



69th ANNUAL REPORT

2020

IN SAFE HANDS, ALWAYS





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Company Information

Board of Directors

Ms. Nargis Ghaloo
Chairperson

Mr. Muhammad Izqar Khan
Director

Mr. Muhammad Yayha
Director

Mr. Muhammad Rashid
Director

Mr. Faisal Mumtaz
Director

Mr. Muhammad Sohaib Usmani
Director

Mr. Mushtaq Ahmad
Director

Chief Executive Officer

Mr. Nadeem Bessey

Chief Financial Officer

Mr. Faraz Ahmed

Company Secretary

Mr. Faraz Ahmed

BOARD COMMITTEES

Audit Committee

Mr. Muhammad Yayha
Chairman

Mr Muhammad Izqar Khan
Member

Mr. Muhammad Rashid
Member

Mr. Muhammad Sohaib Usmani
Member

Mr. Muhammad Shahbaz Khan
Secretary

Ethics, Human Resource, Remuneration, Nomination And Procurement Committee

Ms. Nargis Ghaloo
Chairperson

Mr. Muhammad Yayha
Member

Mr. Faisal Mumtaz
Member

Mr. Muhammad Rashid
Member

Mr. Muhammad Izqar Khan
Member

Mr. Umair Sattar Abro
Secretary

Investment Committee

Mr. Faisal Mumtaz
Chairman

Mr. Mushtaq Ahmad
Member

Mr. Muhammad Sohaib Usmani
Member

Mr. Nadeem Bessey
Member

Mr. Faraz Ahmed
Member & Secretary

MANAGEMENT COMMITTEES

Underwriting, Re-insurance And Co-insurance Committee

Mr Muhammad Izqar Khan
Chairman

Mr. Faisal Mumtaz
Member

Mr. Mushtaq Ahmad
Member

Mr. Nadeem Bessey
Member

Mr. Faraz Ahmed
Member

Dr. Syed Arif Hussain
Member

Mr. Khwaja Baliguddin
Secretary

Claims Settlement Committee

Mr. Muhammad Rashid
Chairman

Mr. Muhammad Yayha
Member

Mr. Muhammad Sohaib Usmani
Member

Mr. Nadeem Bessey
Member

Mr. Sabir Ali
Secretary

Risk Management, Compliance And It Steering Committee

Mr. Faisal Mumtaz
Chairman

Mr Muhammad Izqar Khan
Member

Mr. Muhammad Sohaib Usmani
Member

Mr. Mushtaq Ahmad
Member

Mr. Nadeem Bessey
Member

Mr. Faraz Ahmed
Member

Mr. Khwaja Baliguddin
Member

Dr. Syed Arif Hussain
Member & Secretary



Company Information

Management

Mr. Nadeem Bessey
Chief Executive Officer

Mr. Faraz Ahmed
Chief Financial Officer
& Company Secretary

Dr. Syed Arif Hussain
General Manager / Head Of
Marketing & Compliance

Mr. Khwaja Balighuddin
Head of Underwriting &
Re-insurance

Mr. Sabir Ali
Head of Claim & Law

Mr. Muhammad Shahbaz Khan
Head of Internal Audit

Mr. Umair Sattar Abro
Head of HR & Administration

Auditors

M/S Grant Thornton Anjum Rahman
Chartered Accountants

Legal Advisor

Mr. Sajid Bashir
Advocate

Tax Consultants

M/S EY Ford Rhodes
Chartered Accountants

Marketing

Mr. Muhammad Reyaz Ahmed
GM / Branch Head
Main Branch
Karachi

Mr. Azmat Ullah Shaikh
AGM/ Branch Head
Central Branch
Karachi

Mr. Muhammad Abbass
DGM/Branch Head
Karachi South Division Branch
Karachi

Mr. Muhammad Iqbal Gill
GM - Marketing
Hyderabad Branch
Hyderabad

Mr. Rohail Butt
Branch Head
Multan Branch
Multan

Mr. Najm Ul Hassan
GM - Marketing
Lahore Branch
Lahore

Mr Abdul Sattar Javed
GM - Marketing
Faisalabad Branch
Faisalabad

Mr. S. A. Raza
GM - Marketing
Islamabad Branch.
Islamabad

Mr. Khalid Mansoor
GM - Marketing
Rawalpindi Branch
Rawalpindi

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

Best Meridian International Insurance Co.
Pakistan Re-insurance Company Limited
Labuan Re
Saudi 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
Web: www.alphainsurance.com.pk



Key Financial Data - Six Years

(Figures in '000)

	2020	2019	2018	2017	2016	2015
Paid Up Capital	500,000	500,000	500,000	500,000	403,600	403,600
Retained Earning	102,581	99,783	96,712	146,048	206,123	221,534
Capital & Revenue Reserves	97,537	105,743	108,890	95,005	10,175	10,175
Total Equity	700,118	705,526	705,602	741,053	619,898	635,309
Underwriting Reserves	258,719	276,064	373,769	502,737	296,647	155,340
Total Reserves	458,837	481,590	579,371	743,790	512,945	387,049
Total Liabilities	382,809	406,449	510,467	670,093	485,636	339,167
Total Assets	1,082,927	1,111,974	1,216,069	1,411,146	1,105,534	974,476
Investments, Cash & Bank Balances	801,037	796,174	839,432	912,061	733,709	687,781
Gross Premium	97,043	114,854	83,474	106,277	151,448	179,989
Retained Premium (Net Premium)	70,318	60,197	47,419	79,917	79,946	63,215
Net Claims (Loss)	44,550	2,696	46,024	89,344	47,719	14,991
Management & Other Expenses	92,869	95,974	95,401	96,130	102,051	80,600
Underwriting Profit / (Loss)	(57,895)	(56,046)	(97,527)	(123,106)	(73,177)	(12,280)
Investments and Miscellaneous Income	66,690	68,113	48,139	55,370	80,891	80,481
Finance Cost (IFRS 16)	2,159	2,631	-	-	-	-
Profit / (Loss) Before Tax	2,971	5,743	(53,466)	(67,735)	(19,057)	41,128
Profit / (Loss) After Tax	1,835	3,596	(49,628)	(59,986)	(15,475)	31,664

Important Ratios

Gross premium to total equity - %	14%	16%	12%	14%	24%	28%
Net premium to total equity - %	10%	9%	7%	11%	13%	10%
Net Loss to net premium - %	63.36%	4.48%	97.06%	111.80%	59.69%	23.71%
Expense to net premium - %	132.07%	159.43%	201.19%	120.29%	127.65%	127.50%
Combined ratio - (net loss + expense ratio) to net premium - %	195.43%	163.91%	298.24%	232.08%	187.34%	151.22%
Underwriting Loss to net premium - %	82.33%	93.10%	205.67%	154.04%	91.53%	19.43%
Return on Equity - (before tax) (Rs.)	0.004	0.008	(0.076)	(0.091)	(0.031)	0.065
Return on Equity - (after tax) (Rs.)	0.003	0.005	(0.070)	(0.081)	(0.025)	0.050
Return on Total Assets - (before tax) (Rs.)	0.003	0.005	(0.044)	(0.048)	(0.017)	0.042
Return on Total Assets - (after tax) (Rs.)	0.002	0.003	(0.041)	(0.043)	(0.014)	0.032
Breakup value per share (Book Value) Rs.	14.00	14.11	14.11	14.82	15.36	15.74



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, 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.



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 69th Annual General Meeting of Alpha Insurance Company Limited will be held on Thursday, April 29, 2021 at 11:00 a.m at registered office of the Company situated at 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 Extra Ordinary General Meeting held on Tuesday, September 29, 2020.
2. To receive, consider and adopt Audited Financial Statements of the Company for the year ended December 31, 2020 together with the Auditors' and Directors' Report thereon.
3. To appoint the auditors of the Company for the year ending December 31, 2021 and fix their remuneration.
4. Any other matter with the permission of the Chairperson.

By Orders of the Board

Faraz Ahmed
Company Secretary

Karachi: April 07, 2021

Notes:

1. The share transfer Books of the Company will remain closed from April 19, 2021 to April 29, 2021 (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 registered Office of the Company situated at 4th Floor, Building No. 1-B, State Life Square, I. I. Chundrigar Road, Karachi not later than 48 hours before the time of 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.



Report of the Directors to Shareholders

For the year ended December 31st, 2020

Company Performance

Directors of your Company are presenting 69th Annual Report together with Audited Financial Statements and Auditors' Report thereon for the year ended December 31st, 2020.

Following are key financial results for the period under review:

Table-1

	Rupees in '000'			
	2020		2019	
	Rupees	%	Rupees	%
Gross premium	97,043	100%	114,854	100%
Net Premium Revenue	70,318	72%	60,197	52%
Insurance claims and acquisition costs	(39,010)	-40%	(23,962)	-21%
Management Expenses	(89,203)	-92%	(92,280)	-80%
Underwriting results (Loss)	(57,895)	-60%	(56,046)	-49%
Profit/(Loss) before tax	2,971	3%	5,743	5%
Taxation (Charge)/Gain	(1,136)	-1%	(2,146)	-2%
Profit/(Loss) after tax	1,835	2%	3,596	3%
Other comprehensive income/(loss)	964		(526)	
Profit available for appropriation	102,581		99,783	

Table-2

	Rupees in '000'			
	2020	2019	Change - favorable / (unfavorable) Rupees	Change - favorable / (unfavorable) %
	Rupees			
Gross premium	97,043	114,854	(17,811)	-16%
Net Premium Revenue	70,318	60,197	10,121	17%
Insurance claims and acquisition costs	(39,010)	(23,962)	(15,048)	63%
Management Expenses	(89,203)	(92,280)	3,077	-3%
Underwriting results (Loss)	(57,895)	(56,046)	(1,849)	-3%
Profit/(Loss) before tax	2,971	5,743	(2,772)	-48%
Taxation (Charge)/Gain	(1,136)	(2,146)	1,010	47%
Profit/(Loss) after tax	1,835	3,596	(1,761)	-49%
Other comprehensive income/(loss)	964	(526)	1,490	283%
Profit available for appropriation	102,581	99,783	2,792	3%



Due to the COVID 19 pandemic, businesses worldwide are struggling. Pakistan has been hit hard; major manufacturing units have grinded to a halt. As customers looking to conserve cash have reduced or in many cases not renewed their insurance coverages, the general insurance industry has struggled in 2020.

As it can be seen in above presented tables that gross premium has decreased by 16 percent while the net premium has increased by 17 percent. The main reason of decrease in Gross premium was due to the pandemic situation of COVID 19 which affected overall insurance industry. From the year 2019, the company has moved from downward trend to upward and it has also maintained its position in the current pandemic situation. The increase in Net premium is due to lesser reinsurance cost and decrease in Unearned Premium Reserve (UPR).

Underwriting loss has gone up by 3 percent due to increase in claims & acquisition cost which increased by 63 percent. Even though claim & acquisition cost has increased but this is within general operating conditions and within accepted controls. No major claim hit the company in 2020. It indicates that quality underwriting has been made. Though, the company had been suffering losses from 2016 to 2018, but, from 2019 the company has turned around and growth can be seen. As a result the company has earned profit in last year i.e. 2019 and in current year i.e. 2020. The above achievement is made as a result of the management and the Board of Directors efforts to rehabilitate the company.

As the global economy may start recovering before the end of 2021, Alpha insurance is preparing for this opportunity through increased contact with the insurance broker community, other insurance companies, banks and other such producer channels.

Credit Rating

JCR-VIS is performing their procedures to assign the rating for the year 2021. However the rating for the year 2020 and before was "A" and the management is confident to retain the same for the year 2021.

Reinsurance

Reinsurance arrangements for the year 2021 have already been finalized in the last quarter of 2020 and your company has obtained the same treaties as per the last year which is best reinsurance treaties for your company. Further, underwriting capacity of your company also remains same as per the last year limit which is Rs.500 million for Fire, Marine and Engineering classes.

Contingencies and Commitments

The Board has sufficient reasons to believe that the ultimate outcome of contingencies mentioned in note # 20 to the Financial Statements will be in Company's favour.

Minimum Paid-up Capital

Your company has increased its paid-up capital to Rs. 500 million in 2017 and presently is compliant with the minimum paid-up capital requirements.

Dividend and Appropriations

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

Earnings Per Share

Earnings per share for the year 2020 has decreased by Rs. (0.03) to Rs. 0.04 from Rs. 0.07 in 2019.

Auditors

On completion of tenure of M/s. Grant Thornton Anjum Rahman, being eligible, to offer themselves for reappointment as Auditors of the Company. On recommendation of Audit Committee the Board proposes to appoint them for the year 2021.



Statement of Directors Responsibility

- 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 Act, 2017, provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, and SEC (Insurance) Rules, 2017. 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 seven (6) meetings of the Board of the Directors were held, attendance details are as follows:

Name of Directors	Eligible for No. of Meetings	Attended
Nargis Ghaloo	6	6
Muhammad Izqar Khan	6	6
Mushtaq Ahmed Shah	4	-
Muhammad Rashid	6	6
Mushtaq Ahmad	6	6
Farrukh Ahmad Hamidi	4	4
Athar Hussain Khokhar	4	3
Muhammad Yahya	2	2
Faisal Mumtaz	2	2
Muhammad Sohaib Usmani	2	2

During the year, the Board welcomed Mr. Muhammad Yahya, Mr. Faisal Mumtaz and Mr. Muhammad Sohaib Usmani as newly appointed Directors of the company. The Directors wish to place on record their appreciation of valuable contributions made by the outgoing Directors Mr. Mushtaq Ahmed Shah, Mr. Farrukh Ahmad Hamidi and Mr. Athar Hussain Khokhar.

Board Committees' Meetings

Following are the details of Board Committees' meetings held during the year:

	No. of Meetings held
Ethics, HR, Remuneration, Nomination and Procurement Committee	2
Investment Committee	4
Audit Committee	4



Management Committees' Meetings

Following are the details of Management Committees' meetings held during the year:

	No. of Meetings held
Underwriting, Reinsurance and Coinsurance Committee	4
Claims Settlement	4
Risk Management, Compliance and IT Steering Committee	4

Pattern of Shareholding

Pattern of shareholding is enclosed in this annual report.

Six Years Key Data

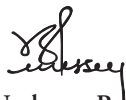
Six years key data is enclosed in this annual report.

Acknowledgement

Directors like to thank our valued clients for placing their confidence in the Company for protection of their risk and also acknowledge our shareholders specially State Life Insurance Corporation of Pakistan for their confidence on the Company, 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


Nadeem Bessey
Chief Executive Officer


Mushtaq Ahmad
Director

Karachi: April 06, 2021

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

برائے سال ختمہ 31 دسمبر 2020

کمپنی کی کارکردگی

آپ کی کمپنی کے ڈائریکٹرز برائے سال ختمہ 31 دسمبر 2020 کے آڈٹ شدہ مالی گوشواروں اور اس پر آڈیٹرز کی رپورٹ کے ساتھ 69 ویں سالانہ رپورٹ پیش کر رہے ہیں۔

درج ذیل اہم مالی نتائج برائے سال 2019 ہیں:-

جدول 1 (روپے ہزار میں)

2019		2020		
%	روپے	%	روپے	
100%	114,854	100%	97,043	مجموعی پرییم
52%	60,197	72%	70,318	نیٹ پرییم ریونیو
-21%	(23,962)	-40%	(39,010)	انشورنس کلیمز اور حصول کی لاگت
-80%	(92,280)	-92%	(89,203)	انتظامی اخراجات
-49%	(56,046)	-60%	(57,895)	انڈر رائٹنگ نتائج (نقصان)
5%	5,743	3%	2,971	منافع/ (نقصان) قبل از ٹیکس
-2%	(2,146)	-1%	(1,136)	ٹیکس (چارج)/ منافع
3%	3,596	2%	1,835	منافع/ (نقصان) بعد از ٹیکس
	(526)		964	دیگر جامع آمدنی/ (نقصان)
	99,783		102,581	دستیاب منافع برائے تصرف

جدول 2 (روپے ہزار میں)

تبدیلی موافق/ (ناموافق)		تبدیلی موافق/ (ناموافق)		2019	2020	
%	روپے	%	روپے	روپے		
-16%	(17,811)			114,854	97,043	مجموعی پرییم
17%	10,121			60,197	70,318	نیٹ پرییم ریونیو
63%	(15,048)			(23,962)	(39,010)	انشورنس کلیمز اور حصول کی لاگت
-3%	3,077			(92,280)	(89,203)	انتظامی اخراجات
-3%	(1,849)			(56,046)	(57,895)	انڈر رائٹنگ نتائج (نقصان)
-48%	(2,772)			5,743	2,971	منافع/ (نقصان) قبل از ٹیکس
47%	1,010			(2,146)	(1,136)	ٹیکس (چارج)/ منافع

-49%	(1,761)	3,596	1,835	منافع/(نقصان) بعد از ٹیکس
283%	1,490	(526)	964	دیگر جامع آمدنی/(نقصان)
3%	2,792	99,783	102,581	دستیاب منافع برائے تصرف

کووڈ-19 وبائی مرض کے باعث، دنیا بھر میں کاروبار کو مشکلات کا سامنا ہے۔ پاکستان پر بھی اس نے انتہائی منفی اثرات مرتب کیے ہیں، بڑے مینوفیکچرنگ پونٹ بند ہونے پر مجبور ہیں۔ چونکہ صارفین نقدی بچانے کی کوشش میں ہیں، کئی افراد نے اپنی انشورنس کو رجحان کی تجدید نہیں کرائی، جس کے باعث 2020 میں جنرل انشورنس کی صنعت کو مشکلات کا سامنا رہا ہے۔

جیسا کہ درج بالا جدول سے دیکھا جاسکتا ہے، مجموعی پریمیم میں 16 فیصد کمی ہوئی، جب کہ خالص پریمیم میں 17 فیصد اضافہ ہوا ہے۔ مجموعی پریمیم میں کمی کی وجہ کووڈ-19 وبائی صورت حال تھی، جس نے مجموعی طور پر ساری انشورنس صنعت پر منفی اثرات مرتب کیے ہیں۔ سال 2019 سے، تیزی کے رجحان سے ترقی کے رجحان پر گامزن ہوئی ہے اور اس نے حالیہ وبائی دورانیہ میں اپنے مقام کو برقرار رکھا ہے۔ خالص پریمیم میں اضافے کی وجہ سے انشورنس کی لاگت اور ان آرٹڈ پریمیم ریزرو (Unearned Premium Reserved-UPR) میں کمی ہے۔

کلیم اور ایکویزیٹن لاگت میں اضافہ کی وجہ سے انڈر رائٹنگ نقصان میں 3 فیصد اضافہ ہوا ہے جس میں 63 فیصد اضافہ ہوا ہے۔ ہر چند کہ کلیم اور ایکویزیٹن لاگت بڑھ گئی ہے لیکن یہ اضافہ عمومی آپریٹنگ حالات اور قابل قبول حدود کے مطابق ہے۔ 2020 کے دوران کمپنی کو کسی غیر معمولی کلیم کا سامنا نہیں کرنا پڑا۔ اس سے اندازہ ہوتا ہے کہ معیاری انڈر رائٹنگ کی گئی ہے۔ حالانکہ کمپنی کو 2016 سے 2018 کے درمیان نقصانات کا سامنا رہا لیکن 2019 سے کمپنی نے پانسہ پلٹا ہے اور نمو کے راستے پر آگئی ہے۔ اس کے نتیجے میں کمپنی نے گزشتہ سال یعنی 2019 اور رواں سال یعنی 2020 کے دوران منافع کمایا ہے۔ یہ کامیابی مینجمنٹ اور بورڈ آف ڈائریکٹرز کی کمپنی کو بحال کرنے کی کوششوں کے نتیجے میں ملی ہے۔

جیسا کہ 2021 میں عالمی معیشت دوبارہ بحالی کے راستے پر آسکتی ہے، الفا انشورنس، انشورنس بروکر کمیونٹی، دیگر انشورنس کمپنیوں، بینکوں اور ایسے دیگر پروڈیوسرز جینلز کے ساتھ روابط میں اضافہ کر کے تیار کر رہی ہے۔

کریڈٹ ریٹنگ

JCR-VIS سال 2021 کی ریٹنگ کیلئے کام کر رہی ہے۔ تاہم 2020 اور اس سے قبل ہماری ریٹنگ "A" تھی اور انتظامیہ کو قومی امید ہے کہ سال 2021 میں بھی یہی ریٹنگ برقرار رہے گی۔

ری انشورنس

سال 2021 کیلئے ری انشورنس کے انتظامات کو سال 2020 کی آخری سہ ماہی میں پہلے ہی حتمی شکل دے دی گئی ہے اور آپ کی کمپنی نے گزشتہ سال کے مطابق ہی معاہدے حاصل کیے ہیں، جو کہ آپ کی کمپنی کے لیے بہترین ری انشورنس معاہدے ہیں۔ مزید برآں، آپ کی کمپنی کی انڈر رائٹنگ کی حد بھی گزشتہ سال کے مطابق ہے، جو کہ فائر، میرین اور انجینئرنگ کلاس کیلئے 500 ملین روپے ہے۔

امکانات اور وعدے

بورڈ کے پاس یقین کرنے کی کافی وجوہات ہیں کہ مالیاتی گوشواروں کے نوٹ نمبر 20 میں درج معاملات کا نتیجہ کمپنی کے حق میں ہوگا۔

اداشدہ سرمائے میں اضافہ

سال 2017 میں آپ کی کمپنی پہلے ہی اپنا اداشدہ سرمایہ 500 ملین روپے کر چکی ہے اور فی الحال اداشدہ سرمایہ قانونی تقاضوں کے عین مطابق ہے۔

منافع منقسمہ اور تصرف

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

فی شیئر آمدنی

سال 2020 کیلئے فی شیئر آمدنی بمقابلہ 2019 کے (0.03) روپے سے گر کر 0.04 روپے رہی جو کہ 2019 میں 0.07 روپے تھی۔

آڈیٹرز

اپنا دورانیہ مکمل کرنے کے بعد میسرز گرانٹ تھارٹن انٹرمیڈیٹ، کمپنی کے آڈیٹرز کے طور پر دوبارہ تقرری کیلئے اپنی خدمات پیش کرنے کے اہل ہیں۔ آڈٹ کمیٹی کی سفارش پر، سال 2021 کیلئے بورڈ ان کا تقرر کرنے کی تجویز پیش کرتا ہے۔

ڈائریکٹرز کی ذمہ داری کا اسٹیٹمنٹ

- 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 اسٹینڈرڈ 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 ایکٹ 2017 و مندرجات اور ہدایات جاری شدہ ماتحت کمپنیز ایکٹ 2017، انشورنس آرڈیننس 2000 اور انشورنس رولز 2017 کے تحت ہیں اور اگر کہیں انحراف کرنا پڑا تو وہ معقول طور پر شائع کیا گیا ہے۔
- اندرونی کنٹرول سسٹم کی توسیع کردی گئی ہے اور اس نے سینئر مینجمنٹ کو موثر مانیٹرنگ اور کنٹرول فراہم کیا ہے۔
- گورننگ کنسرن کے طور پر جاری رکھنے کیلئے کمپنی کی صلاحیت پر شک کرنے کی کوئی بنیاد نہیں۔
- اسٹیٹمنٹ آف کمپلائنس و دوڈ آف کارپوریٹ گورننس برائے پبلک سیکیورٹیز اور انشورران مالیاتی گوشواروں کے ساتھ منسلک ہے۔

بورڈ کے اجلاس

سال کے دوران بورڈ آف ڈائریکٹرز کے چھ (6) اجلاس منعقد ہوئے جن کی حاضری کی تفصیلات مندرجہ ذیل ہے:-

حاضر ہوئے	اجلاس کی تعداد کیلئے اہل	
6	6	زگس گھلو
6	6	محمد زکار خان
-	4	مشتاق احمد شاہ
6	6	محمد راشد
6	6	مشتاق احمد
4	4	فرخ احمد حامدی
3	4	اطہر حسین کھوکھر
2	2	محمد بیگی
2	2	فیصل ممتاز
2	2	محمد صہیب عثمانی

زیر جائزہ سال کے دوران کمپنی کے نو منتخب ڈائریکٹرز کے طور پر جناب محمد بیگی، جناب فیصل ممتاز اور جناب محمد صہیب عثمانی کو خوش آمدید کہا۔ ڈائریکٹرز نے جانے والے ڈائریکٹرز جناب مشتاق احمد شاہ، جناب فرخ احمد حامدی اور جناب اطہر حسین کھوکھر کی قابل قدر خدمات پر انہیں ریکارڈ خراج پیش کرتا ہے۔

بورڈ کمیٹیوں کے اجلاس

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

منعقدہ اجلاس کی تعداد

2	انتھکس، ہیومن ریسورس، نو مینیشن اینڈ پروکیورمینٹ کمیٹی
4	انوسٹمنٹ کمیٹی
4	آڈٹ کمیٹی

میجمنٹ کمیٹیوں کے اجلاس

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

منعقدہ اجلاس کی تعداد

4	انڈرائٹنگ، ری انشورنس اینڈ کوانٹورنس کمیٹی
4	کلیم سٹیٹمنٹ
4	رسک میجمنٹ، کمپلائنس اینڈ آئی ٹی اسٹیرنگ کمیٹی

پہن آف شیئر ہولڈنگ

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

چھ سالہ کلیدی ڈیٹا

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

اظہار تشکر

ڈائریکٹرز اپنے معزز پولیسی ہولڈرز کے شکر گزار ہیں کہ انہوں نے ہم پر اعتماد کیا اور ہم اسٹیٹ لائف کے بھی شکر گزار ہیں کہ جس کی غیر متزلزل تائید ہماری بقاء کی ضامن ہے۔ ہم شکر یہ ادا کرنا چاہتے ہیں کہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، انشورنس ایسوسی ایشن آف پاکستان، اسٹیٹ بینک آف پاکستان اور ہمارے تمام ملکی اور غیر ملکی ری انشوررز جنہوں نے ہمیں قابل قدر معاونت، تعاون، رہنمائی اور مشورے دیئے اور ہم پر اعتماد کیا۔

ہم دوران سال ملک بھر میں اپنے مارکیٹنگ اور آفس اسٹاف کی جانب سے فراہم کی جانے والی خدمات کے بھی شکر گزار ہیں۔

برائے اور منجانب بورڈ



مشاق احمد
ڈائریکٹر



ندیم نسی
چیف ایگزیکٹو آفیسر

کراچی ۱۶ اپریل ۲۰۲۱



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 Comapny Limited**

For the year ended: **31 December 2020**

- 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 Insurers, 2016) (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 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 relevent 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 rowspan="2">Independent Directors</td> <td>Nargis Ghaloo</td> <td>September 29, 2020</td> </tr> <tr> <td>Muhammad Yahya</td> <td>September 29, 2020</td> </tr> <tr> <td>Executive Directors</td> <td></td> <td></td> </tr> <tr> <td rowspan="4">Non Executive Directors</td> <td>Muhammad Rashid</td> <td>September 29, 2020</td> </tr> <tr> <td>Muhammad Izqar Khan</td> <td>September 29, 2020</td> </tr> <tr> <td>Mushtaq Ahmad</td> <td>September 29, 2020</td> </tr> <tr> <td>Faisal Mumtaz</td> <td>September 29, 2020</td> </tr> <tr> <td></td> <td>Muhammad Sohaib Usmani</td> <td>September 29, 2020</td> </tr> </tbody> </table>	Category	Names	Date of Appointment	Independent Directors	Nargis Ghaloo	September 29, 2020	Muhammad Yahya	September 29, 2020	Executive Directors			Non Executive Directors	Muhammad Rashid	September 29, 2020	Muhammad Izqar Khan	September 29, 2020	Mushtaq Ahmad	September 29, 2020	Faisal Mumtaz	September 29, 2020		Muhammad Sohaib Usmani	September 29, 2020		
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	Faisal Mumtaz	September 29, 2020																								
	Muhammad Sohaib Usmani	September 29, 2020																								
3.	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)	✓																							
4.	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 Act.	3(7)	✓																							
5.	The chairman of the board is working separately from the chief-executive of the Company.	4(1)	✓																							
6.	The chairman has been elected by the Board of directors except where Chairman of the Board has been appointed by the Government.	4(4)	✓																							
7.	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)	✓																							



S. No.	Provision of the Rules	Rule no.	Y	N
			Tick the relevent box	
8.	(a) The company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place. (b) The Board 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) (c) The Board has set in place adequate systems and controls for the identification and redress of grievances arising from unethical practices.	5(4)	✓ ✓ ✓	
9.	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)	✓	
10.	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)		✓
11.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the Company.	5(5) (b) (vi)		✓
12.	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5) (c) (ii)	✓	
13.	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)	✓	
14.	The Board has developed a vision or mission statement and corporate strategy of the company.	5(6)	✓	
15.	The Board has developed 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(7)	✓	
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.	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	✓	
18.	(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)	✓ ✓ ✓	
19.	The Board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8 (2)		✓
20.	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	✓	
21.	(a) 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.	10	✓	



S. No.	Provision of the Rules	Rule no.	Y	N																		
			Tick the relevent box																			
	(b) The Board has placed the annual financial statements on the company's website.		✓																			
22.	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	✓																			
23.	(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:	12	✓ ✓ ✓																			
	<table border="1"> <thead> <tr> <th>Committee</th> <th>Number of Members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>Four</td> <td>Muhammad Yahya</td> </tr> <tr> <td>Risk Management Committee</td> <td>Eight</td> <td>Faisal Mumtaz</td> </tr> <tr> <td>Human Resources Committee</td> <td>Five</td> <td>Nargis Ghaloo</td> </tr> <tr> <td>Procurement Committee</td> <td>Five</td> <td>Nargis Ghaloo</td> </tr> <tr> <td>Nomination Committee</td> <td>Five</td> <td>Nargis Ghaloo</td> </tr> </tbody> </table>	Committee	Number of Members	Name of Chair	Audit Committee	Four	Muhammad Yahya	Risk Management Committee	Eight	Faisal Mumtaz	Human Resources Committee	Five	Nargis Ghaloo	Procurement Committee	Five	Nargis Ghaloo	Nomination Committee	Five	Nargis Ghaloo			
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Human Resources Committee	Five	Nargis Ghaloo																				
Procurement Committee	Five	Nargis Ghaloo																				
Nomination Committee	Five	Nargis Ghaloo																				
24.	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor with their remuneration and terms and conditions of employment.	13	✓																			
25.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	✓																			
26.	The company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.	16	✓																			
27.	The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.	17	✓																			
28.	The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company.	18	✓																			
29.	(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration. (b) The annual report of the company contains criteria and details of remuneration of each director.	19	✓ ✓																			
30.	The financial statements of the Company were duly endorsed by the chief executive and chief financial officer, before consideration and approval of the audit committee and the Board.	20	✓																			
31.	The Board has formed an audit committee, with defined and written terms of reference, and having the following members:	21 (1) and 21(2)	✓																			



S. No.	Provision of the Rules	Rule no.	Y	N															
			Tick the relevent box																
	<table border="1"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional Background</th> </tr> </thead> <tbody> <tr> <td>Muhammad Yahya</td> <td>Independent / Non-Executive Director</td> <td>B.Sc. (Honors), M.Sc (Geology), MBA</td> </tr> <tr> <td>Muhammad Rashid</td> <td>Non-Executive Director</td> <td>FCMA, Finance & Accounts</td> </tr> <tr> <td>Muhammad Sohaib Usmain</td> <td>Non-Executive Director</td> <td>FCMA, Finance & Accounts</td> </tr> <tr> <td>Muhammad Izqar Khan</td> <td>Non-Executive Director</td> <td>MBA (Major in Marketing), ACMA (CIMA)</td> </tr> </tbody> </table>	Name of Member	Category	Professional Background	Muhammad Yahya	Independent / Non-Executive Director	B.Sc. (Honors), M.Sc (Geology), MBA	Muhammad Rashid	Non-Executive Director	FCMA, Finance & Accounts	Muhammad Sohaib Usmain	Non-Executive Director	FCMA, Finance & Accounts	Muhammad Izqar Khan	Non-Executive Director	MBA (Major in Marketing), ACMA (CIMA)			
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Muhammad Izqar Khan	Non-Executive Director	MBA (Major in Marketing), ACMA (CIMA)																	
	The chief executive and chairman of the Board are not members of the audit committee.		✓																
32.	(a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed. (b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives. (c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.	21(3)	✓ ✓ ✓																
33.	(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee. (b) The Chief Internal Auditor has five years of relevant Audit experience. (c) The internal audit reports have been provided to the external auditors for their review.	22	✓ ✓	✓															
34.	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	✓																
35.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	✓																

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 (CCG Insurers, 2016).

1. The Board has formed the following management committees.

Underwriting, Re-Insurance & Co-Insurance Committee:

Name of the member	Category
Mr. Muhammad Izqar Khan	Chairman (Non-Executive Director)
Mr. Faisal Mumtaz	Member
Mr. Mushtaq Ahmad	Member
Mr. Nadeem Bessey	Member
Mr. Faraz Ahmed	Member
Dr. Syed Arif Hussain	Member
Mr. Khawaja Balighuddin	Secretary



Claims Settlement Committee:

Name of the member	Category
Mr. Muhammad Rashid	Chairman (Non-Executive Director)
Mr. Muhammad Yahya	Member
Mr. Muhammad Sohaib Usmani	Member
Mr. Nadeem Bessey	Member
Mr. Sabir Ali	Secretary

Risk Management, Compliance and IT Steering Committee

Name of the member	Category
Mr. Faisal Mumtaz	Chairman (Non-Executive Director)
Mr. Muhammad Sohaib Usmani	Member
Mr. Muhammad Izqar Khan	Member
Mr. Mushtaq Ahmad	Member
Mr. Nadeem Bessey	Member
Mr. Faraz Ahmed	Member
Mr. Khawaja Balighuddin	Member
Dr. Syed Arif Hussain	Member / Secretary

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

Ethics, Human Resource, Remuneration, Nomination and Procurement Committee:

Name of the member	Category
Ms. Nargis Ghaloo	Chairman (Independent / Non-Executive Director)
Mr. Muhammad Yahya	Member
Mr. Muhammad Rashid	Member
Mr. Faisal Mumtaz	Member
Mr. Muhammad Izqar Khan	Member
Mr. Umair Sattar Abro	Secretary

Investment Committee:

Name of the member	Category
Mr. Faisal Mumtaz	Chairman (Non-Executive Director)
Mr. Mushtaq Ahmad	Member
Mr. Muhammad Sohaib Usmani	Member
Mr. Nadeem Bessey	Member
Mr. Faraz Ahmed	Member / Secretary

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

Audit Committee:

Name of the member	Category
Mr. Muhammad Yahya	Chairman (Independent / Non-Executive Director)
Mr. Muhammad Izqar Khan	Member
Mr. Muhammad Rashid	Member
Mr. Muhammad Sohaib Usmani	Member
Mr. Muhammad Shahbaz	Secretary



2. The meetings of the committees were held at least once every quarter prior to approval of interim and final results of the Company as required by CCG Insurers, 2016. The terms of references of the Committees have been formed and advised to the Committees 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 Chief Executive officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under CCG Insurers, 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).

Name of the Person	Designation
Mr. Nadeem Bessey	Chief Executive Officer
Mr. Faraz Ahmed	Chief Financial Officer
Mr. Faraz Ahmed	Company Secretary
Mr. Faraz Ahmed	Head of IT
Mr. Muhammad Shahbaz Khan	Head of Internal Audit (Acting)
Mr. Khwaja Balighuddin	Head of Re-Insurance
Mr. Khwaja Balighuddin	Head of Underwriting
Mr. Sabir Ali	Head of Claims
Dr. Syed Arif Hussain	Head of Marketing / Compliance Officer
Mr. Umair Sattar Abro	Head of HR

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. Khwaja Balighuddin	-----	GM Operation	The Board abolished the post of GM operation

6. 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.
7. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
8. The Actuary appointed by the Company neither he nor his spouse and minor children hold shares of the insurer.
9. The Board ensured that the appointed actuary complies with the requirement set out for him in CCG Insurers, 2016.
10. The Board ensures that the investment policy of the insurer is drawn up in accordance with the provisions of the CCG Insurers, 2016.
11. The Board ensures that the risk management department/function of the company is in place as per the requirements of the CCG Insurers, 2016.



12. 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 2020 by the said rating agency is "A" with "Negative" outlook.
13. The Board has set up a grievance department/function, which fully complies with the requirements of the CCG Insurers, 2016.
14. We confirm that all other material principles contained in CCG Insurers, 2016 have been complied with except for the following:
 - i. The company has not put in place, in writing, a complete program of compliance down the line under the supervision of a Compliance Officer.

CHIEF EXECUTIVE OFFICER

CHAIRPERSON



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]:

Sr. No.	Rule/Sub-rule no and Clause no.	Reason for non-compliance	Future Course of Action
10.	5(5)(b) (ii)	The "Conflict of Interest policy" was prepared and presented before the Risk Management and Compliance Committee. The committee directed certain changes in it.	The "Conflict of Interest policy" has been recommended by the Risk Management and Compliance Committee to the Board. It will be presented in the next Board meeting for approval.
11.	5(5)(b) (vi)	The "Anti-Corruption policy" was prepared and presented before the Risk Management and Compliance Committee. The committee directed certain changes in it.	The "anti-corruption policy" has been recommended by the Risk Management and Compliance Committee to the Board. It will be presented in the next Board meeting for approval.
19.	8 (2)	The criteria for evaluating the performance of members of Board including the chairperson could not be prepared due to the pandemic situation of Covaid 19.	The management is preparing the criteria to evaluate the performance of members of Board including the chairperson and then it will be presented before the Board for approval.
33.	22(b)	Current CIA is the holder of master degree in Finance. He has a 4 years' experience of working in Finance and Audit department of the company.	The Ad was given for the post of CIA in accordance with the criteria of fit and proper but none of the applicant qualified the criteria of fit and proper.

CHIEF EXECUTIVE OFFICER

CHAIRPERSON

Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 and the Public Sector Companies (Corporate Governance) Rules, 2013

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 Codes') as prepared by the Board of Directors ("the Board") of Alpha Insurance Company Limited ("the Company") for the year ended 31 December 2020.

The responsibility for compliance with the Codes is that of the Board 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 Codes and report if it does not and to highlight any non-compliance with the requirements of the Codes. 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 Codes.

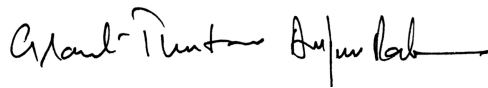
As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers 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 Codes require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board 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 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 Codes as applicable to the Company for the year ended 31 December 2020.

Further, we highlight below instances of non-compliance with the requirements of the Codes as reflected in paragraph references where these are stated in the Statement of Compliance:

Sr. No.	Reference	Rules & Clause No.	Description
1	S.No.10	Rule No. 5(5)(b) (ii)	The Company has formulated Conflict of Interest Policy but the same is pending for the board approval.
2	S.No.11	Rule No. 5(5)(b) (vi)	The Company has formulated Anti - Corruption Policy but the same is pending for the board approval.
3	S.No.19	Rule No. 8(2)	The Board has not carried out performance evaluation of its members, including the Chairman. The Board has not monitored and assessed the performance of senior management on annual/half -yearly/quarterly basis.
4	S.No.33	Rule No. 22(b)	The Chief Internal Auditor does not have five years of relevant audit experience.
5	Paragraph 14(i)	Clause xxix & xxxi	The Company has not formulated a Compliance Program.



Grant Thornton Anjum Rahman
Chartered Accountants

Karachi
Date: April 08, 2021.

Independent Auditor's Report To the Members of Alpha Insurance Company Limited Report on the Audit of Financial Statements

GRANT THORNTON ANJUM RAHMAN

1st & 3rd Floor,
Modern Motors House
Beaumont Road,
Karachi 75530

T +92 021 3567 2951-56
F +92 021 3568 8834
www.gtpak.com

Opinion

We have audited the annexed financial statements of Alpha Insurance Company Limited (the Company), which comprise the statement of financial position as at December 31, 2020, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2020 and of the profit and total comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Boards of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

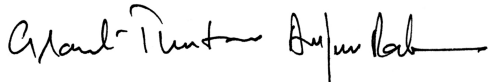
Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit and loss account, the statement of other comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter

The annual financial statements of the Company for the preceding year ended December 31, 2019 were audited by KPMG Taseer Hadi & Co., whose audit report dated April 30, 2020 expressed an unmodified opinion on the aforementioned financial statements.

The engagement partner on the audit resulting in this independent auditor's report is **Muhammad Khalid Aziz**.



Grant Thornton Anjum Rahman
Chartered Accountants

Karachi

Date: April 08, 2021



Alpha

Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

Statement of Financial Position

As at December 31, 2020

	Note	2020	2019
		-----Rupees-----	
Assets			
Property and equipment	5	16,062,921	23,135,280
Intangible assets	6	-	-
Investments			
Equity securities	7	223,053,525	235,081,734
Debt securities	8	531,595,948	419,112,300
Loans and other receivables	9	8,483,776	10,402,986
Insurance / Reinsurance receivables	10	26,126,107	62,547,897
Reinsurance recoveries against outstanding claims		120,357,112	118,466,336
Salvage recoveries accrued		7,882	7,882
Deferred Commission Expense / Acquisition cost	23	7,434,266	10,888,561
Retirement benefit	11	1,180,437	321,638
Deferred taxation	12	9,736,170	5,628,476
Taxation - payment less provisions	13	75,847,643	69,571,058
Prepayments	14	16,653,665	14,830,483
Cash and bank	15	46,387,469	141,979,813
Total Assets		1,082,926,921	1,111,974,444
Equity and Liabilities			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital	16	500,000,000	500,000,000
Reserves	17	97,536,846	105,743,093
Unappropriated profit		102,581,200	99,782,600
Total Equity		700,118,046	705,525,693
Liabilities			
Underwriting provisions			
Outstanding claims including IBNR	22	216,107,224	199,813,911
Unearned premium reserves	21	41,115,050	48,770,068
Premium deficiency reserves		1,262,740	27,251,570
Unearned Reinsurance Commission	23	234,162	228,490
Premium received in advance		5,828,942	4,901,131
Insurance / Reinsurance Payables	18	37,807,462	24,545,475
Other Creditors and Accruals	19	80,453,295	100,938,106
Total Liabilities		382,808,875	406,448,751
Total Equity and Liabilities		1,082,926,921	1,111,974,444
Contingencies and commitments	20		

The annexed notes 1 to 41 form an integral part of these financial statements.


Chief Executive Officer


Chairperson


Director


Director



Profit and Loss Account

for the year ended December 31, 2020

	Note	2020	2019
		----- Rupees -----	
Net insurance premium	21	70,317,985	60,196,761
Net insurance claims	22	(44,550,274)	(2,696,404)
Premium deficiency		25,988,830	(6,652,984)
Net commission and other acquisition costs	23	(20,448,403)	(14,612,642)
Insurance claims and acquisition expense		(39,009,847)	(23,962,030)
Management Expenses	24	(89,202,871)	(92,280,417)
Underwriting results		(57,894,733)	(56,045,686)
Investment income	25	59,882,083	43,277,239
Other income	26	6,808,299	24,835,588
Other expenses	27	(3,666,248)	(3,693,477)
		<u>63,024,134</u>	<u>64,419,350</u>
Results of operating activities		5,129,401	8,373,664
Finance costs	28	(2,158,739)	(2,631,161)
Profit before tax		2,970,662	5,742,503
Income tax expens	29	(1,135,723)	(2,146,454)
Profit after tax		<u>1,834,939</u>	<u>3,596,049</u>
Earnings after tax per share - Basic and Diluted	30	<u>0.04</u>	<u>0.07</u>

The annexed notes 1 to 41 form an integral part of these financial statements.


Chief Executive Officer


Chairperson


Director


Director



Statement of Comprehensive Income

for the year ended December 31, 2020

	2020	2019
	-----Rupees-----	
Profit after tax	1,834,939	3,596,049
Other comprehensive income / (loss)		
<i>Items that will be reclassified to profit and loss subsequently</i>		
Unrealized loss on available-for-sale investments	(11,558,095)	(7,206,169)
Deferred tax on available-for-sale investments	3,351,848	4,059,390
	(8,206,247)	(3,146,779)
<i>Items not to be reclassified to profit and loss subsequently</i>		
Actuarial benefit / (loss) on defined benefit plans	1,357,269	(740,496)
Related deferred tax	(393,608)	214,744
	963,661	(525,752)
Other comprehensive loss	(7,242,586)	(3,672,531)
Total comprehensive loss for the year	(5,407,647)	(76,482)

The annexed notes 1 to 41 form an integral part of these financial statements.


Chief Executive Officer


Chairperson


Director


Director



Cash flow Statement

for the year ended December 31, 2020

	2020	2019
	-----Rupees-----	
Operating Cash flows		
a) Underwriting activities		
Insurance premiums received	97,997,140	114,385,839
Reinsurance premium paid	(1,272,229)	(53,673,684)
Claims paid	(35,419,831)	(103,036,669)
Reinsurance and other recoveries received	5,272,094	74,639,000
Commission paid	(17,204,451)	(22,982,694)
Commission received	434,229	703,389
Management expenses paid	(75,626,437)	(80,834,756)
Net cash flow used in underwriting activities	(25,819,485)	(70,799,575)
b) Other operating activities		
Income tax paid	(8,561,765)	(8,202,167)
Other operating payments	(10,830,536)	(933,491)
Other operating receipts	-	256,854
Loans advanced	(287,493)	(427,877)
Net cash flow used in other operating activities	(19,679,794)	(9,306,681)
Total cash used in all operating activities	<u>(45,499,279)</u>	<u>(80,106,256)</u>
Investment activities		
Profit / return received	58,946,066	57,799,274
Dividend received	7,398,470	8,373,943
Payment for investments	(439,094,844)	(941,014,686)
Proceeds from investments	328,048,803	1,074,494,766
Fixed capital expenditure	(796,340)	(4,637,70)
Proceeds from sale of property and equipment	486,501	1,679,144
Total cash flow (used in) / from investing activities	<u>(45,011,344)</u>	196,694,734
Financing activities		
Dividend paid	-	(9,810)
Lease payments	(5,081,721)	(5,998,090)
Total cash flow used in financing activities	<u>(5,081,721)</u>	(6,007,900)
Net cashflow (used in) / from all activities	<u>(95,592,344)</u>	110,580,578
Cash and cash equivalents at the beginning of the year	<u>141,979,813</u>	31,399,235
Cash and cash equivalents at the end of the year	<u>46,387,469</u>	<u>141,979,813</u>



Cash flow Statement

for the year ended December 31, 2020

	2020	2019
	-----Rupees-----	
Reconciliation to Profit and Loss Account		
Operating cash flows	(45,499,279)	(80,106,256)
Depreciation expense	(5,526,381)	(5,752,888)
Financial charges expense	(2,158,739)	(2,631,161)
Profit on disposal of property and equipment	408,401	1,679,135
Dividend Income	7,398,470	8,345,443
Other investment income	52,483,613	34,931,796
Increase / (decrease) in assets other than cash	(33,152,181)	(80,044,903)
(Increase) / decrease in liabilities other than borrowing	21,481,137	104,018,430
Other Income	6,399,898	23,156,453
Profit after taxation	1,834,939	3,596,049

The annexed notes 1 to 41 form an integral part of these financial statements.


Chief Executive Officer


Chairperson


Director


Director



Statement of Changes in Equity

for the year ended December 31, 2020

	Attributable to equity holders of the Company						
	Share Capital	Capital reserve	Revenue reserve		Subtotal Reserves	Unappropriated profit	
			General reserve	Unrealized Gain on Revaluation of AFS Investment - net			
	Reserve for exceptional losses		(Rupees)			Total	
Balance as at 01 January 2019	500,000,000	3,355,000	6,820,000	98,714,872	108,889,872	96,712,303	705,602,175
Total comprehensive income for the year:							
Profit for the year	-	-	-	-	-	3,596,049	3,596,049
Other comprehensive loss	-	-	-	(3,146,779)	(3,146,779)	(525,752)	(3,672,531)
Balance as at 31 December 2019	500,000,000	3,355,000	6,820,000	95,568,093	105,743,093	99,782,600	705,525,693
Balance as at 01 January 2020	500,000,000	3,355,000	6,820,000	95,568,093	105,743,093	99,782,600	705,525,693
Total comprehensive income for the year:							
Profit for the year	-	-	-	(8,206,247)	(8,206,247)	1,834,939	1,834,939
Other comprehensive (loss) / income	-	-	-	(8,206,247)	(8,206,247)	963,661	(7,242,586)
Balance as at 31 December 2020	500,000,000	3,355,000	6,820,000	87,361,846	97,536,846	102,581,200	700,118,046

The annexed notes 1 to 41 form an integral part of these financial statements.


Chief Executive Officer


Chairperson


Director


Director



Notes to and forming part of the Financial Statements

for the year ended December 31, 2020

1 LEGAL 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 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 and property, marine, motor, health, credit and suretyship and miscellaneous. The Company commenced its commercial operations on 23 January 1952.

The registered office of the Company is situated at 4th Floor, Building # 1-B, State Life Square, I. I. Chundrigar Road, Karachi. The Company has 12 (December 31, 2019: 13) branches in Pakistan. The parent entity of the Company is State Life Insurance Corporation of Pakistan holding 95.15% (December 31, 2019: 95.15%) shares of the Company.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as are notified under Companies Act, 2017; and
- Provision of and directive issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules, 2017 and Insurance Accounting Regulations, 2017.

In case requirements differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017 and the Insurance Accounting Regulations, 2017 shall prevail.

2.1 Basis of measurement

These financial statements have been prepared under the historical cost basis except for the available-for-sale investments that have been measured at fair value, the obligations under employee benefits that have been measured at fair value of plan assets less the present value of defined benefit obligation and right of use assets and corresponding lease liabilities have been measured on their present value.

2.2 Impact of COVID-19 on the financial statements

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally. Measures taken to contain the spread of the virus, including lock-downs, travel bans, quarantines, social distancing, and closures of non-essential services and factories triggered significant disruptions to businesses worldwide and resulting in an economic slowdown.

General economic activities in Pakistan also slowed down during the start of second quarter of the period under review for the same reasons. However, with the gradual opening up of the local Industry, economic activity in the Country is on the uptick, especially from the month of June, 2020 the Company's operations were not affected as it was operated under all necessary Standard operating procedures (SOPs) issued by the Government of Pakistan guidance issued by securities and exchange commission of Pakistan for insurance companies. However, due to this pandemic situation company has faced a impairment loss in its investment of listed equity securities amounting to Rs. 0.47 million and unrealized loss on investment of listed equity securities amounting to Rs. 11.56 million owing to drastic downtrend in the PSX market in this pandemic situation in comparison with the amount of investment as at December 31, 2019. Furthermore, the Company has faced decline in its saving account profit rates from 12% to 5.5% and the Company's claims has been increased by Rs. 41.85 million in comparison of previous year.

However, the Management is of the view that with the day-to-day improvement of the PSX market, increase in demand of its policy holders and with the effective and efficient risk management strategy of the Company. The Company will be able recoup in the future.



2.3 Functional and presentation currency

These financial statements are presented in Pakistani rupees, which is the Company's functional and presentation currency.

2.4 Standards, interpretations and amendments effective in current year

2.4.1 Standards, amendments and interpretations to the published standards that may be relevant to the company and adopted in the current year

The Company has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 3 'Definition of a business' Amendment to IFRS 3	January 1, 2020
IAS 1/IAS 8 'Definition of Material' (Amendments to IAS 1 and IAS 8)	January 1, 2020
IFRS 7, IFRS 9, and IAS 39 - Interest Rate Benchmark Reform	January 1, 2020
Various Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020

Adoption of the above standard have no significant effect on the amounts for the year ended December 31, 2020.

2.4.2 Standards, amendments and interpretations to the published standards that may be relevant but not yet effective and not early adopted by the Company

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 9 - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendments to IFRS 9)	January 1, 2022
IFRS 16 - Covid-19 Related rent concessions (Amendments to IFRS 16)	June 1, 2020
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)	January 1, 2022
IAS 16 - Proceeds before Intended Use (Amendments to IAS 16)	January 1, 2022
IAS 41 - Taxation in Fair Value Measurements (Amendment to IAS 41)	January 1, 2022
Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)	January 1, 2022

The Company is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Company.

2.4.3 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP)

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation	IASB effective date (Annual periods beginning on or after)
IFRS 17 'Insurance Contracts' - amendment to insurance contract	January 1, 2023
IFRS 1 'First-time Adoption of International Financial Reporting Standards'	July 1, 2009



- IFRS 9 'Financial Instruments' is effective for reporting period / year ending on or after 30 June 2019. It 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, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.
- Amendment to IFRS 4 Insurance Contracts' - Applying IFRS 9 'Financial Instruments with IFRS 4 addresses 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 01 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.
- The Company has determined that it is eligible for the temporary exemption option since the Company has not previously applied any version of IFRS 9, its activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the company doesn't engage in significant activities unconnected with insurance based on historical available information. Under the temporary exemption option, the Company can defer the application of IFRS 9 until the application IFRS 17.
- To determine the appropriate classification of financial assets under IFRS 9, an entity would need to assess the contractual cash flows characteristics of any financial asset. Indeed, the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") i.e. cash flows that are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest.
- IFRS 9 defines the terms "principal" as being the fair value of the financial asset at initial recognition, and the "interest" as being compensation for (i) the time value of money, and (ii) the credit risk associated with the principal amount outstanding during a particular period of time.
- The tables below set out the fair values as at the end of reporting period and the amount of change in the fair value during that period for the following two groups of financial assets separately:
 - a) Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis, and
 - b) All other financial assets.

	31 December 2020				
	Fail the SPPI test		Pass the SPPI test		
	Fair value	Change in unrealized gain / (loss) during the year	Carrying value	Cost less Impairment	Change in unrealized gain / (loss) during the year
----- (Rupees) -----					
Financial assets					
Cash and bank*	46,387,469	-	-	-	-
Investments in equity securities					
- available for sale	223,053,525	(11,558,095)	-	-	-
Investments in debt securities -					
- held to maturity	-	-	531,595,948	531,595,948	-
Loans and other receivables*	-	-	7,203,120	7,203,120	-
Total	269,440,994	(11,558,095)	538,799,068	538,799,068	-



	31 December 2020				
	Gross carrying amounts of debt instruments that pass the SPPI test				
	AAA	AA+	AA	A	Unrated
	------(Rupees)-----				
Investments in debt securities - held to maturity	-	-	-	-	531,595,948
Loans and other receivables*	-	-	-	-	7,203,120
Total	-	-	-	-	538,799,068

* The carrying amount of these financial assets measured applying IAS 39 are a reasonable approximation of their fair values.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are set out below:

3.1 Property and Equipment

3.1.1 Operating 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 5 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 operating 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.

3.1.2 Right of use assets

The right-of-use asset is initially measured based on the initial amount of the lease liability, any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line basis over the lease term. The right-of-use assets is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

The profit or loss on disposal or termination of an asset represented by the difference between the remaining lease liability and the carrying amount of the asset is recognized as other operating income or expense. Refer note 3.21 for impairment of non financial asset.



3.2 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.

3.3 Insurance contracts

Insurance contracts are those contracts where the Company has accepted significant insurance risk from the insurance contract holders by agreeing to compensate the insurance contract holder on the occurrence of a specified uncertain future event (the insured event) that adversely affects the insurance contract holder under the terms and conditions of the contract. Insurance contracts issued by the Company are generally classified in four basic categories i.e. fire and property damage, marine, aviation and transport, motor and miscellaneous.

Contracts are issued to multiple types of clients with business in engineering, automobiles, cement, power, textile, paper, agriculture, services and trading sectors etc. and individuals as well. The tenure of these insurance contracts depends upon terms of the policies written and varies accordingly. Nonetheless, once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and liabilities are extinguished or expired.

The classification of an insurance contract / policy into the aforementioned categories is based on management's judgment regarding the incident / cause of loss effecting the majority of asset(s) insured under the insurance contract. The Company performs its segment reporting activities based on the classifications of insurance contracts made, as disclosed in note 33 to these financial statements.

a) Fire and property damage;

i) Insurance risks and events insured

Insurance is provided to the insurance contract holders against damages caused by fire, earthquake, riot and strike, explosion, atmospheric disturbance, flood, electric fluctuation and impact and burglary etc. and loss of profit followed by the incident of fire. These insurance contracts are normally availed by commercial organizations, however are available to both commercial organizations and individuals.

ii) Revenue recognition policy

Premium income is recognized over the period of insurance from the date of the issue of the policy / cover note to which it relates, to its expiry. For direct insurance business, premium is recognized evenly over the period of the policy and for proportional reinsurance business, evenly over the period of underlying insurance policies. Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk. Premiums for policies receivable in installments are recognized as receivable at the inception of the policy and is recognized as income over the period of the policy. The gross premium underwritten is adjusted against the unearned premium reserves / liabilities existing at each reporting date to determine the net premium underwritten during the year.

Since majority of policies are for one year, the Company maintains its provision for unearned premium by applying the 1/24th method as stipulated in regulation 24(4)(ii) of the Insurance Accounting Regulations, 2017, except in rare circumstances where the coverage period materially differs, the same is recognised in accordance with the ratio of unexpired period of policy and the total period.



In addition to direct insurance, at times the Company also participates in risks under coinsurance from other companies and also accepts risks through reinsurance inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the Company. Premium recognized against coinsurance policies is limited to the share of the Company only. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

Premium income includes administrative surcharge that represents documentation and other charges recovered by the Company from insurance contract holder in respect of policies issued, at the rate of 5% of the gross premium written restricted to a maximum of Rs. 2,000 per policy.

iii) Claims recognition

Claim liability against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the insurance contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under IBNR and expected claims settlement costs.

b) Marine, aviation and transport;

i) Insurance risks and events insured

Insurance is provided to the insurance contract holders against loss of or damage to cargo while in transit to and from foreign lands and inland transit due to various insured perils including loss of or damage to carrying vessel etc. This product is normally provided to commercial organizations. These insurance contracts are normally availed by commercial organizations, however are available to both commercial organizations and individuals.

ii) Revenue recognition policy

Premium income is recognized over the period of insurance from the date of the issue of the policy / cover note to which it relates, to its expiry. For direct business, evenly over the period of the policy and for proportional reinsurance business, evenly over the period of underlying insurance policies. Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk. Premiums for policies receivable in installments are recognized as receivable at the inception of the policy and is recognized as income over the period of the policy. The gross premium underwritten is adjusted against the unearned premium reserves / liabilities existing at each reporting date to determine the net premium underwritten during the year.

Since majority of policies are for one month period, premium written relating to last month is taken to the provision for unearned premium at the reporting date.

In addition to direct insurance, at times the Company also participates in risks under coinsurance from other companies and also accepts risks through reinsurance inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the Company. Premium recognized against coinsurance policies is limited to the share of the Company only. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

Premium income includes administrative surcharge that represents documentation and other charges recovered by the Company from insurance contract holder in respect of policies issued, at the rate of 5% of the gross premium written restricted to a maximum of Rs. 2,000 per policy.

iii) Claims recognition

Claim against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the insurance contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under IBNR and expected claims settlement costs.



c) **Motor;**

i) **Insurance risks and events insured**

Insurance is provided to the assets of the insurance contract holders against accidental damage to or loss of insured vehicle including loss of or damage to third party and other comprehensive car coverage. This product is normally provided to individual customers. These insurance contracts are normally availed by commercial organizations, however are available to both commercial organizations and individuals.

ii) **Revenue recognition policy**

Premium income is recognized over the period of insurance from the date of the issue of the policy / cover note to which it relates, to its expiry. For direct business, evenly over the period of the policy and for proportional reinsurance business, evenly over the period of underlying insurance policies. Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk. Premiums for policies receivable in installments are recognized as receivable at the inception of the policy and is recognized as income over the period of the policy. The gross premium underwritten is adjusted against the unearned premium reserves / liabilities existing at each reporting date to determine the net premium underwritten during the year.

Since majority of policies are for one year, the Company maintains its provision for unearned premium by applying the 1/24th method as stipulated in regulation 24(4)(ii) of the Insurance Accounting Regulations, 2017.

In addition to direct insurance, at times the Company also participates in risks under coinsurance from other companies and also accepts risks through reinsurance inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the Company. Premium recognized against coinsurance policies is limited to the share of the Company only. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

Premium income includes administrative surcharge that represents documentation and other charges recovered by the Company from insurance contract holder in respect of policies issued, at the rate of 5% of the gross premium written restricted to a maximum of Rs. 2,000 per policy.

iii) **Claims recognition**

Claim against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the insurance contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under IBNR and expected claims settlement costs.

d) **Miscellaneous.**

i) **Insurance risks and events insured**

Insurance is provided to the assets of insurance contract holders against damage / loss occurring due to burglary, loss of cash in safe, cash in transit and cash on counter, health, travel and crop etc. As per guidance of Insurance Accounting Regulations, 2017 amounts constituting less than 10% of the gross premium revenue are clubbed together under this class of insurance contract. Normally personal insurance contracts e.g. vehicle, travel, personal accident, etc. are provided to individual customers, whereas, insurance contracts of loss of cash in safe, cash in transit and cash on counter and health are provided to commercial organizations.

ii) **Revenue recognition policy**

Premium income is recognized over the period of insurance from the date of the issue of the policy / cover note to which it relates, to its expiry. For direct business, evenly over the period of the policy and for proportional reinsurance business, evenly over the period of underlying insurance policies. Where the pattern of incidence



of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk. Premiums for policies receivable in installments are recognized as receivable at the inception of the policy and is recognized as income over the period of the policy. The gross premium underwritten is adjusted against the unearned premium reserves / liabilities existing at each reporting date to determine the net premium underwritten during the year.

Since majority of policies are for one year, the Company maintains its provision for unearned premium by applying the 1/24th method as stipulated in regulation 24(4)(ii) of the Insurance Accounting Regulations, 2017, except in rare circumstances where the coverage period materially differs, the same is recognised in accordance with the ratio of unexpired period of policy and the total period.

In addition to direct insurance, at times the Company also participates in risks under coinsurance from other companies and also accepts risks through reinsurance inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the Company. Premium recognized against coinsurance policies is limited to the share of the Company only. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

Premium income includes administrative surcharge that represents documentation and other charges recovered by the Company from insurance contract holder in respect of policies issued, at the rate of 5% of the gross premium written restricted to a maximum of Rs. 2,000 per policy.

iii) Claims recognition

Claim against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the insurance contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under IBNR and expected claims settlement costs.

Detailed accounting policies for recording and measurement of reinsurance contracts held, receivables / payables related to insurance contracts and provision for outstanding claims including Incurred But Not Reported (IBNR) are mentioned in note 3.8, 3.9 and 3.17, respectively.

3.4 Commission

3.4.1 Deferred commission expense / Acquisition Cost

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.

3.4.2 Unearned Commission income

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.

3.5 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.

3.6 Unearned premium

Unearned premium reserve represents the portion of premium written relating to the unexpired period of coverage and is recognised as a liability by the Company. This liability is calculated by determining the ratio of the unexpired period of the policy as specified in the Insurance Rules, 2017.

3.7 Premium deficiency

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.

3.8 Reinsurance contracts held

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 reinsurance 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 expired.

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.

3.9 Receivables and payables related to insurance contracts

Receivables including premium due but unpaid, relating to insurance contracts are recognised when due. The claim payable is recorded when intimation is received. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any. Premium received in advance is recognised as liability till the time of issuance of insurance contract there against.

If there is an objective evidence that any premium due but unpaid is impaired, the Company reduces the carrying amount of that insurance receivable and recognizes the loss in profit and loss account.



3.10 Creditors, accruals and provisions

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.

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

3.11 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Company presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and Insurance Rules, 2017 as the primary reporting format.

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.

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.

3.12 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand, policy and revenue stamps, bond papers and bank balances in current and saving accounts.

3.13 Revenue Recognition

- (a) Premium income under a policy is recognised over the period of insurance contract 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.
- (b) 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.
- (c) Administrative surcharge recovered by the Company from policy holders is included in income.
- (d) 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.
- (e) Dividend income is recognised when the right to receive such dividend is established.
- (f) Gain / (loss) on sale of investments is included in the profit and loss account in the period of sale.
- (g) Return on bank balances is recognised on a time proportion basis taking into account the effective yield.

3.14 Investments

3.14.1 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) **In equity securities**

Surplus / (deficit) arising on revaluation of quoted securities which are classified as available for sale investments is taken to other comprehensive income in the Statement of Comprehensive Income. On derecognition or impairment of available-for-sale investments, the cumulative gain or loss previously reported in other comprehensive income is transferred to profit and loss for the period within Statement of Comprehensive Income whereas any reversal in impairment is taken in Statement of Comprehensive Income.

Provision for diminution in the values of securities is made after considering impairment, if any, in their value and is taken to profit and loss account. Impairment is booked when there is an objective evidence of significant or prolonged decline in the value of such securities.

Unquoted investments are recorded at cost less accumulated impairment losses, if any.

b) **In debt securities**

These are investments with fixed or determinable payments and fixed maturities which the Company has the intention and ability to hold till maturity.

Provision for impairment against debt securities is made in accordance with the requirements of the law. In case of unquoted debt securities, the breakup value of the security should be considered to determine impairment amount.

Premium or discount on debt securities classified as available for sale and held to maturity is amortised using effective interest method and taken to the profit and loss account.

c) **In term deposits**

These are investments with fixed or determinable payments and fixed (short term) maturities which the Company has the intention and ability to hold till maturity. These investments are designated at held to maturity.

3.15 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only 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.

3.16 Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each reporting date and adjusted to management's best estimate.

3.17 Provision for outstanding claims (including 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 provision for claims incurred but not reported (IBNR) is made at the financial statement date. The Company takes actuarial advice for the determination of IBNR claims. IBNR claims have been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF), which represents the extent of future development of claims to reach their ultimate level.

3.18 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income respectively. In making the estimates for income taxes currently payable by the Company, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Provisions for current taxation is based on taxability of certain income streams of the Company under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime and / or minimum tax liability, as applicable, after taking into account tax credits and tax rebates available, if any.

Deferred tax

Deferred tax is recognised using balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the reporting date.

The Company recognises a deferred tax asset to the extent of taxable timing differences or it is probable that taxable profits for the foreseeable future will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.19 Staff retirement benefits

3.19.1 Defined benefit plan - Gratuity Scheme

The Company operates an approved and funded gratuity scheme for employees whose period of service with the Company is five years or more. 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 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 / (losses) 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 December 31, 2020.

3.19.2 Defined contribution plan

The Company contributes to a provident fund scheme which covers all permanent employees. Equal contributions are made both by the Company and the employees to the fund at the rate of 8.33% of basic salary.

3.19.3 Employees' compensated absences

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

3.20 Leases

Lessee accounting

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses the recent third party financing received by the Company as a starting point, adjusted to reflect the changes in financing conditions since third party financing was received;
- uses expected terms of third party financing based on correspondence with the third party financial institutions, where third party financing was not received recently; and
- makes adjustments specific to the lease e.g. terms and security.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension options (or periods covered by termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). While making this assessment, the Company considers significant penalties to terminate (or not extend) as well as the significant cost of business disruption.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is premeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension



or termination option. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit and loss if the carrying amount of right-to-use asset has been reduced to zero.

In determining the lease term termination options are considered as are included in a number of property leases by the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of termination options held are exercisable by both the Company and the respective lessors. Further refer note 3.21 for impairment of non financial assets.

3.21 Impairment of assets

A financial asset is assessed at each financial statement date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if there is objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset.

The carrying amount of non financial assets is reviewed at each financial statement date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognized in the profit and loss account. Provisions for impairment are reviewed at each financial statement date and are adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense.

3.22 Dividend distribution

Dividend to shareholders is recognized as liability in the period in which it is approved. 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.

3.23 Management Expense

Expenses of management have been allocated to various revenue accounts on equitable basis.

3.24 Commission from reinsurers

The revenue recognition policy for commission from reinsurer is given under note 3.4.2.

3.25 Foreign currencies

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.

3.26 Financial instruments

Financial instruments include cash and bank, loans to employees, investments, premiums due but unpaid, amount due from other insurers / reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, other claim liabilities amount due to other insurers / reinsurers, accrued expenses, other creditors and accruals, deposits and other payables and unclaimed dividends.

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is taken to income directly.



3.27 Earnings per Share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of 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.

3.28 Contingent liabilities

Contingent liability is disclosed when:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company; or
- a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The judgments, estimates and assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the results 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. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the revision and future periods if the revision affects both current and future periods.

In particular, the matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

	Note
a) Useful lives of property and equipment	3.1
b) Unearned Premium	3.6
c) Premium deficiency	3.7
d) Receivables and payables related to insurance contracts	3.9
e) Provision for outstanding claim (including IBNR)	3.17
f) Taxation	3.18
g) Staff retirement benefits	3.19
h) Leases	3.20
i) Impairment of assets	3.21
j) Contingent liabilities	3.28

	Note	2020 -----Rupees-----	2019
5 PROPERTY AND EQUIPMENT			
Operating assets	5.1	5,621,244	6,923,663
Right-of-use assets	5.2	10,441,677	16,211,617
		<u>16,062,921</u>	<u>23,135,280</u>



5.1 Operating Assets

	2020							
	Cost			Depreciation			Written down value as at 31 December 2020	Depreciation rate %
	As at 1 January 2020	Additions / (disposals)	As at 31 December 2020	As at 1 January 2020	For the year / (on disposals)	As at 31 December 2020		
	----- Rupees -----							
Furniture and fixtures	14,431,026	209,500	14,640,526	12,423,621	785,125	13,208,746	1,431,780	10
Office equipment	5,193,856	-	5,193,856	5,106,087	34,839	5,140,926	52,930	10 & 20
Computer and accessories	9,445,653	58,200	9,503,853	8,904,405	147,537	9,051,942	451,911	20
Motor vehicles	21,553,816	-	20,677,315	18,611,436	583,814	18,555,251	2,122,064	20
Electrical Installations	5,819,827	(876,501)	6,348,467	4,474,966	(639,999)	4,785,908	1,562,559	15
	56,444,178	796,340	56,364,017	49,520,515	1,862,257	50,742,773	5,621,244	
		(876,501)			(639,999)			

	2019							
	Cost			Depreciation			Written down value as at 31 December 2019	Depreciation rate %
	As at 1 January 2019	Additions / (disposals)	As at 31 December 2019	As at 1 January 2019	For the year / (on disposals)	As at 31 December 2019		
	----- Rupees -----							
Furniture and fixtures	14,431,026	-	14,431,026	11,614,383	809,238	12,423,621	2,007,405	10
Office equipment	5,140,356	53,500	5,193,856	5,069,460	36,627	5,106,087	87,769	10 & 20
Computer and accessories	9,035,723	409,930	9,445,653	8,735,297	169,108	8,904,405	541,248	20
Motor vehicles	22,578,279	3,282,348	21,553,816	22,565,685	352,554	18,611,436	2,942,380	20
Electrical Installations	4,927,898	(4,306,811)	5,819,827	4,262,760	(4,306,803)	4,474,966	1,344,861	15
	56,113,282	4,637,707	56,444,178	52,247,585	1,579,733	49,520,515	6,923,663	
		(4,306,811)			(4,306,803)			

2020 2019
 ----- Rupees -----

5.2 Right-of-use assets

Balance at 1st January	16,211,617	20,384,772
Depreciation charge for the period	(3,664,124)	(4,173,155)
Less: Disposal during the year - WDV	(2,105,816)	-
Balance at 31st December	<u>10,441,677</u>	<u>16,211,617</u>



	2020							
	Cost			Depreciation			Written down value as at 31 December 2020	Depreciation rate %
	As at 1 January 2020	Additions / (disposals)	As at 31 December 2020	As at 1 January 2020	For the year / (on disposals)	As at 31 December 2020		
	----- Rupees -----							
Right-of-use assets	20,384,772	-	17,633,973	4,173,155	3,664,124	7,192,296	10,441,677	20 & 33
		(2,750,799)			(644,983)			
	<u>20,384,772</u>	<u>-</u>	<u>17,633,973</u>	<u>4,173,155</u>	<u>3,664,124</u>	<u>7,192,296</u>	<u>10,441,677</u>	
		(2,750,799)			(644,983)			

	2019							
	Cost			Depreciation			Written down value as at 31 December 2019	Depreciation rate %
	As at 1 January 2019	Additions / (disposals)	As at 31 December 2019	As at 1 January 2019	For the year / (on disposals)	As at 31 December 2019		
	----- Rupees -----							
Right-of-use assets	20,384,772	-	20,384,772	-	4,173,155	4,173,155	16,211,617	20 & 33
		-			-			
	<u>20,384,772</u>	<u>-</u>	<u>20,384,772</u>	<u>-</u>	<u>4,173,155</u>	<u>4,173,155</u>	<u>16,211,617</u>	
		-			-			

6. INTANGIBLE ASSETS

	Cost			Amortisation			Written down value as at 31 December	Depreciation rate %
	As at 1 January	Additions / (disposals)	As at 31 December	As at 1 January	For the year	As at 31 December		
		----- Rupees -----						
2020								
Computer Software	2,411,912	-	2,411,912	2,411,912	-	2,411,912	-	30%
2019								
Computer Software	2,411,912	-	2,411,912	2,411,912	-	2,411,912	-	30%

6.1 Computer software includes fully amortised GIS software and operating software licence which was purchased in 2009 and was amortized at the rate of 30% per annum.

7 INVESTMENTS IN EQUITY SECURITIES

Note	2020			2019		
	Cost	Impairment / provision for the year	Carrying value	Cost	Impairment / provision for the year	Carrying value
		----- Rupees -----				
Others						
Available for sale						
Listed shares	125,868,299	(22,179,472)	103,688,827	125,868,299	(21,709,358)	104,158,941
Unrealized gain on investment	-	-	119,364,698	-	-	130,922,793
7.1	<u>125,868,299</u>	<u>(22,179,472)</u>	<u>223,053,525</u>	<u>125,868,299</u>	<u>(21,709,358)</u>	<u>235,081,734</u>



7.1 Investments - Available for sale

	2020		2019		Cost		Fair value	
	2020	2019	2020	2019	2020	2019	2020	2019
	----- Number of Shares -----		----- Rupees -----		----- Rupees -----		----- Rupees -----	
Listed shares								
Oil & Gas								
Oil and Gas Development Company Limited	13,800	13,800	2,746,003	2,746,003	1,432,026	1,964,016		
Pakistan Oil Fields Limited	6,000	6,000	2,169,519	2,169,519	2,372,460	2,680,320		
Pakistan Petroleum Limited	126,960	26,960	18,868,530	18,868,530	11,468,297	17,411,294		
Pakistan State Oil Company Limited	45,120	45,120	10,051,767	10,051,767	9,714,336	8,646,797		
Shell (Pakistan) Limited	35,063	35,063	784,895	784,895	9,727,528	8,885,315		
Fertilizer								
Engro Fertilizer Limited	108,500	108,500	297,488	297,488	6,860,455	7,967,155		
Fauji Fertilizer Company Limited	79,627	79,627	5,892,283	5,892,283	8,639,530	8,079,752		
Engro Corporation Limited	1,100	1,100	6,825,543	6,825,543	338,096	379,775		
Forestry (Paper and Board)								
Pakistan Paper Product Limited	159,333	159,333	149,375	149,375	15,616,227	14,339,970		
Packages Limited.	3,500	3,500	1,285,160	1,285,160	2,089,220	1,395,590		
Leasing								
Orix Leasing Pakistan Limited	31,500	30,000	1,192,990	1,192,990	850,500	787,500		
Tobacco								
Pakistan Tobacco Company Limited	23,367	23,367	78,710	78,710	37,612,458	57,028,332		
Pharmaceuticals								
GlaxoSmithKline Pakistan Limited	83,383	83,383	5,976,082	5,976,082	15,995,361	13,388,808		
GlaxoSmithKline Consumer Healthcare Pakistan Limited	22,644	22,644	1,622,899	1,622,899	6,003,604	5,806,374		
Highnoon Laboratories Limited	31,475	28,614	11,823,800	11,823,800	18,879,020	15,373,158		
Travel and Leisure								
Pakistan Service Limited	28,815	28,815	199,116	199,116	27,374,250	28,815,000		
Commercial Banks								
Allied Bank Limited	121,000	121,000	14,470,321	14,470,321	10,329,770	11,567,600		
Askari Bank Limited	917,500	917,500	21,987,565	21,987,565	21,460,325	17,010,450		
Non Life Insurance								
Habib Insurance Company Limited	19,831	19,831	95,830	95,830	167,770	215,761		
Pakistan Reinsurance Company Limited	177,777	177,777	3,003	3,003	4,892,423	5,228,422		
Adamjee Insurance Company Limited	28,500	28,500	1,667,228	1,667,228	1,120,620	1,199,565		
Food & Personal Care Products								
Treet Corporation Limited	221,190	221,190	13,578,348	13,578,348	6,929,883	4,664,900		
Cement								
D. G. Khan Cement Company Limited.	21,000	21,000	2,683,784	2,683,784	2,406,180	1,559,670		
Fauji Cement Company Limited	10,000	10,000	298,324	298,324	216,700	155,600		
Automobile Assemblers								
Pak Suzuki Motor Company Limited.	2,300	2,300	1,119,736	1,119,736	556,487	530,610		
			<u>125,868,299</u>	<u>125,868,299</u>	<u>223,053,525</u>	<u>235,081,734</u>		



	Note	2020 Rupees	2019 Rupees
7.2 Listed shares			
Cost		125,868,299	125,868,299
Provision for impairment	7.2.1	(22,179,472)	(21,709,358)
		<u>103,688,827</u>	<u>104,158,941</u>
7.2.1 Provision for impairment			
Opening provision		21,709,358	16,377,399
Charge for the year		9,249,000	8,442,339
Reversal		(8,778,886)	(3,110,380)
Closing provision		<u>22,179,472</u>	<u>21,709,358</u>

8 INVESTMENTS IN DEBT SECURITIES

Note	2020			2019			
	Cost	Impairment / provision for the year	Carrying value	Cost	Impairment / provision for the year	Carrying value	
	----- Rupees -----						
Others							
Government securities							
Held to maturity							
Pakistan Investment Bonds	8.1	221,790,180	-	224,828,537	348,068,500	-	338,300,450
Treasury Bills	8.2	292,547,550	-	306,767,411	79,529,510	-	80,811,850
		<u>514,337,730</u>	<u>-</u>	<u>531,595,948</u>	<u>427,598,010</u>	<u>-</u>	<u>419,112,300</u>

8.1 Government securities - held to maturity

8.1.1 Pakistan Investment Bonds

Face value (Rupees)	Profit rate %	Coupon payment	Type of Securities	Maturity date	2020		2019	
					Cost	Carrying value	Cost	Carrying value
----- Rupees -----								
200,000,000	9.25	Semi-annually	Pakistan Investment Board - 5 years	26-03-2020	-	-	211,368,800	201,133,468
100,000,000	9.5	Semi-annually	Pakistan Investment Board - 5 years	19-09-2024	89,509,800	91,647,451	89,509,800	89,960,580
50,000,000	10	Semi-annually	Pakistan Investment Board - 10 years	19-09-2029	47,189,900	47,407,718	47,189,900	47,206,402
40,000,000	9.5	Semi-annually	Pakistan Investment Board - 5 years	19-09-2024	37,709,080	38,188,330	-	-
50,000,000	10	Semi-annually	Pakistan Investment Board - 10 years	19-09-2029	47,381,400	47,585,038	-	-
					<u>221,790,180</u>	<u>224,828,537</u>	<u>348,068,500</u>	<u>338,300,450</u>

8.1.2 Pakistan investment bonds have face value of Rs. 240 million (market value of Rs. 224.83 million) [2019: face value of Rs. 350 million (market value of Rs. 338.30 million)]. These carry mark-up ranging from 9.5% to 10% (2019: 9.25% to 10%) per annum and will mature between 2020 and 2029.

8.1.2.1 Pakistan Investment Bonds with face value of Rs. 60 million (2019: Rs. 60 million) are placed with State Bank of Pakistan under Section 29 of the Insurance Ordinance, 2000.



8.2 Treasury Bills

Face value (Rupees)	Yield rate %	Profit payment	Type of Securities	Maturity date	2020		2019	
					Cost	Carrying value	Cost	Carrying value
					Rupees			
40,000,000	13.43	On maturity	Treasury Bills	08-10-2020	-	-	35,276,360	36,353,455
50,000,000	13.02	On maturity	Treasury Bills	17-12-2020	-	-	44,253,150	44,458,395
220,000,000	9.56	On maturity	Treasury Bills	08-04-2021	200,837,780	214,893,584	-	-
55,000,000	7.16	On maturity	Treasury Bills	17-06-2021	53,101,730	53,258,181	-	-
40,000,000	7.19	On maturity	Treasury Bills	02-07-2021	38,608,040	38,615,646	-	-
					<u>292,547,550</u>	<u>306,767,411</u>	<u>79,529,510</u>	<u>80,811,850</u>

8.2.1 Market treasury bills have face value of Rs. 405 million (market value of Rs. 306.76 million) [2019: face value of Rs. 90 million (market value of Rs. 80.81 million)]. These carry mark-up at 7.19% to 9.56% (2019: 13.02% to 13.43%) per annum and will mature in 2021.

	2020	2019
Note	Rupees	
9 LOANS AND OTHER RECEIVABLES - Considered good		
Accrued investment income	6,693,926	9,072,804
Security deposit	266,120	50,000
Agent commission receivable	72,854	49,999
Loans to employees	9.1 1,031,521	744,028
Federal insurance fee	249,135	129,207
Other receivables	170,220	356,948
	<u>8,483,776</u>	<u>10,402,986</u>
9.1 This represents interest free short term loan to employees including chief executive officer.		
10 INSURANCE / REINSURANCE RECEIVABLES - Unsecured and considered good		
Due from insurance contract holders	95,476,294	95,502,525
Less : provision for impairment of receivables from Insurance contract holders	(90,798,336)	(86,269,882)
Due from other insurers / reinsurers	56,707,510	83,724,302
Less : provision for impairment of due from other insurers / re-insurers	(35,259,361)	(30,409,048)
	<u>26,126,107</u>	<u>62,547,897</u>
11 RETIREMENT BENEFIT		
	Gratuity Fund	
11.1 Balance Sheet Reconciliation		
Fair value of plan assets	8,233,194	6,699,609
Present value of defined benefit obligation	(7,052,757)	(6,377,971)
Funded status	<u>1,180,437</u>	<u>321,638</u>
Unrecognised net actuarial loss / (gain)	-	-
Recognised asset	<u>1,180,437</u>	<u>321,638</u>
11.2 Movement in fair value of plan assets		
Fair value of plan assets as at 1st January	6,699,609	7,459,285
Expected return on plan assets	870,949	745,929
Actuarial gains / (losses)	879,705	(2,034,805)
Benefits paid	(217,069)	529,200
Fair value as at 31st December	<u>8,233,194</u>	<u>6,699,609</u>



	2020	2019
	----- Rupees -----	
11.3 Movement in the defined benefit obligations		
Obligation as at 1st January	6,377,971	6,049,155
Service cost	540,283	489,009
Interest cost	829,136	604,916
Actuarial gain	(477,564)	(235,909)
Benefits paid	(217,069)	(529,200)
Obligation as at 31st December	<u>7,052,757</u>	<u>6,377,971</u>

11.4 Cost		
Service cost	540,283	489,009
Interest cost	829,136	604,916
Expected return on plan assets	(870,949)	(745,929)
Expense	<u>498,470</u>	347,996
Actual return on plan assets	<u>1,750,654</u>	<u>(1,288,876)</u>

11.5 The actuarial valuations are carried out annually using Projected Unit Credit (PUC) actuarial cost method and contributions are made accordingly. Following are the significant assumptions used for valuation of the plan:

	2020	2019
Discount rate and expected return on plan assets	9%	13%
Future salary increases	9.00%	2.50%
Mortality rates	60 years	60 years
Rates of Employee turnover	SLIC (2001-05) - 1 Light	SLIC (2001-05) - 1 Light

11.6 Comparison for five years

	2020	2019	2018	2017	2016
	----- Rupees -----				
As at December 31					
Fair value of plan assets	8,233,194	6,699,609	7,459,285	6,889,641	6,658,904
Defined benefit obligations	(7,052,757)	(6,377,971)	(6,049,155)	(5,524,244)	(4,792,675)
Surplus	<u>1,180,437</u>	<u>321,638</u>	<u>1,410,130</u>	<u>1,365,397</u>	<u>1,866,229</u>
Experience adjustments					
Gain / (loss) on plan assets (as percentage of plan assets)	-5.80%	-3.52%	-3.95%	-1.61%	-5.09%
(Gain) / loss on obligations (as percentage of plan obligations)	-12.47%	15.31%	-1.95%	4.60%	-5.19%
Plan assets comprise of the following:	2020		2019		
	(Rupees)	%	(Rupees)	%	
Debt	-	-	-	-	
Equity	-	-	-	-	
Cash and cash equivalent - net of current liabilities	<u>8,233,194</u>	<u>100%</u>	6,699,609	<u>100%</u>	
Fair value of plan assets	<u>8,233,194</u>	<u>100%</u>	6,699,609	<u>100%</u>	



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

Particulars	Change in assumption	2020	
		Increase/ (decrease) in present value of defined benefit obligation	
		%	Rupees
Discount rate	+1.00%	-6.8%	(479,308)
	-1.00%	7.8%	547,134
Long-term salary increase rate	+1.00%	8.1%	574,036
	-1.00%	-7.2%	(511,116)

Particulars	Change in assumption	2019	
		Increase/ (decrease) in present value of defined benefit obligation	
		%	Rupees
Discount rate	+1.00%	-7.50%	(437,786)
	-1.00%	8.60%	499,236
Long-term salary increase rate	+1.00%	9.00%	524,912
	-1.00%	-8.00%	(467,266)

The weighted average duration of the defined benefit obligation is 8.00 years (2019: 8.05 years).

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

	2020			
	Between 0-1 year	Between 2-4 year	Between 5-10 year	Total
	----- (Rupees) -----			
Distribution of timing of payment of benefits	770,909	2,033,855	14,025,522	16,830,286

	2019			
	Between 0-1 year	Between 2-4 year	Between 5-10 year	Total
	----- (Rupees) -----			
Distribution of timing of payment of benefits	223,608	2,331,618	23,707,765	26,262,991

11.7 The gratuity scheme has been discontinued for future appointments since 2015.



	2020	2019
Note	----- Rupees -----	----- Rupees -----
12 DEFERRED TAXATION		
Deferred debits arising in respect of:		
Accelerated tax depreciation on fixed assets	1,296,171	1,354,706
Lease liabilities	3,430,887	4,935,175
Provision against premium due but unpaid	26,331,517	25,018,266
Provision for diminution in value of investment	6,432,047	6,295,714
Provision against amount due from other insurers/reinsurers	10,225,215	8,818,624
Minimum tax	107,463	1,924,644
Deferred credits arising due to:		
Right-of-use assets	(3,028,086)	(4,701,369)
Provision for employees' benefits plan	(443,282)	(49,674)
Unrealized loss on revaluation of AFS	(34,615,762)	(37,967,610)
	<u>9,736,170</u>	<u>5,628,476</u>
13 TAXATION - PAYMENT LESS PROVISIONS		
Provision for taxation	69,571,058	63,293,535
Add: Advance tax paid during the period	8,332,636	8,202,167
Less: Provision for the year	(2,056,051)	(1,924,644)
	<u>75,847,643</u>	<u>69,571,058</u>
14 PREPAYMENTS		
Prepaid reinsurance premium ceded	21 16,241,569	14,724,208
Prepaid rent	203,217	-
Prepaid miscellaneous expenses	208,879	106,275
	<u>16,653,665</u>	<u>14,830,483</u>
15 CASH AND BANK		
Cash and Cash Equivalent		
- Cash in hand	87,127	78,665
- Policy and Revenue stamps, Bond papers	188,070	63,330
Cash at bank		
- Current accounts	9,246,278	16,374,124
- Savings accounts	15.1 36,865,994	125,463,694
	<u>46,387,469</u>	<u>141,979,813</u>
15.1 The rate of return on profit and loss savings account maintained at various banks range from 5.50% to 12.00% per annum (2019: 8.00% to 12.00% per annum).		
16 SHARE CAPITAL		
16.1 Authorized capital		
	2020	2019
	Number of shares	----- Rupees -----
	<u>51,000,000</u>	<u>510,000,000</u>
	51,000,000	510,000,000
	Ordinary shares of Rs. 10 each	



16.2 Issued, subscribed and paid-up share capital

2020	2019		2020	2019
Number of shares			Rupees	
		Ordinary shares of Rs.10 each issued		
1,162,000	1,162,000	- as fully paid in cash	11,620,000	11,620,000
19,640,000	19,640,000	- issued as right share	196,400,000	196,400,000
29,198,000	29,198,000	- issued as fully paid bonus shares	291,980,000	291,980,000
<u>50,000,000</u>	<u>50,000,000</u>		<u>500,000,000</u>	<u>500,000,000</u>

Note ----- Rupees -----

17 RESERVES

Capital reserve

Reserve for exceptional losses 17.1 3,355,000 3,355,000

Revenue reserves

General reserve 6,820,000 6,820,000

Unrealised appreciation on 'available for sale' investments 87,361,846 95,568,093

97,536,846 105,743,093

17.1 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 ----- Rupees -----

18 INSURANCE/ REINSURANCE PAYABLES

Due to other insurers / reinsurers 27,202,022 19,593,555

Cash margins against performance bonds 10,605,440 4,951,920

37,807,462 24,545,475

19 OTHER CREDITORS AND ACCRUALS

Agent commission payable 38,914,594 38,696,380

Federal Excise Duty / Sales tax 14,638,660 17,634,556

Lease Liability 19.1 11,830,644 17,017,844

Sindh Workers' Welfare Fund 19.2 2,197,746 2,197,746

Salaries & wages payable 1,793,006 823,924

Accrued expenses 2,381,645 4,014,713

Compensated absences 2,265,905 1,782,729

Income tax liabilities 180,765 198,566

Other tax payables 60,594 58,368

Unpaid and unclaimed dividend 3,001,450 3,001,450

Accounts payable for goods & services 205,717 760,082

Guarantee payable to court against claims - 10,982,992

Other creditors & accruals 19.3 2,982,569 3,768,756

80,453,295 100,938,106



	2020	2019
	----- Rupees -----	
19.1 Lease Liability		
Current	3,482,487	3,277,774
Non - Current	8,348,157	13,740,070
	<u>11,830,644</u>	<u>17,017,844</u>

- 19.2 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.

- 19.3 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:

	2020	2019
	----- Rupees -----	
- More than 6 months	<u>681,725</u>	<u>689,115</u>

20 CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

- 20.1.1 Various claims amounting to Rs. 93.08 million (2019:Rs. 69.70 million) has been lodged by various parties against the Company. The Company has not acknowledge these claims as the management considers that the company is not liable to settle the amount.

- 20.1.2 The deemed assessment under section 120 of Income Tax Ordinance, 2001 of the Company have been finalised upto tax year 2020. 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 Honourable 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, 2013 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. 4.63 million was created, for tax year 2013, demand of Rs. 1.79 million and for tax year 2014, demand of Rs. 18.58 million was created against which the Company has paid Rs. 9.74 million. The Company has filed appeals before CIRA and if the appeal is decided against the Company, a tax liability of Rs. 15.26 million would arise, however the management believes that the case will be decided in favour of the Company.

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. 2.30 million and Rs. 6.83 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. 9.12 million would arise, however the management believes that the case will be decided in favour of the Company.

During 2017, 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 Honourable High Court of Sindh challenging the validity of the notice being barred by limitation of time. The Court has granted an order and the said 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.

The Deputy Commissioner Inland Revenue (DCIR), Enforcement & Collection Unit-3, Range-B, Zone III, Large tax payers Unit, Karachi finalized the monitoring proceedings 161/205 of the Income Tax Ordinance, 2001. The DCIR, while passing the order, levied tax on account of rent, insurance commission, re-insurance premium, insurance claims and payment of various expenses aggregating to Rs.16.64 million including default surcharge and penalty. Against the order, the Company filed an appeal before the CIR(A), wherein the CIR(A) deleted the tax demand against rent payments, remanded back the issues of insurance commission, insurance claims and payment of various expenses. Further, the CIR(A) confirmed the levy of tax in respect of re-insurance premium. Moreover, against the order of CIR(A), the Company filed an appeal before the ATIR which is pending adjudication.

- 20.1.3 During the previous year, the Sindh Revenue Board through a demand notice dated 13th November 2019, raised a demand of Rs. 7.56 million alongwith penalty of Rs. 0.38 million in respect of short payment of sales tax. In response to the aforesaid notice, the Company contested the demand and filed an appeal before the Commissioner Appeals, Sindh Revenue Board ("CASRB"). The matter is still pending before CASRB.
- 20.1.4 During the current year, the Sindh Revenue Board through a show cause order dated 27th February 2020, raised a demand of Rs. 85.60 million on account of the short declaration of output tax amounting to Rs. 29.99 million, re-insurance services having sales tax impact of Rs. 43.48 million and commission received from re-insurance having a tax impact of Rs. 11.45 million including penalty of Rs. 0.68 million. These issues pertain to the tax period 2012 and 2013. In response to the aforesaid notice, the Company through its legal advisor filed a Constitutional Petition # D-1890/20 in the High Court of Sindh (HCS) challenging the aforesaid notice for having been issued after expiry of the specified period. In similar cases pending before the HCS, notices have been issued to respondents who have been restrained from passing any final adverse order. The appeal is pending before Honourable High Court of Sindh, Karachi, and management of the Company is confident that the ultimate outcome of this matter will be in favour of the Company, and accordingly, no provision is required in these financial statements on account of these matters.



	2020	2019
Note	Rupees	
20.2 Commitments		
Commitment in respect of operating leases	171,500	-
Not letter than one year	-	-
Later than one year and not later than five year	-	-
Letter than five year	171,500	-
21 NET INSURANCE PREMIUM		
Written Gross Premium	97,043,094	114,854,334
Add: Unearned premium reserve opening	48,770,068	33,943,281
Less: Unearned premium reserve closing	41,115,050	48,770,068
Premium earned	104,698,112	100,027,547
Less:		
Reinsurance premium ceded	35,897,488	35,859,504
Add: Prepaid reinsurance premium opening	14,724,208	18,695,490
Less: Prepaid reinsurance premium closing	16,241,569	14,724,208
Reinsurance expense	34,380,127	39,830,786
	70,317,985	60,196,761
22 NET INSURANCE CLAIMS EXPENSE		
Claims paid	35,419,831	103,036,669
Add: Outstanding claims including IBNR closing	216,107,224	199,813,911
Less: Outstanding claims including IBNR opening	(199,813,911)	(318,692,780)
Claims expense	51,713,144	(15,842,200)
Less:		
Reinsurance and other recoveries received	(5,272,094)	(74,639,000)
Add: Reinsurance and other recoveries received in respect of outstanding claims opening	118,466,336	211,643,940
Less: Reinsurance and other recoveries received in respect of outstanding claims closing	(120,357,112)	(118,466,336)
Reinsurance and other recoveries revenue	(7,162,870)	18,538,604
	44,550,274	2,696,404
22.1 Claim development		

The Company maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year. The following table shows the development of the claims over a period of time. All amounts are presented in gross numbers before reinsurance.



Accident year	2016	2017	2018	2019	2020 (including IBNR)
Estimate of ultimate claims cost:					
- At end of accident	351,216,337	336,709,438	49,858,309	20,325,249	29,501,376
- One years later	394,971,905	321,470,764	41,362,491	25,136,101	
- Two years later	392,796,596	285,108,710	41,696,497	-	
- Three years later	400,935,047	297,816,835	-	-	
- Four years later	397,194,409	-	-	-	
Current estimate of cumulative claims	397,194,409	297,816,835	41,696,497	25,136,101	29,501,376
Cumulative payment to date	(305,782,443)	(207,238,171)	(33,522,037)	(23,477,666)	(5,217,677)
Liability recognised in statement of financial position	<u>91,411,966</u>	<u>90,578,664</u>	<u>8,174,460</u>	<u>1,658,435</u>	<u>24,283,699</u>
				2020	2019
				Note -----	Rupees -----
23 NET COMMISSION EXPENSE / ACQUISITION COSTS					
Commission paid or payable				17,422,665	21,214,182
Add: Deferred commission expense opening				10,888,561	5,295,944
Less: Deferred commission expense closing				7,434,266	10,888,561
Net Commission				20,876,960	15,621,565
Less:					
Commission received or recoverable				434,229	703,389
Add: Unearned Reinsurance commission opening				228,490	534,024
Less: Unearned Reinsurance commission closing				234,162	228,490
Commission from reinsurers				428,557	1,008,923
				20,448,403	14,612,642
24 MANAGEMENT EXPENSES					
Employee benefit cost		24.1	50,886,837		48,802,701
Traveling expenses			2,005,823		2,199,224
Advertisements & sales promotion			517,372		3,021,258
Printing and stationery			776,793		951,845
Depreciation			5,526,381		5,752,888
Amortisation			-		-
Rent, Rates and taxes			480,886		726,418
Legal and professional charges - business related			6,653,663		6,591,486
Electricity, gas and water			1,260,338		2,087,092
Entertainment			1,161,188		861,272
Vehicle running expenses			6,160,123		6,103,000
Office repairs and maintenance			754,221		2,222,263
Bank charges			327,915		276,851
Postages, telegrams and telephone			1,883,360		1,809,730
Annual Supervision fee SECP			273,224		106,278
Bad and doubtful debts		24.2	9,378,767		6,780,951
Miscellaneous			1,155,980		3,987,160
			89,202,871		92,280,417



	2020	2019
Note	----- Rupees -----	----- Rupees -----
24.1 Employee benefit cost		
Salaries, allowance and other benefits	49,282,267	47,508,053
Charges for post employment benefits	24.1.1 1,604,570	1,294,648
	<u>50,886,837</u>	<u>48,802,701</u>
24.1.1 These include Rs. 1,106,100 (2019: Rs. 946,652) being contribution for employees' provident fund and Rs. 498,470 (2019: Rs. 347,996) in respect of defined benefit plan.		
24.2 Provision for impairment of receivables		
Opening provision	116,678,930	129,245,716
Charge for the year	9,378,767	6,780,951
Balances written off	-	(19,347,737)
	<u>126,057,697</u>	<u>116,678,930</u>
25 INVESTMENT INCOME		
Available for sale		
Income from equity securities		
Dividend Income	7,398,470	8,345,443
Held to maturity		
Income from debt securities		
Return on government securities	51,516,120	48,084,325
Amortization of discount / (premium) on government securities	1,437,607	(4,710,190)
	<u>52,953,727</u>	<u>43,374,135</u>
Total investment income	60,352,197	51,719,578
Less: Impairment in value of available for sale equity securities	(470,114)	(8,442,339)
	<u>59,882,083</u>	<u>43,277,239</u>
26 OTHER INCOME		
Return on bank balances	5,051,068	6,740,385
Gain on sale of fixed assets	408,401	1,679,135
Liabilities written back	-	16,151,214
Exchange gain	-	256,854
Scrap sales income	1,348,830	-
Miscellaneous	-	8,000
	<u>6,808,299</u>	<u>24,835,588</u>
27 OTHER EXPENSES		
Auditors' remuneration	27.1 892,303	892,303
Directors' Fees	1,840,000	2,280,000
Directors Training and Development	630,000	290,000
Fees & Subscription	303,945	231,174
	<u>3,666,248</u>	<u>3,693,477</u>



	2020	2019
	----- Rupees -----	
27.1 Auditors' remuneration		
Audit fee	735,666	735,666
Out-of-pocket expenses	156,637	156,637
	<u>892,303</u>	<u>892,303</u>
28 FINANCE COSTS		
Mark up on finance leases	<u>2,158,739</u>	<u>2,631,161</u>
29 TAXATION		
For the year		
- Current	2,056,051	1,924,644
- Deferred	(1,149,454)	221,810
For prior year(s)	229,126	-
	<u>1,135,723</u>	<u>2,146,454</u>
29.1 Relationship between tax expense and accounting profit		
Profit before taxation	<u>2,970,662</u>	<u>5,742,503</u>
Tax at the applicable rate of 29% (2019: 29%)	861,492	1,665,326
Tax effect of change in tax rate	-	-
Tax effect of minimum tax	-	1,924,644
Tax effect of prior year	229,126	-
Deferred tax asset not booked on taxable losses	-	(1,443,516)
Others	45,105	-
	<u>1,135,723</u>	<u>2,146,454</u>
30 Earnings after tax per share - Basic and Diluted		
Basic earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares as at the year end as follows:		
	2020	2019
	----- Rupees -----	
Profit after tax for the year	<u>1,834,939</u>	<u>3,596,049</u>
Weighted average number of ordinary shares	<u>50,000,000</u>	<u>50,000,000</u>
	(Number of shares)	
Earnings per share	<u>0.04</u>	<u>0.07</u>
	(Rupees)	
30.1 No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.		



31. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive Officer		Directors		Executives		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	----- Rupees -----							
Fees	-	-	1,840,000	2,280,000	-	-	1,840,000	2,280,000
Managerial remuneration	4,200,000	3,600,000	-	-	6,609,900	6,453,133	10,809,900	10,053,133
Leave encashment	-	-	-	-	-	113,425	-	113,425
Bonus	-	-	-	-	-	-	-	-
Ex-gratia allowance	175,000	300,000	-	-	428,225	589,750	603,225	889,750
Charge for defined contribution plan	-	-	-	-	405,825	-	405,825	-
Rent and house maintenance	-	-	-	-	2,921,940	3,344,258	2,921,940	3,344,258
Utilities	240,000	-	-	-	486,996	-	726,996	-
Medical	-	-	-	-	-	-	-	-
Conveyance	-	-	-	-	43,476	42,004	43,476	42,004
Entertainment Allowance	600,000	240,000	-	-	-	-	600,000	240,000
Others	120,000	-	-	-	850,368	1,534,658	970,368	1,534,658
	5,335,000	4,140,000	1,840,000	2,280,000	11,746,730	12,077,228	18,921,730	18,497,228
Number of persons	1	1	10	8	7	9	18	18

The Non-Executive Directors were paid Directors meeting fee of Rs. 1.84 million (2019 : 2.28 million). No other remuneration was paid to Non-Executive Directors.

32 RELATED PARTY TRANSACTIONS

Related parties comprises State Life Insurance Corporation of Pakistan being the parent company, associated entities having directors in common, other subsidiaries of parent company, directors, key management personnel, gratuity fund and provident fund. The transactions with related parties are carried out at commercial terms and conditions except for compensation to key management personnel which are on employment terms. The transactions and balances with related parties during the year other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2020	2019
	----- Rupees -----	
Transactions and balances with related parties		
Parent Company - State Life Insurance Corporation of Pakistan		
Rent paid	<u>3,976,032</u>	<u>4,167,816</u>
Pakistan Reinsurance Company Limited - Associate of parent		
Reinsurance ceded	<u>11,734,524</u>	<u>6,187,929</u>
Employees' funds		
Contribution to provident fund	<u>1,107,053</u>	<u>946,652</u>
Others		
Remuneration to key management personnel	<u>15,832,680</u>	<u>16,217,228</u>
Directors' remuneration	<u>1,840,000</u>	<u>2,280,000</u>
Balances as at 31 December		
Receivable from Pakistan Reinsurance Company Limited	<u>10,091,149</u>	<u>21,825,673</u>
Others		
Receivable from gratuity fund	<u>1,180,437</u>	<u>321,638</u>
Receivable from provident fund	<u>-</u>	<u>-</u>



33 SEGMENT INFORMATION

Following segment information prepared in accordance with the requirements of Insurance Ordinance, 2000 and the Insurance Rules, 2017 for Class of business wise revenues, results, assets and liabilities:

The class wise revenues and results are as follows:

2020	Fire and property damage	Marine, aviation and transport	Motor	Accident and health	Bond	Miscellaneous	Total
----- Rupees -----							
Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	33,152,415	25,920,012	27,873,215	12,541,950	1,818,682	8,168,306	109,474,580
Less: Federal Excise Duty	3,737,709	2,413,848	3,276,984	-	221,962	879,547	10,530,050
Federal Insurance Fee	262,663	209,600	243,602	2,315	15,749	54,987	788,916
Others	33,381	996,456	57,037	-	5,932	19,714	1,112,520
Gross written premium (inclusive of administrative surcharge)	<u>29,118,662</u>	<u>22,300,108</u>	<u>24,295,592</u>	<u>12,539,635</u>	<u>1,575,039</u>	<u>7,214,058</u>	<u>97,043,094</u>
Gross direct premium	25,698,713	20,219,299	23,577,874	12,537,635	1,563,090	5,372,435	88,969,046
Facultative inward premium	2,865,356	1,336,665	(37,910)	-	-	1,714,950	5,879,061
Administrative surcharge	554,593	787,959	755,628	2,000	11,949	126,672	2,238,801
	<u>29,118,662</u>	<u>22,343,923</u>	<u>24,295,592</u>	<u>12,539,635</u>	<u>1,575,039</u>	<u>7,214,057</u>	<u>97,086,908</u>
Insurance premium earned	32,249,622	23,904,680	26,445,045	11,401,165	1,621,844	9,075,752	104,698,112
Insurance premium ceded to reinsurers	(18,633,075)	(8,818,151)	(3,554,016)	-	(109,218)	(3,265,667)	(34,380,127)
Net insurance premium	<u>13,616,551</u>	<u>15,086,529</u>	<u>22,891,029</u>	<u>11,401,165</u>	<u>1,512,626</u>	<u>5,810,085</u>	<u>70,317,985</u>
Commission income	245,984	7,418	113,211	-	19,260	42,684	428,557
Net underwriting income	<u>13,862,535</u>	<u>15,093,947</u>	<u>23,004,240</u>	<u>11,401,165</u>	<u>1,531,886</u>	<u>5,852,769</u>	<u>70,746,542</u>
Insurance claims	(15,358,439)	(8,102,078)	(12,367,086)	(11,226,244)	-	(4,659,297)	(51,713,144)
Insurance claims recovered from reinsurer	4,400,985	(408,118)	3,259,880	-	-	(89,877)	7,162,870
Net claims	<u>(10,957,454)</u>	<u>(8,510,196)</u>	<u>(9,107,206)</u>	<u>(11,226,244)</u>	<u>-</u>	<u>(4,749,174)</u>	<u>(44,550,274)</u>
Commission expense	(7,674,768)	(7,641,934)	(2,985,769)	(569,324)	(111,871)	(1,893,294)	(20,876,960)
Management expense	(26,766,132)	(20,498,457)	(22,332,723)	(11,526,543)	(1,447,791)	(6,631,225)	(89,202,871)
Premium deficiency expense	9,673,660	5,002,005	6,907,495	2,601,788	-	1,803,882	25,988,830
Net insurance claims and expenses	<u>(35,724,694)</u>	<u>(31,648,582)</u>	<u>(27,518,203)</u>	<u>(20,720,323)</u>	<u>(1,559,662)</u>	<u>(11,469,811)</u>	<u>(128,641,275)</u>
Underwriting result	<u>(21,862,159)</u>	<u>(16,554,635)</u>	<u>(4,513,963)</u>	<u>(9,319,158)</u>	<u>(27,776)</u>	<u>(5,617,042)</u>	<u>(57,894,733)</u>
Net investment income							59,882,083
Other income							6,808,299
Other expenses							(3,666,248)
Finance cost							(2,158,739)
Profit before tax							<u>2,970,662</u>
Segment assets	<u>56,479,728</u>	<u>33,793,656</u>	<u>43,349,326</u>	<u>11,951,581</u>	<u>487,898</u>	<u>24,104,748</u>	<u>170,166,937</u>
Unallocated assets							912,759,984
	<u>56,479,728</u>	<u>33,793,656</u>	<u>43,349,326</u>	<u>11,951,581</u>	<u>487,898</u>	<u>24,104,748</u>	<u>1,082,926,921</u>
Segment liabilities	<u>207,063,925</u>	<u>21,447,231</u>	<u>34,766,446</u>	<u>15,967,252</u>	<u>9,033,782</u>	<u>14,076,948</u>	<u>302,355,584</u>
Unallocated liabilities							80,453,291
	<u>207,063,925</u>	<u>21,447,231</u>	<u>34,766,446</u>	<u>15,967,252</u>	<u>9,033,782</u>	<u>14,076,948</u>	<u>382,808,875</u>



2019	Fire and property damage	Marine, aviation and transport	Motor	Accident and health	Bond	Miscellaneous	Total
----- Rupees -----							
Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	37,995,304	26,710,655	35,325,513	10,387,169	406,130	19,648,339	130,473,110
Less: Federal Excise Duty / Sales Tax	4,596,486	2,754,766	3,869,555	-	46,221	2,375,821	13,642,849
Federal Insurance Fee	325,689	226,566	288,142	1,741	3,521	163,713	1,009,372
Others	46,839	643,903	187,056	6,966	4,730	77,061	966,555
Gross written premium (inclusive of administrative surcharge)	33,026,290	23,085,420	30,980,760	10,378,462	351,658	17,031,744	114,854,334
Gross direct premium	32,010,335	22,086,910	27,856,342	10,376,462	338,933	16,096,146	108,765,128
Facultative inward premium	465,470	419,228	2,166,128	-	-	661,105	3,711,931
Administrative surcharge	550,485	579,282	958,290	2,000	12,725	274,493	2,377,275
	33,026,290	23,085,420	30,980,760	10,378,462	351,658	17,031,744	114,854,334
Insurance premium earned	27,419,485	19,721,267	25,507,943	10,129,702	935,869	16,313,281	100,027,547
Insurance premium ceded to reinsurers	(22,922,405)	(7,782,787)	(3,121,141)	-	(766,312)	(5,238,141)	(39,830,786)
Net insurance premium	4,497,080	11,938,480	22,386,802	10,129,702	169,557	11,075,140	60,196,761
Commission income	391,976	(6,832)	67,812	-	219,327	336,640	1,008,923
Net underwriting income	4,889,056	11,931,648	22,454,614	10,129,702	388,884	11,411,780	61,205,684
Insurance claims	31,120,713	6,067,754	(11,038,486)	(8,923,703)	-	(1,384,079)	15,842,199
Insurance claims recovered from reinsurer	(19,519,297)	(1,125,825)	2,226,150	-	-	(119,631)	(18,538,603)
Net claims	11,601,416	4,941,929	(8,812,336)	(8,923,703)	-	(1,503,710)	(2,696,404)
Commission expense	(6,256,115)	(2,772,500)	(2,899,823)	(507,110)	(296,023)	(2,889,994)	(15,621,565)
Management expense	(26,535,175)	(18,548,122)	(24,891,681)	(8,338,639)	(282,542)	(13,684,258)	(92,280,417)
Premium deficiency expense	2,133,656	(4,293,645)	(3,653,652)	(590,496)	686,615	(935,462)	(6,652,984)
Net Insurance Claims and expenses	(19,056,218)	(20,672,338)	(40,257,492)	(18,359,948)	108,050	(19,013,424)	(117,251,370)
Underwriting result	(14,167,162)	(8,740,690)	(17,802,878)	(8,230,246)	496,934	(7,601,644)	(56,045,686)
Net investment income							43,277,239
Other income							24,835,588
Other expenses							(3,693,477)
Finance cost							(2,631,161)
Profit before tax							5,742,503
Segment assets	65,748,662	43,004,030	52,153,236	14,564,644	501,779	29,677,174	205,649,525
Unallocated assets							906,324,919
	65,748,662	43,004,030	52,153,236	14,564,644	501,779	29,677,174	1,111,974,444
Segment liabilities	204,530,356	19,453,490	44,055,328	14,123,536	8,209,218	15,138,716	305,510,644
Unallocated liabilities							100,938,107
	204,530,356	19,453,490	44,055,328	14,123,536	8,209,218	15,138,716	406,448,751



34 MOVEMENT IN INVESTMENTS

	Held to maturity	Available for sale	Total
	----- Rupees -----		
At beginning of previous year	557,302,570	250,730,242	808,032,812
Additions	941,014,686	-	941,014,686
Disposals (redemptions)	(1,074,494,766)	-	(1,074,494,766)
Fair value net gains (Excluding net realised gains)	-	(7,206,169)	(7,206,169)
Classified as held for trading	-	-	-
Amortisation of premium	(4,710,190)	-	(4,710,190)
Impairment losses	-	(8,442,339)	(8,442,339)
At beginning of current year	419,112,300	235,081,734	654,194,034
Additions	439,094,844	-	439,094,844
Disposals	(328,048,803)	-	(328,048,803)
Fair value net gains (Excluding net realised gains)	-	(11,558,095)	(11,558,095)
Classified as held for trading	-	-	-
Amortisation of discount	1,437,607	-	1,437,607
Impairment losses - net of reversal	-	(470,114)	(470,114)
At end of current year	<u>531,595,948</u>	<u>223,053,525</u>	<u>754,649,473</u>

35 MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Company manages them.

35.1 Insurance Risk

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

The Company accepts insurance through issuance of general insurance contracts. For these general insurance contracts the most significant risks arise from fire, atmospheric disturbance, earthquakes, transit, theft, third party liabilities 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 and regular detailed review of claim handling procedures.

a) 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.

The reinsurance arrangements against major risk exposure include excess of loss and facultative reinsurance. The objective of having such arrangements is to mitigate adverse impacts of severe losses on the Company's net retentions. As the major reinsurance arrangements are on excess of loss basis, therefore the reinsurance coverage against Company's risk exposures is not quantifiable.



Concentration of risk

To optimise benefits from the principle of average 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 risk with reference to the geographical location, the most important of which is risk survey.

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the commercial/ industrial/ residential occupation of the insured. Details regarding the fire separation/ segregation with respect to the manufacturing process, storage, utilities, etc. are extracted from the layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters/ reinsurance personnel for their evaluation. Reference is made to the standard construction specification as laid down by IAP (Insurance Association of Pakistan). For instance, the presence of perfect party walls, double fire proof iron doors, physical separation between the building within a insured's premises. It is basically the property contained within an area which is separated by another property by sufficient distance to confine insured damage from uncontrolled fire and explosion under the most adverse conditions to that one area.

The ability to manage catastrophic risk is tied managing the density of risk within a particular area. For catastrophic aggregates, the system assigns precise geographic CRESTA (Catastrophe Risk Evaluating and Standardising Target Accumulations) codes with reference to the accumulation of sum insured in force at any particular location against natural perils.

For marine risks, complete underwriting details such as sums insured, mode of transport (air / inland transit), vessel identification, sailing dates, origin and destination of the shipments, per carry limits, accumulation of sum insured on a single voyage etc. are taken into consideration.

A number of proportional and non-proportional reinsurance arrangements are in place to protect the net account. 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.

The insurers monitors concentration of insurance risks primarily by class of business. The table below sets out the concentration of the claims and premium liabilities (in percentage terms) by class of business at balance sheet date:

Class	2020			
	Gross claim liabilities	Net claim liabilities	Gross premium liabilities	Net premium liabilities
Fire and property	83.6%	152.1%	36.8%	22.0%
Marine, aviation and transport	5.0%	-14.5%	9.8%	7.2%
Motor	5.9%	-20.7%	30.7%	41.2%
Health	0.7%	-8.4%	14.1%	21.9%
Credit and suretyship	3.0%	6.3%	0.0%	0.3%
Miscellaneous	1.8%	-14.8%	8.7%	7.4%
	100.0%	100.0%	100.0%	100.0%

Class	2019			
	Gross claim liabilities	Net claim liabilities	Gross premium liabilities	Net premium liabilities
Fire and property	84.5%	71.6%	37.4%	26.3%
Marine, aviation and transport	2.2%	3.3%	11.5%	10.3%
Motor	8.0%	17.2%	30.3%	38.3%
Health	0.4%	1.0%	9.5%	13.6%
Credit and suretyship	3.2%	3.2%	0.1%	0.3%
Miscellaneous	1.7%	3.7%	11.1%	11.2%
	100.0%	100.0%	100.0%	100.0%



The Company minimises its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

The concentration of risk by type of contracts based on single risk with maximum exposure is summarised below.

	Gross sum insured		Reinsurance		Net	
	2020	2019	2020	2019	2020	2019
Fire and property	582,554,983	400,000,000	572,554,983	390,000,000	10,000,000	10,000,000
Marine, aviation and transport	224,718,000	300,000,000	214,718,000	290,000,000	10,000,000	10,000,000
Motor	16,500,000	16,500,000	15,700,000	15,450,000	800,000	1,050,000
Health	12,500,000	10,000,000	-	-	12,500,000	10,000,000
Credit and suretyship	57,158,117	22,368,143	47,158,117	12,368,143	10,000,000	10,000,000
Miscellaneous	2,961,480,532	2,961,480,532	2,951,480,532	2,951,480,532	10,000,000	10,000,000
	<u>3,854,911,632</u>	<u>3,710,348,675</u>	<u>3,801,611,632</u>	<u>3,659,298,675</u>	<u>53,300,000</u>	<u>51,050,000</u>

b) Sources of uncertainty in the estimation of future claim payments

Claims on general insurance contracts are payable on a claim occurrence basis. The Company is liable for all insured events as per terms and condition 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 management judgement or preliminary assessment by the independence surveyor appointed for the purpose. The initial estimates include expected settlement cost of the claims. Provision for IBNR is recorded based on the advice 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 mitigate 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 initial recognised amount. Similarly, the provision for claims incurred but not reported is based on historic reporting pattern of the claims other than exceptional losses. Hence, actual amount of incurred but not reported claims may differ from the amounts estimated.

c) Process used to decide on assumptions

The principal assumption underlying the liability estimation of IBNR and Premium Deficiency Reserves is that the Company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgement to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgement includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc.

d) Changes in assumptions

The Company did not change its assumptions for the insurance contracts as disclosed in above (b) and (c).

e) Sensitivity analysis

The insurance claim liabilities are sensitive to the incidence of insured events and severity / size of claims. The impact of 10% increase / decrease in incidence of insured events on gross claim liabilities, underwriting results, net claim liabilities, profit before tax and shareholder's equity is as follows:



Average claim cost	Underwriting results		Shareholder's equity	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	----- Rupees -----			
Fire and property	(2,186,216)	(1,416,716)	(1,552,214)	(1,005,869)
Marine and transport	(1,655,464)	(874,069)	(1,175,379)	(620,589)
Motor	(451,396)	(1,780,288)	(320,491)	(1,264,004)
Health Insurance	(931,916)	(823,025)	(661,660)	(584,347)
Bond	(2,778)	49,693	(1,972)	35,282
Miscellaneous	(561,704)	(760,164)	(398,810)	(539,717)
	<u>(5,789,474)</u>	<u>(5,604,569)</u>	<u>(4,110,526)</u>	<u>(3,979,244)</u>

Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Financial risk
- Credit risk
- Liquidity risk
- Market risk

35.2 Financial risk

Maturity profile of financial assets and liabilities:

	31 December 2020						
	Interest / mark-up bearing			Non Interest / mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
	----- Rupees -----						
Financial assets							
Cash	36,865,994	-	36,865,994	9,521,475	-	9,521,475	46,387,469
Investment	306,767,411	224,828,537	531,595,948	223,053,525	-	223,053,525	754,649,473
Loans and other receivables	-	-	-	7,203,120	-	7,203,120	7,203,120
Insurance / reinsurance receivables	-	-	-	26,126,107	-	26,126,107	26,126,107
Reinsurance recoveries against outstanding claims	-	-	-	120,357,112	-	120,357,112	120,357,112
Salvage recoveries accrued	-	-	-	7,882	-	7,882	7,882
	<u>343,633,405</u>	<u>224,828,537</u>	<u>568,461,942</u>	<u>386,269,221</u>	<u>-</u>	<u>386,269,221</u>	<u>954,731,163</u>
Financial liabilities							
Underwriting Provision for outstanding claims including IBNR	-	-	-	(216,107,224)	-	(216,107,224)	(216,107,224)
Insurance / reinsurance payable	-	-	-	(37,807,462)	-	(37,807,462)	(37,807,462)
Other creditors and accruals	-	-	-	(61,109,625)	-	(61,109,625)	(61,109,625)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(315,024,311)</u>	<u>-</u>	<u>(315,024,311)</u>	<u>(315,024,311)</u>
Interest rate risk sensitivity gap	<u>343,633,405</u>	<u>224,828,537</u>	<u>568,461,942</u>				
Cumulative interest rate risk sensitivity	<u>343,633,405</u>	<u>568,461,942</u>					



31 December 2019

	Interest / mark-up bearing			Non Interest / mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
----- Rupees -----							
Financial assets							
Cash	125,463,694	-	125,463,694	16,516,119	-	16,516,119	141,979,813
Investment	281,945,318	137,166,982	419,112,300	235,081,734	-	235,081,734	654,194,034
Loans and other receivables	-	-	-	9,072,330	50,000	9,122,330	9,122,330
Insurance / reinsurance receivables	-	-	-	62,547,897	-	62,547,897	62,547,897
Reinsurance recoveries against outstanding claims	-	-	-	118,466,336	-	118,466,336	118,466,336
Salvage recoveries accrued	-	-	-	7,882	-	7,882	7,882
	407,409,012	137,166,982	544,575,994	441,692,298	50,000	441,742,298	986,318,292
Financial liabilities							
Underwriting Provision for outstanding claims including IBNR	-	-	-	(199,813,911)	-	(199,813,911)	(199,813,911)
Insurance / reinsurance payable	-	-	-	(24,545,475)	-	(24,545,475)	(24,545,475)
Other creditors and accruals	-	-	-	(68,083,149)	-	(68,083,149)	(68,083,149)
	-	-	-	(292,442,535)	-	(292,442,535)	(292,442,535)
Interest rate risk sensitivity gap	407,409,012	137,166,982	544,575,994				
Cumulative interest rate risk sensitivity	407,409,012	544,575,994					

a) Sensitivity analysis - interest rate risk

a.1) Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account and equity of the Company.

a.2) Cash flow sensitivity analysis for variable rate instruments

The Company is exposed to cash flow interest rate risk in respect of its balances with saving account with banks. A change of 100 basis points in interest rates at the year end would not have material impact on profit for the year and equity of the Company.

b) Sensitivity analysis - equity risk

Equity price risk is the risk of changes in the fair value of equity securities as the result of changes in the levels of PSX-100 Index and the value of individual shares. The equity price risk exposure arises from the Company's investments in equity securities and units of mutual funds. This arises from investments held by the Company for which prices in the future are uncertain. The Company policy is to manage price risk through diversification and selection of securities within specified limits set by the management.

The management monitors the fluctuations of prices of equity securities on regular basis. The Company also has necessary skills for monitoring and managing the equity portfolio in line with fluctuations of the market.

Market prices are subject to fluctuation and consequently the amount realised in the subsequent sale of an investment may significantly differ from the reported market value. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.



35.3 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 counterparties.

35.3.1 Exposure to credit risk

Credit risk of the Company arises principally from the balances with banks, loans to employees, investments (except for investment in government securities, units of mutual funds and listed equity shares), premium due but unpaid, amount due from other insurers / reinsurers, reinsurance and other recoveries against outstanding claims and sundry receivable. To reduce the credit risk the management continuously reviews and monitors the credit exposure towards the policyholders and other insurers / reinsurers and makes provision against those balances considered doubtful of recovery.

In summary, compared to the amount included in statement of assets and liabilities, the maximum exposure to credit risk as follows:

Note	31 December 2020		31 December 2019		
	Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure	
----- Rupees -----					
Cash and bank	15	46,112,272	46,112,272	141,837,818	141,837,818
Investments	8 & 9	754,649,473	754,649,473	654,194,034	654,194,034
Loans and other receivables	9	7,203,120	7,203,120	9,122,330	9,122,330
Insurance / reinsurance receivables	10	26,126,107	26,126,107	62,547,897	62,547,897
Reinsurance recoveries against outstanding claims		120,357,112	120,357,112	118,466,336	118,466,336
Salvage recoveries accrued		7,882	7,882	7,882	7,882
		<u>954,455,966</u>	<u>954,455,966</u>	<u>986,176,297</u>	<u>986,176,297</u>

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

	Rating		Rating Agency	2020	2019
	Short term	Long term		----- Rupees -----	
National Bank of Pakistan Limited	A-1+	AAA	PACRA/JCR-VIS	78,329	67,265
Allied Bank Limited	A-1+	AAA	PACRA	129,554	130,154
MCB Bank Limited	A-1+	AAA	PACRA	247,382	147,155
Soneri Bank Limited	A-1+	AA-	PACRA	92,054	92,054
United Bank Limited	A-1+	AAA	JCR-VIS	44,892,925	140,180,967
JS Bank Limited	A-1+	AA-	PACRA	672,029	1,220,223
				<u>46,112,272</u>	<u>141,837,818</u>

Concentration of credit risk

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The Company manages concentration of credit risk through diversification of activities among individuals, groups and industry segments.

The Company enters into re-insurance / co-insurance arrangements with re-insurers / other insurers having sound credit ratings accorded by reputed credit rating agencies. Further, the Company is required to comply with the requirements of circular no. 32 / 2009 dated October 27, 2009 issued by SECP which requires an insurance company to place at least 80% of their outward treaty cessions with reinsurers rated 'A' or above by Standard & Poors with the balance being placed with entities rated at least 'BBB' by reputable ratings agency. An analysis of all reinsurance assets recognised by the rating of the entity from which it is due is as follows:



	Amount due from other insurers / reinsurers	Reinsurance and other recoveries against outstanding claims	Prepaid reinsurance premium ceded	2020	2019
A or above (including PRCL)	46,045,036	42,470,083	5,684,549	94,199,668	101,942,326
A -	7,845,037	42,003,228	10,557,020	60,405,285	51,180,593
BBB	577,543	-	-	577,543	577,543
Others	2,239,895	35,883,800	-	38,123,695	63,214,384
	<u>56,707,510</u>	<u>120,357,112</u>	<u>16,241,569</u>	<u>193,306,191</u>	<u>216,914,846</u>

35.3.2 Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting its financial obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under normal circumstances. To guard against the risk, the Company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

The following are the contractual maturities of financial liabilities:

	2020		
	Carrying Amount	Upto one year	Greater than one year
	----- Rupees -----		
Non-Derivative Financial Liabilities			
Outstanding claims including IBNR	216,107,224	216,107,224	-
Insurance / reinsurance payables	37,807,462	37,807,462	-
Other creditors and accruals	61,109,625	61,109,625	-
	<u>315,024,311</u>	<u>315,024,311</u>	<u>-</u>
	2019		
	Carrying Amount	Upto one year	Greater than one year
	----- Rupees -----		
Non-Derivative Financial Liabilities			
Outstanding claims including IBNR	199,813,911	199,813,911	-
Insurance / reinsurance payables	24,545,475	24,545,475	-
Other creditors and accruals	68,083,149	68,083,149	-
	<u>292,442,535</u>	<u>292,442,535</u>	<u>-</u>

35.3.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices may affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All transactions are carried in Pak Rupees therefore, the Company is not exposed to currency risk. However, the Company is exposed to interest rate risk and other price risk.

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account and equity of the Company.

Cash flow sensitivity analysis for variable rate instruments

The Company is exposed to cash flow interest rate risk in respect of its balances with profit and loss sharing account with banks and term finance certificates. A change of 100 basis points in interest rates at the year end would not have material impact on profit for the year and equity of the Company.

35.3.4 Foreign Currency risk

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



Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	31 December 2020					
	Held-for-trading	Available-for sale	Held to maturity	Loans and receivables	Other financial liabilities	Total
	----- Rupees -----					
Financial assets measured at fair value						
Investments						
- Investment in equity securities	-	223,053,525	-	-	-	223,053,525
Financial assets not measured at fair value						
Cash and bank*	-	-	-	46,387,469	-	46,387,469
Investments						
- Debts securities	-	-	531,595,948	-	-	531,595,948
Insurance / reinsurance receivables*	-	-	-	26,126,107	-	26,126,107
Reinsurance recoveries against outstanding claims*	-	-	-	120,357,112	-	120,357,112
Salvage recoveries accrued	-	-	-	7,882	-	7,882
Loans and other receivables*	-	-	-	7,203,120	-	7,203,120
Financial liabilities not measured at fair value						
Outstanding claims (including IBNR)*	-	-	-	-	(216,107,224)	(216,107,224)
Insurance/Reinsurance Payables	-	-	-	-	(37,807,462)	(37,807,462)
Other creditors and accruals*	-	-	-	-	(61,109,625)	(61,109,625)
	-	223,053,525	531,595,948	200,081,690	(315,024,311)	639,706,852
	31 December 2019					
	Held-for-trading	Available-for sale	Held to maturity	Loans and receivables	Other financial liabilities	Total
	----- Rupees -----					
Financial assets measured at fair value						
Investments						
- Investment in equity securities	-	235,081,734	-	-	-	235,081,734
Financial assets not measured at fair value						
Cash and bank*	-	-	-	141,979,813	-	141,979,813
Investments						
- Debts securities	-	-	419,112,300	-	-	419,112,300
Insurance / Reinsurance receivables*	-	-	-	62,547,897	-	62,547,897
Reinsurance recoveries against outstanding claims*	-	-	-	118,466,336	-	118,466,336
Salvage recoveries accrued	-	-	-	7,882	-	7,882
Loans and other receivables*	-	-	-	9,122,330	-	9,122,330
Financial liabilities not measured at fair value						
Outstanding claims (including IBNR)*	-	-	-	-	(199,813,911)	(199,813,911)
Insurance/Reinsurance Payables	-	-	-	-	(24,545,475)	(24,545,475)
Other creditors and accruals*	-	-	-	-	(68,083,149)	(68,083,149)
	-	235,081,734	419,112,300	332,124,258	(292,442,535)	693,875,757



	As at December 31 2020	Level 1	Level 2	Level 3	As at December 31 2019	Level 1	Level 2	Level 3
----- Rupees -----								
Financial assets measured at fair value								
Available-for-sale								
- Listed equity securities	223,053,525	223,053,525	-	-	235,081,734	235,081,734	-	-
Financial assets not measured at fair value								
Held-to-maturity								
- Government securities	531,595,948	-	531,595,948	-	419,112,300	-	419,112,300	-
	<u>223,053,525</u>	<u>223,053,525</u>	<u>531,595,948</u>	<u>-</u>	<u>419,112,300</u>	<u>235,081,734</u>	<u>419,112,300</u>	<u>-</u>

* The Company has not disclosed the fair value of these items because their carrying amounts are a reasonable approximation of fair value.

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).

37 CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

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 or reclassified, wherever necessary, to align them with the presentation requirements of the Insurance Accounting Regulations, 2017.



39 NUMBER OF EMPLOYEES

	2020	2019
	Number	
As at 31 December	<u>69</u>	<u>70</u>
Average Number of employees during the year	<u>72</u>	<u>64</u>

40 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue in accordance with a resolution of the Board of Directors on April 06, 2021.

41 GENERAL

Figures in the financial statements are rounded off to the nearest rupee.


Chief Executive Officer


Chairperson


Director


Director



Pattern of Shareholding

As at December 31, 2020

Number of Shareholders	Shareholding			Total Share 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	Total			50,000,000

Number of Shareholders	Category of Shareholders	Total Share Held	Percentage %
1	State Life Insurance Corporation of Pakistan	47,574,843	95.15%
1	Ex-Director - Mr. Maudood Ahmed Lodhi	12,631	0.03%
100	Individuals	2,412,526	4.83%
102		50,000,000	100.00%



Branch Network

Main Branch, Karachi

Branch Address: 406, 4th Floor,
Business & Finance Centre,
Opp: State Bank of Pakistan,
I.I. Chundrigar Road,
Karachi.
Office Nos. 021-32429151
& 021-32425547
Fax No. 021-32435142
reyaz@alphainsurance.com.pk

Karachi South Division Branch

Branch Address: 4th Floor,
Building # 1-B,
State Life Square,
Off: I.I. Chundrigar Road,
Karachi - 74000.
PABX: 021-32426041-5
Fax No. 021-32419968, 32422478

Central Branch, Karachi

Branch Address: 4th Floor,
Building # 1-B,
State Life Square,
Off: I.I. Chundrigar Road,
Karachi - 74000.
PABX: 021-32426041-5
Fax No. 021-32419968, 32422478
centralbranch@alphainsurance.
com.pk

Hyderabad Branch

Branch Address: 6th Floor
State life Building No 3,
Thandi sarak,
Hyderabad.
Office No. 022-2621938
Fax No. 022-2618867

Lahore Branch

Branch Address: 4 Bank Square,
Shahrah-e-Quaid-e-Azam,
P.O.Box No.125,
Lahore.
Office Nos. 042-37322518
& 042-37311618
Fax No. 042-37324628
ilyas@alphainsurance.com.pk

Faisalabad Branch

Branch Address: 6th Floor,
State Life Building, Liaquat Road,
Faisalabad.
Office No. 041-2640383
Fax No. 041-2640384
salahuddin@alphainsurance.com.pk

Multan Branch

Branch Address: Room Nos. 1 & 2,
1st floor, Hajvairee Arcade Center,
Kutchery Road,
Multan.
Office No. 061-4510694
Fax No. 061-4541649
rohail.butt@alphainsurance.com.pk

Bahawalpur Branch

Branch Address: 1st floor,
Shah Din Plaza, Outside Farid Road,
Stadium Road,
Bahawalpur.
Office No. 062-2874236
Fax Nos. 062-2884090
& 062-2887761

Islamabad Branch

Branch Address: Ground Floor,
State Life Building - 5,
China Chowk, Jinnah Avenue,
Blue Area,
Islamabad.
Office Nos. 051-2274032-34
Fax No. 051-2274964
raza@alphainsurance.com.pk

Peshawar Branch

Branch Address: Unit No. TF 314,
Din's Trade Centre,
Opp. State Bank of Pakistan,
Peshawar Cantt.
Office No. 091-5261691
Fax No. 091-5261692
hamzullah@alphainsurance.com.pk

Rawalpindi Branch

Branch Address: 2nd Floor,
State Life Building # 8,
Kashmir Road,
Rawalpindi Cantt.
Office Nos. 051-5568349, 051-
5562249
Fax No. 051-5519201
saghirahmed@alphainsurance.com.pk



Proxy Form

Annual General Meeting

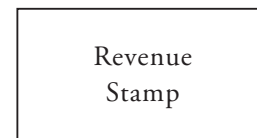
I/We.....of.....Being a member of Alpha Insurance Company Limited hereby appoint Mr..... of..... of failing him Mr..... of..... as my/our Proxy to vote for me/us and on my/our behalf at the 69th Annual General Meeting of the Company to be held on 29th day of April, 2021 at 11:00 a.m. at Company's Head Office, 4th Floor, Building No. 1-B, State Life Square, I.I. Chundrigar Road, Karachi and at any adjournment thereof.

Signed this..... day of 2021

1. Witness:

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

 CNIC.....



2.

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

 CNIC.....

Signature.....
 Holder ofOrdinary Shares
 Share Register Foilio No.....

Notes:

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.

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



State Life Building # 1-B, I.I. Chundrigar Road, Karachi - Pakistan
Web: www.alphainsurance.com.pk