

# Investing for *Life*



Annual Report 2009

EFU LIFE ASSURANCE LTD



**LIFE**

*Zaroori Hai*

## Head Office EFU Life

The design of our new EFU Life Head Office is a symbol of modern architecture and symbolic of our financial strength. It also reflects our continued history of success and innovation in the life insurance industry of Pakistan. Once completed, this building will be an icon of our progressive growth and leadership position in the corporate sector.



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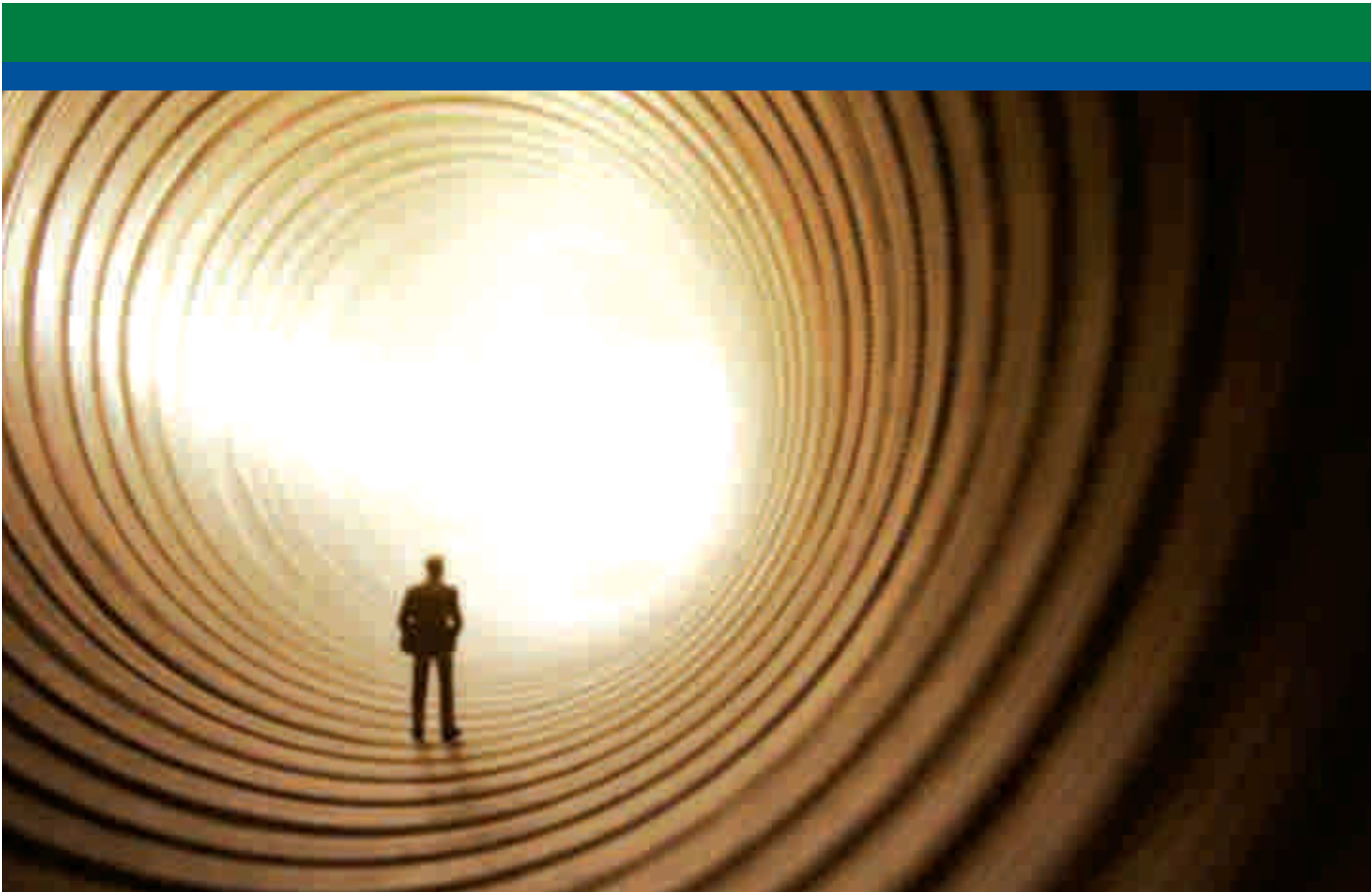


## The roots of our success lie in our absolute focus on customers

Our “client-centric” approach is an integral part of our organizational culture. All our internal processes are designed with the perspective of providing the best service to our clients all the time. With the highest client satisfaction ratio in the life insurance industry, we constantly strive to exceed client expectations.

We consider technology to be a critical part of our client servicing approach. We operate a dedicated client servicing call center and provide easy access to policy information by an innovative “Mobile Alert Service” - firsts in the life insurance industry in our country.

Looking into the future, we will continue to provide more customer friendly tools to our clients to enhance their lifelong experience with us.



## Nurturing our roots to extend reach

We have been the pioneers in introducing many new concepts in the life insurance industry of Pakistan. The concept of unit linking was introduced in 1994 by us and today the individual life business in the private life sector is predominantly unit linked.

Our product range focuses on savings, child education and marriage, retirement, Islamic and protection products. With a focus on broader market segments, in 2009 we launched products for the savings and protection needs of women, financial planning by grandparents for their grandchildren and a marriage plan.

Our comprehensive product range covering a wide spectrum of financing needs positions us as the life insurance company of choice by our clients.



## Our strong roots provide routes to new markets

A strong and robust distribution setup is one of our key strengths. The three pillars of our distribution are the Individual Life sales force, Group Benefits marketing team, and Bancassurance. Our Individual Life sales force is the most disciplined and professional distribution setup in the country, with 3 individuals who are life time MDRT members. Our dedicated and committed Group Benefits marketing team provides the solid base for distributing our products to corporate clients.

The most recent investment of the Company has been in developing the Bancassurance distribution channel making it the most reputed Bancassurance provider in the country with 10 local and foreign banks as its partners.

Our success is attributed to the constant attention we give to the development of all our distribution channels, thus providing us the impetus for future sustainable growth.



## Awards & Recognition

Over the years we have received awards and accolades linked to our financial strength, corporate governance, robust and documented procedures, customer satisfaction, and CSR initiatives.

We have been presented the 'Consumer Choice Award 2009' for the Best Life Insurance Company by Consumer Association of Pakistan; the 4th Corporate Social Responsibility 'National Excellence Award' by Help International Welfare Trust; 'Corporate Social Responsibility Award, 2009' by Helpline Trust; the '26th Corporate Excellence Certificate' in insurance sector by Management Association of Pakistan and also given the First National Achiever's Award for the 'Best Life Insurance Company in Private Sector'. Furthermore we hold the prestigious honor of being the first insurance company in Pakistan to be awarded the ISO 9001: 2008 certification.





## Our workforce is cultivating future growth

We pride ourselves on having the most professional Life Insurance management team in the country. Our strength derives from the commitment of our senior and middle managements, which ceaselessly pursue the objective of taking the Company to new heights of achievement.

Our EFU Life family encompasses experienced insurance sales personnel, accountants, IT professionals, underwriters, medical doctors, lawyers, business management graduates and actuaries, to name a few. This 'human capital' is the Company's greatest asset.

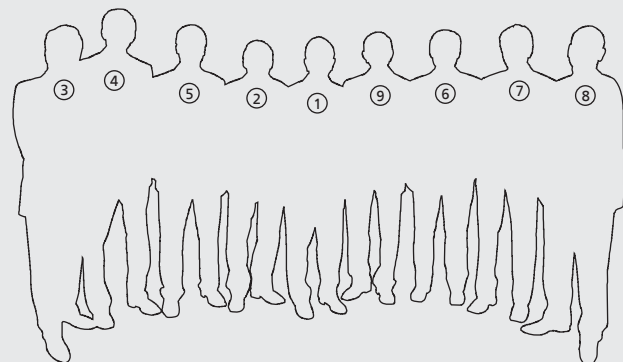
Our continuing investment in the nurturing of talent and the recognition and reward of skills makes us the employer of choice in the industry.





## Senior Management

1. **Taher G. Sachak**  
Managing Director & Chief Executive
2. **Naseem A. Chaudhari**  
National Sales Director
3. **S. Ali Raza Zaidi**  
Executive Director
4. **Mohammed Ali Ahmed**  
General Manager  
Actuarial, Strategic Planning  
& Bancassurance
5. **Zain Ibrahim**  
General Manager  
Individual Life Operations
6. **Khurram Amin**  
General Manager  
Group Benefits Operations
7. **S. Shahid Abbas**  
General Manager Accounts & CFO
8. **Husein Sachak**  
Head of Bancassurance Sales  
& Marketing
9. **S.M. Baqar Naqvi**  
Senior Advisor





## Quality Policy

### VISION

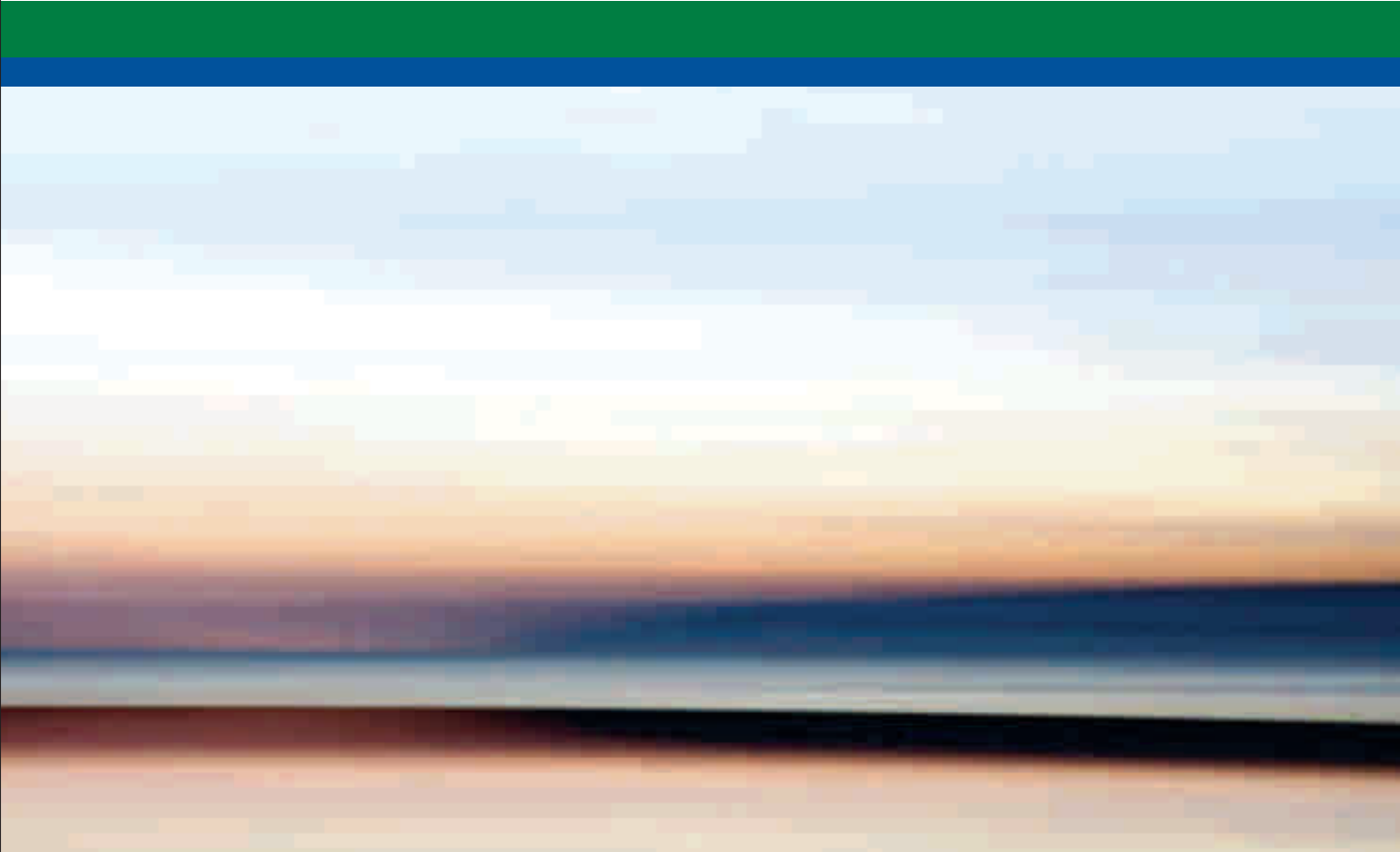
Our Vision is to make EFU Life one of the most respected and successful financial services organization in the world. Our strategy to achieve our vision is: build our core capabilities, serve our clients beyond their expectations, adhere to our core values and be a good corporate citizen.

### VALUES

**Character:** Our business principles for achieving exceptional success are a belief that our corporate conduct should be based on uncompromising integrity, ethics and honesty.

**Pride:** We believe that people want to excel and that extraordinary results can be achieved, if given the right support and work climate.

**Service:** Our clients are the reasons for being in business. We shall deliver to them the highest quality of flawless service to win and keep their loyalty.



Commitment: We nurture and develop our people to be good human beings, work together as a team to achieve our organizational objectives and obligations, while at the same time fulfill their aspirations.

Culture: Embed a high performance culture that points the organization towards the common good and creates an intense passion for achievement at all levels.

### **SOCIAL RESPONSIBILITY**

Our social responsibility is to contribute to the development of a civilized, prosperous and respected Pakistan in which all people live in harmony. To fulfill our obligations we shall act responsibly to make a difference by contributing to those activities that have the greatest visible impact on the betterment of society with emphasis on education and health.



## Company Information

### Chairman

Saifuddin N. Zoomkawala

### Managing Director & Chief Executive

Taher G. Sachak

### Directors

Hasanali Abdullah  
Jahangir Siddiqui  
Muneer R. Bhimjee  
Rafique R. Bhimjee  
Sultan Ahmad

### Corporate Secretary

Syed Mehdi Imam

### Appointed Actuary

Omer Morshed, F.C.A., F.P.S.A., F.I.A.

### Legal Advisor

Mohammad Ali Sayeed, M.A.B.L.

### Auditors

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants, Karachi  
Hyder Bhimji & Co.  
Chartered Accountants, Karachi

### Registrar

Technology Trade (Pvt.) Ltd.  
Dagja House 241-C  
Block-2, P.E.C.H.S.  
Off Shahra-e-Quaideen, Karachi  
Ph: (92-21) 34391316-17  
Fax: (92-21) 34391318

### Rating

Rating Agency: JCR-VIS  
Insurer Financial Strength Rating AA-  
Outlook: Stable

### Website:

[www.efulife.com](http://www.efulife.com)

### Registered Office

Al-Malik Centre  
70 W, F-7/G-7 Jinnah Avenue  
(Blue Area), Islamabad

### Main Office

37-K, Block 6, P.E.C.H.S., Karachi

## Management

### **Managing Director & Chief Executive**

Taher G. Sachak

### **General Managers**

Khurram Amin  
Mohammed Ali Ahmed  
S. Shahid Abbas  
Zain Ibrahim

### **Assistant General Manager**

Adeel Ishaque

### **Medical Director**

Dr. Tajuddin A. Manji, F.R.C.P., M.R.C.P.

### **Senior Managers**

Arshad Iqbal  
Asim Maqbool  
Evelyn D. Abrogena  
Ghayas Hassan  
M. Azeem Mirza  
Mohammad Asim Khan  
Mohammad Faisal  
Mohammad Zubair  
Dr. Naila Salman  
Naveed Shahid  
S. Abdul Moiz

### **Managers**

Dr. Ali Murtaza Khan  
Asif Mehmood Akhtar  
Burhan Zahid Chughtai  
Fahd Saifuddin Syed  
M. Hasan Shaikh

M. Rehan Siddiqui  
Col. Mirza Jalaluddin Ahmed  
Mohammad Altaf  
S. Mohammad Amer  
S. Mohammad Athar  
S. Zia Mamnoon  
Shazia Mehboob

### **Senior Advisor**

S.M. Baqar Naqvi

### **Advisors**

Arshad Abdullah  
S. A. Naqvi

### **Distribution Channels**

#### **Sales Force**

Naseem A. Chaudhary  
National Sales Director

#### **Group Benefits**

S. Ali Raza Zaidi  
Executive Director

#### **Bancassurance**

Husein Sachak  
Head of Sales & Marketing

## Committees

### **Audit Committee**

Saifuddin N. Zoomkawala  
Rafique R. Bhimjee  
Hasanali Abdullah

### **Investment Committee**

Saifuddin N. Zoomkawala  
Taher G. Sachak  
Rafique R. Bhimjee  
Hasanali Abdullah  
Omer Morshed  
S. Shahid Abbas  
Mohammed Ali Ahmed  
Naveed Shahid

### **Underwriting Committee**

Taher G. Sachak  
S. M. Baqar Naqvi  
Dr. Tajuddin A. Manji  
Zain Ibrahim  
Dr. Naila Salman

### **Claim Settlement Committee**

Taher G. Sachak  
S. M. Baqar Naqvi  
Zain Ibrahim  
Khurram Amin  
Arshad Iqbal  
Dr. Ali Murtaza

### **Reinsurance Committee**

Taher G. Sachak  
Omer Morshed  
Mohammed Ali Ahmed  
Khurram Amin  
Syed Abdul Moiz



## Notice of Meeting

Notice is hereby given that the 18th Annual General Meeting of the Shareholders of E F U Life Assurance Ltd. will be held at the Registered Office of the Company at Al-Malik Centre, 70 W, F-7/G-7 Jinnah Avenue (Blue Area), Islamabad on Friday April 30, 2010 at 10:00 a.m. to:

### A. ORDINARY BUSINESS:

1. confirm the minutes of the 17th Annual General Meeting held on April 27, 2009.
2. receive, consider and approve the Audited Financial Statements for the year ended December 31, 2009 together with the Directors' and Auditors' reports thereon.
3. consider and if thought fit to approve the payment of Dividend at the rate of Rs. 5.50 per share for the year ended December 31, 2009 as recommended by the Board of Directors.
4. appoint Auditors for the year 2010 and fix their remuneration.

### B. SPECIAL BUSINESS:

- 5 consider and if thought fit to pass the following Ordinary Resolution with or without modification(s):

RESOLVED that a sum of Rs. 100,000,000 out of the free reserves of the Company be capitalised and applied to the issue of 10,000,000 Ordinary Shares of Rs. 10/- each and allotted as fully paid Bonus Shares to the Members, who are registered in the Books of the Company at the close of business on April 20, 2010 in the proportion of two new shares for every fifteen existing Ordinary Shares held and that such new shares shall rank pari passu with the existing Ordinary Shares of the Company.

Further resolved that the members' fractional entitlement to Bonus Shares may be consolidated and sold in the stock market and the net sale proceeds of such fractional entitlements when realized be paid to a charitable institution.

That for the purpose of giving effect to the foregoing, the Managing Director / Chief Executive or the Corporate Secretary be and are hereby singly authorised to give such directions as may be necessary and settle any questions or any difficulties that may arise in the distribution of the said new shares or in the payment of the sale proceeds of the fractions.

6. transact any other matter with the permission of the Chair.

Attached to this notice of meeting being sent to the members is a statement under Section 160(1)(b) of the Companies Ordinance 1984 setting forth:

- (a) All material facts concerning the resolutions contained in item No. 5 of the notice which will be considered for adoption at the Meeting.
- (b) Status of previous approvals of investments in associated company.

By Order of the Board

Karachi March 29, 2010

SYED MEHDI IMAM  
Corporate Secretary

### NOTES

1. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as a proxy to attend and vote in respect of him. Form of proxy must be deposited at the Company's Registered Office not later than 48 hours before the time appointed for the meeting.

2. CDC Account holders are advised to follow the following guidelines of the Securities and Exchange Commission of Pakistan.

**A. For attending the meeting:**

- (i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- (ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

**B. For appointing proxies:**

- (i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
  - (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
  - (iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - (iv) The proxy shall produce his original CNIC or original passport at the time of the meeting.
  - (v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.
3. The Share Transfer Books of the Company will be closed from April 21, 2010 to April 30, 2010 (both days inclusive). Transfer received in order by our Shares Registrar, Technology Trade (Pvt) Ltd., Dagia House, 241-C, Block-2, P.E.C.H.S., Shahrah-e-Quaideen, Karachi at the close of business on April 20, 2010 will be considered in time to attend and vote at the meeting and for the entitlement of Dividend and Bonus Shares.
  4. Members are requested to communicate to our Shares Registrar of any change in their addresses.

**Statement under section 160 of the Companies Ordinance, 1984 pertaining to the Special business:**

1. This statement sets out the material facts pertaining to the Special business to be transacted at the Annual General Meeting of the Company to be held on April 30, 2010.

**2. Item 5 regarding Bonus issue:**

Your Directors have recommended the issue of Bonus Shares in the proportion of two new shares for every fifteen existing Ordinary Shares held at the close of business on April 20, 2010. The Directors are interested in this business to the extent of their entitlement to Bonus Shares as Members.

**3. Status of approval for investment in associated companies:**

As required under the SRO No. 865(1)2000 dated December 6, 2000, the position of investment in associated company against approval is as under.

Against the approval accorded by shareholders of the Company at the 16th Annual General Meeting held on March 31, 2008 of Rs. 500 million for investment in shares of EFU General Insurance Ltd. the Company has so far invested Rs. 498.39 million and the remaining amount will be invested on availability of shares at a reasonable price.

## Report of the Directors to the Members



*EFU Life Assurance Ltd. Board of Directors ( Left to Right) Hasanali Abdullah; Taher G. Sachak, Managing Director & Chief Executive  
Jahangir Siddiqui; Saifuddin N. Zoomkawala, Chairman; Rafique R. Bhimjee; Sultan Ahmad; Muneer R. Bhimjee*

The Directors of your Company are pleased to present to you the Eighteenth Annual Report of the Company for the year ended 31 December 2009.

### **General overview of the economy:**

The year 2009 has generally been a challenging year on many fronts. The economic slowdown witnessed during 2008 continued to show its impact in the first two quarters of 2009, with only a slight hint of improvement towards the end of the third quarter. With a GDP growth rate of just over 2% during the last fiscal year, the country's economy continued to be vulnerable. The emergency financing from IMF towards the latter part of the year temporarily helped the Government avert an economic crisis. Several macroeconomic data releases have shown that the economy appears to be heading towards stabilization; however the seeds of uncertainty are very much present, mainly due to domestic factors such as the security situation. The stock market which had a tumultuous year in 2008, ended the year with an exceptionally strong performance where the KSE 100 index rose by 60% over January to December, recouping much of the damage inflicted in 2008 by imposition of a five months floor. The discount rate is currently at 12.5% after being cut down three times in 2009 by a cumulative

250 basis points while Inflation has slowed down to around 13%.

### **Bottom line performance:**

The Company maintains four statutory funds for its life insurance business. During the year, the performance of the statutory funds was exceptional as compared to the previous year, with a surplus in Revenue Account of Rs. 734 million (2008: Rs 413 million), an impressive increase of 78 %. Despite the stress on the top line of the company, which is discussed later in the report, the Company has been able to show this excellent performance mainly due to the prudent management policies and strict controls in all areas of business during the year. This has ensured that the Company has a strong financial base to meet the commitments to its clients and at the same time provide a good return to the shareholders. After including the performance of the Shareholders' fund, your Company made a before tax profit of Rs. 648 million (2008: Loss of Rs 315 million).

### **Business Performance:**

Your Company's total premium income stood at Rs. 7.23 billion (2008: 7.25 billion). There was a significant contribution from each of the distribution channels of

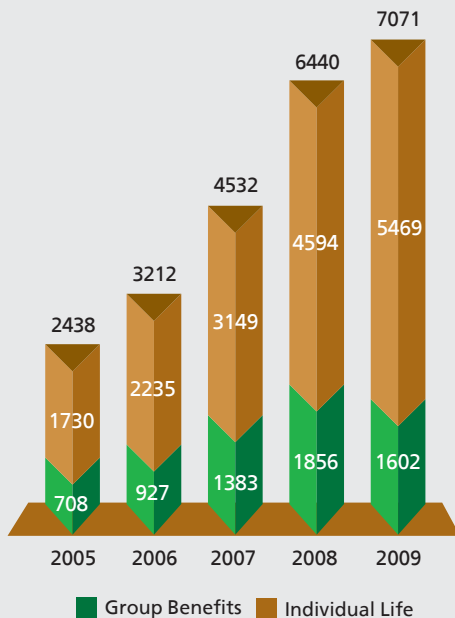


Individual Life (sales force and bancassurance) and Group Benefits line of business.

Individual Life regular premium business achieved a good growth of 19% and recorded a premium of Rs. 5.47 billion (2008: Rs. 4.58 billion). New business premium contributed Rs. 1.78 billion (2008: Rs. 1.83 billion), while the substantial renewal premium base added another Rs. 3.69 billion (2008: Rs. 2.76 billion). The Company's consistent focus on superior level of client servicing has enabled it to achieve a steady growth in Renewal premium income over the last few years and during 2009 the Company witnessed a growth in renewal premium of 34%. Focus on persistency is an integral part of all individual life distribution channels and the Company is consciously working to improve its long term profitability and return to shareholders through high persistency levels. The Company intends to further consolidate on his renewal premium base by offering various new client servicing initiatives during 2010.

Group Benefits business achieved a gross premium income of Rs. 1.60 billion (2008: Rs 1.86 billion), making up for 22% of the Company's total premium income for the year. This substantial contribution to the overall business was impacted during the year by the slow consumer finance business of banks which in earlier years contributed close to half of the Group Benefits premium, as well as the slowdown in the overall industrial and corporate sector of the country.

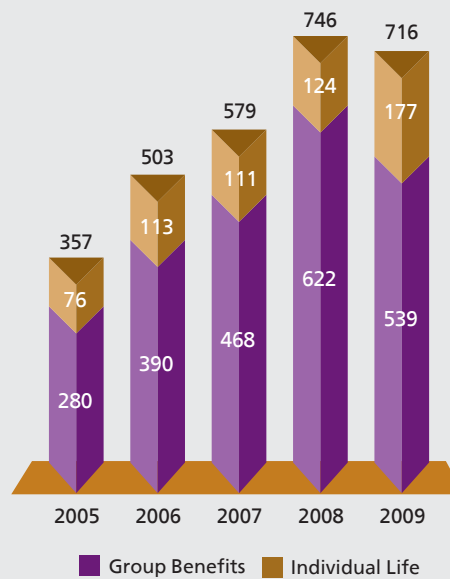
**GROSS PREMIUM - 5 YEAR SUMMARY**  
(Group Benefits & Individual Life Regular Premium)  
(Rupees in Millions)



**Claim payments:**

During the year 2009 the Company paid death and disability claims of Rs. 716 million with individual and group life claims amounting to Rs. 177 million and Rs. 539 million, respectively.

**GROSS DEATH & DISABILITY CLAIMS**  
**5 YEAR SUMMARY**  
(Rupees in Millions)



**Investment Performance:**

In 2009, the Company's unit linked funds recovered from the downturn that was witnessed during 2008. The Managed Growth Fund, which is the main unit linked fund of the Company now exceeds Rs. 13.5 billion in market value and provided an annualized return of over 14% (net of all charges) over a period of last 10 years to our clients. This reaffirms the fact that returns on policies held for longer term are more stable and significant as compared to shorter term investments. To emphasize the nature of recovery of the funds in 2009, it is important to note that during the year the bid prices of this fund improved by 28%.

The Capital Growth Fund, which is the dedicated unit linked fund for single premium plans, has also shown impressive performance over the last many years. The

fund averaged over 15% p.a. annualized return (net of all charges) over the last 5 years.

The Company had started a unit linked fund with interest free investments in early 2008, called the Aitemad Growth Fund. This fund, even though still in its early growth phase, averaged over 12% p.a. annualized return since inception.

During the year, the Company started daily unit pricing of its unit funds. In addition the Company also launched a new unit linked fund, Guaranteed Growth Fund, aimed at providing stable investment returns to clients. The investment strategy of the fund is such that the unit price is expected to continuously increase. In addition to this, the Company has also launched "Fund Selection Option" through which new clients can link their policy to any of the three available unit funds, including the Aitemad Growth Fund. All these features now give more options to the sales force to offer customized solutions to the clients, and to the clients to better manage their insurance policies with the Company.

The net investment income of the Statutory Funds during 2009 was Rs. 3.1 billion (2008: -3.3 billion), thus demonstrating the massive recovery on the investment side. The total company assets stood at a formidable Rs. 17.8 billion (2008: Rs. 11.9 billion).

#### **New Products:**

The Company has a comprehensive product range with the depth to reach into the main market segments of our society. The Company continued to focus on meeting the needs of specific markets and launched three unit linked products for its sales force during the year. Two of these products focus on largely untapped markets: financial planning for grandchildren by grandparents, and savings product for professional females and housewives. The third product focuses on child financial planning for marriage and compliments the existing education planning products. The Company feels that the addition of these products to its menu would help the sales force penetrate further into the market.

For its bancassurance distribution channel, the Company launched various products with its existing and new bank partners. The focus of these products is on savings, child education and marriage, and retirement.

#### **Distribution Strengths:**

The Company's primary focus during the year was on further strengthening its distribution setup. The Company has an extensive setup for its tied agency sales force with 115 branches in the country. The Company has been following the strategy over the last few years of significant recruitment in the sales force to increase its size, but at

the same time is constantly focusing on improving the retention rate as well as productivity. Consistent efforts will continue further in 2010 to improve upon these key parameters which are so important to enable the sales force give the exponential growth required in future years.

The second and equally important distribution channel of bancassurance continued its significant contribution to the overall business of the Company. The Company now has 10 bank partners making it the largest bancassurance provider in the market. This is evidence of the Company's commitment to develop long term sustainable relationships with banks and offering their customers good value products, best of client services and backing of EFU Life's formidable financial strength. The list of bank partners now includes local and multinational banks, including small, medium and large sized banks. Mainly due to the lack of performance from one bank partner, which during 2009 was in the process of being sold off, there was an adverse impact on the total bancassurance business. However, now due to the fairly large number of bank partners, the Company is no longer dependent on the performance just one or two banks. Instead the Company is now achieving fairly consistent volumes of premium with all banks producing reasonable numbers. The Company expects the bancassurance distribution channel to produce good growth in business in 2010.

The third distribution channel is the marketing force of Group Benefits. The sluggish market sentiments during the year and the slowdown in the industrial and corporate sector offered a challenging scenario for this channel. Despite the challenges, this distribution channel was able to produce good results during the year. The Company is further working on providing more tools to the marketing team to enhance the penetration in the corporate sector.

#### **Awards and Achievements:**

Your Company's performance and market leadership was recognized by various independent entities during the year. The Company received the following prestigious awards during 2009:

26th Corporate Excellence Award by the Management Association of Pakistan (also received the 25th Corporate Excellence Award in 2008)

First National Achiever's Award for the "Best Life Insurance Company" in the private sector

Consumers Choice Award for Best Life Insurance 2009 by Consumer Association of Pakistan (was also awarded in 2008)

4th CSR National Excellence Award 2009 by Help International Welfare Trust.

Corporate Social Responsibility Award, 2009 by Helpline Trust (was also awarded in 2008)

Only Life Insurance Company upgraded to ISO-9001:2008 Certification.

The Company's Insurer Financial Strength rating was reaffirmed by JCR-VIS as AA- (Stable). EFU Life is the only private sector life insurance company in the country with a public IFS rating. The reaffirmation is indicative of the fact that the Company is on a strong financial footing and is the market leader in the life insurance sector in terms of long term sustainable business strategies, innovative products, superior systems and IT infrastructure, satisfied clients and prudent investment policies resulting in excellent medium to long term returns to our clients.

#### **Technology:**

Projects focused on providing better servicing to clients that were initiated during 2008 were completed and launched in 2009. The highlight of these was the "Mobile alert service" which was launched for individual life clients. An important way of providing better services to our clients is to give them prompt access of vital policy information. Through this innovative service the Company now sends SMS about Renewal Reminders, Renewal Confirmations, Birthday Greetings, Proposal Acknowledgment, Policy Issuance and more, directly to the client's mobile phone. This service provides timely information to the clients about the ongoing position and status of their policies through SMS. The launch of this service and many other initiatives linked to the website will position your Company as a pioneer in online client service systems in the life insurance industry.

#### **Human Capital:**

Your Company prides itself in having the most professional life insurance management team in the Country. Our staff remain our key intellectual asset and includes experienced insurance sales personnel, accountants, IT professionals, underwriters, medical doctors, lawyers, business management graduates and actuaries, to name a few. The Company considers this "human capital" as its greatest asset and during the year the Company continued to focus on its development at all levels. Investment in developing and motivating staff plays a pivotal role in their positive contribution to the current and future success of the Company.

#### **Regulatory Developments:**

On the regulatory front, there were some key developments for the life insurance industry.

International Financial Reporting Standard 4 for insurance contracts (IFRS 4) was implemented in Pakistan effective from accounting periods beginning on or after 1 January 2009. During the year, SECP gave exemption to insurance companies from reporting on certain aspects of the standard, with full implementation required for financial statements for the year ending 31 December 2009. Your Company's annual accounts are compliant with the requirements of IFRS 4. The main focus of this standard is on greater disclosures about the Company's business operations, including risks, their management, setting up of key assumptions, liability adequacy test, sensitivity and claims analysis.

SECP also issued Guidelines for Illustrations which now provide a uniform format for illustrations of life insurance products helping clients in making meaningful comparisons of illustrations of all companies. The guidelines also provide a template for the illustration report, as well as guidance on how to set the rate of return assumptions. These are to be fully implemented by 31 March 2010.

SECP during the year also drafted Guidelines for Bancassurance Business, which have now been implemented with full compliance required by 30 April 2010. The guidelines cover key aspects of the bancassurance business model such as basis of the agreement, premium collection, code of conduct, sales and marketing, remuneration and reporting.

#### **(Late) Ashraf W Tabani:**

Your Directors would like to place on record their profound grief and sorrow on the sad demise of Ashraf W Tabani, on 16 July 2009. May his soul rest in peace and give courage to the grieved family to bear this irreparable loss (Amen). Late Ashraf Tabani was a Director of your Company for over 16 years. He became a Director in 1992 when our Late Founding Chairman Roshen Ali Bhimjee requested him to join the Board of Directors with the start of EFU Life. During his professional career he served on various key roles in the Government sector and was the Governor of Sindh in 1987 to 1988. The Directors will always remember and cherish his contribution to the progress and growth of the Company.

#### **Appropriation and Dividend:**

Your Company's Profit after tax during the year amounted to Rs.711.659 million. Your Directors have pleasure in recommending a dividend of Rs 5.50 (55 %) per share and issuance of 2 bonus shares for every 15 shares held by the Shareholders of the Company whose names appear in the Share Register of the Company at the close of business on April 20, 2010.

### Related Party Transactions

At each board meeting the Board of Directors approve the Company's transactions made with Associated Companies and Related Parties. All such transactions are executed on arm's length basis.

### Internal Audit function

The Board is responsible for effective implementation of a sound internal control system including compliance with control procedures. The Audit Committee is assisted by the Internal Auditor in reviewing the adequacy of operational controls and in monitoring and managing risks so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively in the Company and to add value and improve the Company's operations by providing independent and objective assurance. The principal responsibility of the Internal Auditor is to conduct periodic audits and to ensure adequacy in operational controls, consistency in application of policies and procedures, compliance with laws and regulations.

As part of Corporate Governance, your Company has Underwriting Committee, Claims Settlement Committee and Reinsurance Committee.

### Corporate Social Responsibility

#### Business Ethics, Consumer Protection and anti-corruption measures

The Board has adopted the statement of ethics and business practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to business and regulations. Statement of ethics and business practices are based on integrity, dignity, culture of excellence and ethical dealing with clients, peers and the public.

#### Relationship with other Stakeholders

Your Company tries to maintain good relationship with:  
Its employees by providing a positive work environment  
Its clients through building trust and providing quality service

The business community through honest and fair dealing

The Government through promoting free enterprise along with competitive market system and comply with all applicable laws; and

The society in general through providing safe and healthy workplace and provide employees the opportunity to improve their skills

### Contribution to National Exchequer

Your Company contributes substantially to the national economy in terms of taxes and duties and the contribution is increasing as the company grows. This year the Company contributed Rs. 167 million to the national exchequer in the form of Income Tax, etc.

### Compliance with Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the regulatory authorities have been duly complied with. A statement to this effect is annexed with the report.

The Directors of your Company were elected at the Extraordinary General Meeting held on June 21 2008 for a term of three years expiring on June 21, 2011.

The number of meeting attended by each Director is given hereunder:

Sr. No.	Name of Directors	Number of Meetings attended
1.	Saifuddin N Zoomkawala	5 out of 5
2.	Taher G Sachak	5 out of 5
3.	Ashraf W Tabani*	1 out of 2
4.	Jahangir Siddiqui	5 out of 5
5.	Rafique R Bhimjee	5 out of 5
6.	Muneer R Bhimjee	2 out of 5
7.	Hasanali Abdullah	5 out of 5
8.	Sultan Ahmed*	2 out of 3

\*Mr Sultan Ahmed was appointed as Director of the Company on August 7, 2009 in place of Ashraf W Tabani, who passed away on July 16, 2009.

Leave of absence was granted to Directors who could not attend the Board Meetings.

#### Audit Committee:

The Board's Audit Committee comprises of the following members:

1. Saifuddin N Zoomkawala (Chairman)
2. Rafique R Bhimjee
3. Hasanali Abdullah

### Corporate and Financial Reporting Frame Work

- a) The financial statements prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- b) Proper books of accounts have been maintained by the Company.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e) System of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h) The key operating and financial data for the last six years is annexed.
- i) The value of investments of provident and pension funds based on their un-audited accounts as on December 31, 2009 were the following.

Provident Fund	Rs.	104	Million
Pension Fund	Rs.	42	Million

The value of investments includes accrued interest.

- j) Trading of Shares by Chief Executive, Directors, Chief Financial Officer, Company Secretary, their spouses and minor children:

<u>Purchase of Shares:</u>	<u>No. of Shares</u>
Mr. Shahid Abbas (C F O)	1,000

- k) The statement of shareholding in the Company as at December 31, 2009 is included with the Report.

Messrs. Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants and Hyder Bhimji & Co, Chartered Accountants, retire and being willing to continue are recommended for reappointment as Auditors of the Company for the year 2010.

We wish to recognize and place on record our appreciation of the contribution made by our Appointed Actuary Mr. Omer Morshed for his invaluable advice on actuarial, investments, administrative and marketing policies of the Company.

We would also like to record our appreciation and gratitude to Munchener Ruckversicherungs Gesellschaft (Munich Re) of Germany who are your Company's main reinsurers and who continue to provide full support to your Company.

Our thanks are also due to E F U General Insurance Ltd. for their continuous support and guidance, which has enabled the Company to establish a strong presence in the market.

The Directors wish to record their appreciation for the tremendous contribution made by the able and eminent officers, staff and field force of the Company towards its development and growth. Their continuous commitment to high ethical standards, client service and hard work has helped your Company emerge and maintain its position as a clear market leader amongst private sector life insurers.

Finally, we would like to thank our clients for the confidence expressed in us and also to the Insurance Division of the Securities and Exchange Commission of Pakistan for their guidance, co-operation and understanding extended to us throughout the year.

HASANALI ABDULLAH  
Director

MUNEER R. BHIMJEE  
Director

TAHER G. SACHAK  
Managing Director &  
Chief Executive

SAIFUDDIN N. ZOOMKAWALA  
Chairman

Karachi March 29, 2010



## Key Financial Data for The Last Six Years

(Rupees '000)

	2009	2008	2007	2006	2005 (Restated)	2004
<b>Gross premium</b>	7 226 876	7 250 509	4 817 874	3 338 078	2 500 098	1 883 699
<b>REVENUE ACCOUNT</b>						
Premium - net of reinsurance	6 769 079	6 807 131	4 431 546	3 042 316	2 257 827	1 719 822
Interest and other income	1 604 864	2 005 337	1 882 987	717 288	469 814	322 895
	8 373 943	8 812 468	6 314 533	3 759 604	2 727 641	2 042 717
Claims less reinsurance	1 299 861	1 297 659	887 393	758 980	622 169	503 893
Commission and expenses	2 651 068	2 708 505	1 798 526	1 085 416	803 158	576 579
Provision for Appreciation / (Depreciation) on investments	1 603 394	( 5 096 831 )	( 2 022 095 )	( 178 962 )	418 769	4 022
Write back / (Provision) for doubtful debts on available for sale fixed income securities	6 712	(73 838)	-	-	-	-
Provision for impairment on available for sale equity investment	(185 168)	(914 012)	-	-	-	-
Capital contribution from shareholders' fund	-	599 615	( 599 615 )	-	-	-
Change in the statutory fund	5 200 231	( 1 563 033 )	4 815 579	1 398 477	1 424 869	751 437
Profit / (Loss) before tax	647 721	(314 959)	1 434 745	337 769	296 214	214 830
Provision for taxation	63 938	( 158 200 )	( 227 453 )	( 101 800 )	( 100 347 )	( 74 000 )
Profit / (Loss) after tax	711 659	( 473 159 )	1 207 292	235 969	195 867	140 830
<b>BALANCE SHEET</b>						
Investments	15 053 389	9 684 973	11 757 140	6 573 206	5 156 704	3 689 747
Cash & bank balances	1 365 803	1 425 424	949 466	683 275	455 453	382 418
Other assets	1 078 081	467 589	339 055	204 855	138 289	112 327
Fixed assets	350 208	308 345	269 589	238 892	217 928	74 569
	17 847 481	11 886 331	13 315 250	7 700 228	5 968 374	4 259 061
Issued, subscribed and paid-up capital	750 000	750 000	500 000	300 000	210 000	165 000
Accumulated surplus / (loss)	646 040	( 65 619 )	607 925	240 248	196 279	150 162
General reserve	232 500	570 000	170 000	190 000	130 000	50 000
Balance of statutory fund	14 767 466	9 567 235	11 130 268	6 314 689	4 916 212	3 491 343
Other liabilities	1 451 475	1 064 715	907 057	655 291	515 883	402 556
	17 847 481	11 886 331	13 315 250	7 700 228	5 968 374	4 259 061

## Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of non-executive Directors on its Board. At present the Board includes six non-executive Directors, who were elected on 21 June 2008 for the three years' term effective 22 June 2008.
2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The casual vacancy occurred due to the demise of Mr Ashraf W Tabani was filled in by the appointment of Mr. Sultan Ahmed within the stipulated time.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board including appointment and determination of remuneration and terms and conditions of employment of CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The management of the Company has submitted a paper to the Board of Directors on August 29 2009 to consider it as an orientation course for its Directors and to apprise them of their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and condition of employment, as determined by the Chief Executive Officer. No new appointment in the given position were made during the year.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three non-executive Directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Company has an internal audit department and taking steps to further strengthening it.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme 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 International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

HASANALI ABDULLAH  
Director

MUNEER R. BHIMJEE  
Director

TAHER G. SACHAK  
Managing Director &  
Chief Executive

SAIFUDDIN N. ZOOMKAWALA  
Chairman

Karachi March 29, 2010

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

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2009, prepared by the Board of Directors of EFU Life Assurance Limited (the Company) to comply with the Listing Regulations of the Karachi Stock Exchange, where the Company is listed.

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

As part of our audit of 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular number KSE / N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for its consideration and approval 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, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedure 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 does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2009.

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Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

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Hyder Bhimji & Co.  
Chartered Accountants

Karachi March 29, 2010

## Auditors' Report to the Members

We have audited the annexed financial statements comprising of:

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

of EFU Life Assurance Limited (the Company) as at 31 December 2009 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the Approved Accounting Standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit. The financial statements of the Company for the year ended 31 December 2008 were audited by KPMG Taseer Hadi & Co., Chartered Accountants and Hyder Bhimji & Co., Chartered Accountants, whose report dated 21 March 2009 expressed an unqualified opinion thereon.

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

In our opinion:

- (a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000, and the Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for changes as stated in note 5.1 to the financial statements with which we concur;
- (c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2009, and of the profit, its changes in equity and cash flows for the year then ended in accordance with Approved Accounting Standards as applicable in Pakistan and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (d) the apportionment of assets, liabilities, revenue and expenses between two or more funds has been performed in accordance with the advice of the appointed actuary; and
- (e) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Karachi March 29, 2010

Hyder Bhimji & Co.  
Chartered Accountants

Audit Engagement Partner: Hyder Ali Bhimji



## Balance Sheet As At 31 December 2009

(Rupees '000)

	Note	Statutory Funds				Aggregate 2009	Aggregate 2008	
		Shareholders' Fund	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)			Accident & Health Business
<b>Share capital and reserves</b>								
Authorised share capital [100 000 000 ordinary shares (2008: 100 000 000) of Rs. 10 each]		1 000 000				1 000 000	1 000 000	
Issued, subscribed and paid up share capital	8	750 000				750 000	750 000	
Accumulated surplus		646 040				646 040	(65 619)	
General reserve		232 500				232 500	570 000	
Total shareholders' equity		1 628 540				1 628 540	1 254 381	
<b>Balance of statutory fund [including policyholders' liabilities Rs. 14 492 million (2008: Rs. 9 294 million)]</b>								
	10		14 522 926	227 277	13 147	4 116	14 767 466	9 567 235
Deferred taxation	11	9 000	-	-	-	-	9 000	6 500
<b>Creditors and accruals</b>								
Outstanding claims		-	154 965	358 997	-	2 533	516 495	458 406
Premiums received in advance		-	296 116	23 065	832	514	320 527	282 018
Amounts due to reinsurers		-	36 347	6 635	253	399	43 634	19 703
Accrued expenses		650	65 830	6 166	7	65	72 718	95 632
Taxation - provision less payments		-	-	-	-	-	-	6 557
Amounts due to agents		-	162 878	26 417	3	98	189 396	157 651
Unclaimed dividend		2 836	-	-	-	-	2 836	978
Other creditors and accruals	12	21 836	26 088	2 372	3	25	50 324	37 270
Inter-fund payable		-	176 125	66 998	573	2 849	246 545	71 417
		25 322	918 349	490 650	1 671	6 483	1 442 475	1 129 632
Total equity and liabilities		1 662 862	15 441 275	717 927	14 818	10 599	17 847 481	11 957 748

(Rupees '000)

Note	Statutory Funds				Aggregate 2009	Aggregate 2008		
	Shareholders' Fund	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)			Accident & Health Business	
<b>Cash and bank deposits</b>	13							
Policy stamps in hand		5 118	138	–	–	5 256	5 520	
Current and other accounts		915 067	85 596	527	974	1 020 547	994 904	
Deposits maturing within 12 months		285 000	55 000	–	–	340 000	425 000	
		1 205 185	140 734	527	974	1 365 803	1 425 424	
<b>Loans</b>	14							
To employees - secured		43 210	–	–	–	43 210	33 261	
To employees and agents - unsecured		15 805	–	–	–	15 805	11 837	
		59 015	–	–	–	59 015	45 098	
<b>Investments</b>	15							
Government securities		189 794	6 142 515	213 485	5 218	5 003	6 556 015	3 349 302
Other fixed income securities		84 921	3 899 230	183 759	4 272	4 335	4 176 517	3 569 324
Listed equity securities and mutual fund units		477 244	3 792 388	46 280	4 437	–	4 320 349	2 765 839
Unlisted equity securities		508	–	–	–	–	508	508
		752 467	13 834 133	443 524	13 927	9 338	15 053 389	9 684 973
<b>Current assets - others</b>								
Premiums due but unpaid		–	–	36 267	–	–	36 267	28 458
Amounts due from reinsurers		–	–	78 437	–	–	78 437	89 153
Amounts due from agent		–	–	202	–	–	202	205
Prepayments		–	12 826	1 190	1	13	14 030	11 162
Sundry receivables		–	10 234	799	1	8	11 042	13 071
Investment income accrued		8 856	352 115	12 786	359	238	374 354	251 937
Taxation - provision less payments		227 388	–	–	–	–	227 388	–
Advances and deposits		–	26 782	3 988	3	28	30 801	28 505
Inter-fund receivable		246 545	–	–	–	–	246 545	71 417
		482 789	401 957	133 669	364	287	1 019 066	493 908
<b>Fixed assets</b>	16							
<b>Tangible and Intangible assets</b>								
Leased hold land		126 505	–	–	–	–	126 505	126 505
Furniture, fixtures, office equipment and vehicles		189 828	–	–	–	–	189 828	151 110
Capital work in progress		28 919	–	–	–	–	28 919	21 884
Intangible (Computer software)		4 956	–	–	–	–	4 956	8 846
		350 208	–	–	–	–	350 208	308 345
<b>Total assets</b>		<b>1 662 862</b>	<b>15 441 275</b>	<b>717 927</b>	<b>14 818</b>	<b>10 599</b>	<b>17 847 481</b>	<b>11 957 748</b>

The annexed notes 1 to 30 form an integral part of these financial statements.

HASANALI ABDULLAH  
Director

MUNEER R. BHIMJEE  
Director

TAHER G. SACHAK  
Managing Director &  
Chief Executive

SAIFUDDIN N. ZOOMKAWALA  
Chairman

Karachi March 29, 2010

## Profit and Loss Account For The Year Ended 31 December 2009

(Rupees '000)

	Note	Aggregate 2009	Aggregate 2008
<b>Investment income / (loss) not attributable to statutory funds</b>			
Income from held-to-maturity and available-for-sale investments			
Return on government securities		20 230	17 316
Return on other fixed income securities and deposits		17 027	17 001
Dividend income		21 596	22 364
		58 853	56 681
Gain on disposal of available-for-sale investments		35 497	4 074
Provision for impairment in the value of available for sale investments		(176 217)	(781 445)
Changes in fair value of derivative financial instrument		–	(3 187)
Net investment loss		(81 867)	(723 877)
Other revenue		13 346	11 803
		(68 521)	(712 074)
Expenses not attributable to statutory funds	19	(15 412)	(13 317)
		(83 933)	(725 391)
Surplus transferred from statutory funds		731 654	410 432
Profit / (Loss) before tax		647 721	(314 959)
Taxation	20	63 938	(158 200)
Profit / (Loss) after tax		711 659	(473 159)
Earnings / (Loss) per share - basic and diluted	22	9.49	(6.31)

The annexed notes 1 to 30 form an integral part of these financial statements.

HASANALI ABDULLAH  
Director

MUNEER R. BHIMJEE  
Director

TAHER G. SACHAK  
Managing Director &  
Chief Executive

SAIFUDDIN N. ZOOMKAWALA  
Chairman

Karachi March 29, 2010

## Statement of Changes in Equity For The Year Ended 31 December 2009

(Rupees '000)

	Shares Capital	General Reserve	Net Accumulated Surplus		Total	
			Capital Contribution	Accumulated Surplus		
Balance as at 1 January 2008	500 000	170 000	( 599 615 )	1 207 540	607 925	1 277 925
<b>Changes in equity for 2008</b>						
Dividend for the year 2007	–	–	–	( 150 000 )	( 150 000 )	( 150 000 )
Issue of bonus shares	250 000	–	–	( 250 000 )	( 250 000 )	–
Transfer to general reserves	–	800 000	–	( 800 000 )	( 800 000 )	–
Transfer from general reserves	–	( 400 000 )	–	400 000	400 000	–
Capital contribution to statutory fund	–	–	599 615	–	599 615	599 615
Loss for the year	–	–	–	( 473 159 )	( 473 159 )	( 473 159 )
Balance as at 31 December 2008	750 000	570 000	–	( 65 619 )	( 65 619 )	1 254 381
<b>Changes in equity for 2009</b>						
Transfer from general reserves	–	( 337 500 )	–	337 500	337 500	–
Dividend for the year 2008	–	–	–	( 337 500 )	( 337 500 )	( 337 500 )
Profit of the year	–	–	–	711 659	711 659	711 659
Balance as at 31 December 2009	<u>750 000</u>	<u>232 500</u>	<u>–</u>	<u>646 040</u>	<u>646 040</u>	<u>1 628 540</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

HASANALI ABDULLAH  
Director

MUNEER R. BHIMJEE  
Director

TAHER G. SACHAK  
Managing Director &  
Chief Executive

SAIFUDDIN N. ZOOMKAWALA  
Chairman

Karachi March 29, 2010

## Statement of Cash Flows For The Year Ended 31 December 2009

(Rupees '000)

	Statutory Funds				Aggregate 2009	Aggregate 2008	
	Shareholders' Fund	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)			Accident & Health Business
<b>Operating cash flows</b>							
<b>a) Underwriting activities</b>							
Premiums received		5 662 639	1 589 446	2 291	3 200	7 257 576	7 305 932
Reinsurance premiums paid		(11 789)	(85 563)	(24)	(1 353)	(98 729)	(121 047)
Claims paid		(133 733)	(613 577)	-	(1 609)	(748 919)	(779 878)
Surrenders paid		(807 879)	-	(271)	-	(808 150)	(737 875)
Commissions paid		(1 197 756)	(627 634)	(91)	(681)	(1 826 162)	(1 990 393)
<b>Net cash flow from underwriting activities</b>		<b>3 511 482</b>	<b>262 672</b>	<b>1 905</b>	<b>(4 433)</b>	<b>3 775 616</b>	<b>3 676 739</b>
<b>b) Other operating activities</b>							
Income tax paid	(167 507)	-	-	-	-	(167 507)	(289 778)
General management expenses paid	(15 262)	(671 680)	(103 429)	(3)	(569)	(790 943)	(601 047)
Other operating payments	(162 472)	-	(319)	-	-	(162 791)	(446 249)
Other operating receipts	3 899	174 829	-	352	664	179 744	465 476
Loans advanced	(39 448)	-	-	-	-	(39 448)	(3 200)
Loan repayments received	25 531	-	-	-	-	25 531	5 333
Other payments on operating assets	-	(4 083)	(1 084)	-	(9)	(5 176)	(2 357)
<b>Net cash (used in) / generated from other operating activities</b>	<b>(355 259)</b>	<b>(500 934)</b>	<b>(104 832)</b>	<b>349</b>	<b>86</b>	<b>(960 590)</b>	<b>(871 822)</b>
<b>Total cash (used in) generated from all operating activities</b>	<b>(355 259)</b>	<b>3 010 548</b>	<b>157 840</b>	<b>2 254</b>	<b>(357)</b>	<b>2 815 026</b>	<b>2 804 917</b>
<b>Investment activities</b>							
Profit / return received	48 380	1 114 885	50 912	1 409	1 414	1 217 000	788 594
Dividends received	21 596	155 560	394	175	-	177 725	181 384
Payments for investments	(116 332)	(4 536 380)	(71 635)	(2 228)	-	(4 726 575)	(4 674 245)
Proceeds from disposal of investments	82 020	738 079	41 573	354	5 763	867 789	1 588 230
Fixed capital expenditure	(82 344)	-	-	-	-	(82 344)	(72 543)
Proceeds from disposal of fixed assets	9 258	-	-	-	-	9 258	9 621
<b>Total cash (used in) / generated from all activities</b>	<b>(37 422)</b>	<b>(2 527 856)</b>	<b>21 244</b>	<b>(290)</b>	<b>7 177</b>	<b>(2 537 147)</b>	<b>(2 178 959)</b>
<b>Financing activities</b>							
Surplus appropriated to shareholders' fund	731 654	(510 706)	(211 431)	(3 654)	(5 863)	-	-
Dividends paid	(337 500)	-	-	-	-	(337 500)	(150 000)
<b>Total cash generated from / (used in) financing activities</b>	<b>394 154</b>	<b>(510 706)</b>	<b>(211 431)</b>	<b>(3 654)</b>	<b>(5 863)</b>	<b>(337 500)</b>	<b>(150 000)</b>
<b>Net cash generated from / (used in) all activities</b>	<b>1 473</b>	<b>(28 014)</b>	<b>(32 347)</b>	<b>(1 690)</b>	<b>957</b>	<b>(59 621)</b>	<b>475 958</b>
Cash at beginning of the year	16 910	1 233 199	173 081	2 217	17	1 425 424	949 466
<b>Cash at end of the year</b>	<b>18 383</b>	<b>1 205 185</b>	<b>140 734</b>	<b>527</b>	<b>974</b>	<b>1 365 803</b>	<b>1 425 424</b>
<b>Reconciliation to profit and loss account</b>							
Operating cash flows						2 815 026	2 804 917
Depreciation						(30 363)	(25 096)
Amortization						(3 890)	(2 826)
Profit on disposal of fixed assets						3 030	3 082
Other income						10 317	8 721
Investment income						1 506 825	1 067 036
Appreciation / (depreciation) / in market value of investments						1 607 589	(5 113 662)
Provision for impairment in the value of available for sale investments						(185 168)	(914 012)
Provision for doubtful debt investment						6 712	(73 838)
Profit on sale of investments						80 497	943 329
Capital returned to shareholders' fund						-	(599 615)
Increase in assets other than cash						14 142	23 430
(Increase) / decrease in liabilities						(5 113 058)	1 405 375
<b>Profit / (loss) after taxation</b>						<b>711 659</b>	<b>(473 159)</b>

The annexed notes 1 to 30 form an integral part of these financial statements.

HASANALI ABDULLAH  
Director

MUNEER R. BHIMJEE  
Director

TAHER G. SACHAK  
Managing Director &  
Chief Executive

SAIFUDDIN N. ZOOMKAWALA  
Chairman

Karachi March 29, 2010



## Revenue Account For The Year Ended 31 December 2009

(Rupees '000)

	Note	Statutory Funds				Aggregate 2009	Aggregate 2008
		Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
<b>Income</b>							
Premiums less reinsurances		5 456 930	1 307 078	2 150	2 921	6 769 079	6 807 131
Net investment income / (loss)		3 030 052	60 948	3 461	3 862	3 098 323	(3 367 270)
<b>Total income</b>		<b>8 486 982</b>	<b>1 368 026</b>	<b>5 611</b>	<b>6 783</b>	<b>9 867 402</b>	<b>3 439 861</b>
<b>Claims and expenditure</b>							
Claims net of reinsurance recoveries		929 991	369 671	232	(33)	1 299 861	1 297 659
Management expenses		1 892 968	741 306	77	1 305	2 635 656	2 695 188
<b>Total claims and expenditure</b>		<b>2 822 959</b>	<b>1 110 977</b>	<b>309</b>	<b>1 272</b>	<b>3 935 517</b>	<b>3 992 847</b>
<b>Excess of income over claims and expenditure</b>		<b>5 664 023</b>	<b>257 049</b>	<b>5 302</b>	<b>5 511</b>	<b>5 931 885</b>	<b>(552 986)</b>
Add : policyholders' liabilities at beginning of the year		9 102 010	175 958	11 499	4 468	9 293 935	10 259 943
Less : policyholders' liabilities at end of the year	9.2	14 255 327	219 117	13 147	4 116	14 491 707	9 293 935
		(5 153 317)	(43 159)	(1 648)	352	(5 197 772)	966 008
<b>Surplus before tax</b>		<b>510 706</b>	<b>213 890</b>	<b>3 654</b>	<b>5 863</b>	<b>734 113</b>	<b>413 022</b>
<b>Movement in policyholders' liabilities</b>		<b>5 153 317</b>	<b>43 159</b>	<b>1 648</b>	<b>(352)</b>	<b>5 197 772</b>	<b>(966 008)</b>
<b>Transfer of surplus to shareholders' fund</b>		<b>(510 706)</b>	<b>(211 431)</b>	<b>(3 654)</b>	<b>(5 863)</b>	<b>(731 654)</b>	<b>(410 432)</b>
Capital return to shareholders' fund		-	-	-	-	-	(599 615)
<b>Balance of statutory funds at beginning of the year</b>		<b>9 369 609</b>	<b>181 659</b>	<b>11 499</b>	<b>4 468</b>	<b>9 567 235</b>	<b>11 130 268</b>
<b>Balance of statutory funds at end of the year</b>		<b>14 522 926</b>	<b>227 277</b>	<b>13 147</b>	<b>4 116</b>	<b>14 767 466</b>	<b>9 567 235</b>
<b>Represented by:</b>							
Policyholders' liabilities	9.2	14 255 327	219 117	13 147	4 116	14 491 707	9 293 935
Retained earnings on other than participating business		267 599	8 160	-	-	275 759	273 300
<b>Balance of statutory funds</b>	10	<b>14 522 926</b>	<b>227 277</b>	<b>13 147</b>	<b>4 116</b>	<b>14 767 466</b>	<b>9 567 235</b>

The annexed notes 1 to 30 form an integral part of these financial statements.

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Chairman

Karachi March 29, 2010

## Statement of Premiums For The Year Ended 31 December 2009

(Rupees '000)

	Statutory Funds				Aggregate 2009	Aggregate 2008
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
<b>Gross premiums</b>						
Regular premium individual policies*						
First year	1 769 398	7 790	–	1 027	1 778 215	1 825 715
Second year renewal	1 281 869	2 735	–	99	1 284 703	838 679
Subsequent year renewal	2 395 598	5 219	2 238	2 557	2 405 612	1 918 661
Single premium individual policies	156 266	–	–	–	156 266	809 531
Group policies without cash values	–	1 602 080	–	–	1 602 080	1 857 923
<b>Total gross premiums</b>	<b>5 603 131</b>	<b>1 617 824</b>	<b>2 238</b>	<b>3 683</b>	<b>7 226 876</b>	<b>7 250 509</b>
Less: Reinsurance premiums ceded						
On individual life first year business	22 254	1 358	–	77	23 689	22 302
On individual life second year business	17 365	582	–	14	17 961	24 054
On individual life renewal business	106 582	2 025	88	671	109 366	89 635
On group policies	–	306 781	–	–	306 781	307 387
<b>Total reinsurance premium ceded</b>	<b>146 201</b>	<b>310 746</b>	<b>88</b>	<b>762</b>	<b>457 797</b>	<b>443 378</b>
<b>Net premiums</b>	<b>5 456 930</b>	<b>1 307 078</b>	<b>2 150</b>	<b>2 921</b>	<b>6 769 079</b>	<b>6 807 131</b>

\* Individual policies are those underwritten on an individual basis, and includes joint life policies underwritten as such.

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Karachi March 29, 2010

## Statement of Claims For The Year Ended 31 December 2009

(Rupees '000)

	Statutory Funds				Aggregate 2009	Aggregate 2008
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
<b>Gross claims</b>						
Claims under individual policies						
by death	149 009	14 440	–	604	164 053	115 929
by insured event other than death	13 646	( 665 )	–	( 124 )	12 857	8 397
by maturity	9 858	–	–	–	9 858	6 673
by surrender	806 557	–	271	–	806 828	739 141
Total gross individual policy claims	979 070	13 775	271	480	993 596	870 140
Claims under group policies						
by death	–	518 130	–	–	518 130	603 623
by insured event other than death	–	20 975	–	–	20 975	18 558
experience refund	–	82 457	–	–	82 457	150 104
Total gross group claims	–	621 562	–	–	621 562	772 285
<b>Total gross claims</b>	<b>979 070</b>	<b>635 337</b>	<b>271</b>	<b>480</b>	<b>1 615 158</b>	<b>1 642 425</b>
<b>Less: Reinsurance recoveries</b>						
On individual life first year business	8 208	( 475 )	–	( 254 )	7 479	2 274
On individual life second year business	2 861	–	–	( 79 )	2 782	2 775
On individual life subsequent renewal business	20 795	14 493	–	795	36 083	27 989
On group claims	–	205 442	–	–	205 442	228 446
On experience refund of premiums	17 215	46 206	39	51	63 511	83 282
<b>Total reinsurance</b>	<b>49 079</b>	<b>265 666</b>	<b>39</b>	<b>513</b>	<b>315 297</b>	<b>344 766</b>
<b>Net claims</b>	<b>929 991</b>	<b>369 671</b>	<b>232</b>	<b>( 33 )</b>	<b>1 299 861</b>	<b>1 297 659</b>

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Karachi March 29, 2010

## Statement of Expenses For The Year Ended 31 December 2009

(Rupees '000)

	Note	Statutory Funds				Aggregate 2009	Aggregate 2008
		Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
<b>Acquisition costs</b>							
Remuneration to insurance intermediaries on individual policies:							
- commission on first year premiums		904 294	2 535	-	467	907 296	883 973
- commission on second year premiums		133 602	254	-	40	133 896	87 184
- commission on subsequent renewal premiums		42 604	129	56	113	42 902	53 958
- commission on single premiums		3 092	-	-	-	3 092	16 184
- override commission		133 246	677	21	95	134 039	134 935
- other benefits to insurance intermediaries		207 006	14 782	-	176	221 964	186 670
		<u>1 423 844</u>	<u>18 377</u>	<u>77</u>	<u>891</u>	<u>1 443 189</u>	<u>1 362 904</u>
Remuneration to insurance intermediaries on group policies:							
- commission		-	636 685	-	-	636 685	853 942
- other benefits to insurance intermediaries		-	19 034	-	-	19 034	14 995
		-	<u>655 719</u>	-	-	<u>655 719</u>	<u>868 937</u>
Branch overheads	17	138 363	13 273	-	111	151 747	117 014
Other acquisition costs							
-Policy stamps		30 441	815	-	10	31 266	26 613
<b>Total acquisition cost</b>		<u>1 592 648</u>	<u>688 184</u>	<u>77</u>	<u>1 012</u>	<u>2 281 921</u>	<u>2 375 468</u>
<b>Administration expenses</b>							
Salaries and other benefits		133 978	31 736	-	141	165 855	132 734
Travelling expenses		32 395	2 721	-	7	35 123	47 964
Actuary's fees		4 937	458	-	5	5 400	4 800
Medical fees		13 598	692	-	-	14 290	11 077
Legal and professional fee		7 336	676	-	8	8 020	4 914
Advertisements and publicity		17 143	1 590	-	18	18 751	36 491
Computer expenses		1 410	189	-	2	1 601	1 661
Printing and stationery		14 257	1 727	-	15	15 999	14 169
Depreciation	16.3	5 836	1 888	-	7	7 731	7 014
Amortisation		3 556	330	-	4	3 890	2 826
Rent		5 934	2 230	-	6	8 170	7 419
Exchange gain		( 5 133 )	-	-	-	( 5 133 )	( 13 845 )
Other management expenses	18	73 535	9 547	-	80	83 162	70 832
Gross management expenses		<u>1 901 430</u>	<u>741 968</u>	<u>77</u>	<u>1 305</u>	<u>2 644 780</u>	<u>2 703 524</u>
Commission from reinsurers		( 8 462 )	( 662 )	-	-	( 9 124 )	( 8 336 )
Net management expenses		<u>1 892 968</u>	<u>741 306</u>	<u>77</u>	<u>1 305</u>	<u>2 635 656</u>	<u>2 695 188</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

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Chairman

Karachi March 29, 2010

## Statement of Investment Income For The Ended 31 December 2009

(Rupees '000)

	Statutory Funds				Aggregate 2009	Aggregate 2008
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
<b>Investment income</b>						
On government securities	579 694	20 883	595	700	601 872	413 347
On other fixed income securities and deposits	656 132	33 657	663	700	691 152	453 736
Dividend income	155 560	394	175	–	156 129	159 020
Amortisation of discount / (premium)	5 832	(1 017)	(42)	(7)	4 766	(16 233)
	1 397 218	53 917	1 391	1 393	1 453 919	1 009 870
<b>Gain / (loss) on sale of investments</b> Shares and mutual fund units	31 160	11 996	(625)	2 469	45 000	939 255
<b>Gain / (loss) on revaluation of investments</b>						
Government securities	551 542	–	1 029	–	552 571	(706 968)
Other fixed income securities	247 638	–	257	–	247 895	(452 5720)
Listed equities securities and mutual fund units	801 519	–	1 409	–	802 928	(3 937 291)
Changes in the fair value of derivative financial instrument	–	–	–	–	–	(9 573)
	1 600 699	–	2 695	–	1 603 394	(5 106 404)
<b>Provision for impairment in value of investments</b>						
Available-for-sale fixed income securities	6 712	–	–	–	6 712	(73 838)
Available-for-sale equity securities and mutual fund units	(3 985)	(4 965)	–	–	(8 950)	(132 567)
	2 727	(4 965)	–	–	(2 238)	(206 405)
	3 031 804	60 948	3 461	3 862	3 100 075	(3 363 684)
Less : Investment related expense	(1 752)	–	–	–	(1 752)	(3 586)
<b>Net investment income / (loss)</b>	<b>3 030 052</b>	<b>60 948</b>	<b>3 461</b>	<b>3 862</b>	<b>3 098 323</b>	<b>(3 367 270)</b>

The annexed notes 1 to 30 form an integral part of these financial statements.

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Chairman

Karachi March 29, 2010



## Notes to the Financial Statements For The Year Ended 31 December 2009

### 1. Status and nature of business

1.1 EFU Life Assurance Limited (the Company) was incorporated in Pakistan on 09 August 1992 as a public limited company under the Companies Ordinance, 1984 and started its operation from 08 November 1992. The shares of the Company are quoted on Karachi Stock Exchange. The registered office of the Company is located at Al-Malik Centre, 70W, F-7/G-7 Jinnah Avenue, Islamabad while principal place of business is located at 37-K, Block 6, PECHS, Karachi.

The Company is engaged in life insurance business including ordinary life business, pension fund business and accident and health business and has established following statutory funds, as required by the Insurance Ordinance, 2000:

- Investment Linked business (includes individual life business)
- Conventional business (includes group life and individual life businesses)
- Pension business (unit linked)\*
- Accident and health business

\* The Company had discontinued pension business and accordingly no new business has been written under this fund.

1.2 The Company has incorporated EFU Family Takaful Limited and has agreed to subscribe 11,992,000 shares of Rs.10 each in such company representing 79.95% of the proposed paid up capital. At present EFU Family Takaful Limited does not have any paid up capital and has not commenced business as at 31 December 2009.

### 2. Basis of presentation

These financial statements have been prepared in accordance with the format prescribed under Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002].

### 3. Statement of compliance

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

The SECP has allowed the insurance companies to defer the application of International Accounting Standard – 39 (IAS-39) "Financial Instruments: Recognition and Measurement" in respect of valuation of "available-for-sale investments". Accordingly, the requirements of IAS-39, to the extent allowed by SECP as aforesaid, have not been considered in the preparation of these financial statements (also see note 15.6).

### 4. Basis of measurement

These financial statements have been prepared on the basis of the historical cost convention except revaluation of certain investments at fair value.

### 5. Summary of significant accounting policies

5.1 The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended December 31, 2008, except for the changes resulting from the adoption of following standards:

#### – IFRS 4 'Insurance Contracts'

The standard became effective during the year in accordance with the SECP's notification SRO 149 (1)/2009 dated 11 February 2009 and applies to insurance contracts that the Company issues and to re-insurance contract it holds. The standard requires a test for the adequacy of recognised insurance liabilities and impairment test for reinsurance

arrangements. The standard also requires elaborated disclosures regarding the amounts that arise from insurance contracts and the nature of and extent of risks arising from insurance contracts.

In view of the current accounting regulations for insurance companies and the format of presentation of the financial statements as prescribed by the SECP, the adoption of the above standard did not affect the recognition and measurement of assets, liabilities, income and expense relating to insurance / reinsurance contracts entered into by the Company, however, the standard did give rise to additional disclosures regarding such contracts which are included in note 24 to the financial statements.

#### – IFRS 7 'Financial Instruments'

The standard became effective for accounting period beginning on or after 1 July 2008. The standard requires disclosures related to financial instruments that enables user of financial statements to evaluate their significance for the Company and the nature and extent of risks arising from such financial instruments. The new disclosures are mainly included in note 23 to the financial statements.

#### – IFRS 8 'Operating Segments'

This standard became effective for accounting period beginning on or after January 01, 2009. The Company concluded that the operating segments determined in accordance with IFRS-8 are the same as the business segments which are being reported in accordance with the requirements of Insurance Ordinance 2000 and the SEC (Insurance) Rules 2002. Accordingly, the adoption of this standard has not resulted in any significant impact on these financial statements.

### 5.2 Reinsurance assets

Reinsurance contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued. Claim recoveries receivable from the reinsurers are recognized at the same time as the claim which give rise to the right of recovery and are measured at the amount expected to be recovered.

Reinsurance assets represent balances due from reinsurance companies which are stated on the basis of amounts receivable under the respective contract after considering any impairment in the value of such assets.

### 5.3 Statutory funds

The Company maintains statutory funds for all classes of life insurance business. Assets, liabilities, revenues and expenses are recorded in respective funds, if referable or, on the basis of actuarial advice if not referable. Other assets, liabilities, revenues and expenses are allocated to shareholders' fund. Policyholders' liabilities have been included in statutory funds on the basis of the actuarial valuation carried out by the appointed actuary of the Company on the balance sheet date as required by Section 50 of the Insurance Ordinance, 2000. A capital transfer provided to statutory funds by the shareholders' fund is recorded as a reduction in the shareholders' equity. Changes in the amount of capital contributed to statutory funds is recorded by the shareholders' funds directly in equity.

### 5.4 Policyholders' liabilities

Policyholders' liabilities are stated at a value determined by the appointed actuary through an actuarial valuation carried out as at each balance sheet date. In determining the value both acquired policy values (which forms the bulk of policyholders' liabilities) as well as estimated values which will be payable against risks which the Company underwrites are taken into account. The bases used are applied consistently from year to year.

The basic liability consists of the estimated actuarial liability against each contract which is in force. To this are added:

- a) The cash value of policies which have lapsed over the last two years and where the liability would be reinstated in case of the policy being revived; and
- b) A reserve for potential losses on a policy by policy basis.

### 5.5 Provision for outstanding claims

A liability for outstanding claims is recognized in respect of all claims incurred up to the balance sheet date, except for accident and health claims which are recognized as soon as reliable estimates of the claim amount can be made. Claims where intimation of the event giving rise to the claim is received or in respect of investment linked business

when the policy ceases to participate in the earnings of the statutory fund are reported as claims in the revenue account. The liability for claims incurred but not reported at the year end is determined by the Appointed Actuary and are included in the policyholders' liabilities. Experience refund of premium calculated by appointed actuary is included in outstanding claims. Experience refund of premium receivable from reinsurers is included in the reinsurance recoveries of claim.

## 5.6 Investments

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs except for held-for-trading investments in which case transaction costs are charged to the profit and loss account. All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments. Subsequently the investments are classified as follows:

### Held-for-trading

Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price are classified as held-for-trading.

Subsequent to initial recognition, these investments are remeasured at fair value. Gains or losses on investments on remeasurement of these investments are recognised in profit and loss account or the revenue account as the case may be.

### Held-to-Maturity

At the time of acquisition, investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity.

Investments classified as held-to-maturity are subsequently measured at amortized cost, taking into account any discount or premium on acquisition, using the effective interest rate method.

### Available-for-Sale

Investments which do not fall in the above category are classified as available-for-sale.

Available-for-sale investments relating to the units assigned to policies of investment linked business and pension business are subsequently measured at their fair values and the difference taken to respective revenue accounts. Other available-for-sale investments are subsequently measured at lower of cost or market value (market value being taken as lower if fall is other than temporary).

## 5.7 Revenue recognition

- First year individual life premiums are recognized once the related policies have been issued and the premiums received. Renewal premiums are recognized upon receipt of premium provided the policy is still in force. Single premiums are recognized once the related policies are issued against the receipts of premium.
- Group life premiums are recognized when due. A provision for unearned premiums is included in the policyholders' liabilities.
- Reinsurance expense is recognized as a liability in accordance with the pattern of recognition of related premium.
- Interest income on bank deposits is recorded on a time proportion basis.
- Fixed income securities are recorded on a time proportion basis using effective interest rate method.
- Dividend income is recognized when right to receive such dividend is established.

## 5.8 Acquisition costs

These are costs incurred in acquiring insurance policies, maintaining such policies, and include without limitation all forms of remuneration paid to insurance agents.

Commissions and other expenses are recognized as an expense in the earlier of the financial year in which they are paid and financial year in which they become due and payable, except that commission and other expenses which are directly referable to the acquisition or renewal of specific contracts are recognized not later than the period in which the premium to which they refer is recognized as revenue.

#### 5.9 Employees' retirement benefits

The Company operates two retirement benefit plans, i.e. an approved funded provident fund scheme for all permanent employees and an approved funded pension scheme for eligible officers. Monthly contributions to these funds are made in accordance with their rules. Contributions made to these funds are recognized as an expense.

#### 5.10 Taxation

##### *Current*

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years.

##### *Deferred*

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax bases and carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

#### 5.11 Dividends and other appropriations

Cash dividend to shareholders is recognized as liability in the period in which it is approved. Similarly all other appropriations other than those required by law including reserve for issue of bonus shares are recognized in the period in which they are approved.

#### 5.12 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting using the classes or sub classes of business (statutory funds) as specified under the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002.

Based on its classification of Insurance contracts issued, the Company has four business segments for reporting purposes namely investment linked business, conventional business, pension business and accident and health business.

#### 5.13 Fixed Assets

##### **Tangible assets**

These are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

Depreciation is calculated so as to write off the depreciable amount of the assets over their expected useful lives at the rates specified in note 16.1 to the financial statements, after taking into account residual value, if any. The useful lives, residual values and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the quarter in which an asset is available for use while no depreciation is charged for the quarter in which asset is disposed off.

Subsequent cost are included in the assets carrying amount or recognized as separate asset, as appropriate, only when it is possible that the future economic benefit associated with the item will flow to the company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to income currently.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal, if any, of assets are included in income currently.

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

#### **Intangible assets**

These are stated at cost less accumulated amortisation and any impairment in value. Amortisation on intangible fixed assets is charged to income applying the straight line method at the rates specified in note 16.2 to the financial statements after taking into account residual value, if any.

Amortisation is charged from the quarter the assets are available for use and no amortisation is charged for the quarter in which the asset is disposed off. The useful life and amortisation method is reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying values of intangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable, if any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

#### **Capital work-in-progress**

Capital work-in-progress is stated at cost less impairment losses, if any.

#### **5.14 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of statement of cash flows, cash and cash equivalents consists of cash in hand, stamps in hand and deposits with banks.

#### **5.15 Foreign currency transactions**

##### **5.15.1 Functional and presentation currency**

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

##### **5.15.2 Foreign currency translation**

Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translations are taken into income currently. Non monetary-items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### **5.16 Provisions**

Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

#### **5.17 Financial Instruments**

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the ownership of the asset. Financial liabilities are

de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de recognition of the financial assets and liabilities is recognised in the profit and loss account of the current year.

#### 5.18 Off-setting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to set-off and the Company intends either to settle the assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously.

### 6. Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

	Note
Policyholders' liabilities	5.4
Provision for outstanding claims	5.5
Classification of investments	5.6
Taxation and deferred taxation	5.10
Determining the residual value and useful lives of fixed assets	5.13

### 7. Accounting standards or interpretations not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or interpretation	Effective date (accounting periods beginning on or after)
IAS 24 Related Party Disclosures (Revised)	January 01, 2011
IAS 27 Consolidated and Separate Financial Statements (Amendment)	July 01, 2009
IAS 32 Financial Instruments: Presentation - Classification of Rights Issues (Amendment)	February 01, 2010
IAS 39 Financial Instruments: Recognition and measurement: Eligible hedged items (Amendment)	July 01, 2009
IFRS 2 Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	January 01, 2010
IFRS 3 Business Combinations (Revised)	July 01, 2009
IFRIC 14 IAS 19 The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	January 01, 2011
IFRIC 17 Distribution of Non-cash Assets to owners	July 01, 2009
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after 01 January 2010. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

8. Share Capital		(Rupees '000)	
<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
(Number of Shares)			
15 000 000	15 000 000	150 000	150 000
60 000 000	60 000 000	600 000	600 000
<u>75 000 000</u>	<u>75 000 000</u>	<u>750 000</u>	<u>750 000</u>

9. Policyholders' liabilities		(Rupees '000)					
		Statutory Funds					
		Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	Aggregate 2009	Aggregate 2008
9.1	<b>Gross of reinsurance</b>						
	Actuarial liability relating to future events	14 285 934	254 181	13 214	4 612	14 557 941	9 386 247
	Provision for outstanding reported claims payable over a period exceeding twelve months	100 546	27 319	–	62	127 927	85 285
	Provision for incurred but not reported claims	13 044	45 857	–	–	58 901	55 304
		<u>14 399 524</u>	<u>327 357</u>	<u>13 214</u>	<u>4 674</u>	<u>14 744 769</u>	<u>9 526 836</u>
9.2	<b>Net of reinsurance</b>						
	Actuarial liability relating to future events	14 191 835	173 862	13 147	4 100	14 382 944	9 213 985
	Provision for outstanding reported claims payable over a period exceeding twelve months	52 939	16 032	–	16	68 987	42 888
	Provision for incurred but not reported claims	10 553	29 223	–	–	39 776	37 062
		<u>14 255 327</u>	<u>219 117</u>	<u>13 147</u>	<u>4 116</u>	<u>14 491 707</u>	<u>9 293 935</u>



## 10. Movements of statutory funds

(Rupees '000)

	Statutory Funds				Aggregate 2009	Aggregate 2008
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
<b>Policyholders' liabilities</b>						
Balance at beginning of the year	9 102 010	175 958	11 499	4 468	9 293 935	10 259 943
Increase / (Decrease) during the year	5 153 317	43 159	1 648	( 352 )	5 197 772	(966 008 )
Balance at end of the year	14 255 327	219 117	13 147	4 116	14 491 707	9 293 935
<b>Retained earnings on other than participating business</b>						
Balance at beginning of the year	267 599	5 701	–	–	273 300	270 710
Surplus for the year	510 706	213 890	3 654	5 863	734 113	413 022
Surplus appropriated to shareholders' fund	( 510 706 )	( 211 431 )	( 3 654 )	( 5 863 )	( 731 654 )	( 410 432 )
Balance at end of the year (refer note no. 10.1)	267 599	8 160	–	–	275 759	273 300
<b>Capital contributed by shareholders' fund</b>						
Balance at beginning of the year	–	–	–	–	–	599 615
Capital withdrawn during the year	–	–	–	–	–	( 599 615 )
Balance at end of the year	–	–	–	–	–	–
Balance of statutory funds	14 522 926	227 277	13 147	4 116	14 767 466	9 567 235

10.1 The SECP issued a circular during 2006 which clarified the interpretation of section 32 (2) (g) of the Insurance Ordinance 2000, as a result of which certain related party investments held in the investment linked statutory fund of the Company may be treated as inadmissible. Since the applicability of the same for unit linked business was not clear, the Company in accordance with the appointed actuary's advice retained an amount of Rs.267 million up to March 31 2007. Subsequent to March 31 2007, the Company has obtained permission from Securities and Exchange Commission of Pakistan to freeze the above amount and no further retention is to be made from the surplus for the period till further clarification is received in this matter.

No deferred tax liability has been recognized on the undistributed surplus in view of the fact that surplus has been retained to meet solvency requirement and is not expected to be available for distribution to shareholders in the foreseeable future.

		(Rupees '000)	
		<u>2009</u>	<u>2008</u>
<b>11. Deferred tax liability</b>			
		<u>2009</u>	<u>2008</u>
<b>Deferred tax liability arising in respect of:</b>			
Accelerated depreciation		9,000	6,500
<b>12. Other creditors and accruals</b>			
Staff bonus payable		25 131	25,653
Workers' Welfare Fund		21 813	9,330
Others		<u>3 380</u>	<u>2,287</u>
		<u>50 324</u>	<u>37,270</u>
<b>13. Cash and bank deposits</b>			
<b>Policy stamps in hand</b>		5,256	5,520
Current and other accounts			
Cash at bank - PLS saving accounts	13.1	701,887	711,074
Cash at Bank - Current accounts		<u>318,660</u>	<u>283,830</u>
		1,020,547	994,904
<b>Deposits maturing within 12 months</b>			
Term deposit receipts	13.2	<u>340,000</u>	<u>425,000</u>
		<u>1,365,803</u>	<u>1,425,424</u>

13.1 These carry mark-up ranging from 6% to 12.5% (December 31, 2009: 6% to 14%) per annum and include balance of Rs.2.815 million (December 31, 2008: Rs. 3.56 million) held with JS Bank Limited (a related party).

13.2 These have tenure of one month to three months (December 31, 2008: one month to three month) and carry mark-up at the rate 11% to 12.5% (December 31, 2008: 11% to 17%) per annum and includes term deposit receipts of Rs. 50 million (December 31, 2008: Rs. 75 million) placed with JS Bank Limited (a related party).

		(Rupees '000)	
		<u>2009</u>	<u>2008</u>
<b>14. Loans</b>			
To employees - secured	14.1	43 210	33,261
To employees and agents - unsecured	14.2	<u>15 805</u>	<u>11,837</u>
		<u>59 015</u>	<u>45,098</u>

14.1 This represent housing and vehicle loans to employees at the interest rate ranging between 10% to 12% (December 31, 2008: 7% to 12%). These loans are recoverable over a period of one to seven years (2008: one to seven years) and are secured against retirement benefit payable to respective employees and security documents of property / vehicles.

- 14.1 This represent housing and vehicle loans to employees at the interest rate ranging between 10% to 12% (December 31, 2008: 7% to 12%). These loans are recoverable over a period of one to seven years (2008: one to seven years) and are secured against retirement benefit payable to respective employees and security documents of property / vehicles.
- 14.2 This represent loans to employees and agents for domestic purposes at the interest rates ranging between 10% to 12% (December 31, 2008: 7% to 12%). These loans are recoverable over a period of one to seven years (2008: one to seven years).

(Rupees '000)

**15. Investments**

		2009	2008
Government securities	15.1	6,556,015	3,349,302
Other fixed income securities	15.2	4,176,517	3,569,324
Listed equity securities and mutual fund units	15.3	4,320,349	2,765,839
Unlisted equity securities	15.4	508	508
		<u>15,053,389</u>	<u>9,684,973</u>

**15.1. Government Securities**

(Rupees '000)

	Maturity Year	Effective Yield %	Shareholders' Fund	Statutory Funds				Aggregate 2009	Aggregate 2008
				Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
<b>Held to maturity at amortised cost</b>									
3 Years Pakistan Investment Bonds	2010	9.1	-	4 983	9 966	-	-	14 949	14 876
5 Years Pakistan Investment Bonds	2012	5.61-8.97	68 225	29 621	29 671	-	-	127 517	152 060
8 Years WAPDA SUKUK Certificates	2012	10.37	57 500	-	-	-	-	57 500	57 500
10 Years Defence Savings Certificates	-	-	-	-	-	-	-	-	231 891
10 Years Pakistan Investment Bonds	2010-18	5.79-13.54	52 996	158 618	173 848	-	5 003	390 465	294 576
15 Years Pakistan Investment Bonds	2019	7.35	11 073	-	-	-	-	11 073	11 154
20 Years Pakistan Investment Bonds	2024	9.79-9.80	-	54 732	-	-	-	54 732	54 764
			<u>189 794</u>	<u>247 954</u>	<u>213 485</u>	<u>-</u>	<u>5 003</u>	<u>656 236</u>	<u>816 821</u>

(Rupees '000)

	Maturity Year	Effective Yield %	Shareholders' Fund	Statutory Funds			Aggregate 2009	Aggregate 2008
				Investment Linked Business	Conventional Business	Pension Business (Unit Linked) Accident & Health Business		
<b>Available for sale at fair value</b>								
3 Years Pakistan Investment Bonds	2010	9.1	–	83 394	–	–	83 394	77 614
5 Years Pakistan Investment Bonds	2012	6.1-7.5	–	157 828	–	928	158 756	196 588
10 Years Pakistan Investment Bonds	2010-18	5.16-14	–	5 217 975	–	2 665	5 220 640	1 961 626
15 Years Pakistan Investment Bonds	2019	7.1-9.25	–	118 524	–	–	118 524	90 238
20 Years Pakistan Investment Bonds	2024	7.9-10.2	–	316 840	–	1 625	318 465	206 415
			–	5 894 561	–	5 218	5 899 779	2 532 481
			189 794	6 142 515	213 485	5 218	6 556 015	3 349 302

15.1.1 Market value of the government securities carried at amortized cost amounted to Rs. 611.135 million (2008: Rs.708.738 million).

15.1.2 Government securities includes Rs.77 million (2008: Rs. 77 million) placed with the State Bank of Pakistan, in accordance with Section 29 of the Insurance Ordinance, 2000.

#### 15.2 Other fixed income securities

(Rupees '000)

	Maturity Year	Effective Yield %	Shareholders' Fund	Statutory Funds			Aggregate 2009	Aggregate 2008
				Investment Linked Business	Conventional Business	Pension Business (Unit Linked) Accident & Health Business		
<b>Held to maturity at amortised cost</b>								
<b>Term Finance Certificates</b>								
Allied Bank Limited								
2nd Issue	2019	13.37	–	25 000	25 000	–	50 000	50 000
Allied Bank Limited.	2014	14.31	–	–	9 988	–	9 988	9 994
Askari Commercial Bank Ltd								
2nd Issue	2013	14.35	9 994	–	19 990	–	29 984	29 994
Azgard Nine Limited	2014	15.06	–	–	12 789	–	14 617	14 624
Bank Alfalah Limited								
3rd Issue	2013	14.15	–	–	23 300	–	23 300	23 401
Faysal Bank Limited	2014	14.15	–	–	20 190	–	20,190	20 222
NIB Bank Limited	2016	13.71	–	51 949	–	–	51 949	52 136
Optimus Limited.	2012	14.77	49 960	–	–	–	49 960	49 990
Pakistan Mobile Communication (Pvt) Ltd.								
3rd issue	2013	15.26	–	–	10 000	–	10 000	10 000
Royal Bank Of Scotland	2013	14.00	–	10,018	–	–	10 519	10 543
Soneri Bank Limited.	2013	14.45	–	–	23 610	–	25 616	25 822
Standard Chartered Bank (Pakistan) Limited								
3rd issue	2013	13.99	24,967	–	–	–	24 967	24 975
United Bank Limited								
2nd issue	2013	9.49	–	33 571	4 865	–	38 436	38 276
United Bank Limited								
4th Issue	2018	13.05	–	53 423	34,027	–	87 450	90 413
			84 921	173 961	183 759	–	446 976	450 390

(Rupees '000)									
	Maturity Year	Effective Yield %	Shareholders' Fund	Statutory Funds			Aggregate 2009	Aggregate 2008	
				Investment Linked Business	Conventional Business	Pension Business (Unit Linked) Accident & Health Business			
<b>Available-for-sale at fair value</b>									
<b>Term Finance Certificates</b>									
Al-Abbas Sugar Mills Ltd.	2013	14.44	–	23 336	–	–	–	23 336	25 490
Allied Bank Limited	2014	14.31	–	248 697	–	–	–	248 697	224 713
Allied Bank Limited 2nd Issue	2019	13.37	–	44 750	–	–	–	44 750	50 000
Askari Commercial Bank Ltd. 1st issue	2013	13.50	–	154 918	–	481	–	155 399	78 639
Askari Commercial Bank Ltd. 2nd issue	2013	14.35	–	150 591	–	–	–	150 591	128 409
Askari Commercial Bank Ltd. 3rd issue	2019	15.25	–	24 339	–	–	–	24 339	–
Azgard Nine Limited	2012	15.06	–	36 584	–	–	–	36 584	39 259
Azgard Nine Limited PPTFC	2014	14.66	–	143 939	–	–	–	143 939	127 149
Bank Al Habib Limited 1st Issue	2012	10.00	–	39 428	–	–	–	39 428	–
Bank Al Habib Limited 2nd Issue	2015	14.05	–	250 514	–	–	–	250 514	219 288
Bank Al Habib Ltd PPTFC	2017	15.50	–	74 970	–	–	–	74 970	–
Bank Alfalah Limited 2nd issue	2012	14.16	–	87 835	–	–	–	87 835	63 602
Bank Alfalah Limited 3rd Issue	2013	14.15	–	158 807	–	–	–	158 807	97 887
Bank Alfalah Limited 4th Issue	2017	15.00	–	29 850	–	–	–	29 850	–
Engro Chemical Pakistan Ltd	2012	13.96	–	254 616	–	–	–	254 616	246 501
Escort Investment Bank Ltd	2012	15.17	–	16 509	–	–	–	16 509	16 990
Faysal Bank Limited	2015	14.15	–	231 870	–	955	–	232 825	204 484
Financial Receivable Securitization Company Ltd	2014	13.95	–	41 387	–	–	–	41 387	40 759
First Dawood Investment Bank Limited.	2012	14.28	–	67 125	–	–	–	67 125	73 838
IGI Investment Bank Ltd. (Formerly First Int. Inv. Bank Ltd.)	2011	14.35	–	4 834	–	–	–	4 834	6 204
Jahangir Siddiqui & Company Limited 3rd issue	2010	14.40	–	8 167	–	–	–	8 167	8 429
Jahangir Siddiqui & Company Limited 4th Issue	2013	15.19	–	39 378	–	–	–	39 378	35 579
KASB Securities Limited	2012	14.35	–	34 457	–	–	–	34 457	30 607
New Allied Electronics (Pvt.) Limited	2015	16.00	–	2 833	–	–	–	2 833	9 167
NIB Bank Limited	2016	13.71	–	99 061	–	–	–	99 061	91 782
Optimus Limited	2012	14.77	–	47 724	–	–	–	47 724	41 242
Orix Leasing Pakistan Ltd.	2012	14.15	–	88 498	–	–	–	88 498	92 500
Orix Leasing Pakistan Ltd. 2nd Issue	2012	13.20	–	62 714	–	–	–	62 714	69 333
Pak Arab Fertilizers (Pvt) Limited	2013	14.05	–	307 082	–	1 877	–	308 959	296 253
Pak-American Fertilizers Ltd.	2013	15.58	–	34 972	–	–	–	34 972	–
Sub Total Carry forward			–	2 809 785	–	3 313	–	2 813 098	2 318 104

(Rupees '000)									
	Maturity Year	Effective Yield %	Shareholders' Fund	Statutory Funds			Aggregate 2009	Aggregate 2008	
				Investment Linked Business	Conventional Business	Pension Business (Unit Linked) Accident & Health Business			
<b>Sub Total Brough forward</b>			–	2 809 785	–	3 313	–	2 813 098	2 318 104
Pakistan Mobile Communications (Pvt) Ltd. (2nd Issue)	2013	14.50	–	164 110	–	–	–	164 110	104 895
Pakistan Mobile Communications (Pvt) Ltd. (3rd Issue)	2013	15.26	–	120 176	–	–	–	120 176	148 750
Pakistan Mobile Communications (Pvt) Ltd. PPTFC	2010	13.95	–	37 380	–	–	–	37 380	–
Royal Bank Scotland Limited (formerly ABN AMRO Bank Limited)	2013	14.00	–	112 127	–	247	–	112 374	103 395
Sitara Chemical Industries Limited (Sukkuk)	2013	13.60	–	53 659	–	–	–	53 659	55 000
Soneri Bank Limited	2013	14.45	–	137 541	–	–	–	137 541	123 173
Standard Chartered Bank (Pakistan) Limited. 2nd Issue	2011	10.75	–	37 977	–	137	–	38 114	26 119
Standard Chartered Bank Pakistan Limited 3rd Issue	2013	13.99	–	85 861	–	575	–	86 436	83 821
Sui Southern Gas Co. Ltd.	2012	12.54	–	3 885	–	–	–	3 885	–
Trust Investment Bank Ltd. 2nd Issue	2009	10.00	–	–	–	–	–	–	3,733
United Bank Limited 3rd Issue	2014	14.26	–	103 038	–	–	–	103 038	93 953
United Bank Limited 2nd issue	2013	9.49	–	94 250	–	–	–	94 250	98 536
United Bank Limited 4th Issue	2018	13.05	–	32 605	–	–	–	32 605	33 293
			–	3 792 394	–	4 272	–	3 796 666	3 192 772
Less: Impairment in the value of available-for-sale fixed income securities			–	(67 125)	–	–	–	(67 125)	(73 838)
			84 921	3 899 230	183 759	4 272	4 335	4 176 517	3 569 324

15.2.1 Market Value of other fixed income securities carried at amortized cost amounted to Rs. 477.743 million (2008: Rs. 383.165 million).

### 15.3 Listed equity securities and mutual fund units

(Rupees '000)							
	Shareholders' Fund	Statutory Funds			Aggregate 2009	Aggregate 2008	
		Investment Linked Business	Conventional Business	Pension Business (Unit Linked) Accident & Health Business			
<b>Held for trading at fair value</b>							
Listed equities	–	546 877	–	–	–	546 877	184 821
<b>Available for sale at fair value</b>							
Listed equities	–	2 869 306	–	4 437	–	2 873 743	1 674 146
Open end mutual fund units	–	275 079	–	–	–	275 079	200 445
<b>Available for sale at lower of cost or fair value</b>							
Listed equities	630 430	83 272	31 245	–	–	744 947	1 554 535
Open end mutual fund units	23 031	21 839	20 000	–	–	64 870	65 904
	653 461	3 796 373	51 245	4 437	–	4 505 516	3 679 851
Less: Impairment in the value of equity securities	(176 217)	(3 985)	(4 965)	–	–	(185 167)	(914 012)
	477 244	3 792 388	46 280	4 437	–	4 320 349	2 765 839

15.3.1 Listed equities include investment in EFU General Insurance Limited (a related party) at carrying value of Rs. 559.815 million (2008: Rs. 730.584 million) representing 6.81% (2008: 6.81 %) of the issued capital of the company.

15.4 This represents investment in ordinary shares of Security General Insurance Company Limited. The breakup value of each ordinary share of Rs. 10 is Rs.95.98 based on the latest audited financial statements available for the year ended December 31, 2008. The Company's holding as at the year end is 0.67% (number of shares: 457,036) {(2008: 0.67%) (number of shares: 457,036)}. The Chief Executive Officer of Security General Insurance Company Limited is Ms. Nabiha Shahnawaz.

15.5 Investments by classification		(Rupees '000)	
		2009	2008
<b>Held to maturity</b>			
Government securities		656 236	816 821
Other fixed income securities		446 976	450 390
		1 103 212	1 267 211
<b>Available for sale</b>			
Government securities (at fair value)		5 899 779	2 532 481
Other fixed income securities (at fair value)		3 796 666	3 192 772
Listed equity securities and mutual fund units (at fair value)		3 148 822	174 591
Listed equity securities and mutual fund units (at lower of cost or fair value)		809 817	1 620 439
		13 655 084	9 220 283
<b>Held for trading listed equities</b>		546 877	184 821
<b>Unlisted equity securities (relating to shareholders' fund)</b>		508	508
<b>Less:</b>			
Impairment in the value of equity securities		(185 167)	(914 012)
Impairment in the value of available-for-sale fixed income securities		(67 125)	(73 838)
		(252 292)	(987 850)
<b>Total Investments - net of provision</b>		<u>15 053 389</u>	<u>9 684 973</u>

15.6 As per the Company's accounting policy and SECP's accounting regulations for Life Insurance companies certain, available-for-sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary). However, International Accounting Standard (IAS)39, "Financial Instruments: Recognition and Measurements" dealing with the recognition and measurement of financial instruments requires that these investments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as on December 31, 2009 would have been higher by Rs. 42.424 million.

16. Fixed Assets		(Rupees '000)	
		2009	2008
Tangible assets	16.1	316 333	277 615
Capital work-in-progress		28 919	21 884
Intangible assets (computer software)	16.2	4 956	8 846
		<u>350 208</u>	<u>308 345</u>



## 16.1 Tangible assets

(Rupees '000)

	Cost			Accumulated Depreciation				Written down value	Depreciation Rate %	
	As at 01 Jan 2009	Additions	Disposals	As at 31 Dec 2009	As at 01 Jan 2009	Charge for the year	On Disposal			As at 31 Dec 2009
Lease hold land	126 505	–	–	126 505	–	–	–	–	126 505	–
Office equipment	25 038	9 710	415	34 333	9 242	2 054	192	11 104	23 229	10
Computers	23 984	2 546	68	26 462	16 114	2 781	24	18 871	7 591	30
Furniture and fixture	113 822	28 895	362	142 355	48 233	8 285	264	56 254	86 101	10
Vehicles	104 162	34 158	13 249	125 071	42 307	17 243	7 386	52 164	72 907	20
<b>2009</b>	<b>393,511</b>	<b>75,309</b>	<b>14,094</b>	<b>454,726</b>	<b>115,896</b>	<b>30,363</b>	<b>7,866</b>	<b>138,393</b>	<b>316,333</b>	

(Rupees '000)

	Cost			Accumulated Depreciation				Written down value	Depreciation Rate %	
	As at 01 Jan 2008	Additions	Disposals	As at 31 Dec 2008	As at 01 Jan 2008	Charge for the year	On Disposal			As at 31 Dec 2008
Lease hold land	126 505	–	–	126 505	–	–	–	–	126 505	–
Office equipment	20 539	4 900	401	25 038	7 860	1 513	131	9 242	15 796	10
Computers	19 671	4 313	–	23 984	13 667	2 447	–	16 114	7 870	30
Furniture and fixture	99 137	14 768	83	113 822	41 740	6 555	62	48 233	65 589	10
Vehicles	95 419	23 094	14 351	104 162	35 829	14 581	8 103	42 307	61 855	20
<b>2008</b>	<b>361 271</b>	<b>47 075</b>	<b>14 835</b>	<b>393 511</b>	<b>99 096</b>	<b>25 096</b>	<b>8 296</b>	<b>115 896</b>	<b>277 615</b>	

## 16.2 Intangible assets

(Rupees '000)

	Cost			Accumulated Amortization				Written down value	Amortization Rate %	
	As at 01 Jan 2009	Additions	Disposals	As at 31 Dec 2009	As at 01 Jan 2009	Charge for the year	On Disposal			As at 31 Dec 2009
Computer Software	11 672	–	–	11 672	2 826	3 890	–	6 716	4 956	33

(Rupees '000)

	Cost			Accumulated Amortization				Written down value	Amortization Rate %	
	As at 01 Jan 2008	Additions	Disposals	As at 31 Dec 2008	As at 01 Jan 2008	Charge for the year	On Disposal			As at 31 Dec 2008
Computer Software	7 414	4 258	–	11 672	–	2 826	–	2 826	8 846	33

## 16.3 Depreciation has been allocated as follows:

(Rupees '000)

	Statutory Funds				Aggregate 2009	Aggregate 2008
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Branch overheads	20 080	2 531	–	21	22 632	18 082
Administration expenses	5 836	1 888	–	7	7 731	7 014
	<b>25 916</b>	<b>4 419</b>	<b>–</b>	<b>28</b>	<b>30 363</b>	<b>25 096</b>

## 16.4 Disposal of tangible assets

(Rupees '000)

	Original Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain/(Loss) on Sale	Mode of Disposal	Particulars of Buyer
Vehicle	490	98	392	490	98	Insurance claim	EFU General Insurance Ltd. related party
Vehicle	360	164	196	275	79	Negotiation	Naeem Motors Karachi
Vehicle	1190	800	390	800	410	Negotiation	Ali Abbas Karachi
Vehicle	1190	820	370	775	405	Negotiation	Imran Kiani Karachi
Vehicle	469	323	146	200	54	Negotiation	M. Yousuf Karachi
Vehicle	459	222	237	380	143	Negotiation	Azimuddin Tahir Employee
Vehicle	315	217	98	180	82	Negotiation	M. Yousuf Karachi
Vehicle	1222	842	380	595	215	Negotiation	Husein Sachak Employee
Vehicle	623	380	243	325	82	Negotiation	Shahzad Employee
Vehicle	865	596	269	550	281	Negotiation	Imran Kiani Karachi
Vehicle	905	45	860	810	(50)	Insurance claim	EFU General Insurance Ltd. related party
Vehicle	604	381	223	365	142	Negotiation	Tahir Ahmed Karachi
Vehicle	349	267	82	155	73	Negotiation	Waseem Khan Karachi
Vehicle	604	381	223	350	127	Negotiation	Zahid Khan Employee
Vehicle	360	194	166	325	159	Insurance claim	EFU General Insurance Ltd. related party
Vehicle	373	119	254	382	128	Insurance claim	EFU General Insurance Ltd. related party
Vehicle	314	227	87	190	103	Negotiation	Irfan Junejo Employee
Vehicle	604	393	211	260	49	Negotiation	M.Zubair Karachi
Vehicle	1349	524	825	1225	400	Negotiation	Waseem Khan Karachi
Vehicle	604	393	211	500	289	Insurance claim	EFU General Insurance Ltd. related party

## Assets having WDV less than Rs. 50,000

Furniture and Fixture	362	264	98	28	(70)	Various
Office equipment	483	216	267	98	(169)	Various
<b>2009</b>	<u>14 094</u>	<u>7 866</u>	<u>6 228</u>	<u>9 258</u>	<u>3 030</u>	
<b>2008</b>	<u>14 835</u>	<u>8 296</u>	<u>6 539</u>	<u>9 621</u>	<u>3 082</u>	

## 17. Branch overheads

(Rupees '000)

	Statutory Funds				Aggregate 2009	Aggregate 2008
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Insurance premium	2 401	697	—	2	3 100	2 641
Printing and stationery	9 013	715	—	8	9 736	4 479
Advertisement and publicity	2 106	305	—	—	2 411	1 422
Postage	3 819	423	—	4	4 246	3 356
Travelling costs	23 546	201	—	1	23 748	19 310
Telephone and electricity	27 068	3 684	—	28	30 780	26 614
Rent, Rates and taxes	21 863	1 918	—	22	23 803	19 314
Conveyance	4 576	424	—	5	5 005	2 964
Repair and maintenance	6 418	630	—	6	7 054	9 573
Entertainment	12 135	1 245	—	12	13 392	6 382
Depreciation	20 080	2 531	—	21	22 632	18 082
Other expenses	5 338	500	—	2	5 840	2 877
	<u>138 363</u>	<u>13 273</u>	<u>—</u>	<u>111</u>	<u>151 747</u>	<u>117 014</u>

## 18. Others Management Expenses

(Rupees '000)

	Statutory Funds				Aggregate 2009	Aggregate 2008
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Insurance premium	3 195	383	–	3	3 581	3 103
Postage	12 688	1 983	–	14	14 685	10 605
Telephone and electricity	6 867	1 517	–	7	8 391	6 165
Repair and maintenance	5 069	606	–	6	5 681	7 672
Entertainment	11 122	1 455	–	11	12 588	14 240
Fees and subscription	11 596	1 240	–	12	12 848	7 988
Bank Charges	6 366	591	–	7	6 964	5 651
Claim investigation fees	1 965	225	–	2	2 192	1 678
Other expenses	14 667	1 547	–	18	16 232	13 730
	<u>73 535</u>	<u>9 547</u>	<u>–</u>	<u>80</u>	<u>83 162</u>	<u>70 832</u>

## 19. Expenses not attributable to statutory funds

	Note	2009	2008
Printing and stationery		696	1 275
Advertisement and publicity		121	127
Travelling		316	212
Legal and professional fee		596	997
Workers' welfare fund		12 483	9 330
Auditors' remuneration	19.1	1 200	1 123
Others		–	253
		<u>15 412</u>	<u>13 317</u>

## 19.1 Auditors' remuneration

## Ernst &amp; Young Ford Rhodes Sidat Hyder

Audit fee - annual	175	–
Limited scope review	75	–
Others certifications	700	–
	950	–

## Hyder Bhimji &amp; Co.

Audit fee - annual	175	175
Limited scope review	75	75
	250	250

## KPMG Taseer Hadi &amp; Co.

Audit fee - annual	–	175
Limited scope review	–	75
Out of pocket expenses	–	88
Tax advisory services and other certifications	–	535
	–	873
Total auditors' remuneration	<u>1 200</u>	<u>1 123</u>

20. Taxation		(Rupees '000)	
	Note	<u>2009</u>	<u>2008</u>
Current		88 562	155 000
Prior	20.2	( 155 000 )	1 300
Deferred		2 500	1 900
		<u>( 63 938 )</u>	<u>158 200</u>

#### 20.1 Relationship between tax expense and accounting profit / (loss)

Profit / (Loss) for the year	647 721	( 314 959 )
Tax at applicable rate 35% (2008: 35%)	226 702	( 110 236 )
Tax effect of amount tax at reduced rates	( 5 399 )	( 5 591 )
Effect of income exempt from tax	( 12 424 )	( 1 426 )
Prior year tax	( 273 506 )	–
Tax effect of provision against impairment of investment	–	273 506
Others	689	1 947
Tax (credit) / charge for the year	<u>( 63 938 )</u>	<u>158 200</u>

20.2 This represents a reversal of prior year tax provision resulting from finalisation of the tax assessment for the year 2008.

#### 21. Remuneration of chief executive and executives

(Rupees '000)

	<u>2009</u>		<u>2008</u>	
	<u>Chief Executive</u>	<u>Executives</u>	<u>Chief Executive</u>	<u>Executives</u>
Managerial remuneration including bonus	13 472	70 365	12 054	43 765
Utilities	320	437	224	225
Medical expenses	243	847	276	463
Leave passage	327	–	344	84
	<u>14 362</u>	<u>71 649</u>	<u>12 898</u>	<u>44 537</u>
Number of persons	<u>1</u>	<u>25</u>	<u>1</u>	<u>15</u>

In addition, the Chief Executive and executives are provided with free use of Company maintained cars and certain items of household furniture in accordance with their entitlement. The Chief Executive is provided with maintained and furnished accommodation.

(Rupees '000)

22. Basic and diluted earnings per share	<u>2009</u>	<u>2008</u>
Profit / (Loss) for the year	<u>711 659</u>	<u>( 473 159 )</u>
	<b>(Number of Shares)</b>	
Weighted average number of ordinary shares	<u>75 000</u>	<u>75 000</u>
	<b>(Rupees)</b>	
Earnings / (Loss) per share – basic and diluted	<u>9.49</u>	<u>( 6.31 )</u>

## 23. Financial instruments and related disclosures

### 23.1 Financial risk management objectives and policies

The Company is exposed to a variety of financial risks: market risk (comprising currency risk, interest rate risk, and other price risk), liquidity risk and credit risk in relation to the financial statements on its balance sheet.

The Company's overall risk management seeks to minimise potential adverse effects on the Company's financial performance of such risk.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. There are Board Committees and Management Committees for developing risk management policies and its monitoring.

#### 23.1.1 Market Risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company is exposed to market risk with respect to its investments and with respect to products other than unit linked products (where the investment risk is passed on to policyholders). The Company limits market risk by maintaining a diversified portfolio and by continuously monitoring developments in government securities, equity and term finance certificates. The Company, along with minimizing market risk by careful diversification in assets, also periodically carries out an Asset Liability management exercise, to match its duration of assets and liabilities.

##### 23.1.1.1 Interest Rate Risk Exposure

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company invests in securities and has deposits that are subject to interest / mark-up rate risk. The Company limits interest / mark-up rate risk by monitoring changes in interest / mark-up rates in the currencies in which its cash and investments are denominated.

The information about Company's exposure to interest rate risk (other than relating to policyholders' liabilities) based on contractual repricing or maturity dates as of December 31, 2009 whichever is earlier is as follows:

	2009									(Rupees '000)		
	Exposed to yield / interest rate risk									sub Total	Non-interest bearing financial instruments	Total
	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years			
On balance sheet financial instruments												
Assets												
Policy stamps in hand	-	-	-	-	-	-	-	-	-	-	5 256	5 256
Current and other accounts	701 887	-	-	-	-	-	-	-	-	701 887	318 660	1 020 547
Deposits maturing within in 12 months	250 000	90 000	-	-	-	-	-	-	-	340 000	-	340 000
Loans - secured to employees	2 068	1 983	3 178	5 867	8 353	5 325	6 876	8 360	1 200	43 210	-	43 210
Loans - unsecured to employees	2 536	2 082	1 988	3 332	3 523	1 064	932	348	-	15 805	-	15 805
Investments	14 390	42 340	59 450	317 561	919 940	3 396 078	981 990	4 555 089	445 700	10 732 538	4 320 851	15 053 389
Premiums due but unpaid	-	-	-	-	-	-	-	-	-	-	-	-
Amounts due from reinsurer	-	-	-	-	-	-	-	-	-	-	78 437	78 437
Agent balances	-	-	-	-	-	-	-	-	-	-	202	202
Investment income accrued	-	-	-	-	-	-	-	-	-	-	374 354	374 354
Advances and deposits	1 931	1 873	1 727	1 626	806	226	244	600	6 210	15 243	15 558	30 801
	972 812	138 278	66 343	328 386	932 622	3 402 693	990 042	4 564 397	453 110	11 848 683	5 113 318	16 962 001
Liability												
Outstanding claims	-	-	-	-	-	-	-	-	-	-	516 495	516 495
Premiums received in advance	-	-	-	-	-	-	-	-	-	-	320 527	320 527
Amounts due to reinsurer	-	-	-	-	-	-	-	-	-	-	43 634	43 634
Amounts due to agent	-	-	-	-	-	-	-	-	-	-	189 396	189 396
Accrued expenses	-	-	-	-	-	-	-	-	-	-	72 718	72 718
Unclaimed Dividend	-	-	-	-	-	-	-	-	-	-	2 836	2 836
Other creditors	-	-	-	-	-	-	-	-	-	-	50 324	50 324
	-	-	-	-	-	-	-	-	-	-	1 195 930	1 195 930
Interest risk sensitivity gap	972 812	138 278	66 343	328 386	932 622	3 402 693	990 042	4 564 397	453 110	11 848 683	3 917 388	15 766 071
Cumulative interest risk sensitivity gap	972 812	1 111 090	1 177 433	1 505 819	2 438 441	5 841 134	6 831 176	11 395 573	11 848 683			

2008											(Rupees '000)	
Exposed to yield / interest rate risk												
	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	sub Total	Non-interest bearing financial instruments	Total
On balance sheet financial instruments												
Assets												
Policy stamps in hand											5 520	5 520
Current and other accounts	711 074									711 074	283 830	994 904
Deposits maturing with in 12 months	345 000	80 000								425 000		425 000
Loans- secured to employees	3 179	1 464	2 155	3 841	6 989	4 500	4 887	6 077	169	33 261	-	33 261
Loans- unsecured to employees	2 323	1 199	1 301	2 398	3 229	821	432	134		11 837		11 837
Investments	2 672	55 831	3 742 712	82 408	143 123	412 432	815 670	1 301 214	362 564	6 918 626	2 766 347	9 684 973
Premiums due but unpaid	-	-	-	-	-	-	-	-	-	-	28 458	28 458
Amounts due from reinsurer	-	-	-	-	-	-	-	-	-	-	89 153	89 153
Agent balances	-	-	-	-	-	-	-	-	-	-	205	205
Investment income accrued	-	-	-	-	-	-	-	-	-	-	251 937	251 937
Advances and deposits	1 857	1 953	2 244	2 632	1 917	309	342	660	263	12 177	16 328	28 505
	1 066 105	140 447	3 748 412	91 279	155 258	418 062	821 331	1 308 085	362 996	8 111 975	3 441 778	11 553 753
Liability												
Outstanding claims	-	-	-	-	-	-	-	-	-	-	458 406	458 406
Premiums received in advance	-	-	-	-	-	-	-	-	-	-	282 018	282 018
Amounts due to reinsurer	-	-	-	-	-	-	-	-	-	-	19 703	19 703
Amounts due to agent	-	-	-	-	-	-	-	-	-	-	157 651	157 651
Accrued Expenses	-	-	-	-	-	-	-	-	-	-	95 632	95 632
Unclaimed dividend	-	-	-	-	-	-	-	-	-	-	978	978
Other creditors	-	-	-	-	-	-	-	-	-	-	38 651	38 651
	-	-	-	-	-	-	-	-	-	-	1 053 039	1 053 039
Interest risk sensitivity gap	1 066 105	140 447	3 748 412	91 279	155 258	418 062	821 331	1 308 085	362 996	8 111 975	2 388 739	10 500 714
Cumulative Interest risk sensitivity gap	1 066 105	1 206 552	4 954 964	5 046 243	5 201 501	5 619 563	6 440 894	7 748 979	8 111 975			

The effective interest rate range for the financial assets is as follows:

	2009	2008
Saving and other accounts	6% to 12.5%	6% to 14%
Deposits	11% to 12.5%	11% to 17%
Loans	10% to 12%	7% to 12%
Investments	5% to 19%	5% to 18.5%
Advances and other receivables	10% to 12%	7% to 12%

### 23.1.1.2 Foreign currency risk

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

### 23.1.1.3 Other Price Risk

Other price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity, money market fund and term finance certificates (TFCs). In addition, the Company actively monitors the key factors that affect stock, money market and TFCs market.

### 23.1.2 Credit Risk

Credit risk arises when one party fails to discharge its obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counter parties have similar types of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet their contractual obligations. The Company is exposed to credit risk on premiums receivable from group clients, commission and claims recoverable from insurers and investment in term finance certificates. The management monitors exposure to credit risk through regular review of credit exposure, assessing credit worthiness of counter parties and prudent estimates of provision for doubtful debts. The Company believes it is not exposed of any major concentration of credit risk.

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

Rating of Banks*	(Rupees '000)	
	2009	2008
AA+	942,924	859,116
AAA	4,741	19,056
A+	89	4,530
AA	53,582	93,318
A	11,796	9,964
AA-	4,802	1,150
A-	2,613	7,770
	<u>1,020,547</u>	<u>994,904</u>

\*Rating of banks performed by PACRA, JCR-VIS and Standard and Poors.

The credit quality of Company's exposure on TFC's can be assessed with reference to rating issued by rating agency as follows:

Issuer	Rating	Rating Agency	(Rupees '000)	
			2009	2008
Optimus Limited.	A	PACRA	97,684	91,232
Askari Bank Limited	AA	PACRA	360,313	237,042
Royal Bank Scotland Limited	AA	PACRA	122,893	113,938
Bank Alfalah Limited	AA	PACRA	299,792	184,890
Pakistan Mobile Communication (Pvt) Limited	AA-	PACRA	331,666	263,645
Soneri Bank Limited.	A+	PACRA	163,157	148,995
Standard Chartered Bank (Pakistan) Limited	AAA	PACRA	149,517	134,915
United Bank Limited	AA+	JCR-VIS	355,779	354,471
Allied Bank Limited.	AA	PACRA	353,435	334,707
Azgard Nine Limited	AA-	PACRA	195,140	181,032
Sub Total Carry forward			<u>2 429 376</u>	<u>2 044 867</u>



(Rupees '000)				
<u>Issuer</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>2009</u>	<u>2008</u>
<b>Sub Total Brought forward</b>			<b>2 429 376</b>	<b>2 044 867</b>
Faysal Bank Limited	AA	PACRA	253,015	224,706
NIB Bank Limited	A+	PACRA	151,010	143,918
Trust Investment Bank Limited	BBB(RW-)	PACRA	-	3,733
Jahangir Siddiqui & Company Limited	AA+	PACRA	47,545	44,008
IGI Investment Bank Limited (formerly First International Investment Bank Limited)	A+	PACRA	4,834	6,204
Engro Chemical Pakistan Limited	AA	PACRA	254,616	246,501
Escort Investment Bank Limited	A+	JCR-VIS	16,509	16,990
KASB Securities Limited	AA-	PACRA	34,457	30,607
ORIX Leasing Pakistan Limited	AA+	PACRA	151,212	161,833
Al-Abbas Sugar Mills Limited	A+	PACRA	23,336	25,490
Pak Arab Fertilizers (Pvt) Limited	AA	JCR-VIS	308,959	296,253
Pak American Fertilizers Limited.	AA-	PACRA	34,972	-
Sitara Chemical Industries Limited (Sukuk)	Unrated	Unrated	53,659	55,000
Sui Southern Gas Company Limited	AA	PACRA	3,885	-
Financial Receivables Securitization Company Limited	Unrated	Unrated	41,387	40,759
Bank AL Habib Limited	AA+	PACRA	364,912	219,288
New Allied Electronics Industries (Pvt.) Limited	Unrated	Unrated	2,833	9,167
			<u>4,176,517</u>	<u>3,569,324</u>

The management monitors exposure to credit risk in premium receivable from group clients through regular review of credit exposure and prudent estimates of provision for doubtful debts. As of December 31, 2009 there was no provision for doubtful premiums as all the premiums receivable were considered good.

### 23.1.3 Capital risk managements

The Company's objective when managing capital is to safe guard 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 its businesses. 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. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

Currently the Company has a paid up capital of Rs.750 million against the minimum required paid capital of Rs.450 million set by the SECP for the life insurance companies for year ended December 31, 2009.

### 23.1.4 Fair value

The fair values of all major financial assets are estimated to be not significantly different from their carrying values except for the following:

	2009	
	Carrying value	Fair value
	(Rupees '000)	
Government securities	656,236	611,135
Other fixed income securities	446,976	477,743
Listed equity securities and mutual fund units	809,817	852,240

## 24. INSURANCE RISK

### 24.1 Insurance contracts

#### 24.1.1 Classification

The Company currently issues contracts that are classified as insurance contracts as they transfer significant insurance risk (against death, disability and sickness) from the policyholder to the Company. In the past the Company has issued contracts where the insurance risk transferred is insignificant, these therefore being classified as investment contracts.

The Company does not issue any contracts which contain a discretionary participation feature, all contracts which include an investment element being unit-linked contracts linked to internal mutual funds.

The Company classifies its business into Individual Life and Group Life businesses, in both cases the form of contract consisting of main plans and supplementary riders (which are generally optional).

Individual life business mainly consists of unit linked products and conventional protection products, in both cases with optional supplementary riders which generally provide protection only. Group Life business consists of protection products only.

#### 24.1.2 Contract details and measurement

The insurance contracts offered by the Company are described below

##### 24.1.2.1 Individual Life Policies

These consist of the following types of policies:

The Company classifies its business into Individual Life and Group Life businesses, in both cases the form of contract consisting of main plans and supplementary riders (which are generally optional).

Individual life business mainly consists of unit linked products and conventional protection products, in both cases with optional supplementary riders which generally provide protection only. Group Life business consists of protection products only.

## (a) Unit Linked Products:

These are medium to long term unit-linked plans design to address a variety of future policyholder concerns, such as retirement planning, education planning for children, marriage planning for children, life protection and investments and savings for future. Premiums received from policyholders are, after deduction of specified charges including risk charges, are invested in internal unit funds of the Company. The basic plan contains life cover over and above the unit value, with additional protection (for death, disability and sickness) being provided through the addition of optional riders.

Policyholder Liabilities for these plans (excluding attached riders) are measured as the sum of the fair value of units attached and the unearned part of any risk premiums charged.

## (b) Conventional Protection Products:

Two types of products are offered under Individual life conventional business, these being long term contracts with level premiums being paid over the policy period. The Company offers a standard term life assurance product that offers protection in event of death as well as a decreasing term life assurance policy that covers outstanding loan balances.

Policyholder liabilities for both products are determined on a net premium basis by determining the present value of benefits less the present value of future net premiums, a theoretical net premium being calculated using conservative assumptions for mortality and the discount rate.

## (c) Accident and Health Products:

These consist of long term and short term Accident and Health products providing cover against accidental death, disability, sickness and critical illness, offered both as long term as well as yearly renewable plans

Policyholder Liabilities for short term contracts are evaluated using the unearned premium reserve method, taking into account the unexpired future period of risk, with a premium deficiency reserve being provided for where the Company's management perceives that the premium being charged is not adequate. For the critical illness long-term contracts, liabilities are evaluated using a net premium method i.e expected present value of benefits payable less expected present value of net premiums receivable.

## (d) Other Supplementary Benefits:

The Company also offers a variety of supplementary benefits attached with main plans including, additional term life assurance, income benefits, critical illness, sickness and accidental death and disability related benefits.

The methods used to determine policyholder liabilities differ with the nature and term of these benefits. Most supplementary benefits related to death and critical illness, are identical to some main plans offered in individual life business, the valuation methods used for these being consistent with their related main plans. Measurement of liabilities for benefits related to accident disability, accidental death and sickness are based on unearned premium method.

## (e) Reserve for Outstanding Losses (Individual life)

The Company records reported losses as payable upon intimation of any claim. Unpaid claims are assessed from time to time and the liability measured in accordance with management's estimates of whether claims are payable or not.

Claims payable over a duration of more than one year are measured at the discounted value of expected payments.

The Company also provides, as part of policyholder liabilities, a reserve for incurred but not reported claims (IBNR). Due to insufficient claim history of Individual life business, however, the general lag method for IBNR is not used. The Company adopts a methodology based on best estimates of future incurred but not reported claims, as suggested by the appointed actuary of the Company.

**24.1.2.2 Group Life Policies**

## (a) Nature of Contracts:

Company's group life business, consists of one year term life contracts which provide coverage, in the event of death or disability, to :

- employees of a common employer, benefits payable under these contracts being either fixed, in case of death, or linked to the extent of loss incurred by the policyholder, in case of disability;
- customers of financial institutions, the contracts being issued to financial institutions to protect their customers' outstanding loan balances, such as on personal loan, mortgages and credit cards.

There are no cash values in group life contracts.

(b) Policyholder Liabilities:

Policyholder liabilities consist of the following components:

- Net Unearned Premium Reserve

The unearned premium reserve is the portion of premium that had been booked in the current period but pertains to a period that extends beyond the valuation date. The fraction of premium that is to be consumed in the succeeding period is considered to be unearned. The unearned premium is the aggregate for both posted and fluctuations in the unearned premium.

The unearned premium reserve is computed both gross and net of reinsurance, the methodology used for both being similar.

- Profit Commission Reserve (accrued for policyholders)

This is the total accrued profit commission that is payable to policy holders at a future date. Profit commission for any policy normally becomes payable at the end of three policy years. However, accrued profit commission is calculated at the end of each policy year to account for the liability that has been created for that year. The sum of all such accrued profit commissions for all schemes is the Profit Commission reserve.

- Profit Commission Reserve (accrued from re-insurer)

This is the total profit commission due from re-insurer on all reinsured schemes. Profit commission rates are applied on insured groups, based on their size. The total profit commission accrued from re-insurer is the sum of profit commissions for each group.

- Premium Deficiency Reserve

The need for premium deficiency reserve arises when the Company expects to incur claims in excess of reserves set aside using conventional methods. The Company analyzed its current portfolio of group contracts and evaluated loss ratios of group business. The Company does not expect excessive claims on any schemes and hence no provision for Premium Deficiency Reserve is set aside.

- Incurred But Not Reported (IBNR) Reserve

The IBNR reserve is an estimate of those claims that might have occurred but not yet reported. This is estimated by using the claim intimation lag from the date of death for the claims that have been reported in the last two years. The system generated IBNR triangle report is used to calculate the ratio of delay to estimate the probable claims that might have not been reported to date.

### 24.1.3 Liability Adequacy Test

Liability adequacy test is applied to all those long term contracts where necessary, especially those products where actuarial liability estimation is based on conservative assumptions. Liability adequacy test is carried out using current best estimates of assumptions and future net cash flows, including premiums receivable, benefits payable and investment income from related assets.

To determine the adequacy of liabilities, assumptions must be based on realistic best estimates. At the moment, the Company does not have sufficient mortality data for comparison with assumed life table EFU(61-66). The Company compares EFU(61-66) with recent mortality studies carried out in South East Asia region. The comparison suggests that current actual mortality experience is better than the experience reflected in EFU(61-66). Thus the Company uses a modified version of EFU(61-66) as a best estimate of mortality for liability adequacy test.

The investment return currently assumed for valuation is 3.75% p.a. This assumption reflects a long-term conservative return that the Company expects to earn on assets backing these liabilities. On a more realistic view of current financial markets, the Company estimates that a long term return on these assets of 6% is reasonable. Liabilities are re-evaluated at investment return assumption of 6% for Liability Adequacy Test.

The table below compares total policyholder liabilities under existing valuation basis with policyholder liabilities calculated using best estimate assumptions:

(Rupees '000)

<u>Assumption</u>	<u>Policyholder liabilities on existing valuation basis</u>	<u>Policyholder liabilities using best estimate assumptions</u>
Mortality	14 491 707	14 409 666
Investment returns	14 491 707	14 480 762

The liabilities evaluated under these assumptions suggest that recognized liabilities are adequate and no further provision is required.

## 24.2 Reinsurance contracts held

The Company has entered into reinsurance arrangements, for both its individual and group businesses, in order to manage risks associated with the frequency and severity of claims. These arrangements include cover under treaties as well as on a facultative basis. The terms of reinsurance treaties vary by type of business, the objective being to maintain a reasonable risk profile suiting the risk appetite and overall exposure to adverse movements in mortality or morbidity.

Primarily, reinsurance assets are amounts due from reinsurers with respect to recoveries under claims and profit commission. Reinsurance recoveries are measured according to the terms and conditions of the reinsurance contracts.

Reinsurance liabilities consist of amounts due to reinsurers on account of reinsurance premiums due which are measured according to the terms of the arrangements.

The details related to reinsurance assets and liabilities are shown below:

<u>Reinsurer rating</u>	<u>Amounts due from reinsurers</u>	<u>Reinsurance recoveries against outstanding claims</u>
'A' or Above	78 437	69 398

The Company assesses impairment on its reinsurance assets on a regular basis to identify any losses in recoveries. As of now, Company's all reinsurance assets are due from reinsurers with a credit rating of "A or Above". The reinsurers maintain a sound credit history and hence no impairment provision is required for now.

## 24.3 Accounting estimates and judgments

The Company makes several estimates of assumptions to evaluate its assets and liabilities reported in its financial statements. On the liability side, there are a number of factors that have a direct impact on policyholder liabilities. Assumptions are continually evaluated using internal analysis and monitoring processes to test validity of these assumptions.

### 24.3.1 Mortality, disability and critical illness

Mortality and disability rates are basic assumptions used in valuation of policyholder liabilities. For mortality, life table EFU(61-66) is being currently used. The life table was published more than 40 years ago and may not reflect mortality improvements. In absence of any updated mortality study of Pakistan's insured population, EFU(61-66) is used with some adjustment to reflect current mortality trends. For reserving purposes, a 10% mortality loading is used over EFU(61-66) rates to build in conservatism. An analysis of past mortality experience, reveals that 10% mortality loading for reserving purposes is appropriate to ensure prudence.

Sudden adverse experience in mortality might occur due to epidemics, causing deaths on a mass scale due to incurable contagious illnesses. Mortality may also deteriorate over a period of time, due to wide-scale changes in living life styles, eating and health habits.

Sensitivity test with respect to mortality is carried out and impact on policyholder liabilities is observed. When mortality rates increase by 10%, policyholder liabilities increase by 0.192%. Likewise, when mortality rates decrease by 10%, policyholder liabilities decrease by 0.193%.

In absence of credible disability and critical illness incidence rates, the Company uses reinsurance rates for actuarial liability valuation of disability and critical illness benefits.

#### 24.3.2 Investment income

Investment income is an important assumption for valuation of long-term conventional plans. This is the rate at which future expected benefits and expected premiums are discounted. Currently, the valuation assumption used for investment income is 3.75% p.a.

Sensitivity test with respect to investment income is carried out and its impact on policyholder liabilities observed. When investment rate is increased by 10%, policyholder liabilities decrease by 0.0129%. Likewise, when investment income rate is decreased by 10%, policyholder liabilities increase by 0.013%.

#### 24.4 Frequency and severity of claims

Frequency and severity can have a significant impact on total claims paid out by the Company. High frequency of claims could occur due to adverse experience of mortality or disability. Adverse mortality experience, in short-term, could be due to a wide-range spread of fatal contagious disease, an epidemic. Over a longer term, overall health practices, eating and living habits could potentially have an adverse effect on mortality.

About 90% of Company's business is concentrated in the provinces of Sindh and Punjab. This concentration is largely in line with the population of these provinces relative to country's total population. The Company's diversified portfolio of contracts helps limit the frequency and severity of claims. However, in event of large number of deaths or disabilities, Company does face the risk of paying out excessive claims. To manage and mitigate this exposure, arrangements in form of reinsurance and catastrophe cover are in place.

In Group life business, frequency and severity of claims can be affected by concentration of business in a specifically risky class of industry. Claim frequency can rise substantially from businesses in industries that are more prone to accidents due to the nature of work they perform. Likewise, severity of claims can also be associated with business concentration in a specific class of industry. The Company continually monitors its concentration risk and takes measures to keep its business portfolio well diversified.

Contracts in group life, are mainly one year term life contracts, where premium rates are generally guaranteed for one year only. The Company retains the right of changing premium rates by incorporating the claim experience of a group insured, thereby allowing the Company to charge a specific group in line with its claim experience.

The Company regularly carries out an exercise to monitor time lags between intimation and settlement claim dates. The study reveals that a significant portion of claims are settled within twelve months of claim intimation.

#### 24.5 Sources of uncertainty in estimation of future benefit payments and premium receipts

The uncertainty with respect to future premiums and benefits may arise due to unexpected changes in mortality or disability experience. Adverse mortality experience will result in excess benefit payments, and reduced future premium income.

Likewise, unexpected changes in surrenders and lapses could also have a significant impact on future realized premiums. Estimates of lapses and surrenders are based on internal experience studies carried out annually. Factors that could affect policyholder behaviour include, market factors such as interest rates, policyholder preferences in terms of the monetary value that a policyholder relates with the insurance policy, the frequency of premium payments and the age of the individual.

#### 24.6 Process used to decide on assumptions

Assumptions used to determine policyholder liabilities include, mortality/disability/critical illness rates, investment returns for conventional business, investment returns for investment linked business, expenses and mortality loading.

Mortality assumptions should in principle reflect adequate conservatism in liabilities. The Company considers EFU (61-66) life table to be appropriate for actuarial valuation of policyholder liabilities.

Disability and Critical illness rates used for liability valuation are the reinsurance rates provided by the reinsurer. Due to lack of sufficient claim experience for these disabilities and critical illnesses, the Company considers this as the best estimate available.

The Company uses an investment return assumption of 3.75% p.a to evaluate actuarial liabilities of its conventional plans. Liabilities of conventional products should in principle reflect a long term conservative interest rate, to reflect adequate conservatism. An investment return of 3.75% p.a is hence considered appropriate.

For Unit Linked products where the death benefit is paid in form of annuity, the Company uses a discount rate of 6% to evaluate present value of future stream of cash flows. In principle, the interest rate assumption set to discount cash flows should reflect the expected returns on assets backing these liabilities. The Company expects to earn atleast a 6% return on assets backing these unit-linked liabilities.

In valuation of unearned premium reserve for unit-linked plans a loading of 10% is applied on rates from EFU(61 66). In opinion of Company's management and appointed actuary this assumption is prudent.

The Company also allows for mortality fluctuation reserve, an extra 0.05% of an individual policy's Retained Sum at Risk to allow for adverse deviation in mortality experience. In opinion of Company's management and appointed actuary this assumption is prudent.

The Company reserves for any increase in actuarial liability resulting from the possible reinstatement of lapsed policies. The current liability valuation also takes into account cash value of units pertaining to policies lapsed in last 2 years. A unit-linked policy lapses when the second annual premium of policy is not received. In principle, cash value of a lapsed policy is not surrenderable, as per provisions and conditions, unless the second premium is paid and policy is reinstated. The Company recognizes the possibility of these lapsed policies to be reinstated and hence sets a liability against these lapsed units.

For the purpose of liability adequacy tests the Company makes assumptions relating to expenses. For this purpose regular expense analyses are carried out based on actual expenses and transaction volumes.

## 24.7 Sensitivity analysis

The basic assumptions used in valuation of liabilities are mortality, disability, critical illness rates and investment returns assumed in discounting future cash flows. The table below presents sensitivity results with respect to above mentioned factors, with their impact observed on policyholder liabilities:

<u>Sensitivity variable</u>	<u>% change in</u>	<u>% change in</u>
Worsening of mortality and critical illness rates	10%	0.192%
Improvement in mortality and critical illness rates	10%	-0.193%
Increase in investment returns	10%	-0.013%
Decrease in investment returns	10%	0.013%

## 24.8 Management of insurance, financial and other risks

### 24.8.1 Insurance risk

The risk that Company faces is due to randomness in occurrence of insured events. In principle, the Company faces the risk that total claims exceed the reserves set aside at any point in time.

The occurrence of any single claim and amount paid on a single claim is a random event. However, as the number of contracts and independent lives increase, the estimated claim amounts and the number of claims get closer to the actual figures. This phenomenon is observed when pool of contracts is large enough and lives are independent. To manage this risk, Company monitors its concentration risk, on several parameters, and maintains diversity in its portfolio of insurance contracts.



In order to maintain this diversification, the Company takes a number of steps to manage the overall insurance risk of its portfolio of insurance contracts. The risk of an individual life is broadly assessed in light of its: medical condition, which include living habits, physical health and medical history; occupational condition, which assesses an individual's job profile and whether any characteristics of the job could have a significant impact on that individual's mortality; financial condition, which determines the individual's ability and affordability to purchase and maintain an insurance contract over the long-term.

The Company identifies and defines parameters in its underwriting strategy to clearly identify individuals (sub-standard lives) which could potentially increase the overall risk of insurance portfolio. Based on certain parameters, such individuals pay an extra charge called Extra Mortality Premium, in order to compensate for extra risk added to existing pool of insured individuals. These measures allow the Company to charge an individual life in line with the risk contributed to its insurance portfolio. These underwriting measures also discourage accumulation of sub standard lives in the insured pool, thereby managing the overall insurance risk of Company in the long-term.

The Company also has reinsurance arrangements with its reinsurance partners, to whom the Company passes any excess insurance risk beyond its retention levels which limits are continually monitored and kept in line with the overall risk tolerance. This allows the Company to retain the risk according to its risk capacity and minimizes excessive claim payouts. Currently, the total risk retained on individual life products is Rs. 1,000,000 per life for the death risk and Rs. 500,000 for risks associated with critical illness plans, for Group Life, the Company currently retains Rs. 350,000 of total life risk on each life and Rs. 50,000 per life on critical life cover.

The Company also has arrangements for claims in event of a catastrophic scenario which could lead to an accumulation of its retained risk, under an Excess of Loss Catastrophe cover which is triggered in event of excessive claims, limiting total amount of claims paid out if such an event occurs.

#### 24.8.2 Other risks

The Company faces a number of financial risks in its assets and liabilities, apart from insurance risk. These risks can be broadly categorized as expense risk, lapse risk, market risk, credit risk and liquidity risk. This section describes these risks on the Company level and identifies and describes the processes and strategy of management to manage these risks.

#### 24.8.3 Expense risk

The risk that the Company faces is that future expenses may be higher than those used in pricing of products causing an expense overrun. The Company mitigates this risk by incorporating a certain level of acceptable conservatism in building future policy expense factors in pricing and expects to maintain its actual expenses within these limits. Regular monitoring of expenses allows the Company to adjust its pricing in time to account for higher than expected expenses.

The Company closely monitors its expenses by regularly carrying out an expense analysis for its business. The assumptions for future policy expense levels are determined from the Company's most recent annual expense analysis, with an extra margin built-in to account for variability in future expenses. A review of product pricing is carried out each year based on the latest available expense factors. Constant monitoring of expenses enables the Company to take corrective actions in time.

Based on the results of expense analysis, the Company apportions its management expenses to different lines of business.

#### 24.8.4 Lapse risk

The risk the Company faces is that future persistency rates may be lower than assumed in pricing, thus impacting the emergence of profit from its portfolio of individual life policies. The Company however is confident that this risk is insignificant as the Company places tremendous emphasis on quality customer services and retention of clients by making persistency standard an integral part of the sales force culture. The Company has been consistently maintaining good levels of persistency and will continue a similar trend in future.

The Company has robust systems in place to regularly monitor the lapse experience. Regular focus on persistency is embedded in the Company culture and is an integral part of the monitoring of the sales force performance and remuneration.

### 24.8.5 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its funding requirements, without incurring a material loss in disposing off its illiquid assets. To guard against this risk, the Company maintains a healthy balance of cash and cash equivalents and readily marketable securities. Liquidity is monitored regularly and assets are frequently rebalanced to maintain a certain level of liquidity at all times. Going forward, the Company also plans to set up a contingency plan, whereby alternate sources of liquidity will be identified and assets would be analyzed and ranked in their liquidity order, to determine which assets would need to be disposed off first in case of a liquidity crisis.

The expected payouts in liabilities along with maturity profile of assets and liabilities are monitored to ensure that adequate liquidity is maintained within the Company, to avoid the need of liquidating assets below their actual market value.

The following extract, classifies the assets and liabilities of the Company in each Statutory Fund as at 31st December 2009. The table below also presents details of assets under Shareholder's Fund:

	(Rupees '000)			
2009	Investment Linked Products (All unit main linked plans)	Conventional Products (Individual, Group Life, Riders)	Shareholders' Fund	Total
Available for sale:				
- Listed securities	3 729 541	-	-	3 729 541
- Unlisted securities	5 899 779	-	-	5 899 779
Held to maturity:				
- Listed securities	-	362 055	84 921	446 976
- Unlisted securities	-	466 442	189 794	656 236
Available for sale:				
- Listed securities	3 265 935	138 317	141 678	3 545 930
- Unlisted securities	-	-	508	508
Investment in associates	418 094	20 759	335 566	774 419
Loans and receivables:				
- Insurance receivables amortized cost	-	36 267	-	36 267
Reinsurance assets	-	78 437	-	78 437
Cash and cash equivalents	1 205 712	141 708	18 383	1 365 803
Other assets	937 032	( 515 459 )	892 012	1 313 585
<b>Total assets</b>	<b>15 456 093</b>	<b>728 526</b>	<b>1 662 862</b>	<b>17 847 481</b>
<b>Long-term insurance contracts and investment contracts:</b>				
Fixed term	11 190 094	66 486	-	11 256 580
Whole of life	2 791 579	-	-	2 791 579
Short-term insurance contracts	-	208 623	-	208 623
Riders	-	234 925	-	234 925
Retained earnings on other than participating business	267 599	8 160	-	275 759
Equities	-	-	1 629 108	1 629 108
Other liabilities	1 206 821	210 332	33 754	1 450 907
<b>Total liabilities</b>	<b>15 456 093</b>	<b>728 526</b>	<b>1 662 862</b>	<b>17 847 481</b>

**25. Segment reporting**

Class of Business wise assets, liabilities and operating results have been disclosed in the Balance sheet and Profit and Loss account and revenue account prepared in accordance with the requirements of Insurance Ordinance 2000 and the SEC (Insurance) Rules, 2002.

**26. Number of employees**

Number of employees as at December 31, 2009 is 843 (2008: 719).

**27. Related party transactions**

The related parties comprise of directors, key management personnel, associated undertakings, and entities with common directors and retirement benefit fund. The transactions with related parties, other than those disclosed elsewhere in these financial statements and remuneration of key management personnel (disclosed in note 21) are as follows:

	(Rupees '000)	
	2009	2008
Associated companies (due to common directorship)		
Transactions		
Premium written	16 945	11 650
Premium paid	10 910	9 186
Claims paid	2 577	5 228
Claims received	2 201	2 835
Travelling expenses	432	1 390
Services Hired	2 949	-
Commission paid	18 094	2 992
Dividend paid	208 451	93 521
Dividend received	25 441	34 201
Balances		
Bank balances	2 815	3 560
Deposits maturing within 12 months	50 000	75 000
Balance payable	58	1 000
Balance receivable	885	499
Employees' funds		
Transactions		
Contribution to provident fund	8 953	7 225
Contribution to pension fund	6 708	5 248
Key Management Personnel		
Transactions		
Loan to employees	460	384
Loan recovered	358	842
Balances		
Loan receivable	230	128

**28. Comparative figures**

Corresponding figures have been re-arranged and re-classified wherever necessary for the purpose of comparison. During the year, loans to employees (secured) and loans to employees (un-secured) amounting to Rs. 22.243 million and Rs. 11.837 million respectively has been reclassified from 'current assets - others' (under the account head 'advances and deposits') to 'Loans'. This change was made for better presentation of transactions in these financial statements of the Company.

**29. Date of authorisation for issue**

These financial statements were authorized for issue by the Board of Directors in their meeting held on March 29, 2010.

**30. General**

30.1 Figures in these financial statements have been rounded off to the nearest thousand of rupees, unless otherwise stated.

30.2 The Board of Directors has proposed a cash dividend of Rs. 5.5 per share (2008: Rs. 4.5 per share) amounting to Rs. 412.5 million (2008: Rs. 337.5 million) and bonus shares in the proportion of 2 ordinary shares per 15 ordinary shares held (2008: Nil) amounting to Rs. 100 million (2008: Rs. Nil) at its meeting held on March 29, 2010 for the approval of the members at the annual general meeting to be held on April 30, 2010. These financial statements do not reflect this appropriation as explained in note 5.11.

HASANALI ABDULLAH  
Director

MUNEER R. BHIMJEE  
Director

TAHER G. SACHAK  
Managing Director &  
Chief Executive

SAIFUDDIN N. ZOOMKAWALA  
Chairman

Karachi March 29, 2010

## Statements under Section 52(2) of Insurance Ordinance 2000

### Statement by Appointed Actuary

I have reviewed the Balance Sheet and Revenue Account and related notes prepared by the Company for the year ending December 31, 2009. In my opinion:

- (a) the policyholder liability included in the balance sheet has been determined in accordance with the provisions of the Insurance Ordinance, 2000 ("the Ordinance"); and
- (b) each statutory fund set up by the Company complies with the solvency requirements of the Ordinance.

**OMER MORSHED, FCA, FPSA, FIA**  
Appointed Actuary

Karachi March 29, 2010

### Statement by Directors

We refer to the attached published Financial Statements of the Company, and in particular published Balance Sheet and Revenue Account and confirm that, in our opinion, each statutory fund set up by the Company complies with the solvency requirements of the Insurance Ordinance, 2000.

HASANALI ABDULLAH  
Director

MUNEER R. BHIMJEE  
Director

TAHER G. SACHAK  
Managing Director &  
Chief Executive

SAIFUDDIN N. ZOOMKAWALA  
Chairman

Karachi March 29, 2010

## Pattern of Shareholding as at 31 December 2009

Number of Shareholders	Shareholdings		Shares Held
	From	To	
278	1	100	19 055
404	101	500	123 523
176	501	1 000	144 307
391	1 001	5 000	960 680
47	5 001	10 000	352 880
14	10 001	15 000	169 868
13	15 001	20 000	231 024
10	20 001	25 000	231 183
6	25 001	30 000	173 354
1	30 001	35 000	30 200
5	35 001	40 000	184 176
4	40 001	45 000	170 553
5	45 001	50 000	242 643
1	50 001	55 000	52 500
3	55 001	60 000	180 000
2	60 001	65 000	125 248
4	70 001	75 000	298 650
1	75 001	80 000	79 546
2	80 001	85 000	166 897
1	85 001	90 000	87 499
1	90 001	95 000	93 750
2	95 001	100 000	199 498
1	125 001	130 000	125 250
1	185 001	190 000	187 500
2	205 001	210 000	208 400
1	220 001	225 000	441 588
1	225 001	230 000	227 719
1	295 001	300 000	295 491
1	415 001	420 000	417 100
1	420 001	425 000	423 350
1	430 001	435 000	430 005
1	475001	480 000	475 405
1	505 001	510 000	506 948
1	520 001	525 000	523 404
1	555 001	560 000	556 122
1	580 001	585 000	582 300
1	595 001	600 000	600 000
1	710 001	715 000	714 466
1	755 001	760 000	755 355
1	840 001	845 000	844 250
1	885 001	890 000	886 635
1	965 001	970 000	966 627
1	1 110 001	1 115 000	1 111 948
1	1 395 001	1 400 000	1 400 000
1	1 495 001	1 500 000	1 500 000
1	2 535 001	2 540 001	2 536 776
1	3 275 001	3 280 000	3 278 049
1	4 135 001	4 140 000	4 139 986
1	15 430 001	15 435 000	15 435 000
1	31 110 001	31 115 000	31 113 292
1 400			75 000 000

Categories of Shareholders	Number	Shares Held	Percentage
Associated Companies and Undertakings and Related Parties	4	47 130 705	62.85
NIT & ICP	3	1 489	0.00
CEO, Directors, their spouses and minor children	9	7 748 867	10.33
Executives	6	110 916	0.14
Public sector companies & corporations	–	–	–
Joint Stock companies	53	1 402 725	1.87
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Co. Modaraba and Mutual Funds	14	1 533 376	2.04
Foreign investors	4	1 703 500	2.27
Charitable Institution	1	75 000	0.10
Individuals / Others	1 306	15 293 422	20.40
<b>Total</b>	<b>1 400</b>	<b>75 000 000</b>	<b>100.00</b>

#### Information as required under the Code of Corporate Governance

Categories of Shareholders	Shareholders	Shares Held
<b>Associated Companies and Undertakings and Related Parties</b>		
Jahangir Siddiqui & Co. Ltd.*	1	15 435 000
EFU General Insurance Ltd.*	1	31 113 292
EFU Life Assurance Ltd. Employee Prov. Fund	1	113
JS Value Fund Ltd.	1	582 300
<b>NIT &amp; ICP</b>		
ICP A/c- Col. M.A. Sheikh	1	999
ICP A/c- Noman Farooq	1	354
IDBP (ICP Unit)	1	136
<b>CEO, Directors, their spouses and minor children</b>		
Saifuddin N. Zoomkawala	1	430 005
Taher G. Sachak	1	506 948
Jahangir Siddiqui	1	21 000
Sultan Ahmad	1	4 749
Rafique R. Bhimjee	1	1 111 948
Muneer R. Bhimjee	1	4 139 986
Hasanali Abdullah	1	523 404
Mrs. Naila Bhimjee W/o. Rafique R. Bhimjee	1	966 627
Mrs. Lulua Saifuddin W/o. Saifuddin N. Zoomkawala	1	44 200
<b>Shareholders holding 10% or more voting interest</b> *(reported above)		

## Group Benefits - Offices

### Faisalabad

2nd Floor, Ajmal Centre 289, Batala Colony  
Phone: 8555981-84, 8555987

Imran Yaqub, Assistant Manager

### Islamabad

3rd Floor, Al-Malik Centre  
70W, Jinnah Avenue, Blue Area  
Phone: (051) 2825271, 2820989, 2803385-8

Noor-ur-Rehman, Group Manager  
Khurram Aftab, Marketing Executive

### Karachi

37K, Block 6, PECHS, Karachi  
Phone: 34535071-77

Adeel H. Jaffery, Regional Sales  
Director (Group Benefits)

Hasan Aamir, Senior Regional Manager  
S. Afsar Raza, Deputy Manager  
Naveed-ul Haq Bhatti, Deputy Manager  
Mirza Yasir Farooq, Marketing Executive  
Saad Ahmed, Marketing Executive

### Lahore

87-B-III, Gulberg Scheme No. 3, Lahore  
Phone: 35870801-04

S.A.R. Zaidi, Executive Director  
Fazal Mehmood, Sr. Regional Manager  
Zaheer Aslam, Group Manager  
Faisal Masud, Manager  
Mubashir Ahmed, Manager  
Tasleem Arshad, Deputy Manager



## Bancassurance - Offices

### Islamabad

3rd Floor, Al-Malik Centre  
70W, Jinnah Avenue, Blue Area  
Phone: 2825271, 2820989, 2271371  
2820979, 2873382

Tahir Sultan, Senior Area Head  
Khurram Tasadduq, Senior Unit Head

### Karachi

37K, Block 6, PECHS, Karachi  
Phone: 34535071-77

Syed Saulat Hussain Naqvi, Area Head  
Zeeshan Haider, Area Head  
Anthony Francis, Senior Unit Head  
S. Amir Iqbal, Senior Unit Head

### Lahore

2nd Floor, Rehman Business Centre, Gulberg III  
Phone: 35710744 - 35870806

Fayyaz Mehmood Tahir, Senior Area Head  
Hafiz Muhammad Babar Rafiq, Area Head  
Nadia Khursheed, Senior Unit Head

## Individual Life - Offices

### ABBOTTABAD

#### Abbottabad Branch

1st Floor, Al-Fateh Shopping Centre  
Opp: Radio Station, Mansehra Road  
Phone: (0992) 341978, 334254  
Mr. Zuhrab Khan, Manager

### AHMED PUR EAST

#### Ahmed Pur East Branch

Qasim Khan Plaza  
Opp: Rizwan Charcha House  
Katchery Road  
Phone: (06222) 73039, 73049  
Mr. Mohammad Zahid Bashir, Manager

### ATTOCK

#### Attock Branch

Sheikh Jaffar Plaza  
1st Floor, Siddiqui Road, Attock City  
Phone: (057) 2602067, 2701957  
2703338, 2702338  
Mr. Abdul Moiz Qureshi, Manager

### AZAD KASHMIR

#### Kotli Branch

Poonch Road, Opp: Gulistan Plaza  
Rathore Plaza  
Phone: (058660) 45621  
Mr. S. Zakaullah Khan, Branch Manager

#### Kotli City Branch

Poonch Road, Opp: Gulistan Plaza  
Rathore Plaza  
Phone: (058660) 45621  
Mr. Gul Nazar, Manager

#### Mirpur Branch

2nd Floor, Muhammadi Plaza  
Nangi Opp: Jabeer Hotel  
Phone: (058610) 46477, 46488  
Mr. Maj (R) Tariq Javed, Manager

### BAHAWALPUR

#### Bahawalpur Branch

University Chowk, Bahawalpur  
Phone: (062) 2282269, 2282475,  
2282484  
Mr. Abdul Jabbar, Senior Branch Manager

#### Cantt Branch

University Chowk, Bahawalpur  
Phone: (062) 2282269, 2282475,  
2282484  
Mr. Junaid Masud, Senior Branch Manager

### City Branch

University Chowk, Bahawalpur  
Phone: (062) 2282269, 2282475,  
2282484  
Mr. Kashif Azeem, Group Manager

### Fort Branch

University Chowk, Bahawalpur  
Phone: (062) 2282269, 2282475,  
2282484  
Mr. Naeem Akhtar Chaudhry, Manager

### Yazman Branch

Bahawalpur Road, Mandi Yazman.  
Phone: (062) 2282269, 2282484  
Mr. Khalid Maqsood, Branch Manager

### CHISHTIAN

#### Chishtian Branch

Upper Floor, Khushali Bank, Baldia Chowk  
Phone: 0300-8687337  
Mr. Muhammad Rashid Latif, Manager

### DAHARKI

#### Daharki City Branch

Near Khushali Bank Ltd, Main Road  
Phone: (0723) 642424, 643440  
Mr. Mumtaz Ali Mahar, Branch Manager

### DERA ALLAHYAR

#### Dera Allahyar Branch

Main Quetta Road, Dera Allahyar  
Phone: (0838) 510636, 510840  
Mr. Irfan Iqbal, Branch Manager

### DERA GHAZI KHAN

#### Dera Ghazi Branch

Block 01 Near UBL Main Branch,  
Katchery road  
Phone: 0300-6728180  
Mr. Sikander Arshad, Branch Manager

### DERA ISMAIL KHAN

#### Dera Ismail Khan Branch

1st Floor, Najeeb Centre,  
East Circular Road  
Phone: (0966) 734003-06  
Mr. Masood Sheraz Khan, Manager

### DINGA

#### Dinga City Branch

Farhan Plaza, 1st Floor,  
Dalyan Chowk, Main Dinga City  
Phone: (0537) 404970  
Mr. Qaiser Abbas, Manager

### FAISALABAD

#### Chenab Branch

2nd Floor, Ajmal Centre, 289, Batala  
Colony  
Phone: (041) 8555981-4  
Mr. Tajamal Khan, Branch Manager

#### City Branch

2nd Floor, Ajmal Centre, 289, Batala  
Colony  
Phone: (041) 8555981-4  
Mr. Syed Bashrat Ali, Manager

#### Faisalabad Branch

2nd Floor, Ajmal Centre, 289, Batala  
Colony  
Phone: (041) 8555981-4  
Mr. Muhammad Ihsan-ul-Haq, Manager

### GHOTKI

#### Ghotki Branch

Shadani Shopping Centre  
Near Police Station  
Phone: (0723) 684107, 682423  
Mr. Mahesh Kumar, Manager

### GUJRANWALA

#### Gujranwala Branch

2nd Floor, AWR Plaza, Main G. T. Road  
Phone: (055) 3734104, 3731660  
Mr. Nasir Ahmad Anjum, Manager

### GUJRAT

#### Gujrat City Branch

Dhakar Plaza, Rehman Shaheed Road  
Phone: (053) 3514246, 2112484,  
3607033  
Mr. Majid Naveed Akhtar, Manager

#### Gujrat Branch

Dhakar Plaza, Rehman Shaheed Road  
Phone: (053) 3514246, 2112484,  
3607033  
Mr. Ali Rizwan, Branch Manager

**HAROONABAD****Haroonabad Branch**

Milad Chowk, Baldia Road, Haroonabad  
Phone: (062) 2282269, 2282475,  
2282484  
Mr. Ishfaq Hussain Mughal  
Branch Manager

**HASILPUR****Hasilpur Branch**

Opp: Allied Bank, Baldia Road, Raja Chowk  
Phone: (0622) 441008  
Mr. Mushtaq Ahmad, Manager

**HUB****Hub Chowki Branch**

Main RCD Road, Hub, District Lasbella  
Phone: (0853) 302115, 303402  
Mr. Jagdeesh Kumar Pahooja  
Branch Manager

**HYDERABAD****Cantt Branch**

3rd Floor, Abdullah Chambers  
Near Hotel Faran, Saddar  
Phone: (022) 2785217-18  
2784628, 2784729  
Mr. Zaheeruddin Babar, Branch Manager

**Indus Branch**

3rd Floor, Abdullah Chambers  
Near Hotel Faran, Saddar  
Phone: (022) 2785217-18  
2784628, 2784729  
Mr. Zeeshan Hyder, Manager

**Mehran Branch**

3rd Floor, Abdullah Chambers  
Near Hotel Faran, Saddar  
Phone: (022) 2784628, 2785217,  
2780453  
Mr. Muhammad Umer Keerio, Manager

**New City Branch**

B-15/9, RECHS, Opp Latifabad Unit 3  
The Autobahn  
Phone: (022) 3814239, 3814235-6  
Mr. Mustafa Hussain Ali  
Regional Manager

**Saddar Branch**

3rd Floor, Abdullah Chambers  
Near Hotel Faran, Saddar  
Phone: (022) 2785218, 2785217  
Mr. Abdul Hameed Soomro, Manager

**ISLAMABAD****City Branch**

3rd Floor, Al-Malik Centre  
70-W Jinnah Avenue (Blue Area)  
Phone: (051) 2820989, 2271371  
2873379, 2820979, 2873382  
Mr. Shahid Mehmood Awan, Manager

**Islamabad Branch**

3rd Floor, Al-Malik Centre  
70-W Jinnah Avenue (Blue Area)  
Phone: (051) 2820989, 2271371  
2873379, 2820979, 2873382  
Mr. M. Younis Butt  
Senior Regional Manager

**JACOBABAD****Jacobabad Branch**

1st Floor, National Autos  
Main Quaid-e-Azam Road  
Phone: (0722) 651876, 654391, 650156  
Mr. Irfan Iqbal, Branch Manager

**JHELUM****Jhelum Branch**

Milad Chowk, Baldia Road, Haroonabad  
Phone: (0544) 628606, 627337, 627118  
Mr. Nadeem Shakeel, Manager

**KARACHI****Ayesha Manzil Branch**

Anarkali Apartment, Block-7  
F.B. Area, Ayesha Manzil  
Phone: 37700490, 37685816  
36330181, 36330182, 36317425,  
36317892  
Ms. Zulekha, Manager

**Cantt Branch**

Nafees Arcade 3rd Floor, Off No. 301,  
Plot SC-14, KDA Scheme No 7,  
Chandni Chowk, University Road,  
Phone: 34854671-73  
Mr. Zahoob Ahmed Khuhro  
Branch Manager

**Central Branch**

A-34, 1st Floor, Hafeez Centre  
KCHSU, Shahrah-e-Faisal  
Phone: 34554006, 34386341-44,  
34320618-19  
Mr. S. Arif Raza, Senior Branch Manager

**City Branch**

A-34, 1st Floor, Hafeez Centre  
KCHSU, Shahrah-e-Faisal  
Phone: 34553949, 34320606 -13  
Mr. Tariq Mehmood, Branch Manager

**Defence Branch**

Plot # 10-C Suite No.301 & 302 3rd Floor,  
6th Comm. Street Tareen Arcade  
Zamzama Phase V  
Phone: 35822740-43  
Mr. Zia ul Hassan, Manager

**Faisal Branch**

41-1/E, Block 6, PECHS  
Phone: 34313638, 34527135-34386506-  
34313637  
Mr. Shamsuddin Shaikh  
Senior Group Manager

**Garden Branch**

APWA Complex, F-2, 67/A, Garden Road  
Phone: 32257309, 32241981-4  
Mr. Nadim Iqbal Hasni, Branch Manager

**Gulshan-e-Hadeed Branch**

1st Floor, C-15, Phase 1  
Gulshan-e-Hadeed, Bin Qasim  
Phone: 34721574  
Mr. Ghulam Shabbir Mirani, Manager

**Indus Branch**

A-34, 1st Floor, Hafeez Centre  
KCHSU, Shahrah-e-Faisal  
Phone 34320667, 34386341-44,  
34320618-19  
Mr. S. Shahid Hussain Zaidi  
Branch Manager

**Jinnah Branch**

A-34, 1st Floor, Hafeez Centre,  
KCHSU, Shahrah-e-Faisal  
Phone: 34320620, 34386341-44,  
34320618-19  
Mr. Nadeem Afzal Khan, Manager

**Karsaz Branch**

603, Park Avenue, Shahrah-e-Faisal  
Phone: 34387319, 34531074, 34530328  
Mr. Ayoob Khan, Branch Manager

**Mehran Branch**

A-34, 1st Floor, Hafeez Centre  
KCHSU, Shahrah-e-Faisal  
Phone: 34386341-44, 34320618-19  
Mr. S. Samar Raza Zaidi, Manager

**Merewether Branch**

2nd Floor, Karim Chamber, Civil Lines  
Adj. Karachi Gymkhana, Merewether Road  
Phone: 35654885, 35216368, 35215803  
Mr. Rehan Anwar, Senior Branch Manager

**New City Branch**

Room No: 518 5th Floor, EFU House,  
M.A Jinnah Road  
Phone: 32311964, 32311969  
Mr Rabnawaz Ghumro, Branch Manager

**North Branch**

41-1/E, Block 6, PECHS  
Phone: 34527135-34302322  
Mr. Farrukh Nasim Ansari  
Branch Manager

**Pioneer Branch**

A-34, 1st Floor, Hafeez Centre  
KCHSU, Shahrah-e-Faisal  
Phone: 34559126, 34320606 -13  
Mr. Nasir Rashid Bhatti  
Senior Branch Manager

**Royal Branch**

A-34, 1st Floor, Hafeez Centre  
KCHSU, Shahrah-e-Faisal  
Phone: 34320606 -13,  
Mr. Mohammed Raheel Memon, Manager

**Sardinia Branch**

APWA Complex, F-2, 67/A, Garden Road  
Phone: 32253472, 32294791-32294792  
Mr. Arif Pyarali Adtani, Manager

**West Branch**

2nd Floor, Karim Chamber, Civil Lines  
Adj. Karachi Gymkhana, Merewether Road  
Phone: 35210864, 35216368, 35215803  
Mr. Nadeem Alam Ansari, Manager

**Zamzama Branch**

Suite # 301 & 302, 3rd Floor  
6th Comm. Street, Tareen Arcade  
Zamzama, Phase V  
Phone: 35865404, 35822740-43  
Mr. Fasih Uddin Amjad, Manager

**KANDHKOT**

**Kandhkot Branch**

Near Juman Shah, Kandhkot,  
Dist Kashmore.  
Phone: (0722) 570193  
Mr. Manohar Lal, Manager

**KHAIRPUR**

**Khairpur Branch**

A-5, 3rd Floor, Civic Centre, Khairpur Mirs  
Phone: (0243) 714336, 714330, 554016  
Mr. Jamaluddin, Manager

**KHANPUR**

**Khanpur City Branch**

Model Town B, Near DSP Office  
Phone: (068) 5575263-5577809  
Mr. Imtiaz Hussain, Senior Branch Manager

**LAHORE**

**Cantt Branch**

43-L, 1st Floor, M.M. Alam Road,  
Gulberg II  
Phone: (042) 5871235-7  
Mr. Shoukat Ali, Manager

**Capital Branch**

18-C-1, Commercial Zone  
Liberty Market, 3rd Floor, Gulberg III  
Phone: (042) 5789549-50, 52, 54  
Mr. Iftikhar Hassan, Branch Manager

**Central Branch**

18-C-1, Commercial Zone  
Liberty Market, 3rd Floor, Gulberg III  
Phone: (042) 35789782-35789550  
Mr. Saadat Ahmed, Manager

**City Branch**

18-C-1, Commercial Zone  
Liberty Market, 3rd Floor, Gulberg III  
Phone: (042) 5789549-50, 52, 54  
Mr. Shahid Iqbal Bhatti, Group Manager

**Civic Branch**

43-L, 1st Floor, M.M. Alam Road,  
Gulberg II  
Phone: (042) 5871235-7  
Mr. Mahmood Ahmed, Branch Manager

**Crescent Branch**

18-C-1, Commercial Zone, Liberty Market  
3rd Floor, Gulberg III  
Phone: (042) 35789782-35789550  
Mr. Malik Azhar, Branch Manager

**Defence Branch**

43-L, 1st Floor, M.M. Alam Road,  
Gulberg II  
Phone: (042) 35871235-7  
Mr. Mian Kashif Naseer, Branch Manager

**Falcon Branch**

Suit #. 2, 2nd Floor, Rehman Business  
Centre, Near Firdous Market, Gulberg III,  
Phone: (042) 35772622, 35772627  
Mr. Kh. Mujib ur Rehman, Group Manager

**Fort Branch**

2nd Floor, Office No: 201. 14-C,  
Commercial Zone, Liberty Market  
Phone: (042) 35871235-7  
Mr. Waqar Asif Mullick, Manager

**Gulberg Branch**

18-C-1, Commercial Zone  
Liberty Market, Gulberg III  
Phone: (042) 35716072-74, 35750911  
Mr. S. Mehdi Raza Zaidi, Manager

**Jinnah Branch**

18-C-1, Commercial Zone  
Liberty Market, Gulberg III  
Phone: (042) 35716072-74, 35750911  
Mr. S.M. Raza Zaidi, Branch Manager

**Liberty Branch**

18-C-1, Commercial Zone  
Liberty Market, Gulberg III  
Phone: (042) 35789631, 32, 63  
Mr. Moazzam Bashir Kamal  
Branch Manager

**Metropolitan Branch**

18-C-1, Commercial Zone  
Liberty Market, Gulberg III  
Phone: (042) 35716072-74, 35789781  
Mr. Zahid Ali Raza, Branch Manager

**Pioneer Branch**

65-Jehanzeb Block, 1st Floor, Tariq Plaza,  
Allama Iqbal Town,  
Phone: (042) 35430143 & 7085699  
Mr. Iftikhar Hassan, Branch Manager

**Ravi Branch**

2nd Floor, Office # 201, 14-C  
Commercial Zone, Liberty Market  
Phone: (042) 35789631, 32, 63  
Mr. Tanveer Ahmed Khan  
Group Manager

**Shahdara Branch**

Mian Plaza Near Post Office 2nd Floor  
Main G.T Road Shahdra  
Phone: (042) 7023429  
Mr. Kashif Hussain Malik, Manager

**LALAMUSA****Lalamusa Branch**

Shayan Center, 1st Floor,  
G.T Road  
Phone: (053) 7517272-7515656  
Mr. Syed Intiaz Hussain Shah, Manager

**LARKANA****Larkana Branch**

1st Floor, Bukhari Shopping Centre  
Station Road  
Phone: (074) 4057435-36, 4046700  
Mr. Fateh Muhammad Khuhawar  
Manager

**Larkana Central Branch**

1st Floor, Bukhari Shopping Centre  
Station Road  
Phone: (074) 4057435-36, 4046700  
Mr. Abdul Ghafoor Mashori, Manager

**LAYYAH****Layyah Branch**

Chobara Road Layyah  
Phone: (0606) 410524-410525  
Mr. Shafquat Ali Rao, Manager

**MANDI BHAUDDIN****Mandi Bahauddin Branch**

1st Floor, Ayub Plaza, Katchary Road  
Phone: (0546) 520955, 520956  
Mr. Faisal Tahir, Senior Branch Manager

**MIRPURKHAS****Khipro Branch**

Main Mirpurkhas Road, Near Chooto Para  
Phone: 0235-879208-10  
Mr. Ramesh Kumar, Manager

**Mirpurkhas City Branch**

APWA House, Opp: Gama Stadium  
Main Hyderabad Road  
Phone: (0233) 863158, 863159, 863157  
Mr. Suresh Kumar, Branch Manager

**MORO****Moro Branch**

Near Jam Floor Mills, Dadu Road,  
Moro Distt,  
Naushero Feroze  
Phone: (0242) 411596  
Mr. Sarfraz Ahmed Qureshi  
Branch Manager

**MULTAN****Cantt Branch**

2nd Floor, Golden Heights Plaza,  
Opp. High court, Multan Cantt  
Phone: (061) 4500918,  
4587120-30-40-50-70  
Mr. M. Abid Raza Shah, Branch Manager

**City Branch**

1st Floor, Rajput Commercial Centre  
Tareen Road, Near Gul Tax  
Phone: (061) 4500913-15-17  
Mr. S. Wazir Ali Zaidi  
Senior Branch Manager

**Central Branch**

2nd Floor, Golden Heights Plaza,  
Opp. High court, Multan cantt  
Phone: (061) 4587120-30-40-50-70  
Mr. Abid Masood Qureshi, Manager

**Multan Branch**

1st Floor, Rajput Commercial Centre  
Tareen Road, Near Gul Tax  
Phone: (061) 4500913-15-17  
Mr. M. Kashif Riffat, Group Manager

**Pioneer Branch**

1st Floor, Rajput Commercial Centre  
Tareen Road, Near Gul Tax  
Phone: (061) 4500913-15-17  
Mr. Kashif Aslam, Branch Manager

**NAWABSHAH****Nawabshah Branch**

Plot No.B-599, 1st Floor,  
Opposite Al Karim Hotel, Katchery Road,  
Phone: (0244) 372807 -372808  
Mr. Abdullah M. Ghumro  
Branch Manager

**PESHAWAR****Peshawar Branch**

Suite # 1, 2, 3, 2nd Floor  
Azam Towers, Arbab Road Stop  
Jamrud Road, University Town  
Phone: (091) 5852921, 5843404  
5852922, 5852923  
Mr. S. Jameel Abbas, Branch Manager

**QUETTA****Cantt Branch**

1st Floor, Shaheen View  
Model Town, Hali Road  
Phone: (081) 2841696, 2834825  
2834831, 2827787  
Mr. Imran Ahmed, Manager

**Chilton Branch**

1st Floor, Shaheen View  
Model Town, Hali Road  
Phone: (081) 2841696, 2834825  
2834831, 2827787  
Mr. Kantesh Kumar  
Senior Branch Manager

**Quetta Branch**

1st Floor, Shaheen View  
Model Town, Hali Road  
Phone: (081) 2841696, 2834825  
2834831, 2827787  
Mr. Shahjahan, Senior Group Manager

**Zarghoon Branch**

1st Floor, Shaheen View  
Model Town, Hali Road  
Phone: (081) 2841696, 2834825  
2834831, 2827787  
Mr. Muhammad Javed, Branch Manager

**RAHIM YAR KHAN****Cantt Branch**

Upper Story, J.S Bank, Near Neaz Clinic,  
City Chowk, Model Town,  
Phone: (068) 5886819, 5876737  
Mr. Islamul-ul-Haq Shami, Manager

**Rahim Yar Khan Branch**

Near Garden Marriage Hall  
Opp: Town Hall  
Phone: (068) 5880034, 5884457  
Mr. Mukhtar Ahmed Tabassum  
Branch Manager

**RAJANPUR**

**Rajanpur Branch**

Ramzan Kareem Complex,  
D.G. Khan Road  
Phone: (0604) 688242-03  
Mr. Falak Sher Buzdar, Manager

**RAWALPINDI**

**Cantt Branch**

RV Arcade, 2nd Floor, Lane No-06,  
Peshawar Road, Rawalpindi Cantt.  
Phone: (051) 5473707, 5473708  
Mr. Ghulam Murtaza, Manager

**City Branch**

20B, 2nd Floor, North Star Plaza  
Murree Road, Rehmanabad  
Phone: (051) 4581364, 4581366,  
4581365  
Mr. Muhammad Kashif Khan, Manager

**Rawalpindi Branch**

20B, 2nd Floor, North Star Plaza  
Murree Road, Rehmanabad  
Phone: (051) 4581364, 4581366,  
4581365  
Mr. Mohammad Atif Khan  
Branch Manager

**SADIQABAD**

**Sadiqabad Branch**

Katchehry Chowk  
Phone: (068) 5702929, 5801919  
Mr Kashif Aslam, Manager

**SAHIWAL**

**Sahiwal Branch**

49/B VII Old Civil Lines, Girl's College Road  
Phone: (0404) 551159  
Mr Abdul Latif Tarique, Manager

**SARGODHA**

**City Branch**

2nd Floor, Office No, 63,  
Al- Rehman Trade Center,  
University Road  
Phone: (0483) 768463  
Mr. Faisal Tahir, Senior Branch Manager

**Sargodha Branch**

1st Floor, 66- Civil Lines, Court Road  
Khan Arcade  
Phone: (048) 3725516-8  
Mr. Akhtar Hasnain Akhtar  
Branch Manager

**SIALKOT**

**Sialkot Branch**

1st Floor, Riaz Plaza  
(Adj. Saudi Pak Bank), Paris Road  
Phone: (052) 4264167-8  
Mr. Zahid Khan, Branch Manager

**SUKKUR**

**City Branch**

Near Qasim Park, Opp: Queen's Garden  
Queen's Road  
Phone: (071) 5627067, 5622304  
Mr. Shahzado Mal, Branch Manager

**Indus Branch**

Near Qasim Park, Opp Queen's Garden  
Queen's Road  
Phone: (071) 5627067, 5622304  
Mr. Adil Mahmood Samejo  
Senior Branch Manager

**Sukkur Branch**

Near Qasim Park, Opp: Queen's Garden  
Queen's Road  
Phone: (071) 5627067, 5622304  
Mr. Zaheeruddin Ghumro  
Group Manager

**THATTA**

**Thatta Branch**

Qureshi Building, 1st Floor,  
Near T.C.S Office, National Highway  
Phone: 0298-550025  
Mr. Ghulam Shabbir Mirani, Manager

**THULL**

**Thull City Branch**

Near Jongal Morr Kandhot Road  
Phone: (0722) 721319, 611221,  
611089, 611134  
Mr. Sher Zaman Khan, Manager

**TURBAT**

**Turbat City Branch**

1st Floor, Allah Wala Market, Main Road  
Phone: (0852) 411718  
Mr. Lal Bakhsh Baloch, Manager



# E F U LIFE ASSURANCE LTD

## Form Of Proxy

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member of EFU LIFE ASSURANCE LTD hereby appoint  
Mr. \_\_\_\_\_  
of \_\_\_\_\_  
or failing him \_\_\_\_\_  
of \_\_\_\_\_

as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 18th Annual General Meeting of the Company to be held on Friday April 30, 2010 at 10:00 a.m. and at any adjournment thereof.

Signed this \_\_\_\_\_ day of April 2010.

### WITNESSES:

1. Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

2. Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

CNIC Or  
Passport No: \_\_\_\_\_



*Signature of Member(s)*

Shareholder's Folio No. \_\_\_\_\_  
and/or CDC  
Participant I.D.No. \_\_\_\_\_  
and Sub Account No. \_\_\_\_\_

### Important:

This form of Proxy, duly completed, must be deposited at the Company's Registered Office at Al-Malik Centre, 70 W, F-7/G-7 Jinnah Avenue (Blue Area) Islamabad not later than 48 hours before the time appointed for the meeting.

CDC Shareholders and their Proxies are each requested to attach attested photocopy of their Computerized National Identity Card (CNIC) or Passport with this proxy form before submission to the Company.

CDC Shareholders or their Proxies are requested to bring with them their Original Computerized National Identity Card or Passport alongwith the Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.

# EFU Life Branch Network -115

