-	10,670,080	-
1-2 years	19,974,982	-	16,058,705	-
Over 2-3years	34,584,855	41,087,401	43,108,825	35,870,941
	<u>82,939,550</u>	<u>41,087,401</u>	<u>69,837,610</u>	<u>35,870,941</u>

Age analysis of reinsurance recoveries against outstanding claims at the reporting date was:

	2017		2016	
	Gross	Impairment	Gross	Impairment
----- (Rupees) -----				
Upto 1 year	234,938,025	-	59,554,341	-
1-2 years	56,802,012	-	46,108,063	-
Over 2 years	34,052,163	-	31,741,249	-
	<u>325,792,200</u>	<u>-</u>	<u>137,403,653</u>	<u>-</u>

In respect of the aforementioned insurance and reinsurance assets, the Company takes into account its past history / track record of recoveries and financial position of the counterparties while creating provision for impairment. Further, reinsurance recoveries are made when corresponding liabilities are settled.



### 35.1.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting payment obligations when they fall due under normal circumstances or can only settle liabilities on terms that are materially disadvantageous. To guard against the risk, the Company ensures diversified funding sources, maintains adequate balances in cash and cash equivalents and invests in readily marketable securities. The maturity profile of assets and liabilities are also monitored to ensure adequate liquidity is maintained at all times.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date on an undiscounted cash flow basis. Financial liabilities not having any contractual maturities are assumed to mature on the expected date on which these liabilities will be settled.

	2017			Total
	Within one year	Over one year to five years	Over five years	
	----- (Rupees) -----			
<b>Financial liabilities</b>				
Provision for outstanding claims (including IBNR)	430,990,074	-	-	430,990,074
Amounts due to other insurers / reinsurers	80,394,400	-	-	80,394,400
Accrued expenses	33,288,579	-	-	33,288,579
Other creditors and accruals	25,777,031	-	-	25,777,031
	<u>570,450,084</u>	<u>-</u>	<u>-</u>	<u>570,450,084</u>

	2016			Total
	Within one year	Over one year to five years	Over five years	
	----- (Rupees) -----			
<b>Financial liabilities</b>				
Provision for outstanding claims (including IBNR)	198,988,834	-	-	198,988,834
Amounts due to other insurers / reinsurers	103,075,459	-	-	103,075,459
Accrued expenses	34,608,813	-	-	34,608,813
Other creditors and accruals	24,136,697	-	-	24,136,697
	<u>360,809,803</u>	<u>-</u>	<u>-</u>	<u>360,809,803</u>

### 35.2 Insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty in the amount of compensation to the insured. Generally, most insurance contracts carry the insurance risk for a period of one year. (refer note 4.2).

The Company accepts insurance through issuance of general insurance contracts. For these general insurance contracts the most significant risks arise from fire, atmospheric disturbance, earthquake, terrorist activities and other catastrophes. For health insurance contracts, significant risks arise from epidemics.

The Company's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk. This framework includes implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate reinsurance is arranged to mitigate the effect of the potential loss to the



Company from individual to large or catastrophic insured events. Further, the Company adopts strict claim review policies including active management and prompt pursuing of the claims, regular detailed review of claim handling procedures and frequent investigation of possible false claims to reduce the insurance risk.

### 35.2.1 Frequency and severity of claims

Risk associated with general insurance contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the insured events. This has been managed by having in place underwriting strategy, reinsurance arrangements and proactive claim handling procedures.

	2017	2016
	-----Rupees in million-----	
The Company's class wise major risk exposure is as follows:		
Fire and property damage	29,091	47,407
Marine, aviation and transport	14,575	13,988
Motor	796	1,288
Accidental, health and others	2,346	7,838
Credit and suretyship	579	611

The reinsurance arrangements against major risk exposures include excess of loss, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on the Company's net retentions.

### 35.2.2 Uncertainty in the estimation of future claims payment

Claims on general insurance contracts are payable on a claim occurrence basis. The Company is liable for all insured events that occur during the term of the insurance contract including the event reported after the expiry of the insurance contract.

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on the amount notified by policy holders, management's judgment or preliminary assessment by an independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of these claims. The estimation of provision of claims incurred but not reported (IBNR) is based on the recommendation of the actuary.

There are several variable factors which affect the amount and timing of recognised claim liabilities. The Company takes all reasonable measures to identify and account for the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from the initially recognised amount. Similarly, provision for claims incurred but not reported is based on a "Chain Ladder Method" as describe in note 4.2.3.1. Hence, actual amount of claims incurred but not reported may differ from the amount estimated.

### 35.2.3 Sensitivity analysis

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company makes various assumptions and uses techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The Company considers that the liability for insurance claims recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome.



As the Company mostly enters into short-term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below and show effects on profit before tax net of reinsurance. These effects have been worked out on the assumption that increase / decrease in net claims expense pertains to individual segment in isolation.

	Pre tax profit		Shareholders' equity	
	2017	2016	2017	2016
<b>10% increase in net claims (i.e. loss)</b>	-----Rupees-----			
Fire and property damage	(6,433,316)	(770,751)	(4,503,321)	(531,818)
Marine, aviation and transport	(435,647)	(224,633)	(304,953)	(154,997)
Motor	(782,133)	(926,702)	(547,493)	(639,424)
Accident and health	(697,161)	(772,126)	(488,013)	(532,767)
Credit and suretyship	-	-	-	-
Miscellaneous	(586,178)	(2,077,669)	(410,325)	(1,433,592)
	<u>(8,934,435)</u>	<u>(4,771,881)</u>	<u>(6,254,105)</u>	<u>(3,292,598)</u>

	Pre tax profit		Shareholders' equity	
	2017	2016	2017	2016
<b>10% decrease in net claims (i.e. profit)</b>	-----Rupees-----			
Fire and property damage	6,433,316	770,751	4,503,321	531,818
Marine, aviation and transport	435,647	224,633	304,953	154,997
Motor	782,133	926,702	547,493	639,424
Accident and health	697,161	772,126	488,013	532,767
Credit and suretyship	-	-	-	-
Miscellaneous	586,178	2,077,669	410,325	1,433,592
	<u>8,934,435</u>	<u>4,771,881</u>	<u>6,254,105</u>	<u>3,292,598</u>

### 35.2.4 Claims development tables

The development of all claims against insurance contracts written is not disclosed as uncertainty about the amount and timing of claim settlement is usually resolved within one year. However, all material claims for which there is still uncertainty about the amount and timing of claim's payment are presented below in gross amount. The table below illustrate, how the estimates of these material claims for each accident year has changed at successive year-ends.

#### Analysis of claims on a gross basis

Accident year	2012 & prior	2013	2014	2015	2016	2017	Total
-----Rupees-----							
Estimate of ultimate claims cost:							
At end of accident year	285,125,677	105,379,622	101,866,074	78,189,400	171,160,863	336,709,438	1,078,431,074
One year later	302,203,637	115,093,951	131,810,963	74,834,143	188,326,799	-	812,269,493
Two years later	240,956,536	115,833,564	136,323,770	73,596,851	-	-	566,710,721
Three years later	238,687,502	117,293,388	136,789,262	-	-	-	492,770,152
Four years later	227,204,246	115,249,908	-	-	-	-	342,454,154
Five years later	234,993,597	-	-	-	-	-	234,993,597
Estimate of cumulative claims	234,993,597	115,249,908	136,789,262	73,596,851	188,326,799	336,709,438	1,085,665,855
Cumulative payments to date	(196,898,979)	(110,745,198)	(127,568,167)	(69,620,673)	(124,133,416)	(25,709,348)	(654,675,781)
Liability recognised in the balance sheet	<u>38,094,618</u>	<u>4,504,710</u>	<u>9,221,095</u>	<u>3,976,178</u>	<u>64,193,383</u>	<u>311,000,090</u>	<u>430,990,074</u>



### 35.2.5 Reinsurance arrangements

Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional reinsurance arrangements are in place to protect the net account in case of a major catastrophe. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above the said limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the Company.

In compliance of the regulatory requirement, the reinsurance agreements are duly submitted to the Securities and Exchange Commission of Pakistan on an annual basis.

The Company's class wise risk exposure (based on maximum loss coverage in a single policy) is as follows:

	2017		
	Maximum sum insured	Reinsurance cover	Highest net liability
-----Rupees-----			
Fire and property damage	2,788,146,461	2,783,146,461	5,000,000
Marine, aviation and transport	98,081,500	93,081,500	5,000,000
Motor	16,500,000	15,800,000	700,000
Accident and health	10,000,000	-	10,000,000
Credit and suretyship	57,158,117	53,158,117	4,000,000
Miscellaneous	20,000,000	18,775,000	1,225,000
	<u>2,989,886,078</u>	<u>2,963,961,078</u>	<u>25,925,000</u>

	2016		
	Maximum sum insured	Reinsurance cover	Highest net liability
-----Rupees-----			
Fire and property damage	3,354,655,950	3,060,655,950	294,000,000
Marine, aviation and transport	164,053,478	159,053,478	5,000,000
Motor	9,000,000	8,300,000	700,000
Accident and health	20,000,000	-	20,000,000
Credit and suretyship	57,158,117	53,158,117	4,000,000
Miscellaneous	1,060,000,000	989,000,000	71,000,000
	<u>4,664,867,545</u>	<u>4,270,167,545</u>	<u>394,700,000</u>



### 35.2.6 Geographical concentration of insurance risk

To optimise benefits from the principle of averages and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risks with reference to the geographical location. Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the location, occupation and coverage of the insured.

The ability to manage catastrophic risk is tied to managing the density of risk within a particular area. It provides a way to better visualise the risk exposures so the Company determines the appropriate amount of reinsurance coverage to protect the business portfolio.

## 36 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair values estimates.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:





		2017									
		Held-for-trading	Available-for sale	Held-to-maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets not measured at fair value</b>											
Cash and bank deposits*											
-	-	-	-	-	133,047,960	-	133,047,960	-	-	-	-
Investments											
-	-	-	-	557,836,005	-	-	557,836,005	-	557,778,188	-	557,778,188
-	-	-	-	-	-	-	-	-	-	-	-
-	-	100,120,527	-	-	-	-	100,120,527	221,176,934	-	-	221,176,934
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	32,998,950	-	32,998,950	-	-	-	-
-	-	-	-	-	41,852,149	-	41,852,149	-	-	-	-
-	-	-	-	-	6,775,099	-	6,775,099	-	-	-	-
-	-	-	-	-	325,792,200	-	325,792,200	-	-	-	-
-	-	-	-	-	4,142,181	-	4,142,181	-	-	-	-
<b>Financial liabilities not measured at fair value</b>											
Provision for outstanding claims (including IBNR)*											
-	-	-	-	-	-	(430,990,074)	(430,990,074)	-	-	-	-
-	-	-	-	-	-	(80,394,400)	(80,394,400)	-	-	-	-
-	-	-	-	-	-	(33,288,579)	(33,288,579)	-	-	-	-
-	-	-	-	-	-	(25,777,031)	(25,777,031)	-	-	-	-
-	-	-	-	-	-	(3,011,260)	(3,011,260)	-	-	-	-
-	-	100,120,527	557,836,005	544,608,539	(573,461,344)	629,103,727					



	2016						
	Held-for-trading	Available-for sale	Held-to-maturity	Loans and receivables	Other financial liabilities	Total	Total
<b>Financial assets not measured at fair value</b>							
Cash and bank deposits*	-	-	-	97,320,693	-	97,320,693	-
Investments							
- Government securities	-	-	501,396,084	-	-	501,396,084	-
- Term finance certificates	-	-	20,916,736	-	-	20,916,736	-
- Quoted equity securities	-	113,456,562	-	-	-	113,456,562	231,566,455
- Unquoted equity shares	-	619,002	-	-	-	619,002	619,002
Premiums due but unpaid*	-	-	-	61,178,663	-	61,178,663	-
Amounts due from other insurers / reinsurers*	-	-	-	33,966,669	-	33,966,669	-
Accrued investment income*	-	-	-	19,984,830	-	19,984,830	-
Reinsurance recoveries against outstanding claims*	-	-	-	137,403,653	-	137,403,653	-
Sundry receivables*	-	-	-	3,790,888	-	3,790,888	-
<b>Financial liabilities not measured at fair value</b>							
Provision for outstanding claims (including IBNR)*	-	-	-	-	(198,988,834)	(198,988,834)	-
Amounts due to other insurers / reinsurers*	-	-	-	-	(103,075,459)	(103,075,459)	-
Accrued expenses*	-	-	-	-	(34,608,813)	(34,608,813)	-
Other creditors and accruals*	-	-	-	-	(24,136,697)	(24,136,697)	-
Unclaimed dividend*	-	-	-	-	(3,011,260)	(3,011,260)	-
	-	114,075,564	522,312,820	353,645,396	(363,821,063)	626,212,717	



### 37 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company currently meets the minimum paid-up capital requirement i.e. Rs. 500 million as required by the Securities and Exchange Commission of Pakistan.

### 38 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation. No significant rearrangement or reclassification has been made in these financial statements during the current year.

### 39 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

There were no events subsequent to the reporting date that require adjustments or disclosures in these financial statements.

### 40 NUMBER OF EMPLOYEES

	2017	2016
	(Number)	
As at 31 December	<u>61</u>	<u>63</u>

### 41 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 9th May, 2018 by the Board of Directors of the Company.

### 42 GENERAL

All figures have been rounded off to the nearest Rupee, unless otherwise stated.

  
Chief Executive

  
Chairman

  
Director

  
Director



alpha

**Insurance Company Limited.**

A subsidiary of State Life Insurance Corporation of Pakistan

## Pattern of Shareholding

As at December 31, 2017

Number of Shareholders	Shareholdings		Total Shares Held	
	From	To		
3	1	to	100	193
3	101	to	500	888
15	501	to	1,000	12,284
17	1,001	to	5,000	48,037
20	5,001	to	10,000	132,923
22	10,001	to	25,000	299,255
5	25,001	to	50,000	147,746
7	50,001	to	75,000	431,325
3	75,001	to	100,000	234,036
1	100,001	to	150,000	101,615
4	150,001	to	205,000	809,600
1	205,001	to	300,000	207,255
1	300,001	to	47,574,843	47,574,843
102				50,000,000

Number of Shareholders	Category of Shareholders	Total Shares Held	Percentage %
1		47,574,843	95.15%
1		12,631	0.03%
100		2,412,526	4.83%
102		50,000,000	100.00%



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alpha

Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

# PROXY FORM

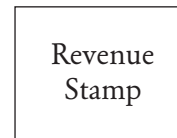
Annual General Meeting

I/We.....of.....being a member of Alpha Insurance Company Limited hereby appoint Mr..... of ..... of failing him Mr..... of.....as my/our Proxy to vote for me/us and on my/our behalf at the 66th Annual General Meeting of the Company to be held on 31st day of May, 2018 at 04:00 p.m. at Company's Head Office, 4th Floor, Building No. 1-B, State Life Square, I.I. Chundrigar Road, Karachi and at any adjournment thereof.

Signed this.....day of..... 2018

1. Witness:

Signature.....
Name .....
Address .....
.....
CNIC .....



2.

Signature.....
Name .....
Address .....
.....
CNIC .....

Signature.....
Holder of.....Ordinary Shares
Share Register Folio No.....

Note:

- 1. A Proxy must be member of the Company.
2. Proxies must be received at the Registered office of the Company not less than 48 hours before the time appointed for the Meeting.

The signature of the instrument of proxy must confirm to the specimen signature recorded with the Company.







4th Floor, Building 1-B, State Life Square, I.I. Chundrigar Road, Karachi - Pakistan.  
Web: [www.alphainsurance.com.pk](http://www.alphainsurance.com.pk)