



Timeless Reflections

Annual Report **2016**

IGI | Life
IGI Life Insurance Limited



Join IGI Life for a stunning glimpse of Pakistan's heritage sites that have been preserved and protected for our coming generations. Experience the ancient beauty of our homeland in vivid colour brought to you by a company that strives to insure your legacy for time untold.





The Gift of Generosity

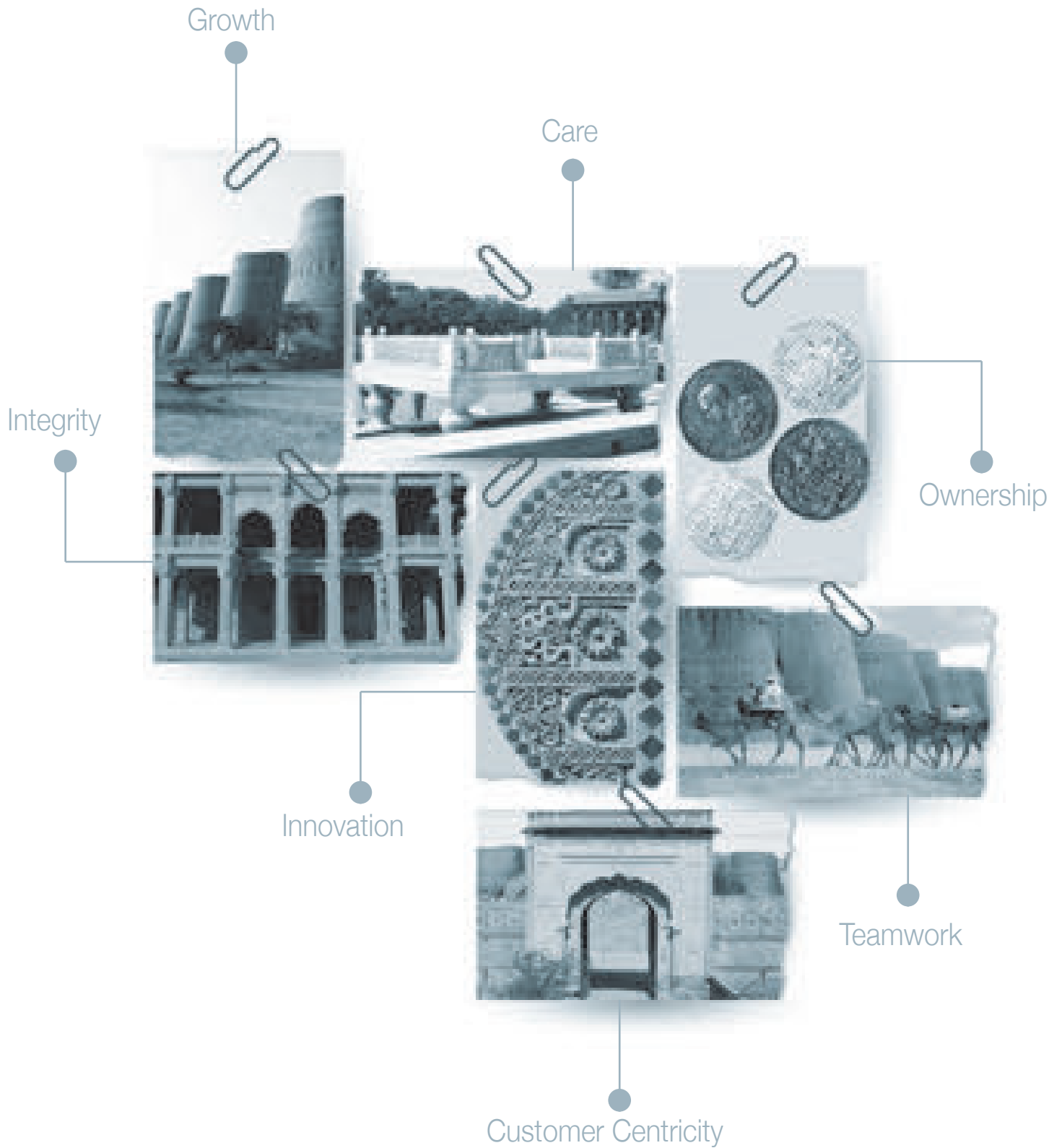
The Shah Jahan Masjid in Thatta was built by the Emperor as a gift to symbolise his generosity. It was created with Hala bricks having a staggering 93 domes and is considered an architectural marvel.



A Tale of Two Emperors

The Lahore Fort celebrates the work of not one but two great Mughal Emperors. Located in the walled city of Lahore the Fort (also known as Shahi Qila) has stood for centuries from the laying of its first foundation stone.

Values

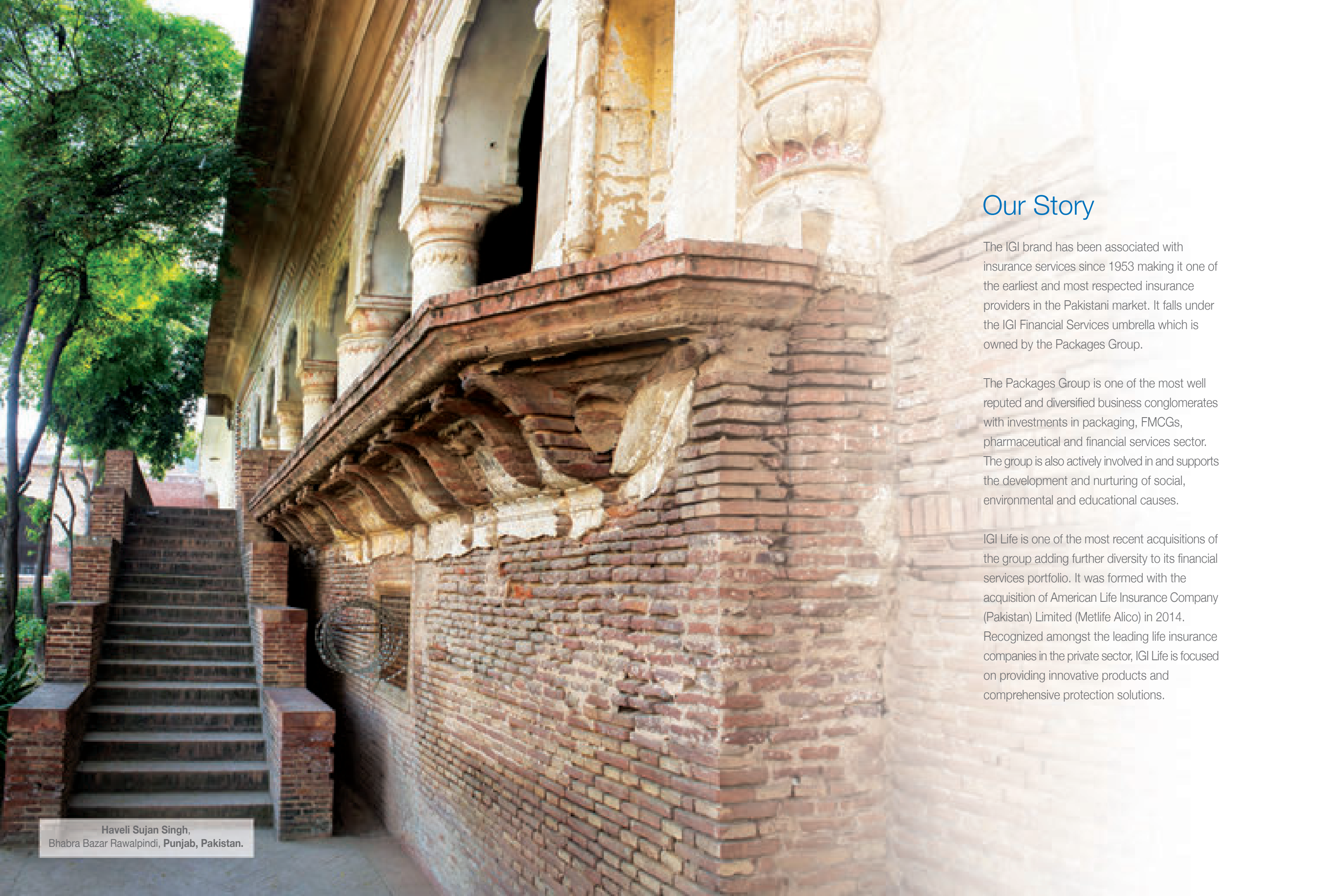


Vision

Assure financial future today for a better tomorrow



The **Bolan Pass**, Toba Kakar Range,
Balochistan, Pakistan.



Our Story

The IGI brand has been associated with insurance services since 1953 making it one of the earliest and most respected insurance providers in the Pakistani market. It falls under the IGI Financial Services umbrella which is owned by the Packages Group.

The Packages Group is one of the most well reputed and diversified business conglomerates with investments in packaging, FMCGs, pharmaceutical and financial services sector. The group is also actively involved in and supports the development and nurturing of social, environmental and educational causes.

IGI Life is one of the most recent acquisitions of the group adding further diversity to its financial services portfolio. It was formed with the acquisition of American Life Insurance Company (Pakistan) Limited (Metlife Alico) in 2014. Recognized amongst the leading life insurance companies in the private sector, IGI Life is focused on providing innovative products and comprehensive protection solutions.

What we do

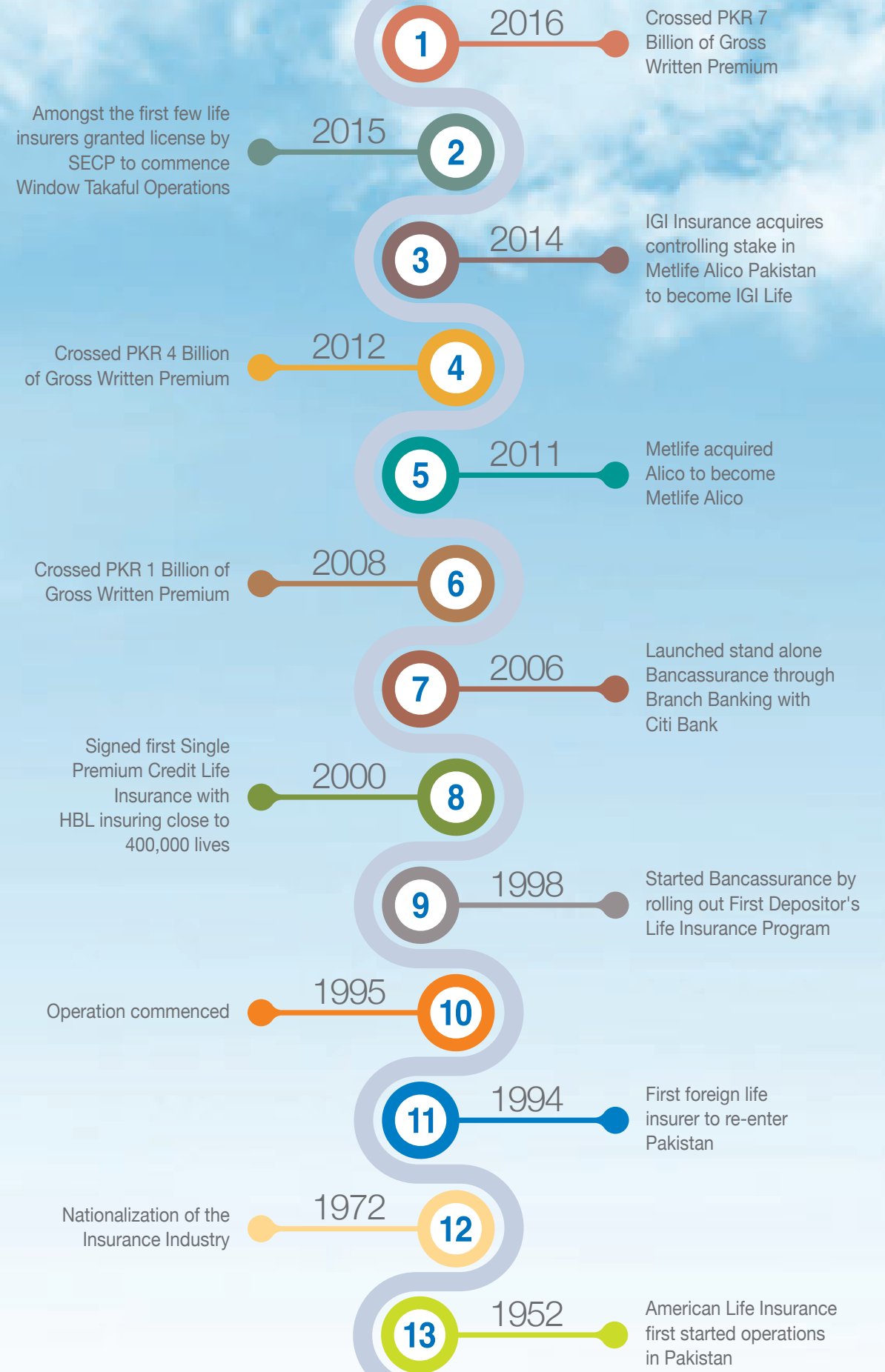
A customer centric company focused on securing the financial future and well-being of its clients.

The Kot Diji Fort, formally known as Fort Ahmadabad, Kot Diji Khairpur District, Sindh, Pakistan.

Individual Insurance

Always striving to ensure the best mix of protection and investments, our individual life plans offer a host of options for you to choose from. Based on risk return appetites, the plans can be tailored to live up to your expectations.

IGI Life Timeline



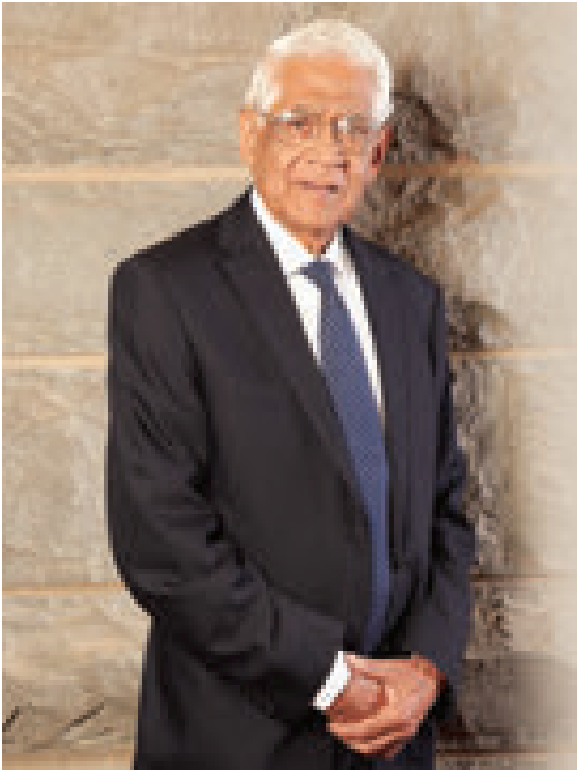
Minaret of Masum Shah in Sukkur, Sindh, Pakistan.

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Contents

Board Of Directors



Shamim Ahmad Khan – Chairman

Shamim Ahmad Khan is the chairman and Non-executive Director of the Company. He has served various government organizations in different capacities namely Securities and Exchange Commission of Pakistan and Ministry of Commerce. He has also been engaged with consultancy assignments for Asian Development Bank and other organizations. Currently, Mr. Khan is director of Abbott Laboratories Pakistan Limited, IGI Insurance Limited, Packages Limited and Karandaz (PVT) Limited (A non-profit company sponsored by DFID) and also Member of Advisory Committee of CIPE (Centre for International Private Enterprise Pakistan) and Member of Board of Governors SDPI (Sustainable Development Policy Institute) - a nonprofit organization).

Syed Hyder Ali – Chief Executive Officer

Syed Hyder Ali is the Chief Executive Officer and Executive Director of the Company. He is also the Chief Executive and Managing Director, Packages Ltd., Lahore, Pakistan. He graduated from University of Michigan, USA with a Bachelor of Science degree in Chemical Engineering in 1979. He completed his Master of Science in June 1981, specializing in Paper Chemistry from The Institute of Paper Chemistry, Lawrence University of Wisconsin, USA. In 1997, Mr. Ali also attended the program for Management Development at the Harvard Business School, Boston, USA. Mr. Ali serves on the Board of a number of companies like Bulleh Shah Packaging Private Ltd, IGI Insurance Ltd, Nestle Pakistan Ltd, Packages Limited, Packages Lanka Pvt. Ltd, Sanofi-Aventis Pakistan Ltd, Tetra Pak Pakistan Ltd, Tri-Pack Films Ltd, KSB Pumps Company Ltd, International Steels Ltd, Babar Ali Foundation, Pakistan Business Council, Pakistan Centre for Philanthropy, Syed Maratib Ali Religious & Charitable Trust Society, World Wide Fund for Nature, Ali Institute of Education, International Chamber of Commerce Pakistan and Lahore University of Management Sciences.



Board Of Directors



Syed Yawar Ali – Director

Syed Yawar Ali is associated with the Company as a Non – executive director. He was educated at Aitchison College Lahore and got his Bachelors in Chemical Engineering and Masters in Management Science from the Stevens Institute of Technology in New Jersey (USA). He also completed the Advance Management Program from Harvard Business School in 1992. He is currently the Chairman of Nestlé Pakistan Limited, Wazir Ali Industries Limited, Agricultural Development Bank of Pakistan, HY Enterprises (Pvt) Ltd Company and Amjad & Afzal Foundation. He is also a Member of the Board of Directors of companies like Pakistan International Airline, IGI Insurance Limited, Pakistan Dairy Association and Dairy & Rural Development Foundation. He has also been on the Board of Directors of State Bank of Pakistan and Chairman of Lahore Electric Supply Company.

Nadeem R. Malik – Deputy Chief Executive Officer

Nadeem R. Malik has been appointed as Executive Director and Deputy CEO of IGI Life w.e.f. January 7, 2016. Mr. Malik is MBA in Marketing and also a Fellow of Life Management Institute (FLMI). He has been associated with the Company for the past 20 years and has held various position and assignments which included Recruitment & Training, Group Life and Health Underwriting and Pensions Administration. He has also attended Managed Care College by United Healthcare International USA. He possesses diverse local experience and international exposure of the life insurance industry. His last assignment was as Chief Marketing Officer of the Company where he was heading the Agency, Bancassurance as well as Corporate businesses. During his tenure with the company he has won various awards including Employee of the Year award in 2002 and American International Group's GMD Masters Gold Award in 2005 conferred in Chicago, USA. He was also selected for prestigious 12 months General Management Executive Development Program which included strategic project assignments in USA, Thailand and France. During his career, he has also attended various technical, management & leadership trainings in UAE, Greece and Bangladesh.



Board Of Directors



Khurram Raza Bakhtayari – Director

Khurram Raza Bakhtayari is associated with the Company as a Non – Executive director. He did his Bachelors in Commerce in 1997 from the Hailey College of Commerce, University of the Punjab, Lahore. He qualified his Chartered Accountancy in 2002 from the Institute of Chartered Accountants of Pakistan and became the fellow member of the Institute in January 2013. He is the Chief Financial Officer of Packages Limited. He holds directorship of Bulleh Shah Packaging (Private) Limited, DIC Pakistan Limited, Maxim Feeds (Private) Limited, Packages Lanka (Private) Limited, IGI Investment Bank Limited and various other companies.

Muhammad Kamal Syed – Director

Mohammad Kamal Syed is associated with the Company as a Non – Executive Director. He is also the Managing Director of Coutts & Co. He has a breadth of international experience spanning Investment Banking and the Fund Management industry. Prior to Coutts, he was CEO and founder of hedge fund group Axiom, and CEO of a leading multi-family office, MaxCap Partners. He spent nearly two decades working in Investment Banking in senior roles including Managing Director and Regional Head of Asia- Pacific at Barclays Capital. He was also Deputy Head of Global Derivatives and a member of the Management and Operations Committees of Barclays Capital. Subsequently, he ran Bank of Tokyo-Mitsubishi UFJ's investment bank and was Chairman of the Executive Committee and member of the Executive Board.



Board Of Directors



Ehsan Ali Malik – Director

Mr. Ehsan Ali Malik is associated with the Company as Non-Executive Independent Director. He is currently serving as the Chief Executive Officer of Pakistan Business Council. Prior to this Mr. Malik was the Chief Executive Officer of Unilever Pakistan Limited for nine years. His 24 year career with Unilever included five years as CEO of Unilever Sri Lanka and senior roles in Unilever's businesses spanning Egypt, Lebanon, Jordan, Syria and Sudan as well as Unilever's Head Office in UK. Before joining Unilever, he worked in media and served on the Boards of businesses in hospitality, pharmaceutical and tractor assembly. Currently he is also a Member of the Board of Directors of Abbott Laboratories Pakistan Limited. Mr. Malik is a Fellow of the Institute of Chartered Accountants of England and Wales and alumni of the Wharton and Harvard Business Schools.

Corporate Information

Board of Directors

Shamim Ahmad Khan

Chairman

Syed Hyder Ali

Chief Executive Officer

Nadeem Rehman Malik

Deputy Chief Executive Officer

Syed Yawar Ali

Director

Khurram Raza Bakhtayari

Director

Ehsan Ali Malik

Director

Muhammad Kamal Syed

Director

Audit Committee

Ehsan Ali Malik

Chairman

Muhammad Kamal Syed

Member

Syed Yawar Ali

Member

Khurram Raza Bakhtayari

Member

Muhammad Amin

Secretary to Audit Committee

Claims Settlement Committee

Shamim Ahmed Khan

Chairman

Nadeem Rehman Malik

Member

Syed Yawar Ali

Member

Dr. Bakht Jamal

Member

Dr. Sabeeh Jaffery

Secretary to the Committee

Underwriting Committee

Syed Hyder Ali

Chairman

Nadeem Rehman Malik

Member

Dr. Bakht Jamal

Member

Kamran Khan

Secretary to the Committee

Reinsurance Committee

Syed Hyder Ali

Chairman

Nadeem Rehman Malik

Member

Muhammad Kamal Syed

Member

Muhammad Yousuf Ansari

Secretary of the Committee

Investment Committee

Muhammad Kamal Syed

Chairman

Nadeem Rehman Malik

Member

Syed Hyder Ali

Member

Syed Yawar Ali

Member

Khurram Raza Bakhtayari

Member

Ehsan Ali Malik

Member

Syed Fahad Subhan

Member

Ali Nadim

Member

Sajjad Iftikhar

Secretary of the Committee

Corporate Information

Human Resources & Remuneration Committee

Syed Yawar Ali
Chairman

Khurram Raza Bakhtayari
Member

Ehsan Ali Malik
Member

Syed Hyder Ali
Member

Kaifee Siddiqui
Secretary of the Committee

Chief Financial Officer

Syed Fahad Subhan
ACA

Appointed Actuary

Ali Nadim
FSA

Company Secretary

Muhammad Amin
ACCA, ACA

Head of Internal Audit & Compliance

Rashid Ahmed
MBA, CICA

Head of Window Takaful Operations

Dr. Bakht Jamal

Shariah Advisor

Dr. Mufti Ismatullah

Shariah Compliance Officer

Mufti Muhammad Hanif

Legal Advisor

Surrige and Beecheno
HaidermotaBNR & Co.
OrrDignam & Co.

External Auditor

A. F. Ferguson & Co. Chartered Accountants
a member firm of PriceWaterhouseCoopers

Share Registrar

FAMCO Associates (Pvt.) Ltd.
8-F next to Hotel Faran, Nursery, Block - 6,
P.E.C.H.S, Shahrah-e-Faisal, Karachi.

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Email: service-pakistan@igi.com.pk
Website: www.igilife.com.pk

Internal Auditor

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Bankers

Bank Alfalah Limited
Standard Chartered Bank (Pakistan) Limited
Bank Al-Habib Limited
Bank Islami Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
NIB Bank Limited
Summit Bank Limited
Tameer Microfinance Bank Limited
Dubai Islamic Bank Pakistan Limited
Samba Bank Limited
United Bank Limited



You're always connected
with our nation-wide network

No matter where you are in Pakistan, IGI Life is there for you. Trust us to deliver comprehensive coverage through a dedicated team placed strategically across the country that knows how to serve you better.

Our Nationwide Network

Head Office

IGI Life Insurance Limited

7th Floor, The Forum, Suit No. 701-713, G-20,
Khayaban-e-Jami, Block 9, Clifton, Karachi 75600, Pakistan.
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Customer Services Center

IGI Customer Care, IGI Life Insurance Limited

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Central Region Wazirabad

Wazirabad Branch

Imran Azam Butt

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Our Nationwide Network

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Okara Branch

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Pakpattan Branch

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Jhang Branch

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Mohsin Abbas**

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Our Nationwide Network

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M. Ehsan Sunny

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North Region Gujrat

G. T. Road Branch

Waseem Abbas

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North Region Mirpur

Mirpur Azad Kashmir Branch

Muhammad Shahzad

Group Manager

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North Region Peshawar

Peshawar Branch

Asif Khan

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North Region Muzaffarbad

Muzaffarbad Branch

Abida Jamil

Branch Manager

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Our Nationwide Network

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Karachi - Regional Head South's Office
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Regional Office Shahrah-e-faisal Karachi

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South Region Sukkur

Sukkur Branch

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South Region Hyderabad

Hyderabad Branch

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Multan Region Multan

Multan Branch

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Multan Branch

Rao Azmat Ali
Senior Branch Manager
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Nusrat Road, Multan Cantt, Multan
Tel: 061-4510260
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Health Insurance

You need to be at your best to get the most from life. That's why our health coverage provides security through thick and thin in order to make every journey more satisfying.



MAYO HOSPITAL

Directors' Report to the Members

The Directors of your Company take pleasure in presenting to you the 22nd Annual Report of the Company along with the audited financial statements for the year ended December 31, 2016.

COMPANY PERFORMANCE REVIEW 2016

PROFITABILITY

During the year ended December 31, 2016 your Company's statutory funds generated a surplus of Rs. 223 million, 65% higher as compared to last year. After accounting for the Shareholders' Fund, your Company made a before tax profit of Rs. 316 million (2015: Rs 230 million), reflecting increase of 37% compared to last year. The main reason for this increase is higher income generated from the Company's Investment portfolio and better underwriting results compared to last year.

Profit / Loss	2016	2015
	(Rs. in 000')	
Net Surplus of statutory funds	222,599	135,249
Profit before appropriation of surplus to Shareholders' Fund	93,107	94,645
Taxation	40,649	36,046
	(in Rupees)	
Earnings per share	1.57	1.27
Break-up value per share (including amount retained in the statutory funds to meet the requirement of Insurance Ordinance	26.14	23.96

APPROPRIATIONS

In accordance with the recommendation of the appointed actuary, the Board has approved capital transfer of Rs. 75 million from Statutory Funds to the Shareholders' Fund. At the same time, the Board has approved surplus transfer of Rs. 42.4 million from the Statutory Funds to the Shareholders' Fund. In addition, capital transfer to statutory funds from shareholders fund of Rs. 151 million has also been approved. Although aggregate solvency margin before the said transfer is significantly higher than the prescribed solvency margin, Board's decision in this regard has been made keeping in view fund wise solvency requirements as a prudent measure. It may be stated that Securities and Exchange Commission of Pakistan (SECP) had granted special exemption to your Company from maintaining fund wise solvency.

GROSS PREMIUMS

In 2016, Gross Premium written by your Company has increased to Rs. 7,584 million representing an increase of 91% compared to last year. Premium from Single premium individual life policies increased by 244% during the current period compared to last year. First year individual life premium including takaful and renewals premium on policies decreased by 4% and increased by 9% respectively compared to last year. The Company's group business also registered a growth of 17% during the current year.

A brief overview of business line wise gross premiums is as follows:

Conventional Individual Life and Accident & Health

During the current year, gross premium from conventional individual life business (including Investment Linked) increased by 102% compared to last year. Premium from Single premium policies increased by 237% during the current year. First year premium on individual life business witnessed a decline of 41%, whereas renewal premiums increased by 7% respectively during the current year.

Group Business

Your Company's Group Life and Group Accident and Health business registered growth of 1% and 31% respectively during the current year compared to last year.

Directors' Report to the Members

Takaful

During the third quarter of last year, your Company had successfully launched its Window Takaful Operations, simultaneously venturing into Individual Family Takaful and Group Family Takaful line of businesses. During the current year, your Company's Takaful business has written gross premiums of Rs. 383 million, Rs. 1.114 million and Rs. 6.6 million for Individual Family Takaful, Group Family and Group Health Takaful respectively.

CLAIMS

The Company places strategic focus on efficient settlement of claims. Over the years, your Company has been consistently improving its claims settlement processes to introduce better controls over claim administration and to reduce turnaround time.

In the current year 2016, the Company incurred death claim expense of Rs. 219 million (2015: Rs.159 million).

INVESTMENTS

Your Company maintains a strong balance sheet size with an investment portfolio of Rs. 16.9 billion (2015: Rs 12.9 billion) representing 88% (2015: 89%) of the total assets of the Company.

UNDERWRITING, REINSURANCE AND RISK MANAGEMENT

Your Company continues to follow its prudent underwriting policies. The Company has made significant investment in its Human Capital, Technology and Infrastructure with the objective of strengthening its underwriting function.

Your Company follows a policy for optimizing retention of risk through a carefully designed program of reinsurance. The Company has put in place reinsurance treaties with reputable international reinsurers to protect the Company from losses above our risk appetite.

CAPITAL MANAGEMENT AND LIQUIDITY

The Company maintains adequate capital to support its existing and planned business activities. The Company's paid-up capital and equity stands at Rs. 605 million and Rs. 859 million respectively.

The Company also has a framework in place to ensure that adequate liquidity is available for payment of claims and meeting operating expenses. The Company's cash and cash equivalents as of December 31, 2016 amounts to Rs.1,011 million (2015: Rs. 433 million).

RELATED PARTY TRANSACTIONS

At each Board meeting, the Board of Directors approves the Company's transactions made with associated companies and related parties based on the recommendations of the Audit Committee. All such transactions are executed at arm's length method on the basis of comparable uncontrolled price method and cost sharing arrangements.

HUMAN RESOURCE MANAGEMENT

During the current year the Company strengthened its human capital through recruitment of professional and qualified personnel in various departments mainly Sales and Marketing, Underwriting, Claims, Finance, Actuarial, Human Resources and Customer Services. Also, during 2016, the Company carried out various training and development programs for staff and sales force.

Directors' Report to the Members

INTERNAL AUDIT

Your Company has outsourced the internal audit function to a professional firm and has also appointed a Head of Internal Audit who is responsible for coordination.

AUDITORS

Based on the suggestion of the Audit Committee, the Board of Directors has recommended appointment of M/s. A.F. Ferguson and Co. Chartered Accountants as external auditors of the Company.

The financial statements of the company have been audited without any qualification.

MATERIAL EVENTS

There have been no material events affecting the financial position of your Company during the year ended December 31, 2016.

HOLDING COMPANY

The company is a subsidiary of IGI Insurance Limited that holds 81.97% (2015: 81.97%) of the share capital of the Company.

OUTLOOK

Your Company is optimistic about the long term opportunities while effectively meeting the short term challenges. Its main focus is on customer service and building an efficient and robust distribution. As part of its ongoing strategy, it closely monitors the market situation and believes that its business model and prudent risk management practice, coupled with a strong customer base and client relationship will provide a base for sustainable long term growth.

DIVIDEND

Final cash dividend of 15% (Rs. 1.5 per share) has been recommended by the Board of Directors for approval at the 22nd Annual General Meeting of the Company's Shareholders.

GRATITUDE

We take this opportunity to express our appreciation to the Ministry of Commerce, Government of Pakistan, and the Department of Insurance under SECP for their valuable assistance, support and guidance.

The Board of Directors would like to express its sincere thanks and wish to record its appreciation for the contribution made by the employees.

Lastly, our thanks go to thousands of our policyholders and shareholders whose confidence, continued patronage has been a source of encouragement for the Company.

On behalf of the Board of Directors. Dated: February 27, 2017



Shamim Ahmad Khan
Chairman
Dated: February 27, 2017



Syed Hyder Ali
Chief Executive Officer
Dated: February 27, 2017

Directors' Report to the Members

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

Statement under the Code of Corporate Governance

The Board and the Management are fully committed to good corporate governance. As required under the Code of Corporate Governance issued by Securities and Exchange Commission of Pakistan (SECP), the Directors are pleased to state the following:

- a) The financial statements along with notes forming an integral part of these financial statements have been prepared by the management of your Company and present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- b) Proper books of account of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- d) International Accounting Standards, International Financial Reporting Standards or any other regulation or law (including but not limited to the Shariah guidelines / principles) as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed .
- e) The 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 Rule Book and Listing Regulations of the Pakistan Stock Exchange.
- h) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at December 31, 2016, except as those disclosed in the financial statements.
- i) The value of investments by the staff retirement fund operated as per their respective unaudited financial statements as at December 31, 2016 are as follows

Employee Provident Fund Rs. 37.177 million
Employee Gratuity Fund Rs. 39.455 million
- j) The Chairman of the Board has obtained exemption from SECP as he is sufficiently experienced as per the criteria and requirement stated in the Code of Corporate Governance. All seven Directors have obtained the training as required by the SECP.
- k) Key operating and financial data for last six years are attached to these financial statements.

As required under the Insurance Ordinance 2000, the Directors confirm that:

- In their opinion and to the best of their belief, the annual statutory accounts of the Company set out in forms attached with this statement have been drawn up in accordance with Insurance Ordinance, 2000 and any rules made thereunder;
- The Company has at all times in the year complied with the provisions of the Ordinance and the rules made thereunder relating to the paid-up capital, solvency and re-insurance arrangements; and as at the date of the statement, the Company continues to be in compliance with provisions of the Ordinance and the rules thereunder as mentioned above.

Directors' Report to the Members

Board Meetings and Change in Directorships

During the year one casual vacancy arose due to resignation of one Director of your Company. The casual vacancy was filled within the stipulated timeframe.

Meetings of the Board of Directors, Audit, Underwriting, Reinsurance, Claims, Investment and Human Resources and Remuneration Committee were held according to schedule. The meetings held and attendance by each Director in the meeting of the Board and its sub-committees are as follows:

The Board granted leave of absence to those Directors who could not attend the Board Meetings.

	Board Committee	Audit Committee	Underwriting Committee	Reinsurance Committee	Claims Committee	Investment Committee	Human Resources & Remuneration Committee
Number of meetings held	6	4	4	4	4	4	4
Syed Hyder Ali	6	–	4	4	–	4	4
Shamim Ahmed Khan	6	–	–	–	3	–	–
Nadeem Rehman Malik	6	–	4	4	4	4	–
Muhammad Kamal Syed	3	2	–	2	–	3	–
Khurram Raza Bakhtiyari	6	4	–	–	–	4	4
Syed Yawar Ali	5	4	–	–	4	4	4
Ehsan Ali Malik	6	4	–	–	–	4	4

Trade in shares by Directors, Executives and their spouses and minor children

During the year, no trading in the shares of the Company was carried out by the Directors, executives and their spouses and minor children, except for the following:

Directors and spouses

Syeda Nighat Ali purchased 25,000 shares.

Pattern of shareholding

A statement showing pattern of shareholding is attached with the annual report.

AUDIT COMMITTEE

The Audit Committee comprises of four non-executive Directors including two independent Directors. The term of reference of the Audit Committee are aligned with the Code of Corporate Governance. The Committee meets at least once in a quarter.

Directors' Report to the Members

CLAIM SETTLEMENT COMMITTEE

This Committee makes the Claims Settlement policy of the Company. It oversees the claim position of the Company and ensures that adequate claims reserves are maintained. It pays particular attention to extraordinary claim cases or events, which could give rise to a series of claims. The Claims Settlement Committee determines the circumstances under which the claim matters should be brought to its attention and decides how to resolve them. It also oversees the implementation of the measures for combating fraudulent claim cases. The Committee meets at least once in a quarter.

REINSURANCE COMMITTEE

This Committee ensures that adequate reinsurance arrangements are in place for its businesses. It evaluates the proposed reinsurance arrangements prior to execution, reviews the arrangements from time to time and subject to the consent of the participating reinsurer, makes appropriate adjustments as and when necessary. It also assesses the future effectiveness of the reinsurance program. The Committee meets at least once in a quarter.

UNDERWRITING COMMITTEE

The Underwriting Committee formulates the underwriting policy of the Company. It sets out the criteria for assessing various types of insurance risks. It regularly reviews the underwriting policies with due regard to its business portfolio and the market development. The Committee meets at least once in a quarter.

HUMAN RESOURCES AND REMUNERATION COMMITTEE:

The Human Resources and Remuneration Committee is responsible to formulate the Human Resource policies of the Company. It is also responsible to recommend to the Board the selection, evaluation, compensation (including retirement benefits) of Chief Executive Officer, Chief Financial Officer, Company Secretary and Head of Internal Audit and succession planning of the Chief Executive Officer. It regularly reviews the Human Resource policies and sets criteria for recruitment and selection. The Committee meets at least once in a year.

CODE OF CONDUCT

Your Company has been offering traditional life insurance, universal life and unit linked plans to its customers for their future financial security. We strictly comply with the Market Code of Conduct prescribed by SECP and accordingly disclose all the facts of our products before the prospect purchases our products.

We adhere to the highest standards of business conduct at all times and it is mandatory for all employees.

PATTERN OF SHAREHOLDING

The Pattern of Shareholding as at December 31, 2016 as required under section 236 of the Companies Ordinance, 1984 and the requirement of Code of Corporate Governance is included in the report.



Shamim Ahmad Khan

Chairman

Dated: February 27, 2017



Syed Hyder Ali

Chief Executive Officer

Dated: February 27, 2017

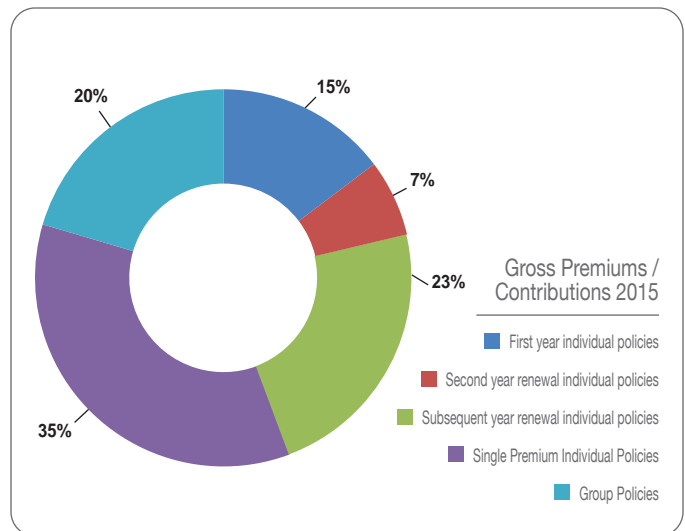
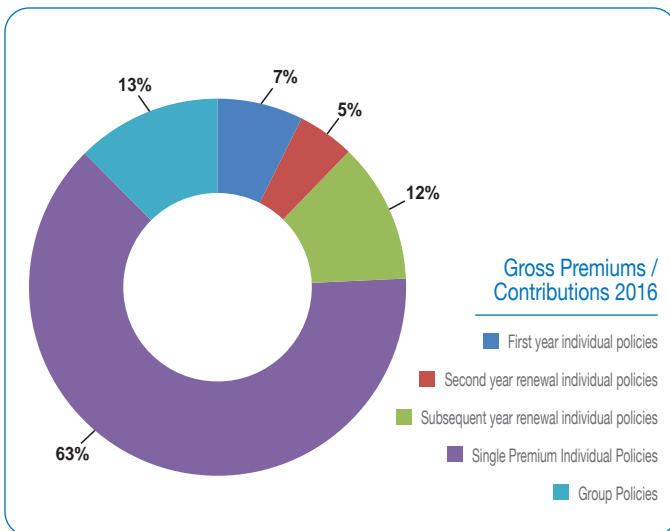
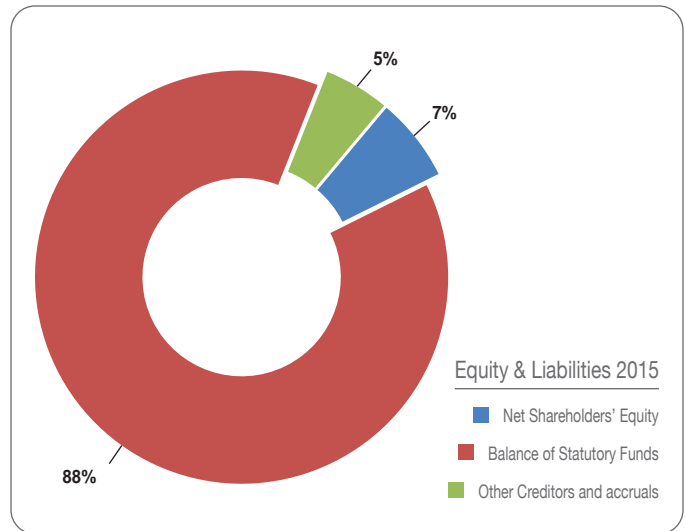
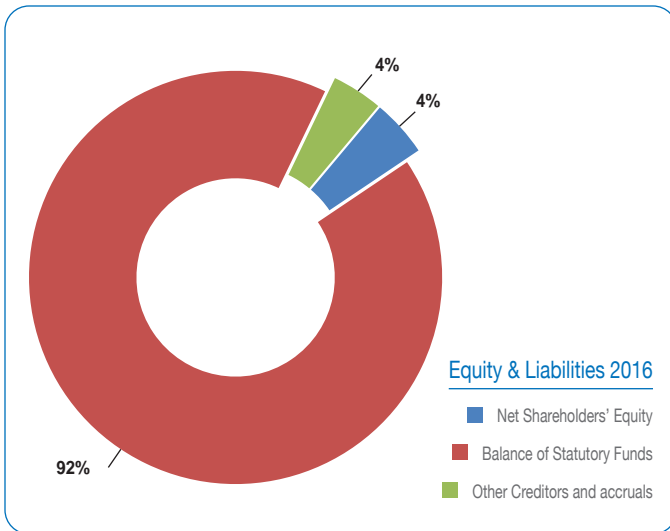
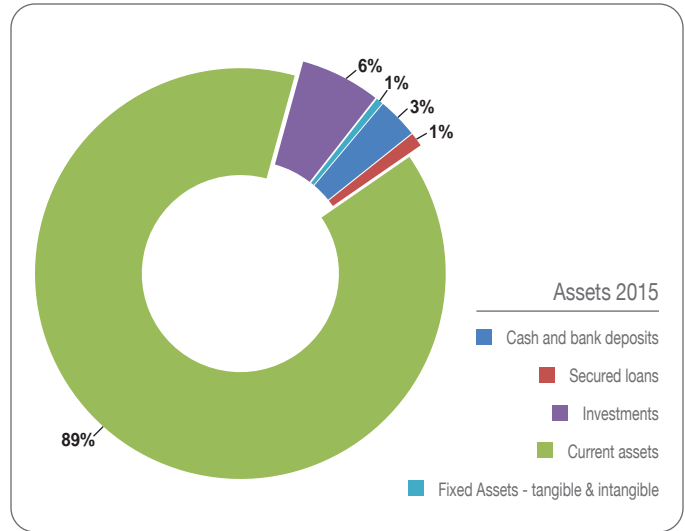
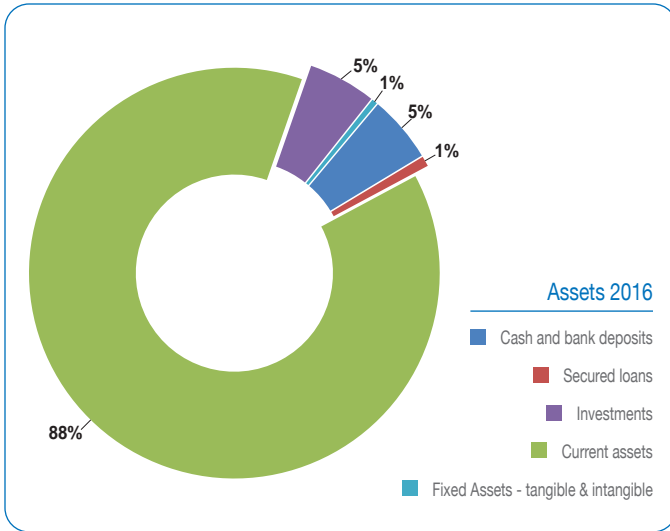
Corporate Solutions

Having large local and multinational conglomerates on-board is a testament of our service standard. We are working constantly with our corporate clientele to enhance their experience. This has proven to be mutually beneficial, where we now come up with products and services, giving:

- Comprehensive suite of Employee Benefit Solutions
- Voluntary plans for affinity groups
- Multinational pooling and captive solutions for multinational employers
- Customized service level agreements
- Shariah compliant solutions through Window Takaful Operation

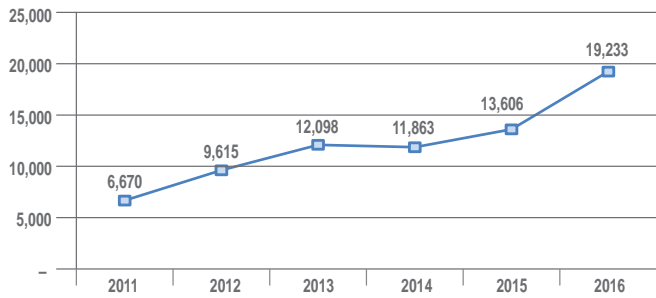
The State Bank Museum building, previously the Imperial Bank of India, Karachi, Sindh, Pakistan.

Performance at a Glance

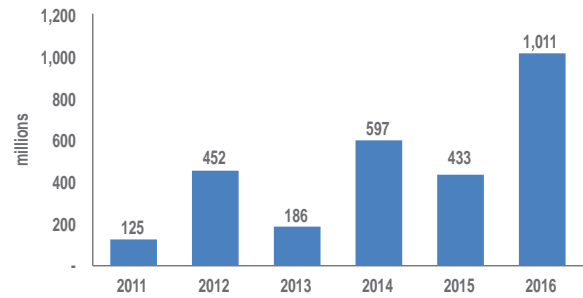


Performance at a Glance

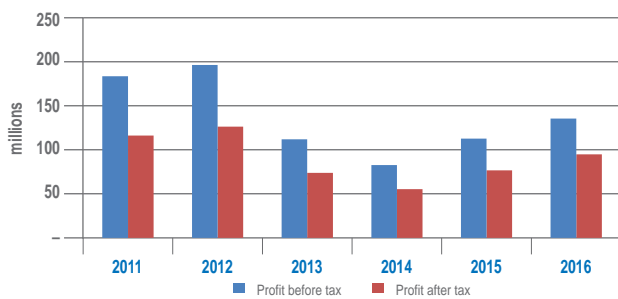
Total Assets over the years



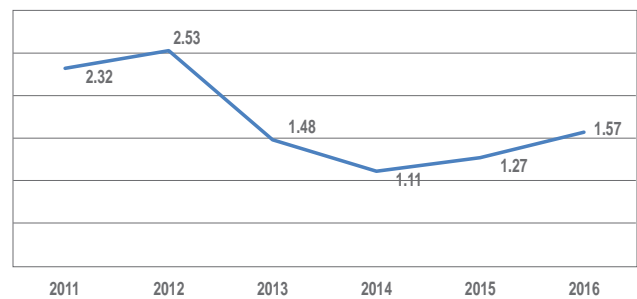
Cash & Bank Balances



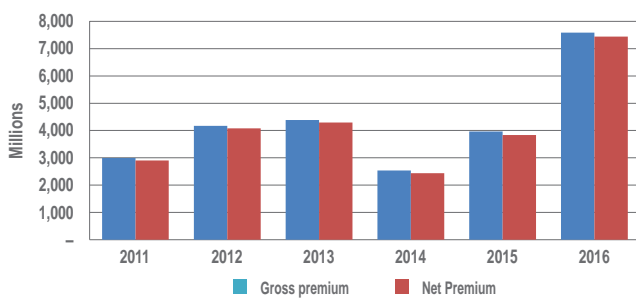
Profit before and after tax



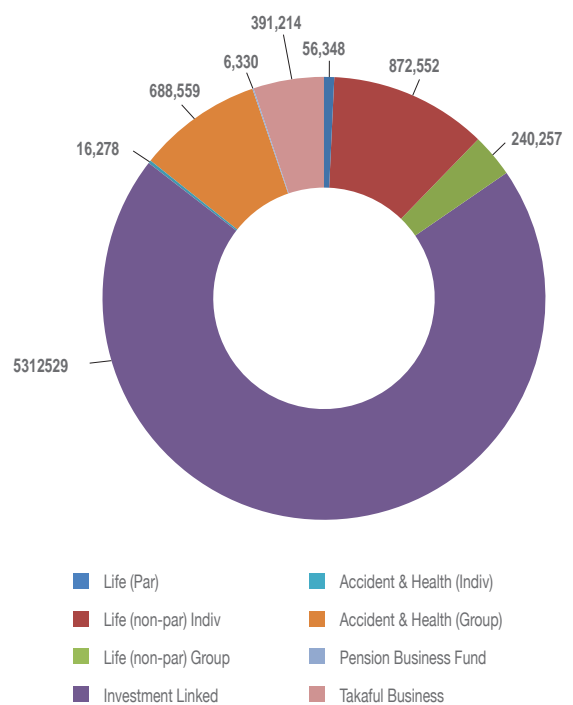
Earning Per Share (EPS)



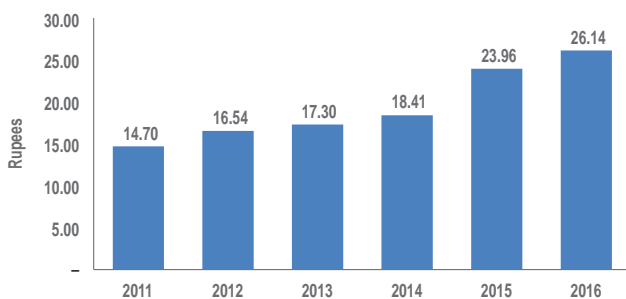
Gross and Net Premium / Contribution



Composition of Net Premiums / Contributions



Net Asset Value per share



Key Financial Data

Six years at Glance

Financial ratios

Profitability / Return to shareholders

		2016	2015	2014	2013	2012	2011
----- (Rupees in '000) -----							
Profit before tax / gross premium / Contributions	%	1.79%	2.84%	3.26%	2.55%	4.71%	6.13%
Expenses / Income	%	43.48%	68.52%	104.10%	54.47%	40.09%	54.05%
Return on assets	%	0.49%	0.56%	0.47%	0.61%	1.31%	1.74%
Return on equity	%	11.05%	8.61%	6.71%	8.54%	15.28%	15.82%
EPS	Rs.	1.57	1.27	1.11	1.48	2.53	2.32
Price earning ratio	times	54.83	108.76	145.34	24.53	13.26	6.03
Net assets per share	Rs.	26.14	23.96	18.41	17.30	16.54	14.70

Market data

Face value per share	Rs.	10	10	10	10	10	10
Market value per share at year end	Rs.	86.0	138.1	160.9	36.3	33.5	14
Highest share price during the year	Rs.	119.83	170.8	197.6	36.3	37.4	19
Lowest share price during the year	Rs.	45.6	109.0	36.3	18.3	14	13.5
Market capitalization	'000	5,202,395	6,906,500	8,047,500	1,815,000	1,675,000	700,000

Performance / Liquidity

Earning asset to total asset ratio	%	94.22%	93.06%	94.61%	94.53%	94.09%	90.67%
Net premium / contribution to gross premium / contribution ratio	%	98.05%	96.77%	96.09%	97.82%	97.86%	97.06%
Net claims to net premium / contribution ratio	%	42.86%	67.75%	139.51%	88.72%	30.38%	21.67%
Management expenses to net premium / contribution ratio	%	15.38%	26.37%	32.79%	32.17%	18.62%	25.11%
Current ratio	times	1.40	1.23	1.34	0.98	0.80	0.84
Total assets turnover	times	0.52	0.39	0.34	0.45	0.54	0.55
Fixed assets turnover	times	118.89	71.92	93.10	123.00	82.25	60.55
Equity / total assets	%	4.47%	6.54%	6.96%	7.15%	8.56%	11.02%

Key Financial Data

Six years at Glance

Financial data

2016 2015 2014 2013 2012 2011

(Rupees in '000)

Paid-up capital	605,000	500,000	500,000	500,000	500,000	500,000
Net shareholders' equity	858,791	889,901	825,502	865,050	826,798	734,941
Investments	16,956,387	12,094,010	10,308,203	11,152,340	8,536,478	5,833,574
Cash and bank deposits	1,010,880	433,202	596,598	186,462	452,268	125,057
Total assets	19,232,731	13,606,156	11,862,586	12,097,502	9,658,168	6,670,453
Operating data						
Gross premium/ contributions	7,584,067	3,962,435	2,535,167	4,388,535	4,170,408	2,993,466
Net premium / contributions	7,436,242	3,834,615	2,435,929	4,292,671	4,081,149	2,905,583
Investments and other income	2,555,514	1,455,059	1,607,984	1,143,591	1,026,345	644,910
Profit before taxation	135,539	112,645	82,615	111,897	196,429	183,560
Taxation	40,649	36,046	27,263	38,045	70,072	67,312
Profit after taxation	94,890	76,599	55,352	73,852	126,357	116,248
EPS	1.57	1.27	1.11	1.48	2.53	2.32
Cash flow summary						
Net cash flow from operating activities	2,965,665	279,454	(1,880,798)	1,258,411	2,095,960	1,596,738
Net cash flow from investing activities	(2,338,107)	(442,850)	2,290,936	(1,349,219)	(1,943,749)	(1,528,706)
Net cash flow from financing activities	(49,880)	–	–	–	–	–
Net cash flow from all activities	577,678	(163,396)	410,138	(90,808)	152,211	68,032
Cash and cash equivalents at the beginning of the year	433,202	596,598	186,460	277,268	125,057	57,025
Cash and cash equivalents at the end of the year	1,010,880	433,202	596,598	186,460	277,268	125,057

Balance Sheet and Profit & Loss Analysis

Vertical Analysis

Balance Sheet

	2016		2015	
	Rupees in '000	%	Rupees in '000	%
Net shareholders' equity	858,791	4%	889,901	7%
Balance of statutory funds	17,608,792	92%	12,020,855	88%
Deferred liability	23,219	0%	-	0%
Creditors and accruals	741,782	4%	695,373	5%
Dividend	147	0%	27	0%
Total equity and liabilities	19,232,731	100%	13,606,156	100%
Cash and bank deposits	1,010,880	5%	433,202	3%
Secured loans	154,086	1%	147,681	1%
Investments	16,956,387	88%	12,094,010	89%
Current assets	1,027,093	5%	852,161	6%
Deferred asset	-	0%	5,543	0%
Fixed Assets – tangible & intangible	84,285	0%	73,559	1%
Total assets	19,232,731	100%	13,606,156	100%
Revenue and Profit & loss account				
Net Income	9,991,756	100%	5,290,175	100%
Claims and Expenditures	(4,344,280)	-43%	(3,624,728)	-69%
Movement in policy holders' liability	(5,331,770)	-53%	(1,435,553)	-27%
Surplus / Profit before tax	315,706	3%	229,894	4%
Taxation	(40,649)	0%	(36,046)	-1%
Surplus / Profit after tax	275,057	3%	193,848	4%

Horizontal Analysis

Balance Sheet

	2016	2015	2014	2013
	Rupees in '000			
Net shareholders' equity	858,791	889,901	825,502	865,050
Balance of statutory funds	17,608,792	12,020,855	10,455,853	10,609,447
Deferred liability	23,219	-	-	-
Creditors and accruals	741,782	695,373	581,204	622,978
Dividend	147	27	27	27
Total equity and liabilities	19,232,731	13,606,156	11,862,586	12,097,502
Cash and bank deposits	1,010,880	433,202	596,598	186,460
Secured loans	154,086	147,681	134,711	107,033
Investments	16,956,387	12,094,010	10,308,203	11,152,340
Current assets	1,027,093	852,161	779,634	607,530
Fixed Assets - tangible & intangible	84,285	73,559	43,440	44,139
Total assets	19,232,731	13,606,156	11,862,586	12,097,502
Revenue and Profit & loss account				
Net Income	9,991,756	5,290,175	4,044,378	5,441,275
Claims and Expenditures	(4,344,280)	(3,624,728)	(4,210,257)	(2,964,128)
Movement in policy holders' liability	(5,331,770)	(1,435,553)	452,991	(2,215,599)
Surplus / Profit before tax	315,706	229,894	287,112	261,548
Taxation	(40,649)	(36,046)	(27,263)	(38,045)
Surplus / Profit after tax	275,057	193,848	259,849	223,503

Balance Sheet and Profit & Loss Analysis

2014		2013		2012		2011	
Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
825,502	7%	865,050	9%	826,798	9%	734,941	11%
10,455,853	88%	10,609,447	85%	8,208,597	85%	5,269,066	79%
—	0%	—	0%	—	0%	—	0%
581,204	5%	622,978	6%	579,160	6%	666,419	10%
27	0%	27	0%	27	0%	27	0%
11,862,586	100%	12,097,502	100%	9,614,582	100%	6,670,453	100%
596,598	5%	186,460	2%	452,268	2%	125,057	5%
134,711	1%	107,033	1%	99,963	1%	90,096	1%
10,308,203	87%	11,152,340	92%	8,536,478	92%	5,833,574	89%
779,634	7%	607,530	5%	464,910	5%	561,509	5%
—	0%	—	0%	—	0%	—	0%
43,440	0%	44,139	0%	60,963	0%	60,217	1%
11,862,586	100%	12,097,502	100%	9,614,582	100%	6,670,453	100%
4,044,378	100%	5,441,275	100%	5,197,350	100%	3,646,437	100%
(4,210,257)	-104%	(2,964,128)	-54%	(2,117,265)	-41%	(1,461,799)	-40%
452,991	11%	(2,215,599)	-41%	(2,904,302)	-56%	(1,949,171)	-53%
287,112	7%	261,548	5%	175,783	3%	235,467	6%
(27,263)	-1%	(38,045)	-1%	(70,072)	-1%	(67,312)	-2%
259,849	6%	223,503	4%	105,711	2%	168,155	5%

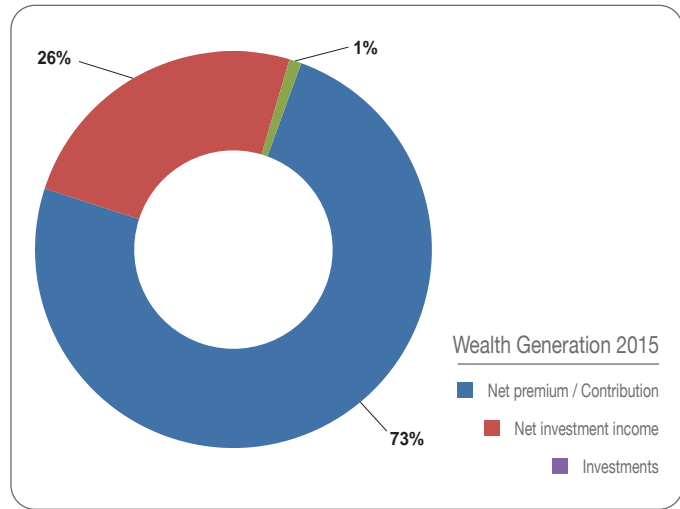
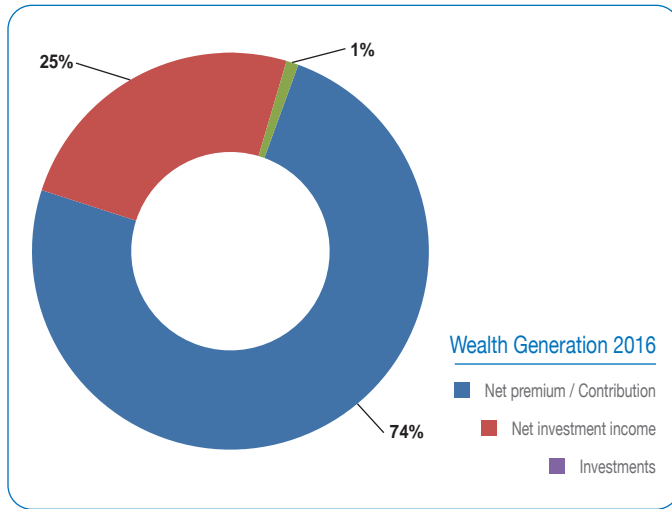
2012	2011	2016	2015	2014	2013	2012	2011
-----Rupees in '000-----		-----% increase / (decrease) over preceding year-----					
826,798	734,941	-3%	8%	-5%	5%	12%	10%
8,208,597	5,269,066	46%	15%	-1%	29%	56%	63%
—	—	—	—	0%	0%	0%	0%
579,160	666,419	7%	20%	-7%	8%	-13%	55%
27	27	444%	0%	0%	0%	0%	0%
9,614,582	6,670,453	41%	15%	-2%	26%	44%	54%
452,268	125,057	133%	-27%	220%	-59%	262%	95%
99,963	90,096	4%	10%	26%	7%	11%	8%
8,536,478	5,833,574	40%	17%	-8%	31%	46%	54%
464,910	561,509	21%	9%	28%	31%	-17%	66%
60,963	60,217	15%	69%	-2%	-28%	1%	3%
9,614,582	6,670,453	41%	15%	-2%	26%	44%	54%
5,197,350	3,646,437	89%	31%	-26%	5%	43%	59%
(2,117,265)	(1,461,799)	20%	-14%	42%	40%	45%	18%
(2,904,302)	(1,949,171)	271%	-417%	-120%	-24%	49%	122%
175,783	235,467	37%	-20%	10%	49%	-25%	33%
(70,072)	(67,312)	13%	32%	-28%	-46%	4%	44%
105,711	168,155	42%	-25%	16%	111%	-37%	29%

Statement of Value Addition

Wealth Generation

Net premium / Contribution
 Net investment income
 Other income
Wealth generated

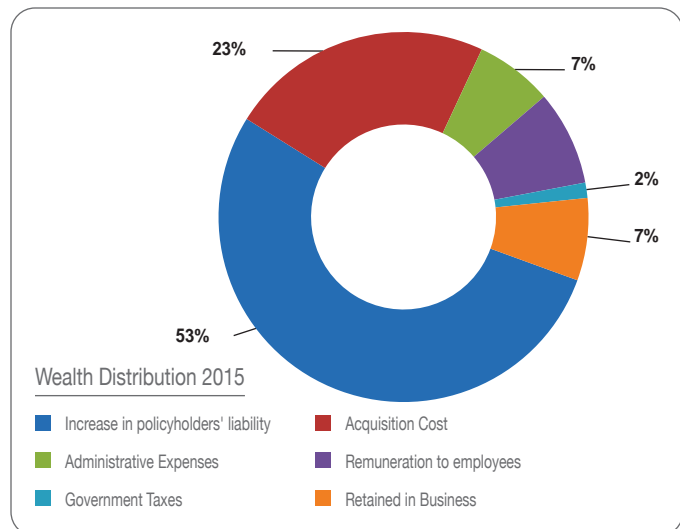
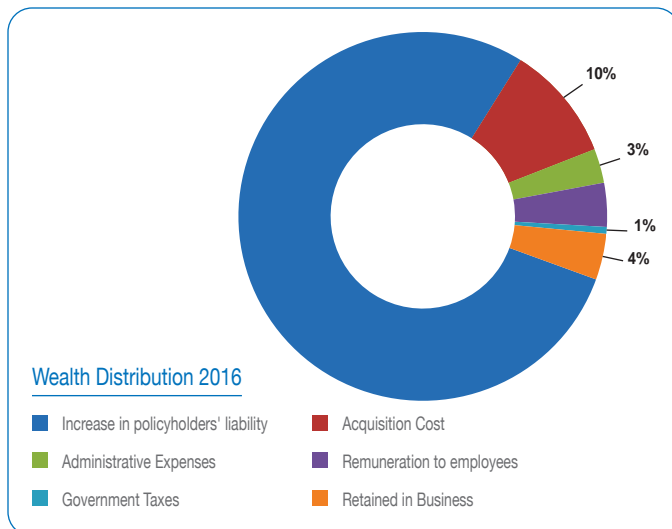
	2016		2015	
	Amount	%	Amount	%
Net premium / Contribution	7,436,242	74%	3,834,615	72%
Net investment income	2,456,690	25%	1,380,316	26%
Other income	98,824	1%	74,743	1%
Wealth generated	9,991,756	100%	5,289,674	100%



Wealth Distribution

Claims and Surrenders
 Increase in policyholders' liability
 Acquisition Cost
 Administrative Expenses
 Remuneration to employees
 Government Taxes
 Retained in Business

	2016		2015	
	Amount	%	Amount	%
Claims and Surrenders	3,186,980	32%	2,598,090	49%
Increase in policyholders' liability	5,331,770	53%	1,435,553	27%
Acquisition Cost	690,694	7%	620,686	12%
Administrative Expenses	204,747	2%	182,371	3%
Remuneration to employees	261,859	3%	223,080	4%
Government Taxes	40,649	0%	36,046	1%
Retained in Business	75,057	3%	193,848	4%
Wealth Distribution	9,991,756	100%	5,289,674	100%



Financial / Event Calendar

Event

Results	Date
Financials for the three months ended March 31, 2016	25-Apr-16
Financials for the six months ended June 30, 2016	23-Aug-16
Financials for the nine months ended September 30, 2016	25-Oct-16
Financials for the year ended December 31, 2016	27-Feb-17
Notice to Shareholders with Financial Statements	31-Mar-17
Annual General Meeting	21-Apr-17

Pattern of Shareholding

IGI Life Insurance Limited – as at December 31, 2016

No. of Shareholders	No. of Shareholdings		Total Shares
	From	To	
453	1	100	7,573
151	101	500	40,150
156	501	1,000	102,181
167	1,001	5,000	344,482
25	5,001	10,000	179,570
18	10,001	15,000	226,689
6	15,001	20,000	105,751
8	20,001	25,000	181,141
1	25,001	30,000	25,113
4	30,001	35,000	132,256
2	35,001	40,000	73,302
3	45,001	50,000	144,087
2	50,001	55,000	106,430
1	55,001	60,000	59,951
1	70,001	75,000	73,785
1	80,001	85,000	82,280
2	85,001	90,000	175,525
1	100,001	105,000	100,375
1	110,000	115,000	110,000
1	120,001	125,000	124,740
1	160,001	165,000	163,089
1	255,001	260,000	255,776
1	260,001	265,000	263,155
1	305,001	310,000	309,268
1	1,235,001	1,240,000	1,238,480
1	3,020,001	3,025,000	3,022,900
1	3,260,001	3,265,000	3,262,269
1	49,589,682	49,589,682	49,589,682
1,012			60,500,000

Pattern of Shareholding

IGI Life Insurance Limited – as at December 31, 2016

Shareholder's category	Number of Shareholder	Number of share held
Associated Companies, Undertaking and Related Parties		
IGI Insurance Limited	1	49,589,682
Mutual Funds		
CDC - Trustee First Dawood Mutual Fund	1	309,268
Directors and their spouse		
Syed Hyder Ali		52,634
Khurram Raza Bakhtayari		604
Syed Yawar Ali		1,808
Muhammad Kamal Syed		604
Shamim Ahmed Khan		604
Ehsan Ali Malik		604
Nadeem Rehman Malik		604
Syeda Nighat Ali		107,280
Total	8	164,742
Executives		
	–	–
Public Sector Companies and Corporations, Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds		
	3	3,025,419
Shareholder Holding five percent or more voting Rights in the Listed Company		
Gregory Alexander		3,262,269
IGI Insurance Limited		49,589,682
Total	2	52,401,875

Shareholders Category	No. of Shareholder	No. of Shares	Percentage
1 Directors, Chief Executive Officer, and their spouse and minor children (to be confirm by Company)	8	164,742	0.27
2 Associated Companies, Undertakings and related Parties (to be confirm by Company)	1	49,589,682	81.97
3 NIT and ICP	–	–	–
4 Banks, Development Financial Institutions, Non Banking Financial Institutions	3	3,025,419	5.00
5 Insurance Companies	–	–	–
6 Modarabas and Mutual Funds	1	309,268	0.51
7 Share holders holding 10%	1	49,589,682	81.22
8 General Public:			
a. local	978	7,144,724	11.81
b. Foreign			
9 Others	20	266,165	0.44
Total (excluding: shareholders holding 10%)	1,012	60,500,000	100.00

Statement of Compliance with the Code of Corporate Governance

IGI Life Insurance Limited – Year ended December 31, 2016

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation 5.19 of the Pakistan Stock Exchange Limited Regulations issue by the Pakistan Stock Exchange and Code of Corporate Governance for Insurers, 2016 applicable to insurance companies as issued by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of establishing a framework of good governance, whereby a listed Insurance 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 independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Name
Independent Directors	Ehsan Ali Malik Muhammad Kamal Syed
Executive Directors	Syed Hyder Ali Nadeem Rehman Malik
Non-Executive Directors	Syed Yawar Ali Khurram Raza Bakhtataryari Shamim Ahmad Khan

The independent directors meet the criteria of independence as laid down under the Code of Corporate Governance for Insurers, 2016.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
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 Development Financial Institution or Non-Banking Financial Institution, or being a member of stock exchange, has been declared as a defaulter by a stock exchange.
4. A casual vacancy occurred on the Board on January 7, 2016 and was filled up on the same date.
5. The Company has prepared a Code of Conduct, which has been disseminated among 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 powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive directors and the key officers, have been taken by the Board /shareholders.
8. The meetings of the Board have been duly presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose 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 (7) days before the meeting. The minutes of the meeting were appropriately recorded and circulated.

Statement of Compliance with the Code of Corporate Governance

IGI Life Insurance Limited – Year ended December 31, 2016

9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all the necessary aspects of internal controls given in the Code.
10. The Board arranged one (1) Orientation course / training program for its directors during the year to apprise them of their duties and responsibilities.
11. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
12. The Directors' Report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for Insurers, 2016 and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
14. The directors, Chief Executive Officer and other executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance for Insurers, 2016.
16. The Board has formed the following Management Committees:

Underwriting Committee	
Name of the Member	Category
Syed Hyder Ali (Chairman)	Executive Director
Nadeem Rehman Malik	Executive Director
Dr. Bakht Jamal	Head of Window Takaful

Claim Settlement Committee	
Name of the Member	Category
Shamim Ahmad Khan (Chairman)	Non-Executive Director
Nadeem Rehman Malik	Executive Director
Syed Yawar Ali	Non-Executive Director
Dr. Bakht Jamal	Head of Window Takaful

Reinsurance Committee	
Name of the Member	Category
Syed Hyder Ali (Chairman)	Executive Director
Nadeem Rehman Malik	Executive Director
Muhammad Kamal Syed	Independent Director

Statement of Compliance with the Code of Corporate Governance for Insurers, 2016

IGI Life Insurance Limited – Year ended December 31, 2016

17. The Board has formed the following Board Committees:

Human Resource & Remuneration Committee	
Name of the Member	Category
Syed Yawar Ali (Chairman)	Non-Executive Director
Syed Hyder Ali	Executive Director
Khurram Raza Bakhtayari	Non-Executive Director
Ehsan Ali Malik	Independent Director

Investment Committee	
Name of the Member	Category
M. Kamal Syed (Chairman)	Independent Director
Nadeem Rehman Malik	Executive Director
Syed Hyder Ali	Executive Director
Syed Yawar Ali	Non-Executive Director
Ehsan Ali Malik	Independent Director
Khurram Raza Bakhtayari	Non-Executive Director
Syed Fahad Subhan	Chief Financial Officer
Ali Nadim	Appointed Actuary

The Board has evaluated the changes in the organization of management and board committees required by the Code of Corporate Governance for Insurer, 2016 issued by SECP on November 9, 2016. The Board is aware of the changes required and will ensure that all the requirements in this regards are complied before the implementation date.

Statement of Compliance with the Code of Corporate Governance for Insurers, 2016

IGI Life Insurance Limited – Year ended December 31, 2016

18. The Board has formed an Audit Committee. It comprises of four (4) members, of whom two (2) are independent directors and two (2) are non-executive directors. The chairman of the Committee is an independent director. The composition of the Audit Committee is as follows:

Audit Committee	
Name of the Member	Category
Ehsan Ali Malik (Chairman)	Independent Director
Muhammad Kamal Syed	Independent Director
Syed Yawar Ali	Non-Executive Director
Khurram Raza Bakhtayari	Non-Executive Director

19. The meetings of the Committees, including Human Resource 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 of Corporate Governance for Insurers, 2016. The terms of references of the Committees have been formed and advised to the Committees for compliance.
20. The Board has outsourced the Internal Audit function to a firm of Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the Internal Audit function on a regular basis.
21. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code of Corporate Governance for Insurers, 2016. The Appointed Actuary of the Company also meets the conditions as laid down in the said Code. Moreover, the persons heading the underwriting, claim, reinsurance, risk management and grievance departments possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000):

Name of the Person	Designation
Syed Hyder Ali	Chief Executive Officer
Nadeem Rehman Malik	Deputy Chief Executive Officer
Syed Fahad Subhan	Chief Financial Officer
Muhammad Yousuf Ansari	Manager Actuarial and Reinsurance
Muhammad Amin	Company Secretary
Rashid Ahmed	Head of Internal Audit and Compliance
Kamran Khan	Manager Underwriting
Dr. Sabeeh Jafri	Head of Claims
Aijaz Saleem	Head of Customer Services

Statement of Compliance with the Code of Corporate Governance for Insurers, 2016

IGI Life Insurance Limited – Year ended December 31, 2016

22. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
23. 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.
24. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.
25. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
26. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
27. The Appointed Actuary of the Company has confirmed that he or his spouse and minor children do not hold shares of the Company.
28. The Board ensures that the Appointed Actuary complies with the requirements set out for him in the Code of Corporate Governance for Insurers, 2016.
29. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016.
30. The Board ensures that the Risk Management system of the Company is in place as per the requirement of the Code of Corporate Governance for Insurers, 2016 within the prescribed timelines.
31. The Company has set up a Risk Management function, which carries out its tasks as covered under the Code of Corporate Governance for Insurers, 2016. The Risk Management function was established subsequent to the year ended December 31, 2016 within the timelines prescribed by the Code.
32. As part of the Risk Management system, the Company is in the process of getting itself rated from Pakistan Credit Rating Agency (PACRA) which will be used by its Risk Management function and the respective Committee as a risk monitoring tool. The Company has already engaged PACRA in this regard.
33. The Board has set up a grievance department / function, which fully complies with the requirements of the Code of Corporate Governance for insurers, 2016.
34. We confirm that all other material principles contained in the Code of Corporate Governance for Insurers, 2016 as applicable for the year ended December 31, 2016 have been complied with.

By Order of the Board



Shamim Ahmad Khan
Date: February 27, 2017

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

IGI Life Insurance Limited – Year ended December 31, 2016

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of IGI Life Insurance Limited ('the Company') for the year ended December 31, 2016 to comply with the requirements of Rule 5.19 of the Pakistan Stock Exchange Regulations issued by the Pakistan Stock Exchange Limited and Code of Corporate Governance for Insurers, 2016 applicable to insurance companies as issued by the Securities and Exchange Commission of Pakistan (SECP).

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2016.



A. F. Ferguson & Co.
Chartered Accountants
Engagement Partner: **Shahbaz Akbar**
Dated: March 20, 2017
Karachi



Auditors' Report to the Members of IGI Life Insurance Limited

IGI Life Insurance Limited – Year ended December 31, 2016

We have audited the annexed financial statements comprising of:

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

of IGI Life Insurance Limited (the Company) as at December 31, 2016 together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with 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.

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 any 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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the 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;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2016 and of the profit, its cash flows and changes in equity for the year then ended, in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the 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.



A. F. Ferguson & Co.
Chartered Accountants

Engagement Partner: **Shahbaz Akbar**

Dated: March 20, 2017

Karachi



Management's Statement of Compliance with the Shariah Principles

IGI Life Insurance Limited – Year ended December 31, 2016

The financial arrangements, contracts and transactions, entered into by IGI Life Insurance Limited - Window Takaful Operations (the Company) for the year ended December 31, 2016 are in compliance with the Takaful Rules, 2012.

Further we confirm that:

- The Company has developed and implemented all the policies and procedures in accordance with the Takaful Rules, 2012 and rulings of the Shariah Advisor along with a comprehensive mechanism to ensure compliance with such rulings and Takaful Rules, 2012 in their overall operations with zero tolerance. Further, the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shariah Advisor and the Board of Directors have been implemented;
- The Company has imparted trainings / orientations and ensured availability of all manuals / agreements approved by Shariah Advisor/ Board of Directors to maintain the adequate level of awareness, capacity and sensitization of the staff, management;
- All the products and policies have been approved by Shariah Advisor and the financial arrangements including investments made, policies, contracts and transactions, entered into by Window Takaful Operations are in accordance with the polices approved by Shariah Advisor.
- The assets and liabilities of Window Takaful Operations (Participant Takaful Fund and Operator's Sub Fund) are segregated from its other assets and liabilities, at all times in accordance with the provisions of the Takaful Rules, 2012.

This has been duly confirmed by the Shariah Advisor of the Company.



Syed Hyder Ali
Chief Executive Officer
Dated: February 27, 2017



Shesh Mehal, Shahi Qila, Lahore, Punjab, Pakistan

Family Takaful

Our Shariah compliant solutions ensure that at IGI Life you are never far from your faith.

Shariah Advisor Report to the Board of Directors

IGI Life Insurance Limited – Year ended December 31, 2016

الحمد لله رب العالمين والصلاة والسلام على سيد الأنبياء والمرسلين
محمد النبي الأمي وعلى آله وأصحابه أجمعين، وبعد!

I have examined the accompanying financial statements of IGI Life - Window Takaful Operations (hereafter referred to as “the Window Takaful”) for the year ended 31 December 2016.

I acknowledge that as Shariah Advisor of the Window Takaful, it is my responsibility to ensure that the financial arrangements, contracts and transactions entered into by the Window Takaful with its participants and stakeholders are in compliance with the requirements of Shariah rules and principles. It is the responsibility of the Window Takaful's management to ensure that the rules, principles and guidelines set by the Shariah Advisor are complied with, and that all policies and services being offered are duly approved by the Shariah Advisor.

The primary scope of Shariah Audit is to review the Window Takaful's compliance with Shariah Guidelines, and includes the examination of the appropriate evidence of transactions undertaken by the Window Takaful during the year 2016.

It is the responsibility of the Shariah Advisor to express his opinion on the submitted financial statements. In my opinion, and to the best of my understanding based on the provided information and explanations, below are the findings:

- i) Financial transactions undertaken by the Window Takaful for the year ended 31 December 2016 were in accordance with guidelines issued by Shariah Advisor as well as the requirements of Takaful Rules 2012.
- ii) Few cases which had some irregularities from the Shariah perspective were discussed with the Management and duly resolved. Furthermore, the management of the Window Takaful has been advised to strictly follow Shariah compliance in future.
- iii) Consequently, we have found that the Window Takaful is in accordance with the Shariah principles in all transactional aspects.

“And Allah Knows Best“



Dr. Mufti Ismatullah
Shariah Advisor

شرعی ایڈوائزری رپورٹ برائے بورڈ آف ڈائریکٹرز

آئی جی آئی لائف انشورنس لمیٹڈ برائے مالیاتی سال 2016

نحمدہ و نصلی و نسلّم علی رسولہ الکریم و علی آلہ و اصحابہ اجمعین، و بعد!

الحمد للہ، میں نے ”آئی جی آئی لائف، ونڈوٹیکانفل آپریشنز“ (آئندہ اسے ”ونڈوٹیکانفل“ کہا جائے گا) کے مالیاتی اسٹیٹمنٹس برائے سال 2016 کا شرعی نقطہ نظر سے جائزہ لیا۔

میں ”ونڈوٹیکانفل“ کے شرعی ایڈوائزر کی حیثیت سے اس بات سے بخوبی باخبر ہوں کہ ”ونڈوٹیکانفل“ کے شرکاء تکانفل اور شیئرز ہولڈرز کے مابین تمام مالی معاملات اور مختلف عقود و معاہدات کو شرعی قواعد و ضوابط کے مطابق یقینی بنانا میری ذمہ داری ہے۔ اسی طرح ونڈوٹیکانفل کی منظمہ کمیٹی کی بھی یہ ذمہ داری ہے کہ وہ شرعی ایڈوائزر کی طرف سے جاری کردہ اصول و ضوابط اور گائیڈ لائنز پر اہتمام کے ساتھ عمل کرنے کو یقینی بنائے۔ مزید برآں یہ کہ تمام تکانفل پالیسیاں اور خدمات شرعی قواعد و ضوابط کے مطابق اور باقاعدہ شرعی ایڈوائزر سے منظور شدہ ہوں۔

یہ بات اہم ہے کہ ونڈوٹیکانفل نے ابتداء ہی سے اس بات کا اہتمام کیا ہے کہ شرعی ایڈوائزر کی جانب سے جاری کردہ ہدایات پر اہتمام سے عمل کیا جائے اور تمام تکانفل پالیسیاں، خدمات اور مختلف فنڈز کی سرمایہ کاری شرعی قواعد و ضوابط کے مطابق انجام دی جائے اور یہ باقاعدہ شرعی ایڈوائزر سے منظور شدہ بھی ہوں۔

بہر حال میری معلومات کے مطابق:

1- سال 2016 کے اختتام تک ونڈوٹیکانفل کی جانب سے کئے گئے تمام مالی معاملات شرعی ایڈوائزر کی جانب سے دی گئی گائیڈ لائنز اور تکانفل رولز 2012 کے مطابق تھے۔

2- البتہ ونڈوٹیکانفل کے چند معاملات ایسے تھے، جو شریعت کی رو سے قابل اصلاح تھے، کمپنی کی منظمہ کمیٹی سے ان معاملات پر بات چیت کر کے باقاعدہ ان کی اصلاح کر دی گئی اور شرعی گائیڈ لائنز پر اہتمام سے عمل کرنے کی ہدایت کر دی گئی۔

3- الحمد للہ، بحیثیت مجموعی ونڈوٹیکانفل کے تمام معاملات کو شرعی گائیڈ لائنز اور قواعد و ضوابط کے مطابق پایا۔

واللہ اعلم بالصواب و علمہ اتم و احکم

Dr. A. A. Khan

ڈاکٹر مفتی عصمت اللہ

شرعی ایڈوائزر

Financials



Derawar Fort
Ahmadpur East Tehsil, Punjab, Pakistan.

Balance Sheet as at December 31, 2016

SHARE HOLDERS' FUND	CONVENTIONAL-STATUTORY FUNDS						TAKAFUL-STATUTORY FUNDS				AGGREGATE	
	Note	Life (Participating)		Investment Linked	Accident & Health		Pension Business Fund	Individual Family	Group Family	Group Health	2016	2015
		Individual	Group		Individual	Group						
Cash and Bank Deposits											315	494
Cash and others											610,565	432,708
Current and other accounts											400,000	-
Term Deposit Receipts											1,010,880	433,202
Loans secured against Life Insurance Policies											153,456	146,947
To agents											630	734
Loans secured against other assets											-	5,543
Deferred Assets												
Staff retirement benefits												
Investments	13										14,367,560	9,571,883
Government securities											2,588,827	2,522,117
Listed mutual funds											16,956,387	12,094,010
Current Assets - Others												
Premiums / contribution due but unpaid											108,148	118,488
Amount due from other insurers / reinsurers / re/akafal											89,482	19,138
Amount due from agents											3,198	989
Prepayments											54,894	21,960
Inter-fund balances											-	-
Sundry receivables											83,259	59,434
Accrued interest											363,439	414,256
Experience refund receivable											12,306	9,029
Taxation - payments less provision											312,367	208,867
Fixed Assets	15										1,027,093	882,161
Tangible												
Leasehold improvements, furniture & fixtures, office equipments, computers and vehicles											67,136	64,559
Motor vehicles subject to finance lease											8,409	-
Capital work in progress											7,836	7,938
Intangible											904	1,062
Software and licences											84,285	73,559
TOTAL ASSETS											19,232,731	13,606,156

The annexed notes from 1 to 32 form an integral part of these financial statements.

Signature

Director

Signature

Director

Signature

Chief Executive Officer

Signature

Chairman

Profit And Loss Account – for the year ended December 31, 2016

	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
Investment income not attributable to statutory funds			
Income from non-trading investments			
Return on government securities		66,056	70,141
Amortisation of premium on government securities		(3,198)	(649)
Dividend Income		2,754	1,933
		<u>65,612</u>	<u>71,425</u>
Gain on sale of investments		41,251	34,196
		<u>106,863</u>	<u>105,621</u>
Net investment income			
Return on savings accounts and term deposits		–	3,902
Interest income on loans to employees / agents		44	12
Expenses not attributable to statutory funds	19	(13,800)	(14,890)
		<u>93,107</u>	<u>94,645</u>
Profit before appropriation of surplus to shareholders' fund			
Surplus appropriated to Shareholders' Fund from Ledger Account D		10,000	18,000
Surplus appropriated to Shareholders' Fund from Ledger Account C		32,432	–
		<u>135,539</u>	<u>112,645</u>
Profit before taxation			
Taxation	21	(40,649)	(36,046)
Profit after taxation		<u>94,890</u>	<u>76,599</u>
Earnings per share - basic and diluted			
		(Rupees in '000)	
	22	<u>1.57</u>	<u>1.27</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

Statement of Comprehensive Income – for the year ended December 31, 2016

	2016 (Rupees in '000)	2015 (Rupees in '000)
Profit after taxation for the year	94,890	76,599
Other comprehensive income	-	-
Total comprehensive income for the year	94,890	76,599

The annexed notes from 1 to 32 form an integral part of these financial statements.

S. Anwar Khan

Chairman

W. A. Khan

Director

M. A. Khan

Director

S. Anwar Khan

Chief Executive Officer

Statement of Changes in Equity – for the year ended December 31, 2016

	Note	Share capital*	Accumulated surplus	Capital contributed to statutory funds	Net accumulated surplus	Total
(Rupees in '000)						
Balance as at January 1, 2015		500,000	796,954	(471,452)	325,502	825,502
Profit for the year		-	76,599	-	76,599	76,599
Other Comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	76,599	-	76,599	76,599
Transaction with owners recorded directly in equity						
Capital contributed during the year	7	-	-	(12,200)	(12,200)	(12,200)
Balance as at December 31, 2015		500,000	873,553	(483,652)	389,901	889,901
Balance as at January 1, 2016		500,000	873,553	(483,652)	389,901	889,901
Profit for the year		-	94,890	-	94,890	94,890
Other Comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	94,890	-	94,890	94,890
Transaction with owners recorded directly in equity						
Final Dividend for the year ended December 31, 2015 – Re. 1 per share		-	(50,000)	-	(50,000)	(50,000)
Issuance of bonus shares – 10%		50,000	(50,000)	-	(50,000)	-
Issuance of bonus shares – 10%		55,000	(55,000)	-	(55,000)	-
Capital contributed during the year	7	-	-	(76,000)	(76,000)	(76,000)
Balance as at December 31, 2016		605,000	813,443	(559,652)	253,791	858,791

* This includes an amount of Rs. 50 million set aside by the Company in respect of Takaful operations.

The annexed notes from 1 to 32 form an integral part of these financial statements.



Chairman



Director



Chief Executive Officer

Statement of Cash Flows – for the year ended December 31, 2016

SHARE HOLDERS' FUND	TAKAFUL-STATUTORY FUNDS										AGGREGATE	
	CONVENTIONAL-STATUTORY FUNDS					PENSION BUSINESS FUND					AGGREGATE	
	Life (Participating)	Life (Non-participating)	Investment Linked	Accident & Health	Individual	Group	Individual	Family	Group	Health	2016	2015
	56,216	243,855	5,392,268	15,642	697,965	6,330	383,179	(1,142)	6,336	7,669,144	3,993,224	
	(30,042)	(97,893)	(56,832)	(14,200)	473	-	2	-	-	(250,932)	(172,382)	
	(29,904)	(108,833)	(11,293)	1,453	(506,603)	-	(1,020)	(600)	(4,025)	(707,915)	(572,629)	
	(82,857)	(566,796)	(1,732,916)	(8,768)	-	(67,074)	(11,812)	-	-	(2,461,465)	(2,022,443)	
	3,875	(31,591)	8,511	(8,768)	-	-	-	-	-	(43,895)	45,353	
	(313)	(15,924)	(275,624)	(5,703)	(26,992)	-	(86,767)	(62)	(500)	(491,805)	(429,880)	
	12,017	391,559	22,733	5,660	(189)	-	(1)	-	(500)	100,373	73,380	
	(71,008)	28,768	3,346,847	(5,896)	164,554	(60,744)	283,581	(1,794)	1,811	3,813,915	914,613	
	-	-	-	-	-	-	-	-	-	(144,149)	(106,282)	
	(10,787)	(46,409)	(292,419)	(14,477)	-	(232)	(91,829)	(41)	1,046	(771,923)	(578,793)	
	8,061	4	15	285	21,812	481	986	-	-	74,227	62,686	
	(2,922)	-	-	-	-	-	-	-	-	104	(47,916)	
	121,772	(34,830)	(17,594)	2,004	(45,213)	(898)	23,867	957	872	(6,509)	34,946	
	(197,938)	(81,235)	(309,998)	(12,188)	(157,826)	(649)	(66,966)	916	1,918	(848,250)	(635,159)	
	(197,938)	(52,467)	3,036,849	(18,084)	6,728	(61,333)	216,615	(878)	3,729	2,965,665	279,454	
	62,986	173,277	412,540	3,808	22,913	11,739	4,089	-	-	1,220,240	1,016,157	
	(102,093)	(1,860,886)	(8,212,827)	(5,490)	(122,147)	(9,434)	(260,729)	-	-	(15,089,525)	(3,677,195)	
	2,754	1,667,295	4,665,357	20,205	110,913	64,474	103,820	-	-	11,542,821	2,266,735	
	(19,755)	5,295	506	130	373	114	(2,639)	(2)	(14)	24,324	(45,492)	
	102	2,323	(9,691)	(607)	(4,281)	-	-	-	-	(38,374)	(45,492)	
	126	12	792	38	501	-	193	-	-	102	(5,395)	
	232,715	(12,684)	(3,123,323)	18,084	8,272	66,893	(155,266)	(2)	(14)	(2,338,107)	(442,850)	
	(151,000)	-	-	-	-	-	-	-	-	(151,000)	(23,200)	
	-	-	-	-	-	-	-	-	-	-	-	
	-	-	125,000	-	(15,000)	-	24,000	1,000	1,000	151,000	23,200	
	75,000	-	-	-	-	-	-	-	-	(48,880)	-	
	(49,880)	-	-	-	-	-	-	-	-	-	-	
	(63,448)	(32,432)	(10,000)	-	(10,000)	-	24,000	1,000	1,000	(48,880)	-	
	(48,671)	-	38,526	-	-	5,500	85,349	120	4,715	577,678	(183,396)	
	50,379	-	347,371	-	-	5,500	22,524	-	1,928	433,202	596,598	
	1,708	-	385,897	-	-	11,000	107,873	120	6,643	1,010,880	433,202	

(Rupees in '000)

Operating Cash Flows

a) **Underwriting activities**
 Premiums received net of policy transfers
 Reinsurance premiums paid
 Claims paid
 Surrenders paid
 Reinsurance recovery received
 Commissions paid
 Commissions received
Net cash (outflow) / inflow from underwriting activities

b) **Other operating activities**
 Income tax paid
 General management expenses and other operating payments
 Other operating receipts
 Loans advanced
 Loan repayments received
 Inter fund transactions
Net cash (outflow) / inflow from other operating activities

Total cash (outflow) / inflow from all operating activities

Investment activities
 Profit / return received
 Payments for investments
 Proceeds from disposal of investments
 Dividend received
 Fixed capital expenditure
 Capital work in progress
 Proceeds from disposal of fixed assets
Total cash inflow / (outflow) from investing activities

Financing activities
 Capital contribution to statutory funds
 Cede money – Waaf
 Capital payments received by statutory funds
 Capital returned to shareholders' fund
 Dividends paid
 Surplus appropriated to Shareholders' fund
Total cash flow from financing activities

Net cash inflow / (outflow) from all activities
 Cash and cash equivalents at the beginning of the period
Cash and cash equivalents at the end of the period

S. Anurag

Abhishek

W. S. S. S.

Chief Executive Officer

Director

Director

Chairman

S. Anurag

Statement of Cash Flows – for the year ended December 31, 2016

	AGGREGATE	
	2016	2015
	(Rupees in '000)	
Reconciliation to Profit and Loss Account		
Operating cash flows	2,965,665	279,454
Depreciation and amortization expenses	(27,420)	(20,741)
Gain on disposal of fixed assets	2,179	2,313
Increase in assets other than cash	226,611	66,496
Decrease / (increase) in liabilities	(5,401,398)	(1,549,723)
Investment income	2,456,690	1,380,316
Profit received on bank deposits	52,730	35,733
Surplus of statutory funds	(222,599)	(135,249)
Surplus appropriated to Shareholders' fund	42,432	18,000
Profit after taxation	94,890	76,599

The annexed notes from 1 to 32 form an integral part of these financial statements.

S. Shankar

Chairman

W. S. Srinivasan

Director

M. K. Srinivasan

Director

S. Srinivasan

Chief Executive Officer

Revenue Account – for the year ended December 31, 2016

Note	CONVENTIONAL-STATUTORY FUNDS										TAKAFUL-STATUTORY FUNDS					AGGREGATE	
	Life (Participating)	Life (Non-participating)		Investment Linked	Accident & Health		Pension Business Fund	Individual Family	Group Family	Group Health	2016	2015	2016	2015			
		Individual	Group		Individual	Group									2016	2015	
18	48,477	840,485	164,603	5,291,197	7,758	687,829	6,330	381,805	1,114	6,644	7,436,242	3,884,615	9,884,849	5,180,640			
	414,488	1,181,475	49,467	634,552	7,584	26,917	17,074	18,270	–	–	2,349,827	501	–	–			
	8,329	16,600	1,321	40,903	397	25,442	510	5,278	–	–	98,780	1,274,695	–	70,829			
	471,294	2,038,560	215,391	5,966,652	15,739	740,188	23,914	405,353	1,114	6,644	9,884,849	5,180,640					
	104,028	608,218	119,184	1,763,426	3,686	503,725	67,074	12,964	650	4,025	3,186,980	2,598,090	–	–			
	4,978	225,722	44,448	519,557	22,116	131,143	–	194,740	87	709	1,143,500	501	–	–			
	109,006	833,940	163,632	2,282,983	25,802	634,868	67,074	207,704	737	4,734	4,330,480	3,609,838					
	362,288	1,204,620	51,759	3,683,669	(10,063)	105,320	(43,160)	197,649	377	1,910	5,554,369	1,570,802	–	–			
	1,140,823	4,623,900	69,789	4,878,865	16,027	176,391	99,599	22,772	278	1,651	11,030,095	9,594,542	–	–			
	(1,367,408)	(5,701,085)	(77,320)	(6,895,395)	(9,337)	(212,747)	(55,878)	(239,008)	(573)	(3,114)	(16,361,865)	(11,030,095)	–	–			
	(226,585)	(1,077,185)	(7,531)	(3,816,530)	6,690	(36,356)	43,721	(216,236)	(295)	(1,463)	(5,331,770)	(1,435,553)					
	135,703	127,435	44,228	(132,861)	(3,373)	68,964	561	(18,587)	82	447	222,599	135,249	–	–			
	226,585	1,077,185	7,531	3,816,530	(6,690)	36,356	(43,721)	216,236	295	1,463	5,331,770	1,435,553	–	–			
	–	–	–	125,000	–	–	–	24,000	1,000	1,000	151,000	23,200	–	–			
	–	–	–	–	–	–	–	–	(100)	(600)	(700)	–	–	–			
	–	–	–	–	–	–	–	–	100	600	700	–	–	–			
	–	(60,000)	–	–	–	(15,000)	–	–	–	–	(75,000)	500	–	–			
	(32,432)	(10,000)	–	–	–	–	–	–	–	–	(42,432)	(18,000)	–	–			
	(32,432)	(60,000)	(10,000)	125,000	–	(15,000)	–	24,000	1,000	1,000	33,568	(5,800)					
	1,615,110	4,810,533	123,716	5,015,356	26,289	300,344	103,094	23,955	392	2,046	12,020,855	10,455,853	–	–			
	1,944,966	5,955,173	165,475	8,824,025	16,226	390,664	59,934	245,604	1,769	4,956	17,608,792	12,020,855					
	1,367,408	197,552	77,320	242,100	9,337	64,300	6,000	46,500	1,200	2,000	559,652	483,652	–	–			
	524,175	5,701,085	–	8,695,395	–	212,747	55,878	239,008	573	3,114	16,361,865	11,030,095	–	–			
	53,383	–	–	–	–	–	–	–	–	–	524,175	431,231	–	–			
	–	–	–	–	–	–	–	–	–	–	53,383	43,056	–	–			
	–	56,536	88,155	(113,470)	6,889	113,617	(1,944)	(39,904)	(4)	(158)	109,717	32,821	–	–			
	1,944,966	5,955,173	165,475	8,824,025	16,226	390,664	59,934	245,604	1,769	4,956	17,608,792	12,020,855					

The annexed notes from 1 to 32 form an integral part of these financial statements.



Chairman



Director



Chief Executive Officer

Statement of Premiums – for the year ended December 31, 2016

	CONVENTIONAL-STATUTORY FUNDS						TAKAFUL-STATUTORY FUNDS				AGGREGATE	
	Life (Participating)	Life (Non-participating)		Investment Linked	Accident & Health		Pension Business Fund	Individual Family	Group Family	Group Health	2016	2015
		Individual	Group		Individual	Group						
Gross premiums												
Regular premium / contribution individual policies*												
First year	100,246	-	201,120	16,278	-	-	239,544	-	-	-	557,188	582,600
Second year renewal	177,034	-	161,065	-	-	-	32,549	-	-	-	370,648	261,165
Subsequent year renewal	591,936	-	264,226	-	-	-	-	-	-	-	912,510	912,003
Single premium / contribution individual policies	3,336	-	4,686,118	-	-	-	111,363	-	-	-	4,800,817	1,397,473
Group policies without cash values	-	240,257	-	-	688,559	6,330	-	1,114	6,644	-	942,904	809,194
Total gross premiums / contributions	872,552	240,257	5,312,529	16,278	688,559	6,330	383,456	1,114	6,644	7,584,067	3,962,435	
Less: Reinsurance premiums / retakaful contribution ceded												
On individual life / family takaful first year business	16,664	-	3,566	-	-	-	1,561	-	-	-	21,791	29,254
On individual life / family takaful second year business	2,113	-	1,344	-	-	-	90	-	-	-	3,547	6,184
On individual life / family takaful subsequent renewal business	13,290	-	6,210	-	-	-	-	-	-	-	27,371	28,112
On individual life / family takaful single premium / contribution business	-	-	10,212	-	-	-	-	-	-	-	10,212	-
On individual accident and health first year	-	-	-	8,520	-	-	-	-	-	-	8,520	5,186
On group policies	-	75,654	-	-	730	-	-	-	-	-	76,384	59,084
	7,871	32,067	21,332	8,520	730	-	1,651	-	-	147,825	127,820	
Net premiums / contributions	48,477	840,485	5,291,197	7,758	687,829	6,330	381,805	1,114	6,644	7,436,242	3,834,615	

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

The annexed notes from 1 to 32 form an integral part of these financial statements.



Chairman



Director



Chief Executive Officer

Statement of Claims – for the year ended December 31, 2016

	CONVENTIONAL-STATUTORY FUNDS						TAKAFUL-STATUTORY FUNDS				AGGREGATE	
	Life (Participating)	Life (Non-participating)		Investment Linked	Accident & Health		Pension Business Fund	Individual Family	Group Family	Group Health	2016	2015
		Individual	Group		Individual	Group						
Gross claims												
Claims under individual policies												
by death	15,050	50,089	-	39,021	5,210	-	1,121	-	-	-	110,471	58,940
by insured other than death	-	300	-	-	96	-	31	-	-	-	427	6,901
by maturity	9,996	-	-	-	-	-	-	-	-	-	9,996	8,013
by surrender	82,857	566,796	-	1,732,916	-	-	11,812	-	-	-	2,394,381	1,996,213
Total gross individual policy claims	107,903	617,165	-	1,771,937	5,306	-	12,964	-	-	-	2,515,275	2,070,067
Claims under group policies												
by death	-	-	107,902	-	-	-	-	650	-	-	108,552	99,929
by insured other than death	-	-	-	-	-	504,536	-	-	4,025	-	508,561	383,110
by surrender	-	-	-	-	-	(811)	-	-	-	-	67,074	26,230
experience refund	-	-	14,778	-	-	-	-	-	-	-	13,967	22,667
Total gross group policy claims	-	-	122,680	-	-	503,725	-	650	4,025	-	698,154	541,936
Total gross claims	107,903	617,165	122,680	1,771,937	5,306	503,725	12,964	650	4,025	-	3,213,429	2,612,003
Less: Re-insurance recoveries												
On individual life / family takatuf first year business claims	-	-	-	2,500	-	-	-	-	-	-	2,500	3,104
On individual life / family takatuf second year business claims	3,875	8,947	-	1,318	-	-	-	-	-	-	10,265	165
On individual life / family takatuf renewal business claims	-	-	-	4,693	-	-	-	-	-	-	8,568	3,285
On individual accident and health business claims	-	-	-	-	1,620	-	-	-	-	-	1,620	3,164
On group business claims	-	-	3,496	-	-	-	-	-	-	-	3,496	4,195
Net claims	3,875	8,947	3,496	8,511	1,620	-	-	-	-	-	26,449	13,913
	104,028	608,218	119,184	1,763,426	3,686	503,725	12,964	650	4,025	-	3,186,980	2,598,090

The annexed notes from 1 to 32 form an integral part of these financial statements.

Signature

Director

Signature

Director

Signature

Chief Executive Officer

Statement of Expenses – for the year ended December 31, 2016

Note	CONVENTIONAL-STATUTORY FUNDS										TAKAFUL-STATUTORY FUNDS					AGGREGATE		
	Life (Participating)		Life (Non-participating)		Investment		Accident & Health		Pension Business Fund		Individual Family		Group Family		Group Health		2016	2015
	Individual	Group	Individual	Group	Linked	Individual	Group	Individual	Group	Individual	Group	Individual	Group	Individual	Group	2016	2015	
	41,638	-	80,312	-	6,409	-	90,853	-	-	-	-	-	-	-	-	219,212	288,110	
	11,109	-	7,260	-	-	-	1,612	-	-	-	-	-	-	-	-	19,981	14,478	
	308	16,787	5,684	-	-	-	-	-	-	-	-	-	-	-	-	22,779	23,080	
	921	-	185,978	-	-	-	2,223	-	-	-	-	-	-	-	-	188,201	84,601	
	-	27,393	45,582	-	3,004	-	52,948	-	-	-	-	-	-	-	-	129,848	127,306	
	1,229	96,927	324,816	-	9,413	-	147,636	-	-	-	-	-	-	-	560,021	507,575		
	-	-	15,924	-	-	-	-	-	-	-	-	-	-	-	-	43,468	50,209	
	-	-	33	-	-	-	3,095	-	-	-	-	-	-	-	-	3,128	4,810	
	-	-	15,957	-	-	-	30,087	-	-	-	-	-	-	-	-	46,596	55,019	
	356	10,513	-	-	1,162	-	-	-	-	-	-	-	-	-	-	22,208	18,840	
	492	14,524	10,177	-	1,605	-	-	-	-	-	-	-	-	-	-	30,681	34,832	
	848	25,037	24,237	-	2,767	-	-	-	-	-	-	-	-	-	-	52,889	53,672	
	-	3,531	7,084	-	573	-	-	-	-	-	-	-	-	-	-	11,188	4,420	
	2,077	125,495	356,137	12,753	12,753	-	147,636	-	-	-	-	-	-	-	690,694	620,686		
	1,538	52,805	26,283	89,453	5,026	-	28,070	-	-	-	-	-	-	-	-	261,859	223,080	
	89	2,978	1,060	4,772	292	-	1,106	-	-	-	-	-	-	-	-	12,661	6,741	
	31	1,098	590	2,079	100	-	505	-	-	-	-	-	-	-	-	5,718	5,631	
	31	1,115	601	2,112	101	-	513	-	-	-	-	-	-	-	-	5,809	5,926	
	118	4,249	2,288	8,050	366	-	1,957	-	-	-	-	-	-	-	-	22,140	14,964	
	-	296	-	594	48	-	-	-	-	-	-	-	-	-	-	938	688	
	2	67	40	123	6	-	610	-	-	-	-	-	-	-	-	948	1,111	
	50	1,554	238	2,027	162	-	241	-	-	-	-	-	-	-	-	4,622	7,641	
	61	2,101	1,093	3,563	200	-	760	-	-	-	-	-	-	-	-	10,212	3,826	
	63	2,163	1,128	3,801	204	-	1,398	-	-	-	-	-	-	-	-	11,281	12,009	
	208	6,835	2,075	10,354	676	-	2,639	-	-	-	-	-	-	-	-	27,420	20,741	
	108	3,943	2,542	7,786	352	-	1,972	-	-	-	-	-	-	-	-	22,361	26,781	
	2,299	79,204	37,938	134,714	7,553	-	39,771	-	-	-	-	-	-	-	386,169	325,139		
	602	21,629	7,468	33,134	1,810	-	8,034	-	-	-	-	-	-	-	-	89,313	79,551	
	4,978	226,328	61,363	523,985	22,116	-	195,441	-	-	-	-	-	-	-	1,166,176	1,025,376		
	-	(606)	(16,915)	(4,428)	-	(26)	(701)	-	-	-	-	-	-	-	-	(22,676)	(14,129)	
	4,978	225,722	44,448	519,557	22,116	-	194,740	-	-	-	-	-	-	-	1,143,500	1,011,247		

The annexed notes from 1 to 32 form an integral part of these financial statements.

Signature

Director

Signature

Director

Signature

Chief Executive Officer

Signature

Chairman

Statement of Investment Income – for the year ended December 31, 2016

	CONVENTIONAL-STATUTORY FUNDS					TAKAFUL-STATUTORY FUNDS					AGGREGATE	
	Life (Participating)	Life (Non-participating)		Investment Linked	Accident & Health		Pension Business Fund	Individual Family	Group Family	Group Health	2016	2015
		Individual	Group		Individual	Group						
Investment income												
Return on government securities	156,522 (4,408)	481,760 (26,406)	23,362 (932)	429,295	3,392 (39)	22,336 (2,683)	10,078 (368)	-	-	-	1,126,745 (34,856)	950,685 (10,944)
Amortisation of premium	152,114	455,354	22,430	429,295	3,353	19,653	9,690	-	-	-	1,091,889	939,741
Unrealized gain / (loss) on revaluation of investments	-	-	-	128,572	-	-	-	15,852	-	-	144,424	134,790
Dividend Income	5,295	14,393	873	506	130	373	-	-	-	-	21,570	16,162
Gain on sale of investments	257,079	711,728	26,164	76,179	4,101	6,891	7,384	2,418	-	-	1,091,944	184,002
Net investment income	414,488	1,181,475	49,467	634,552	7,564	26,917	17,074	18,270	-	-	2,349,827	1,274,695

(Rupees in '000)

The annexed notes from 1 to 32 form an integral part of these financial statements.



Chairman



Director



Chief Executive Officer

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

1. STATUS AND NATURE OF BUSINESS

- 1.1. IGI Life Insurance Limited ("the Company") was incorporated in Pakistan on October 9, 1994 as a public limited company under the Companies Ordinance, 1984. Its shares are quoted on the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited). The Company commenced its operations on May 25, 1995 after registration with the Controller of Insurance on April 30, 1995. The registered office of the Company is situated at 7th Floor, The Forum, Suite No. 701-713, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi which is also the principal office of the Company.
- 1.2. The Company is a subsidiary of IGI Insurance Limited that holds 81.97% (2015: 81.97%) share capital of the Company.
- 1.3. The Company is engaged in life insurance business, carrying on both participating and non-participating businesses. The Company is an approved Window Takaful Operator and is also engaged in providing Shariah compliant takaful products.
- 1.4. In accordance with the requirements of the Insurance Ordinance, 2000, the Company has established a Shareholders' Fund and Separate Statutory Funds, in respect of each class of life insurance and family takaful business. The Statutory Funds established by the Company, in accordance with the advice of the Appointed Actuary are as follows:
- Life (participating)
 - Life (non-participating) – Individual
 - Life (non-participating) – Group
 - Investment Linked
 - Accident & Health – Individual
 - Accident & Health – Group
 - Pension Business Fund
 - Individual Family Takaful
 - Group Family Takaful
 - Group Health Takaful

2. BASIS OF PRESENTATION

These financial statements have been presented in accordance with the requirements of S.R.O. 938 (I)/2002 dated December 12, 2002 issued by the Securities and Exchange Commission of Pakistan (SECP) through Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002].

2.1. Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002, Takaful Rules, 2012 and directives issued by the SECP. Wherever the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 the SEC (Insurance) Rules, Takaful Rules, 2012 or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002, Takaful Rules, 2012 or the said directives prevail.

2.2. Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2016 but are considered not to be relevant or do not have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

2.3. Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

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

Standard, Interpretations or Amendments	Effective date (accounting periods beginning on or after)
– IFRS 9 - Financial Instruments	January 01, 2018
– IFRS 15 - Revenue from contracts	January 01, 2018

In addition to the above, The Securities and Exchange Commission of Pakistan (SECP) through SRO 88(I)/2017 dated February 9, 2017 has issued Insurance Accounting Regulations, 2017. The Insurance Accounting Regulations shall come into force at once, provided that annual accounts for the year ended December 31, 2016 and quarterly accounts for the period ending March 31, 2016 shall be prepared in accordance with the previous requirements.

The management is in the process of assessing the impact of these standards on the financial statements of the Company.

There are certain new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after 1 January 2017 but are not considered to be relevant or do not have any significant effect on the Company's operations and, therefore, not detailed in these financial statements.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except as disclosed in accounting policies relating to investments and staff retirement gratuity.

3.1. Functional and presentation currency

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

3.2. Use of estimates and judgments

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, SEC (Insurance) Rules, 2002 and Takaful Rules, 2012 requires management to make judgments / estimates and associated assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The judgments / estimates and associated assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making estimates about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected in accordance with the requirements of International Accounting Standard - 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

Significant areas where assumptions and estimates were exercised in application of accounting policies, otherwise that are disclosed in these financial statements, relate to:

3.2.1. Policyholders' liabilities

Mortality and Interest Bases adopted

SECP vide its circular 17/2013 dated September 13, 2013 has stipulated that SLIC(200105) Individual Life Mortality Table published by Pakistan Society of Actuaries be used as the minimum valuation basis prescribed under SECP's notification

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

S.R.O 16(1)/2012. A test was previously conducted to compare the existing valuation basis i.e. EFU (196166) mortality table with the minimum valuation basis SLIC (200105) for the relevant reserves. The test revealed that the existing valuation basis was more prudent than the minimum valuation basis and therefore it was considered to be more appropriate to continue with the existing valuation basis.

The rate of discount was taken as 3.75% in line with the requirements under SECP's notification S.R.O 16(1)/2012, for determining reserves of traditional products and supplementary coverage. Any differential between the assumed rate and the actual rate is intended to be available to the Company for meeting its administrative expenses.

General Principles adopted for valuation

The general principles adopted in the actuarial valuation to estimate policyholders' liabilities as at December 31, 2016 are as follows:

- a) Reserves for Endowment Policies with term not less than 20 years have been calculated using Full Preliminary Term Method with EFU (1961-66) Ultimate Mortality Table at 3.75%.
- b) Reserves for Endowment Policies with term less than 20 years have been calculated using combination of Full Preliminary Term Method and Net Level Premium Method with EFU (1961-66) Ultimate Mortality Table at 3.75%.
- c) Term Policies are calculated using Net Level Premium Method with EFU (1961-66) Ultimate Mortality Table at 3.75%.
- d) Reduced Paid-up and Extended Term insurances have been valued by Net Single Premium Method with EFU (1961-66) Ultimate Mortality Table at 3.75%
- e) Bonus Reserves have been valued by Net Single Premium Method with EFU (1961-66) Ultimate Mortality Table at 3.75%.
- f) Loyalty Bonus Reserves have been valued by Net Single Premium Method at 3.75% for active policies.
- g) In respect of Unit Linked policies, the reserve for bid value of allocated units is calculated using the latest bid value of units and the total number of units belonging to policyholders' accounts as at the valuation date. The amount is held as a reserve since it represents the current value of amounts that will be payable to policyholders at the time when a maturity, death or surrender claim is filed. The latest bid value is the last "announced" bid price before the valuation date.
- h) Universal Life business has been valued using full Account values. No deduction has been made for surrender charges.
- i) An 'Asset Liability mismatch reserve' has been kept in the Individual Life Non - Participating Fund as a result of the ALM exercise carried out to assess the interest rate risk, credit risk and equity risk.
- j) Group Life Insurance, Individual Accident & Health Insurance and Group Accident & Health have been valued using Unearned Gross Premium.
- k) Pension business has been valued using full Account values.
- l) Unearned premium reserves have been maintained for all riders except Level Term rider reserve which is calculated using Net Level Premium Method with EFU (1961-66) Ultimate Mortality Table at 3.75%.
- m) Reinsurance premium reserves have been maintained on an unearned premium basis.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

- n) Reserves have been maintained for Incurred But Not Reported (IBNR) claims which were determined using the Chain-Ladder method based on the claims lag pattern experienced over the past few years.
- o) Reserves for claims payable in installments have been kept at 3.75%.
- p) Unearned Premium Reserve is kept as half month of Cost of Insurance (COI) for Cost of Insurance (COI) of Universal Life and Unit Linked Policies.
- q) No policy is treated as an asset and in the system if the reserve is negative, the negative value is excluded and the reserves for the policies is set equal to zero.
- r) The Company does not have any insurance policy which is denominated in foreign currency.

With the exception of the basis used for the calculation of reserves for IBNR claims, the principles adopted in this valuation were same as those followed in previous valuation as at December 31, 2015.

Surrenders

For the purpose of conventional and annuity business, no provision has been made for lapses and surrenders. This gives prudence to the value placed on the liability by not taking any credits for the profits made on surrenders.

Claims provision

- a) Reserves have been made in respect of all intimated claims. Most claims require lump sum payments, and reserves have been maintained in each Statutory Fund, where applicable. In a small number of cases, claims are payable in installments over a period of more than twelve months after the valuation date. In respect of all such claims, reserves have been calculated using the minimum valuation basis.
- b) Adequate reserves have also been maintained for Incurred But Not Reported (IBNR) claims which were determined using the Chain and Ladder Method.

3.2.2. Classification of investment and provisions for impairment there against

The Company determines that available for sale investments are impaired when there has been significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in prices. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

The Company has determined fair value of certain investments by using quotations from active market. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matter of judgment (e.g. valuation, interest rates, etc.) and therefore, cannot be determined with precision.

3.2.3. Income tax

In making the estimates for income taxes currently payable by the Company, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past.

3.2.4. Tangible and intangible assets, depreciation and amortisation

In making estimates of the depreciation / amortisation method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Company. The method applied is reviewed at each

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern.

The carrying amounts are reviewed at each balance sheet date to assess whether these are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amounts.

3.2.5. Defined benefits plans and other benefits

Liability / asset is determined on the basis of actuarial valuation carried out using the Projected Unit Credit Method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1. Insurance / Takaful contracts

Conventional Business

Insurance contracts represent contracts with policy holders and reinsurers.

Those contracts including riders where the Company (the insurer) accepts significant insurance risk from another party i.e. group and individual policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders are insurance policy contracts.

Those insurance contracts that are issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant are reinsurance contracts. The Company enters into reinsurance contracts with foreign reinsurers in the normal course of business in order to limit the potential for losses arising from certain exposures.

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

The Company enters into insurance contracts with policyholders which are divided into following major categories:

Group Insurance contracts

The Company offers group life, group accident & health and pension business to its clients. The Company also underwrites business for consumer banking related schemes. The risk underwritten is mainly death, hospitalization and disability. The group insurance contracts are issued typically on Yearly Renewable Term basis (YRT). This business is written through direct sales force as well as bancassurance.

Individual Insurance Contracts

The Company offers Individual Life (Participating), Individual Life (Non-Participating), Individual Accident & Health and Investment Unit Linked Plans which provide the financial protection; protection against the financial consequences of death, disease and disability caused by accidents, sickness or old age and a substantial return at maturity. Investment Unit Linked policies are regular life policies, where policy value is determined as per the underlying assets' value. Various types of riders (Accidental Death, Income Benefit, etc.) are also sold along with the basic policies. Some of these riders are charged through deduction from policyholders' fund value, while others are conventional i.e., additional premium is charged thereagainst. This business is written through direct sales force as well as bancassurance.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

Takaful Business

The takaful contracts are based on the principles of Wakala Waqf Model. Takaful is a programme based on Shariah compliant, approved concept funded on the principles of mutual cooperation, solidarity and brotherhood. The obligation of Waqf for Waqf participants' liabilities is limited to the amount available in the Waqf fund. In the event where there are insufficient funds in Waqf to meet their current payments less receipts, the deficit is funded by way of an interest free loan (Qard-e-Hasna) from the operators' sub fund to the statutory fund (Takaful Business Statutory Funds). The amount of Qard-e-Hasna is refundable to the operators' sub fund.

Technical reserves are stated at a value determined by the appointed actuary through an actuarial valuation carried out as at each balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000.

Group Takaful Contracts

The Company offers Group Family, Group Accident and Health takaful policies to its clients. The group takaful contracts are issued typically on yearly renewable term basis.

Individual Family Takaful Contracts - unit linked

The Company offers Unit Linked Takaful Plans which provide Shariah compliant financial protection and investment vehicle to individual participants. These plans carry cash value which is determined as per the underlying asset's value. The death benefit design is based on Constant Sum Risk approach i.e. the sum cover is paid in addition to the cash value. The plans offer investment choices to the customer to direct their investment related contribution based on their risk / return objectives. No investment guarantees are offered. The investment risk is borne by the participants. Various type of supplemental benefits (accidental death, disability, income benefit, etc.) are also sold along with basic policies.

4.1.1. Premiums / Contributions

Conventional Business

- First year individual life premium is recognised when the policy is issued after receipt of that premium. Subsequent premiums falling due under the policy are recognised if received before expiry of the grace period, or if advanced by the Company under the Automatic Premium Loan (APL). Single premiums and top-up premiums are recognised once the related policies are issued against the receipt of premium.
- Group premiums are recognised when due.

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

Takaful Business

- First year individual life contribution is recognised when the policy is issued after receipt of that contribution. Subsequent contributions falling due under the policy are recognised if received before expiry of the grace period, or if advanced by the Company under the Automatic Contribution Loan (ACL). Single contributions and top-up contributions are recognised once the related policies are issued against the receipt of contribution.
- Group contributions are recognised when due.

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

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

4.1.2. Reinsurance / Retakaful contracts held

Conventional Business

Reinsurance premiums are recognised in accordance with the pattern of recognition of related premium. It is measured in line with the terms and conditions of the reinsurance treaty.

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

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contracts are not offset against expenses or income from related insurance assets as required by the Insurance Ordinance, 2000.

The Company assesses its reinsurance assets for impairment on balance sheet date. If there is an objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises it as impairment loss.

Takaful Business

These contracts are entered into by the Company with retakaful operator under which the "Waqf Fund" cedes the takaful risk assumed during normal course of its business and according to which Waqf is compensated for losses on contracts issued by it are classified as retakaful contracts held.

Retakaful Contribution

Retakaful contribution is recorded at the time the retakaful is ceded. Surplus from retakaful operator is recognised in the revenue account.

Retakaful Expenses

Retakaful expenses are recognised as a liability in accordance with the pattern of recognition of related contribution.

Retakaful Assets and Liabilities

Retakaful assets represent balances due from retakaful operator. Recoverable amounts are estimated in a manner consistent with the associated retakaful treaties.

Retakaful liabilities represent balances due to retakaful operator. Amounts payable are calculated in a manner consistent with the associated retakaful treaties.

Retakaful assets are not offset against related retakaful liabilities. Income or expenses from retakaful contract are not offset against expenses or income from related retakaful contracts as required by Insurance Ordinance, 2000.

4.1.3. Receivables and payables related to insurance contract

Receivables and payables are recognised when due. These include amounts due to and from agents and policyholders.

4.1.4. Claims

Conventional Business

Claim expense

Insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims and any adjustments to claims outstanding from previous years. Claims are recognised at the earlier of when the policy ceases to participate in the earnings of the fund or insured event occurs.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

The outstanding claims liability includes amounts relating to unpaid reported claims and expected claims settlement costs. Full provision is made for the estimated cost of claims incurred to the date of the balance sheet. The liability for claims expenses relating to "Incurred But Not Reported"(IBNR) is included in policyholders' liabilities.

Claim recoveries

Claims recoveries receivable from reinsurers are recognised as assets at the same time when the corresponding claims are recorded in accordance with the terms of the re-insurance contracts.

Experience refund of premium

Experience refund of premium payable / receivable to / from Group policyholders is presented in the balance sheet.

Takaful Business

Claims expense include all claims occurring during the year, whether reported or not, internal and external claim handling costs that are directly related to the processing and settlement of claims and other recoveries, and any adjustments to claims outstanding from previous years.

The outstanding claims liability includes amounts relating to unpaid reported claims and expected claims settlement costs. Full provision is made for the estimated cost of claims incurred to the date of the balance sheet. The liability for claims expenses relating to "Incurred But Not Reported"(IBNR) is included in technical reserves.

4.1.5. Policyholders' liabilities

Policyholders' liabilities including IBNR are stated at a value determined by the appointed actuary through an actuarial valuation / advice carried out at each balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000. In determining the value both acquired policy values as well as estimated values which will be payable against risks which the Company underwrites are considered. The basis used are applied consistently from year to year.

4.1.6. Acquisition cost

These comprise commission and other costs incurred in acquiring and maintaining insurance policies and include without limitation all forms of remuneration paid to insurance intermediaries.

These are recognised 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 those which are directly referable to the acquisition or renewal of specific contracts that are recognised not later than the period in which the premium to which they refer is recognised as revenue

4.1.7. Takaful Operator's Fee

The shareholders of the Company manage the family takaful operations for the participants and act as Wakeel of the Waqf fund. The Company is entitled for the wakala fee for the management of takaful operation under Waqf fund to meet its management expenses.

4.2. Staff retirement benefits

4.2.1. Defined benefit plan

The Company operates an approved defined benefit gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions to the Fund are made based on in-house actuarial valuation. The most recent in-house actuarial valuation was carried out for the year ended December 31, 2016 using the Projected Unit Credit Method.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

Actuarial gains and losses, past service costs, gains or losses on settlements, and net interest income (expense) are recognised in revenue account in the period in which they occur. The measurement differences representing actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost / income are recognized immediately with a charge or credit to revenue account. The accounting standards requires these to be recognized in Other Comprehensive Income (OCI). However, the format of presentation and disclosure of financial statements notified by the SECP does not require presentation of statement of Comprehensive income, resultantly the charge / credit has been taken to the revenue account.

In case the benefits paid under the scheme are reduced, it is treated as past service cost in the period in which change takes place.

4.2.2. Defined contribution plan

The Company operates an approved contributory provident fund which covers all permanent employees. Equal monthly contributions are made both by the Company and the employees to the Fund at the rate of 10 percent of basic salary.

During the year, Rs.11.185 million (2015: Rs. 11.167 million) has been recognised in the revenue account in respect of defined contribution plan.

4.3. Employees' compensated absences

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

4.4. Cash and cash equivalents

For the purposes of cash flow statement cash and cash equivalents include the following:

- cash and stamps in hand
- cash at bank in current and other accounts
- deposits with original maturity of three months or less

4.5. Loans secured against life insurance policies

Interest bearing loans are available to policyholders of the Company to the extent of ninety percent of cash values built in their policies. These are recognised on disbursement.

4.6. Investments

4.6.1 Classification

Investments with fixed or determinable payments and fixed maturity, where the Company has positive intent and ability to hold to maturity, are classified as Held-to-Maturity. Investments designated at fair value through profit or loss represent investments acquired principally for the purpose of generating profits from short term fluctuations in market prices, interest rate movement, or dealer's margin. Available for sale investments are those investments that do not fall under either fair value through profit or loss or held to maturity categories.

4.6.2. Initial recognition

All investments are initially recognised at cost, being the fair value of the consideration given and includes transaction costs except for investments designated at fair value through profit or loss in which transaction cost is charged to profit and loss / revenue account.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

4.6.3. Subsequent measurement

Held to maturity

Subsequently, these are measured at amortised cost less provision for impairment, if any. Any premium paid or discount availed on acquisition of held to maturity investment is deferred and amortised over the term of investment using the effective interest method.

Available-for-sale

Shareholder's fund and statutory funds other than investment linked fund and Individual Family Takaful Fund

Investments classified as available-for-sale are subsequently measured at lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the Securities and Exchange Commission (Insurance) Rules, 2002 and the difference if any, is recognised as provision for impairment in value of investment. Any change in the provision for impairment in value of an investment is recognised in the profit and loss account / revenue account.

Investment linked fund and Individual Family Takaful Fund

Investments classified as available for sale are marked to their market values. Any gain or loss on such available-for-sale investments is recognised in revenue account of the fund.

International Accounting Standard - 39 (IAS-39) "Financial Instruments - Recognition and Measurement" had been revised effective January 1, 2005. In the revised IAS-39 the option of taking the revaluation gain / loss on the available for sale securities to income / revenue account had been deleted and all such gain / loss was to be taken to equity. Further, after revision of IAS-1, this unrealised gain / loss is to be routed through Other Comprehensive Income (OCI). SECP through Insurance Rules, 2002 had prescribed the format of presentation and disclosure of financial statements, according to which the Statutory Funds have no equity or OCI accounts. Resultantly, the changes in IAS-39 and IAS-1 were not implemented.

Fair value through profit and loss

Investments classified 'at fair value through profit or loss' category at inception, are subsequently measured at their fair value and gains and losses arising from changes in fair value are included in the profit and loss / revenue account.

Fair / market value measurement

For investments in Government securities, fair / market value is determined by reference to quotations obtained from Financial Market Association of Pakistan (FMAP) (PKRV) where applicable. The fair / market value of mutual fund units is determined as per the rates announced by the Mutual Funds Association of Pakistan (MUFAP).

Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised at the settlement date. Settlement date is a date on which a trade (bonds, equities, foreign exchange, commodities, etc.) settles i.e. the actual day on which transfer of cash or assets is completed.

4.7. Taxation

Income tax comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to the items recognised directly in equity in which case it is recognised in equity.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

4.7.1. Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing laws 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 finalised during the current year for such years.

4.7.2. 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 recognised for all taxable temporary differences and deferred tax assets are recognised 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 utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on 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.

4.8. Fixed assets

4.8.1. Tangibles

These are initially stated at cost and subsequently at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 15 to the financial statements, after taking into account residual value and charged to revenue account.

Depreciation on additions is charged from the month in which the asset is available for use and on disposal, upto the month the asset is in use.

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

An item of tangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the revenue account in the year the asset is derecognised.

The assets residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

4.8.2. Capital work in progress

Capital work in progress is stated at cost less any impairment in value. It includes advances to suppliers in respect of tangible fixed assets.

4.8.3. Intangibles

These are stated at cost less accumulated amortisation and impairment loss, if any. Amortisation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 15 to the financial statements.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

Amortisation on additions is charged from the month in which the asset is acquired or capitalised and on disposal up to the month the asset is in use.

Software development costs are only capitalised to the extent that future economic benefits are expected to be derived by the Company.

4.9. Impairment of non-financial assets

The carrying amount of assets (other than deferred tax asset) are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account or revenue account, as appropriate. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

4.10. Provisions

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

4.11. Investment income

- Income from held to maturity / available for sale investments is recognised using effective interest method. The difference between the redemption value and the purchase price of the held to maturity investments is amortised over the term of the investment and is taken to the profit and loss account and revenue account, for investments relating to shareholders fund and statutory funds respectively.
- Revaluation gain on investments held for available-for-sale in the investment linked fund is recognised as income in the revenue account.
- Dividend income on investments is recognised when the Company's right to receive the payment is established.
- Gain or loss on sale of investments is included in profit and loss account and revenue account, for investments relating to shareholders fund and statutory funds respectively.
- Return on bank deposits, loans to employees and loans to policyholders are recognised on a time proportionate basis taking into account the effective yield.
- Revaluation gain / loss on investment held 'at fair value through profit and loss' in statutory fund is recognised as income / expense in the profit and loss account and revenue account, for measurements relating to shareholder fund and statutory funds respectively.

4.12. Earnings per share

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

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

4.13. Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components.

All operating segments' results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The chief operating decision maker has been identified as the Deputy Chief Executive Officer.

The Company presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 and the Takaful Rules, 2012. The Company has 8 Operating segments for reporting purposes namely; a) Individual Life participating business, b) Individual Life non-participating business, c) Accidental & health d) Group Life, e) Group health, f) Individual family takaful, g) Group family takaful and h) Accident & health family takaful. The details of operating segments are defined in note 4.1 to these financial statements.

- The Life (participating) segment provides life insurance coverage to individuals under individual life policies that are entitled to share in the surplus earnings of the statutory fund to which they are referable.
- The Life (non-participating) segment provides life insurance coverage to individuals under individual life policies that are not entitled to share in the surplus earnings of the statutory fund to which they are referable.
- The Life (non-participating) Group segment provides life insurance coverage to employer-employee (and similar) groups of employees / members under a single life policy issued to the employer. The Group policy is not entitled to share in the surplus earnings of the statutory fund to which it is referable.
- The Investment Linked business segment provides life insurance coverage to individuals, whereby the benefits are expressed in terms of units, the value of which is related to the market value of specified assets.
- The Accident and Health - Individual segment provides fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both in case of accident or sickness to individuals.
- The Accident and Health - Group segment provides fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both in case of accident or sickness to employer-employee (and similar) groups of employees / members under a single policy issued to the employer.
- The Pension Fund segment provides coverage for the purposes of a pension or a retirement scheme with or without the payments being guaranteed for a minimum period.

Family Takaful

- The individual family takaful business segment provides family takaful coverage to individuals under unit-linked policies issued by the Company.
- The Group Family Takaful business segments provides family takaful coverage to members of business enterprises, corporate entities and common interest groups under group family takaful scheme operated by the Company.
- The Group Health Takaful provides fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both in case of accident or sickness to employer-employee (and similar) groups of employees / members under a single policy issued to the employer.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

Actuarial valuation of life insurance business is required to be carried out annually at the balance sheet date. Policyholders' liabilities included in the statutory funds are based on the actuarial valuation carried out by the Appointed Actuary as at December 31, 2016.

The Company reviews the basis of estimation used in respect of allocation of assets, liabilities, income and expenses not referable to specific fund with the consultation of Company's appointed actuary.

4.14. Foreign currency transactions and translations

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains or losses are included in income currently.

4.15. Statutory funds

The Company maintains statutory funds in respect of each class of life insurance business. Assets, liabilities, revenues, and expenses of the Company are usually referable to respective statutory funds, however, where these are not referable to statutory funds, these are allocated to shareholders' fund.

Apportionment of assets, liabilities, revenues and expenses, wherever required, between funds are made on a fair and equitable basis in accordance with the written advice of the appointed actuary.

4.16. Financial instruments

Financial instruments carried on the balance sheet include cash and bank deposits, loans secured against other assets, investment in government securities and listed mutual funds, premiums due but unpaid, amount due from / to agents, sundry receivables, accrued interest, accrued expenses, other creditors and accruals, and dividend payable.

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. These financial assets and liabilities are subsequently measured at fair market value or amortised cost as the case may be. Any gain or loss on derecognition of financial assets and financial liabilities is taken to profit and loss account or revenue account, as appropriate.

4.17. Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amount and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.18. Share capital

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4.19. Dividend and appropriation of reserve

Dividend and appropriation to reserve except appropriations required by the law or determined by the appointed actuary or allowed by the Insurance Ordinance 2000, are recognised in the year in which these are approved.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

5. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2016 (Number of shares in '000)			2016 (Rupees in '000)		2015	
50,000	50,000	Ordinary Shares of Rs. 10 each fully paid in cash	500,000		500,000	
5,000	–	Interim Bonus @ 10% issued in June 2016	50,000		–	
5,500	–	Interim Bonus @ 10% issued in October 2016	55,000		–	
60,500	50,000		605,000		500,000	

IGI Insurance Limited held 49,593,895 (December 31, 2015 : 40,986,690) shares representing 81.97% (December 31, 2015 : 81.97%) of the Company's shares as at December 31, 2016.

- 5.1. Bonus shares issued during the year includes 8,607,205 shares issued to IGI Insurance Limited (Holding Company) and 26,355 shares issued to the Key Management Personnel respectively.

6. ANALYSIS OF ACCUMULATED SURPLUS AS SHOWN IN THE BALANCE SHEET

	2016 (Rupees in '000)	2015
Accumulated surplus in the statement of changes in equity ignoring effect of capital transfers at beginning of the year	873,553	796,954
Add: Surplus in profit and loss account for the year	94,890	76,599
Accumulated surplus in statement of changes in equity ignoring effect of capital transfers at end of the year	968,443	873,553
Less: Final Dividend for the year ended December 31, 2015 – Re. 1 per share	(50,000)	–
Issuance of bonus shares – 10%	(50,000)	–
Issuance of bonus shares – 10%	(55,000)	–
Accumulated net capital transfers to statutory funds (note 7)	(559,652)	(483,652)
Accumulated surplus	253,791	389,901

- 6.1. In order to achieve compliance with the requirements of the Insurance Ordinance, 2000 relating to i) solvency; and ii) return of capital from statutory funds to shareholders' fund, the Company as at December 31, 2016 has retained an amount of Rs. 669.369 million (December 31, 2015: Rs. 516.473 million) in the statutory funds. This has resulted in the shareholders' equity being lower by this amount.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

7. MOVEMENT IN EQUITY OF STATUTORY FUNDS

	CONVENTIONAL-STATUTORY FUNDS						TAKAFUL-STATUTORY FUNDS			AGGREGATE		
	Life (Participating)	Life (Non-participating)		Investment Linked	Accident & Health		Pension Business Fund	Individual Family	Group Family	Group Health	2016	2015
	Individual	Group		Individual	Group							
(Rupees in '000)												
Policyholders' liabilities												
Balance at the beginning of the year	1,140,823	4,623,900	69,789	4,878,865	16,027	176,391	99,599	22,772	278	1,651	11,030,095	9,594,542
Increase/(decrease) during the year	226,585	1,077,185	7,531	3,816,530	(6,690)	36,356	(43,721)	216,236	295	1,463	5,331,770	1,435,553
Balance at end of the year	1,367,408	5,701,085	77,320	8,695,395	9,337	212,747	55,878	239,008	573	3,114	16,361,865	11,030,095
Retained earnings on participating business attributable to participating policyholders – Ledger Account A												
Balance at the beginning of the year	431,231	-	-	-	-	-	-	-	-	-	431,231	363,503
Surplus allocated during the year (note 7.1)	427,593	-	-	-	-	-	-	-	-	-	427,593	166,708
Surplus Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
10% surplus transfer to Ledger Account B	(42,759)	-	-	-	-	-	-	-	-	-	(42,759)	-
Bonus allocated during the year	(291,890)	-	-	-	-	-	-	-	-	-	(291,890)	(98,980)
Closing balance at end of the year	524,175	-	-	-	-	-	-	-	-	-	524,175	431,231
Retained earnings on participating business attributable to shareholders but not distributable – Ledger Account B												
Balance at the beginning of the year	43,056	-	-	-	-	-	-	-	-	-	43,056	43,056
Surplus adjustment	-	-	-	-	-	-	-	-	-	-	-	-
10% surplus transfer from Ledger Account A	42,759	-	-	-	-	-	-	-	-	-	42,759	-
Transfer to Ledger Account C	(32,432)	-	-	-	-	-	-	-	-	-	(32,432)	-
Closing balance at end of the year	53,383	-	-	-	-	-	-	-	-	-	53,383	43,056
Retained earnings participating business distributable to shareholders – Ledger Account C												
Balance at the beginning of the year	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from Ledger Account B	32,432	-	-	-	-	-	-	-	-	-	32,432	-
Surplus appropriated to shareholders' Fund	(32,432)	-	-	-	-	-	-	-	-	-	(32,432)	-
Closing balance at end of the year	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings on other than participating business – Ledger Account D												
Balance at the beginning of the year	-	(70,899)	53,927	19,391	10,262	44,653	(2,505)	(21,317)	(86)	(605)	32,821	(16,700)
(Deficit) / surplus allocated during the year	-	127,435	44,228	(132,861)	(3,373)	68,964	561	(18,587)	82	447	86,896	67,521
Surplus appropriated to shareholders' Fund	-	-	(10,000)	-	-	-	-	-	-	-	(10,000)	(18,000)
Closing balance at end of the year	-	56,536	88,155	(113,470)	6,889	113,617	(1,944)	(39,904)	(4)	(158)	109,717	32,821
Capital contributed by shareholders' Fund												
Balance at the beginning of the year	-	257,552	-	117,100	-	79,300	6,000	22,500	200	1,000	483,652	471,452
Capital contributed during the year	-	-	-	125,000	-	-	-	24,000	1,000	1,000	151,000	23,200
Cede money – Waqf	-	-	-	-	-	-	-	-	-	-	-	500
Qard-e-Hasna from Operators' Sub Fund to PTF	-	-	-	-	-	-	-	-	(100)	(600)	(700)	-
Qard-e-Hasna received from Operators' Sub Fund to PTF	-	-	-	-	-	-	-	-	100	600	700	-
Capital withdrawn during the year	-	(60,000)	-	-	-	(15,000)	-	-	-	-	(75,000)	(11,500)
	-	(60,000)	-	125,000	-	(15,000)	-	24,000	1,000	1,000	76,000	12,200
Balance at end of the year	-	197,552	-	242,100	-	64,300	6,000	46,500	1,200	2,000	559,652	483,652
Balance of statutory fund at year end	1,944,966	5,955,173	165,475	8,824,025	16,226	390,664	59,934	245,604	1,769	4,956	17,608,792	12,020,855

7.1. This represents surplus earned in life (participating) statutory fund before allocation of bonus. Amount of surplus appearing in the revenue account is net off bonus allocated during the year.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

8. POLICYHOLDERS' LIABILITIES

As per actuary's advice, the policyholders' liabilities as at December 31, 2016 are as follows:

	CONVENTIONAL-STATUTORY FUNDS						TAKAFUL-STATUTORY FUNDS				AGGREGATE	
	Life (Participating)	Life (Non-participating) Individual	Group	Investment Linked	Accident & Health Individual	Group	Pension Business Fund	Individual Family	Group Family	Group Health	2016	2015
	(Rupees in '000)											
Gross of reinsurance												
Actuarial liability relating to future events	1,364,137	5,700,448	59,919	8,688,825	9,581	149,307	55,878	237,943	467	2,188	16,268,693	10,942,898
Provision for outstanding reported claims payable over a period exceeding twelve months	3,681	10,694	7,072	–	2,409	623	–	–	–	–	24,479	19,025
Provision for incurred but not reported claims	3,291	3,463	34,191	7,274	835	63,072	–	1,104	107	926	114,263	120,558
Total	1,371,109	5,714,605	101,182	8,696,099	12,825	213,002	55,878	239,047	574	3,114	16,407,435	11,082,481
Net of reinsurance												
Actuarial liability relating to future events	1,360,940	5,687,667	36,057	8,688,121	6,119	149,052	55,878	237,904	467	2,188	16,224,393	10,901,778
Provision for outstanding reported claims payable over a period exceeding twelve months	3,681	10,694	7,072	–	2,409	623	–	–	–	–	24,479	19,025
Provision for incurred but not reported claims	2,787	2,724	34,191	7,274	809	63,072	–	1,104	106	926	112,993	109,292
Total	1,367,408	5,701,085	77,320	8,695,395	9,337	212,747	55,878	239,008	573	3,114	16,361,865	11,030,095

9. Defined benefit plan - approved gratuity fund

9.1. Salient features

The Company offers an approved gratuity fund for all employees. Annual contributions are made to the fund on the basis of actuarial recommendations. The gratuity scheme is governed under the Trust Act, 1882, Trust Deed and Rules of the Fund, Companies Ordinance, 1984, the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002.

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

Final salary risks

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset volatility

Most assets are invested in risk free investments. However, investments in shares, are subject to adverse fluctuation as a result of change in market price.

Discount rate fluctuation

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plan's bond holdings.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

Investment risks

The risk of the investment underperforming and not being sufficient to meet the liabilities. The risk is mitigated by closely monitoring the performance of investment.

Mortality risks

The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit.

Withdrawal risks

The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit.

9.2. Valuation results

The Company operates an approved funded gratuity scheme for all eligible employees. Actuarial valuation is carried out every year and the latest valuation was carried out as at December 31, 2016. The information provided in notes 9.3 to 9.14 has been obtained from the actuarial valuation carried out as at December 31, 2016. The following significant assumptions have been used for valuation of this scheme:

	2016 (Rupees in '000)	2015
a) Expected rate of increase in salary level	9.0%	9.0%
b) Discount rate	9.0%	9.0%
c) Expected return on plan assets	9.0%	9.0%
d) Normal retirement age	65 years	65 years
e) Assumptions regarding future mortality experience are based on actuarial recommendations and published statistics.		

9.3. Amounts recognised in the balance sheet:

	Note	2016 (Rupees in '000)	2015
Present value of defined benefit obligation	9.5	62,674	78,182
Less: Fair value of plan assets	9.5	(39,455)	(83,725)
		<u>23,219</u>	<u>(5,543)</u>

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

9.4. Movement in liability / (asset) during the year

	2016 (Rupees in '000)	2015
Obligation at the beginning of the year	(5,543)	7,738
Charge to revenue account	38,151	(3,272)
Contribution to the fund during the year	(9,389)	(10,009)
Obligation at the end of the year	23,219	(5,543)

9.5. Movement in defined benefit obligation

	Present value of obligation	2016 Fair value of plan assets	Total
	----- (Rupees in '000) -----		
As at January 1	78,182	(83,725)	(5,543)
Current service cost	9,525	-	9,525
Past service cost	1,028	-	1,028
Interest expense / (income)	7,037	(7,535)	(498)
	95,772	(91,260)	4,512
Remeasurements:			
– Loss from change in demographic assumptions	57,419	-	57,419
– Gain from change in financial assumptions	(3,324)	1,346	(1,978)
– Gain from change in experience adjustments	(27,345)	-	(27,345)
	26,750	1,346	28,096
Contributions during the year	-	(9,389)	(9,389)
Benefit payments	(59,848)	59,848	-
As at December 31	62,674	(39,455)	23,219
	Present value of obligation	2015 Fair value of plan assets	Total
	----- (Rupees in '000) -----		
As at January 1	87,269	(79,531)	7,738
Current service cost	7,008	-	7,008
Prior service cost	579	-	579
Interest expense / (income)	9,163	(8,351)	812
	104,019	(87,882)	16,137
Remeasurements:			
– Gain from change in demographic assumptions	(5,269)	-	(5,269)
– Gain from change in financial assumptions	(2,996)	(1,509)	(4,505)
– Gain from change in experience adjustments	(1,897)	-	(1,897)
	(10,162)	(1,509)	(11,671)
Contributions during the year	-	(10,009)	(10,009)
Benefit payments	(15,675)	15,675	-
As at December 31	78,182	(83,725)	(5,543)

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

9.6. Amounts recognised in the revenue account:

	2016 (Rupees in '000)	2015
Current service cost	14,455	(4,663)
Past service cost	24,194	579
Interest cost	(498)	812
Expense for the year	<u>38,151</u>	<u>(3,272)</u>

9.7. Actual return on plan assets

Expected return on assets	7,535	8,351
Actuarial loss	(1,346)	1,509
	<u>6,189</u>	<u>9,860</u>

9.8. Analysis of present value of defined benefit obligation

Split by vested / non-vested		
(i) Vested benefits	52,463	75,000
(ii) Non-vested benefits	10,211	3,182
	<u>62,674</u>	<u>78,182</u>

9.9. Sensitivity analysis

Particulars	----- As at December 31, 2016 -----			----- As at December 31, 2015 -----		
	Change in assumption	Increase / (decrease) in present value of defined benefit obligation		Change in assumption	Increase / (decrease) in present value of defined benefit obligation	
		%	Rupees in '000		%	Rupees in '000
Discount rate	+1%	-4.63%	(2,903)	+1%	-1.29%	(1,005)
	-1%	5.91%	3,706	-1%	1.60%	1,249
Salary increase rate	+1%	5.61%	3,516	+1%	1.50%	1,176
	-1%	-4.51%	(2,825)	-1%	-1.24%	(969)
Life expectancy / withdrawal rate	+0.5%	-1.92%	(1,202)	+0.5%	-0.03%	(22)
	-1.5%	1.92%	1,202	-1.5%	0.03%	20

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

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

9.10. Plan assets comprise of the following:

	2016		2015	
	(Rupees '000)	Percentage composition	(Rupees '000)	Percentage composition
Cash and bank deposits	7,373	18.69%	15,021	17.94%
Government Securities	32,082	81.31%	68,704	82.06%
Fair value of plan assets	39,455	100.00%	83,725	100.00%

9.11. As per the actuarial recommendations, the expected return on plan assets was taken as 9% (2015:9%), which is representative of yields on long-term Government bonds.

9.12. Based on actuarial advice, the Company intends to charge an amount of Rs 12.387 million in the financial statements for the year ending December 31, 2017.

9.13. Expected maturity analysis of undiscounted defined benefit obligation for the gratuity scheme is as follows:

At December 31, 2016	Less than a year	Between 1-2 Years	Between 2-5 years	Over 5 years	Total
	----- (Rupees in '000) -----				
Gratuity	875	926	3,171	362,533	367,505

9.14. 5 year data on the deficit / (surplus) of the plan is as follows:

	2016	2015	2014	2013	2012
	----- (Rupees in '000) -----				
Present value of defined benefit obligation	62,674	78,182	87,268	99,916	83,297
Fair value of plan assets	(39,455)	(83,725)	(79,530)	(98,649)	(51,469)
Deficit / (surplus)	23,219	(5,543)	7,738	1,267	31,828

10. OTHER CREDITORS AND ACCRUALS

SHARE HOLDERS' FUND	CONVENTIONAL-STATUTORY FUNDS						TAKAFUL-STATUTORY FUNDS				AGGREGATE	
	Life (Participating)	Life (Non-participating)		Investment Linked	Accident & Health		Pension Business Fund	Individual Family	Group Family	Group Health	2016	2015
		Individual	Group		Individual	Group						
	----- (Rupees in '000) -----											
Withholding tax payable	11,627	-	-	-	-	-	-	-	-	-	11,627	6,783
Payable to workers' welfare fund	14,578	-	-	-	-	-	-	-	-	-	14,578	12,759
Compensated absences	305	36	1,249	622	2,116	119	1,384	-	-	-	5,831	6,359
Others	64,458	40	246	48	390	9	9,311	2	81	-	1,671	76,256
	90,968	76	1,495	670	2,506	128	10,695	2	81	-	1,671	169,768

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

11. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The Company has entered into lease agreements with Bank Al-Habib for lease of motor vehicles. The liabilities under these agreements are payable by the year 2016 – 2021 and are subject to finance charge at rates ranging from 6.24% – 6.35% p.a. (December 31, 2015: Nil).

The Company intends to exercise its option to purchase these assets upon the termination of the lease term. The cost of operating and maintaining the leased assets is borne by the Company.

The amount of future payments for the finance lease and the period in which these payments will become due are as follows:

	2016 (Rupees in '000)	2015
Present value of minimum lease payments	6,343	–
Less: Current portion	1,283	–
	<u>5,060</u>	<u>–</u>

	2016		2015	
	Minimum Lease Payments	Present value of Minimum Lease Payments	Minimum Lease Payments	Present value of Minimum Lease Payments
	(Rupees in '000)			
Within one year	1,607	1,283	–	–
After one year but not later than five years	5,777	5,060	–	–
	<u>7,384</u>	<u>6,343</u>	<u>–</u>	<u>–</u>
Less: Finance cost allocated to future periods	1,041	–	–	–
Present value of minimum lease payments	<u>6,343</u>	<u>6,343</u>	<u>–</u>	<u>–</u>

12. CONTINGENCIES AND COMMITMENTS

12.1. Commitments in respect of capital expenditure

	2016 (Rupees in '000)	2015
Not later than one year	<u>2,105</u>	<u>3,650</u>

12.2. While finalising the tax assessment for the accounting years ended December 31, 2012 (Tax Year 2013) and December 31, 2011 (Tax Year 2012) the taxation officer raised additional tax demand of Rs. 1.029 million and Rs. 6.910 million respectively on the Company on non-deduction of withholding tax under section 151(d) of the Income Tax Ordinance, 2001 on the amount of surrenders paid during the respective years.

The Company filed appeal before Commissioner Inland Revenue Appeals (CIRA) in respect of said tax years which were decided in favour of the Company. The Commissioner Inland Revenue has now filed an appeal before Appellate Tribunal (ATIR) challenging the order passed by CIRA. The management of the Company is of the view that the matter would be settled in its favour and hence no provision is required.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

13. INVESTMENTS

13.1. Government securities

SHARE HOLDERS' FUND	CONVENTIONAL-STATUTORY FUNDS						TAKAFUL-STATUTORY FUNDS				AGGREGATE		
	Life (Participating)	Life (Non-participating)		Investment Linked	Accident & Health		Pension Business Fund	Individual Family	Group Family	Group Health	2016	2015	
		Individual	Group		Individual	Group							
(Rupees in '000)													
Available for sale – lower of cost or market value													
Pakistan Investment Bonds (note 13.1.1)	521,908	1,839,005	5,401,735	165,595	100,023	18,321	179,936	43,636	-	-	-	8,270,159	6,463,785
Treasury bills	-	-	-	-	-	-	-	-	-	-	-	-	29,581
	521,908	1,839,005	5,401,735	165,595	100,023	18,321	179,936	43,636	-	-	-	8,270,159	6,493,366
Available for sale – at fair value													
Pakistan Investment Bonds (note 13.1.1)	-	-	-	-	6,097,401	-	-	-	-	-	-	6,097,401	3,028,160
Treasury bills	-	-	-	-	-	-	-	-	-	-	-	-	50,367
	-	-	-	-	6,097,401	-	-	-	-	-	-	6,097,401	3,078,527
	521,908	1,839,005	5,401,735	165,595	6,197,424	18,321	179,936	43,636	-	-	-	14,367,560	9,571,893

13.1.1. Particulars of Government Securities

	Tenure	Maturity Year	Rate of Return (%) per annum	Profit Payment	2016 (Rupees in '000)	2015 (Rupees in '000)
Available for sale – lower of cost or market value						
Pakistan Investment Bonds	15 years	2021	10.00	Half yearly	263,887	734,778
Pakistan Investment Bonds	10 years	2019	12.00	Half yearly	333,187	331,218
Pakistan Investment Bonds	10 years	2020	12.00	Half yearly	524,645	519,526
Pakistan Investment Bonds	5 years	2020	9.25	Half yearly	1,250,728	895,716
Pakistan Investment Bonds	15 years	2019	9.00	Half yearly	43,638	42,919
Pakistan Investment Bonds	5 years	2019	11.50	Half yearly	421,992	429,378
Pakistan Investment Bonds	10 years	2024	12.00	Half yearly	43,636	2,936,092
Pakistan Investment Bonds	5 years	2021	7.75	Half yearly	204,274	-
Pakistan Investment Bonds	5 years	2018	11.50	Half yearly	216,150	-
Pakistan Investment Bonds	10 years	2021	12.00	Half yearly	-	497,605
Pakistan Investment Bonds	3 years	2019	7.00	Half yearly	4,561,721	-
Pakistan Investment Bonds	15 years	2023	12.50	Half yearly	-	33,829
Pakistan Investment Bonds	20 years	2031	13.00	Half yearly	-	42,724
Pakistan Investment Bonds	3 years	2019	6.25	Half yearly	406,301	-
Treasury Bills	6 months	2016	6.37	On maturity	-	29,581
					8,270,159	6,493,366

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

	Tenure	Maturity Year	Rate of Return (%) per annum	Profit Payment	2016 (Rupees in '000)	2015
Available for sale –at fair value						
Pakistan Investment Bonds	10 year	2019	12.00	Half yearly	141,287	142,194
Pakistan Investment Bonds	10 year	2020	12.00	Half yearly	1,012,522	1,002,641
Pakistan Investment Bonds	5 year	2018	11.50	Half yearly	1,184,477	1,212,432
Pakistan Investment Bonds	5 year	2020	9.25	Half yearly	1,723,328	470,843
Pakistan Investment Bonds	3 year	2019	7.00	Half yearly	1,339,965	–
Pakistan Investment Bonds	5 year	2019	11.50	Half yearly	222,889	–
Pakistan Investment Bonds	3 year	2016	11.25	Half yearly	–	61,544
Pakistan Investment Bonds	10 year	2024	12.00	Half yearly	–	138,506
Pakistan Investment Bonds	5 year	2021	7.75	Half yearly	472,933	–
Treasury Bills	6 months	2016	6.37	On maturity	–	50,367
					6,097,401	3,078,527
					14,367,560	9,571,893

13.1.2. 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 instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as on December 31, 2016 would have been higher by Rs. 272.783 million (2015: Rs. 851.797 million).

13.1.3. The Company has deposited 15 years Pakistan Investment Bond amounting to Rs. 60.5 million (2015: Rs. 50 million) with State Bank of Pakistan under section 29 of Insurance Ordinance, 2000.

13.2. Listed Mutual Funds

SHARE HOLDERS' FUND	CONVENTIONAL-STATUTORY FUNDS						TAKAFUL-STATUTORY FUNDS				AGGREGATE	
	Life (Participating)	Life (Non-participating)		Investment Linked	Accident & Health		Pension Business Fund	Individual Family	Group Family	Group Health	2016	2015
		Individual	Group		Individual	Group						
(Rupees in '000)												
Available for sale—at fair value Listed Mutual Funds (Note 13.2.1)	–	–	–	1,873,414	–	–	–	189,209	–	–	2,062,623	1,569,109
Available for sale—lower of cost or market value Listed Mutual Funds (Note 13.2.1)	61,988	–	60,256	294,988	4,396	104,576	–	–	–	–	526,204	233,754
Fair value through profit and loss Listed Mutual Funds (Note 13.2.1)	–	–	–	–	–	–	–	–	–	–	–	719,254
	61,988	–	60,256	2,168,402	4,396	104,576	–	189,209	–	–	2,588,827	2,522,117

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

13.2.1. Particulars of Listed Mutual Funds

SHARE HOLDERS' FUND	CONVENTIONAL-STATUTORY FUNDS						TAKAFUL-STATUTORY FUNDS			AGGREGATE		
	Life (Participating)	Life (Non-participating)		Investment Linked	Accident & Health		Pension Business Fund	Individual Family	Group Family	Group Health	2016	2015
	Individual	Group		Individual	Group							
(Rupees in '000)												
Available for sale -at fair value												
ABL Cash Fund	-	-	-	41,856	-	-	-	-	-	-	41,856	-
ABL Islamic Stock Fund	-	-	-	-	-	-	-	-	-	-	-	-
ABL Government Securities Fund	-	-	-	14,001	-	-	-	-	-	-	14,001	23,930
ABL Income Fund	-	-	-	61,453	-	-	-	-	-	-	61,453	173,079
ABL Stock Fund	-	-	-	131,674	-	-	-	-	-	-	131,674	72,581
Al Ameen Islamic Aggressive Income Fund	-	-	-	45,870	-	-	-	20,605	-	-	66,475	42,248
Al Ameen Islamic Cash Fund	-	-	-	16,554	-	-	-	25,608	-	-	42,162	29,091
Al Ameen Islamic Sovereign Fund	-	-	-	18,455	-	-	-	15,435	-	-	33,890	7,641
Al Ameen Islamic Shariah Stock Fund	-	-	-	-	-	-	-	20,470	-	-	20,470	5,992
Alfalah GHP Cash Fund	-	-	-	-	-	-	-	-	-	-	-	-
Class B-Growth Units	-	-	-	974	-	-	-	-	-	-	974	-
Alfalah GHP Income Fund	-	-	-	46,392	-	-	-	-	-	-	46,392	-
Alfalah GHP Income Multiplier Fund Class B	-	-	-	67,999	-	-	-	-	-	-	67,999	-
Alfalah GHP Islamic Stock Fund	-	-	-	-	-	-	-	20,275	-	-	20,275	-
Alfalah GHP Stock Fund	-	-	-	118,745	-	-	-	-	-	-	118,745	73,153
Alfalah GHP Alpha Fund	-	-	-	52,857	-	-	-	-	-	-	52,857	-
Alfalah GHP Money Market Fund	-	-	-	-	-	-	-	-	-	-	-	-
Atlas Islamic Stock Fund	-	-	-	-	-	-	-	10,152	-	-	10,152	-
Atlas Stock Market Fund	-	-	-	30,350	-	-	-	-	-	-	30,350	-
Faysal Income & Growth Fund	-	-	-	89,538	-	-	-	-	-	-	89,538	-
Faysal Islamic Savings Growth Fund	-	-	-	42,815	-	-	-	-	-	-	42,815	16,885
Faysal Money Market Fund	-	-	-	-	-	-	-	-	-	-	-	99,590
Faysal Savings Growth Fund	-	-	-	-	-	-	-	-	-	-	-	30,997
HBL Islamic Money Market Fund	-	-	-	-	-	-	-	-	-	-	-	23,904
HBL Money Market Fund	-	-	-	95,286	-	-	-	-	-	-	95,286	-
HBL Income Fund	-	-	-	-	-	-	-	-	-	-	-	-
MCB Arif Habib Savings Fund	-	-	-	2,901	-	-	-	-	-	-	2,901	-
MCB Pakistan Income Fund	-	-	-	-	-	-	-	-	-	-	-	5,055
MCB Cash Management Optimizer	-	-	-	-	-	-	-	-	-	-	-	77,668
MCB DCF Income Fund	-	-	-	-	-	-	-	-	-	-	-	55,522
MCB Pakistan Sovereign Fund	-	-	-	20,222	-	-	-	-	-	-	20,222	117,415
MCB Pakistan Stock Market Fund	-	-	-	130,452	-	-	-	-	-	-	130,452	79,831
Meezan Islamic Fund	-	-	-	16,704	-	-	-	23,703	-	-	40,407	-
Meezan Cash Fund	-	-	-	16,526	-	-	-	-	-	-	16,526	30,381
NAFA Islamic Aggressive Income Fund	-	-	-	45,978	-	-	-	24,827	-	-	70,805	42,305
NAFA Islamic Stock Fund	-	-	-	-	-	-	-	27,438	-	-	27,438	-
NAFA Riba-Free Savings Fund	-	-	-	-	-	-	-	696	-	-	696	-
NAFA Income Opportunity Fund	-	-	-	136,812	-	-	-	-	-	-	136,812	55,628
NAFA Money Market Fund	-	-	-	53,742	-	-	-	-	-	-	53,742	-
NAFA Stock Fund	-	-	-	183,810	-	-	-	-	-	-	183,810	72,811
UBL Money Market Fund	-	-	-	19,311	-	-	-	-	-	-	19,311	161,695
UBL Government Securities Fund	-	-	-	94,367	-	-	-	-	-	-	94,367	155,013
UBL Income Opportunity Fund	-	-	-	-	-	-	-	-	-	-	-	-
UBL Liquidity Plus Fund	-	-	-	85,649	-	-	-	-	-	-	85,649	-
United Growth & Income Fund	-	-	-	101,359	-	-	-	-	-	-	101,359	1,968
United Stock Advantage Fund	-	-	-	90,762	-	-	-	-	-	-	90,762	114,726
	-	-	-	1,873,414	-	-	-	189,209	-	-	2,062,623	1,569,109

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SHARE HOLDERS' FUND	CONVENTIONAL-STATUTORY FUNDS							TAKAFUL-STATUTORY FUNDS			AGGREGATE	
	Life (Participating)	Life (Non-participating)		Investment Linked	Accident & Health		Pension Business Fund	Individual Family	Group Family	Group Health	2016	2015
		Individual	Group		Individual	Group						
(Rupees in '000)												
Available for sale – at lower of cost or market value												
ABL Stock Fund	-	-	6,092	33,051	857	27,000	-	-	-	-	67,000	44,023
Al Ameen Islamic Principal Preservation Fund – IV	-	-	-	-	-	-	-	-	-	-	-	27,517
Al- Ameen Shariah Stock Fund	-	-	10,000	-	-	15,000	-	-	-	-	25,000	-
Alfalalah GHP Alpha Fund	-	-	-	12,395	-	-	-	-	-	-	12,395	-
Alfalalah GHP Capital Preservation Fund	-	-	-	-	-	-	-	-	-	-	-	18,158
Alfalalah GHP Cash Fund	-	-	2,284	40,000	322	-	-	-	-	-	42,606	-
Alfalalah GHP Stock Fund	-	-	3,693	20,037	-	-	-	-	-	-	23,730	30,055
Atlas Stock Fund	-	-	10,000	-	520	15,000	-	-	-	-	25,520	-
HBL Money market fund	-	-	-	60,487	-	-	-	-	-	-	60,487	-
MCB Pakistan Stock Market Fund	-	-	6,092	23,890	827	25,576	-	-	-	-	56,385	45,032
Meezan Financial Planning Fund of Funds –MCPPI	-	-	-	-	-	-	-	-	-	-	-	26,008
Meezan Islamic Fund	44,988	-	15,098	34,169	886	12,000	-	-	-	-	107,141	18,361
NAFA Stock Fund	17,000	-	6,092	66,051	857	10,000	-	-	-	-	100,000	24,600
United Stock Advantage Fund	-	-	905	4,908	127	-	-	-	-	-	5,940	-
	61,988	-	60,256	294,988	4,396	104,576	-	-	-	-	526,204	233,754
Fair value through profit and loss – at fair value												
Al Ameen Islamic Principal Preservation Fund – IV	-	-	-	-	-	-	-	-	-	-	-	133,891
ABL Stock Fund	-	-	-	-	-	-	-	-	-	-	-	103,883
Alfalalah GHP Capital Preservation Fund	-	-	-	-	-	-	-	-	-	-	-	92,273
Alfalalah GHP Stock Fund	-	-	-	-	-	-	-	-	-	-	-	46,444
MCB Pakistan Stock Market Fund	-	-	-	-	-	-	-	-	-	-	-	108,017
Meezan Financial Planning Fund of Funds – MCPPI	-	-	-	-	-	-	-	-	-	-	-	134,733
Meezan Islamic Fund	-	-	-	-	-	-	-	-	-	-	-	84,158
NAFA Stock Fund	-	-	-	-	-	-	-	-	-	-	-	15,855
	-	-	-	-	-	-	-	-	-	-	-	719,254

- 13.2.2.** The aggregate market value of the units of open-end mutual funds carried at cost as at December 31, 2016 was Rs. 608.413 million (2015: Rs. 233.612 million).
- 13.2.3.** Had the Company adopted International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" the investments of the Company would have been higher by Rs.82.21 million (2015: Rs. 0.14 million).
- 13.2.4.** The aggregate cost of the above units of open-end mutual funds in investment linked fund as at December 31, 2016 was Rs. 1,789.605 million (2015: Rs. 1,539.928 million).

14. SUNDRY RECEIVABLES

SHARE HOLDERS' FUND	CONVENTIONAL-STATUTORY FUNDS							TAKAFUL-STATUTORY FUNDS			AGGREGATE	
	Life (Participating)	Life (Non-participating)		Investment Linked	Accident & Health		Pension Business Fund	Individual Family	Group Family	Group Health	2016	2015
		Individual	Group		Individual	Group						
(Rupees in '000)												
Advances to employees against expenses	-	-	-	-	-	-	-	-	-	-	-	-
-executives	-	37	155	2	236	-	6	2	-	-	438	302
-others	-	66	275	4	420	-	10	3	-	-	778	922
	-	103	430	6	656	-	16	5	-	-	1,216	1,224
Deposits	-	439	1,833	25	2,796	3	68	18	-	-	5,182	6,884
Receivable against claim administration services	-	-	-	-	-	-	55,871	-	-	73	55,944	39,003
Others	1,246	1,193	6,181	749	9,660	139	1,702	47	-	-	20,917	12,323
	1,246	1,735	8,444	780	13,112	142	57,657	70	-	-	83,259	59,434

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

15. FIXED ASSETS

	Notes	2016 (Rupees in '000)	2015
Tangible assets	15.1	75,545	64,559
Intangible assets	15.2	904	1,062
Capital work in progress		7,836	7,938
		<u>84,285</u>	<u>73,559</u>

15.1. Tangible assets

	Computers			Motor Vehicles			Furniture & Fixtures	Office Equipment	Total	
	Leasehold Improvements	AS 400	Personal Computers	Sub total	Owned	Leased				Sub total
(Rupees in '000)										
As at January 01, 2015										
Cost	34,023	23,769	21,693	45,462	37,597	-	37,597	26,438	15,012	158,532
Accumulated depreciation	(24,533)	(22,320)	(19,394)	(41,714)	(24,149)	-	(24,149)	(19,542)	(8,786)	(118,724)
Net book value	9,490	1,449	2,299	3,748	13,448	-	13,448	6,896	6,226	39,808
Year ended December 31, 2015										
Opening net book value	9,490	1,449	2,299	3,748	13,448	-	13,448	6,896	6,226	39,808
Additions	4,785	6,628	3,785	10,413	24,852	-	24,852	287	5,055	45,392
Disposals										
- Cost	-	-	129	129	4,246	-	4,246	38	143	4,556
- Accumulated depreciation	-	-	(129)	(129)	(3,765)	-	(3,765)	(36)	(59)	(3,989)
Depreciation charge	(2,471)	(844)	(2,099)	(2,943)	(11,241)	-	(11,241)	(1,988)	(1,431)	(20,074)
Closing net book value	11,804	7,233	3,985	11,218	26,578	-	26,578	5,193	9,766	64,559
As at December 31, 2015										
Cost	38,808	30,397	25,349	55,746	58,203	-	58,203	26,687	19,924	199,368
Accumulated depreciation	(27,004)	(23,164)	(21,364)	(44,528)	(31,625)	-	(31,625)	(21,494)	(10,158)	(134,809)
Net book value	11,804	7,233	3,985	11,218	26,578	-	26,578	5,193	9,766	64,559
Year ended December 31, 2016										
Opening net book value	11,804	7,233	3,985	11,218	26,578	-	26,578	5,193	9,766	64,559
Additions	3,611	-	4,687	4,687	6,174	9,427	15,601	10,069	3,960	37,928
Disposals										
- Cost	66	-	110	110	6,246	-	6,246	310	-	6,732
- Accumulated depreciation	(66)	-	(10)	(10)	(6,246)	-	(6,246)	(284)	-	(6,606)
Depreciation charge	(2,861)	(1,447)	(3,234)	(4,681)	(14,282)	(1,018)	(15,300)	(2,203)	(1,771)	(26,816)
Closing net book value	12,554	5,786	5,338	11,124	18,470	8,409	26,879	13,033	11,955	75,545
As at December 31, 2016										
Cost	42,353	30,397	29,926	60,323	58,131	9,427	67,558	36,446	23,884	230,564
Accumulated depreciation	(29,799)	(24,611)	(24,588)	(49,199)	(39,661)	(1,018)	(40,679)	(23,413)	(11,929)	(155,019)
Net book value	12,554	5,786	5,338	11,124	18,470	8,409	26,879	13,033	11,955	75,545
Annual rate of depreciation (%)	10	20	33		33	33		10	10	

15.1.1 The cost of fully depreciated tangibles assets still in use amounts to Rs. 86.383 million (2015: Rs. 83.731 million).

Notes to and Forming Part of the Financial Statements

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15.2. Intangible assets

	Cost			Accumulated amortisation			Carrying value as at December 31, 2016	Amortisation rate (%)
	January 01, 2016	Additions	December 31, 2016	January 01, 2016	For the year	December 31, 2016		
	(Rupees in '000)							
Computer software	6,171	446	6,617	5,282	501	5,783	834	33
Licences	1,808	–	1,808	1,635	103	1,738	70	33
2016	7,979	446	8,425	6,917	604	7,521	904	
2015	7,879	100	7,979	6,250	667	6,917	1,062	33

15.2.1. Movement of net book value

	2016			2015
	Computer software	Licences	Total	
	(Rupees in '000)			
Net book value as at January 1	889	173	1,062	1,629
Addition	446	–	446	100
Amortisation	(501)	(103)	(604)	(667)
Net book value as at December 31	834	70	904	1,062

15.3. Disposal of fixed assets

Disposal of fixed assets during the year 2016 are as follows:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of sale	Name of buyer
	(Rupees in '000)						
Assets having WDV greater than Rs.50,000							
Computer equipments	110	(10)	100	100	–	Negotiation	Various
	110	(10)	100	100	–		
Assets having WDV lower than Rs.50,000							
Furniture and fixtures	310	(284)	26	53	27	Negotiation	Various
Motor vehicles– Honda Civic	1,354	(1,354)	–	648	648	Company policy	Zurr-e-Atta Ex-Employee
Motor vehicles– Corolla A/T GLI	1,173	(1,173)	–	507	507	Company policy	Khuram S Awan Ex-Employee
Motor vehicles– Corolla GLI	1,672	(1,672)	–	710	710	Company policy	Khalid Agha Ex-Employee
Motor vehicles– Honda Civic	2,047	(2,047)	–	287	287	Company policy	Taseer Makhdoom Ex-Employee
Leasehold Improvement	66	(66)	–	–	–	Negotiation	Various
	6,622	(6,596)	26	2,205	2,179		
2016	6,732	(6,606)	126	2,305	2,179		
2015	4,556	(3,989)	567	2,880	2,313		

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

16. AUDITORS' REMUNERATION

	2016 (Rupees in '000)	2015
Audit fee	1,500	1,225
Fee for review of half yearly financial information	500	230
Certifications and other services	3,100	132
Out of pocket expenses	709	339
	5,809	1,926

17. OTHER MANAGEMENT EXPENSES

	CONVENTIONAL-STATUTORY FUNDS						TAKAFUL-STATUTORY FUNDS			AGGREGATE		
	Life (Participating)	Life (Non-participating)		Investment	Accident & Health		Pension Business Fund	Individual Family	Group Family	Group Health	2016	2015
	Individual	Group	Linked	Individual	Group							
	(Rupees in '000)											
Vehicles and general repair and maintenance	57	1,913	729	3,303	182	1,622	-	843	-	2	8,651	8,786
Utilities-electricity, water and gas	57	2,020	905	3,726	186	2,014	-	880	-	-	9,788	7,888
Transportation	33	1,044	192	1,447	107	428	-	309	-	2	3,562	6,662
Communication	105	3,665	1,033	6,486	343	2,297	-	1,461	-	-	15,390	9,400
Consultancy fee	11	508	748	1,512	34	1,665	-	829	1	6	5,314	15,890
Training and workshop	33	1,061	110	1,439	109	245	-	248	-	1	3,246	1,620
Furniture and household appliances	-	-	-	-	-	-	-	-	-	-	-	655
Insurance	25	900	465	1,670	83	1,034	-	397	-	-	4,574	1,053
Interest on premium deposit in advance	40	2165	-	-	-	-	-	-	-	-	2,205	2,748
Social security	8	283	152	459	27	339	-	106	-	-	1,374	1,331
Entertainment	77	2,384	311	2,985	250	693	-	334	-	-	7,034	2,092
Books and subscriptions	1	35	10	52	4	22	-	9	-	-	133	98
Miscellaneous expenses (note 17.1)	155	5,651	2,813	10,055	485	6,261	-	2,618	1	3	28,042	21,328
	602	21,629	7,468	33,134	1,810	16,620	-	8,034	2	14	89,313	79,551

17.1 Branch overheads, administration expenses and other management expenses include an amount of Rs. 28.539 million (2015: 11.825 million) on account of group shared services cost charged to the Company under group shared services agreement between the company and other group companies.

18. OTHER INCOME – NET

	CONVENTIONAL-STATUTORY FUNDS						TAKAFUL-STATUTORY FUNDS			AGGREGATE		
	Life (Participating)	Life (Non-participating)		Investment	Accident & Health		Pension Business Fund	Individual Family	Group Family	Group Health	2016	2015
	Individual	Group	Linked	Individual	Group							
	(Rupees in '000)											
Return on savings accounts with banks	256	3,965	1,092	40,096	74	3,129	29	4,089	-	-	52,730	34,033
Gain on disposal of fixed assets	12	418	225	792	38	501	-	193	-	-	2,179	2,313
Interest on policy loans	7,806	7,209	-	-	-	-	-	-	-	-	15,015	13,297
Fee for claim administration services (note 18.1)	-	-	-	-	-	21,803	-	-	-	-	21,803	18,653
Others	255	5,008	4	15	285	9	481	996	-	-	7,053	2,533
	8,329	16,600	1,321	40,903	397	25,442	510	5,278	-	-	98,780	70,829

18.1 This represents claim administrative services provided to various clients.

Notes to and Forming Part of the Financial Statements

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19. EXPENSES NOT ATTRIBUTABLE TO STATUTORY FUND

	2016 (Rupees in '000)	2015
Workers' Welfare Fund	1,900	1,932
Regulators fee	11,640	9,471
Others (note 19.1 & 19.2)	260	3,487
	<u>13,800</u>	<u>14,890</u>

19.1 This includes an amount of Rs. 0.1 million paid to a customer on the advice of the Federal Insurance Ombudsman.

19.2 This includes an amount of Rs 0.16 million paid to the Assistant Superintendent of stamps on account of certain non-compliance relating to affixing stamps on insurance policies.

20. DEFINED CONTRIBUTION PLAN – PROVIDENT FUND

The following information is based on the un-audited financial statements of the Fund as at December 31, 2016:

	Note	2016 (Rupees in '000)	2015
Size of the fund – total assets		39,606	45,214
Balances with Banks		37,177	27,643
Cost of investments made	20.1	–	14,866
Percentage of investments made		0.00%	32.88%
Fair value of investments		–	15,466

20.1 Breakup of investments

Pakistan Investment Bonds	–	14,866
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20.2 Number of employees

Number of employees at the end of the year	125	126
Average number of employees during the year	131	126

20.3 During the year, Rs.11.185 million (2015: Rs. 11.167 million) has been recognised in the revenue account in respect of defined contribution plan.

21. TAXATION

	2016 (Rupees in '000)	2015
Current		
– for the year	42,017	36,046
– for prior years	(1,368)	–
	<u>40,649</u>	<u>36,046</u>

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

21.1 Relationship between tax expense and accounting profit

	2016 (Rupees in '000)	2015 (Rupees in '000)
Profit before tax	135,539	112,645
Tax at the applicable rate of 31% (2015: 32%)	42,017	36,046
Effect of:		
– prior year charge	(1,368)	–
Tax charge for the year	40,649	36,046

21.2 Assessments upto assessment year 2002-2003 and tax year 2007 have been finalised. The income tax returns of the Company filed for tax years 2003 to 2006 and 2007 to 2015 are deemed to be assessed in accordance with section 120 of the Income Tax Ordinance, 2001.

21.3 There are no taxable / deductible temporary differences between the tax bases and the carrying amounts of respective assets and liabilities, therefore, as such there is no deferred tax.

22 EARNINGS PER SHARE - basic and diluted

	2016 (Rupees in '000)	2015 (Rupees in '000)
Profit after tax	94,890	76,599
	(Number of shares)	
Weighted average number of ordinary shares	60,500,000	60,500,000
	(Rupees)	
Earnings per share - basic and diluted (note 22.1)	1.57	1.27

22.1 There were no convertible potential ordinary shares in issue as at December 31, 2016 and December 31, 2015.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

23. REVENUE ACCOUNT - WINDOW TAKAFUL OPERATIONS

23.1 Participants' Investment Fund (PIF)

	Individual Family Takaful	Group Family	Group Health Takaful	AGGREGATE	
				2016	2015
----- (Rupees in '000) -----					
Income					
Allocated Contribution	200,358	–	–	200,358	19,405
Net Investment Income	18,270	–	–	18,270	35
Other Income	532	–	–	532	16
Total Net Income	219,160	–	–	219,160	19,456
Less: Claims and Expenditure					
Surrenders / Partial Surrenders	11,516	–	–	11,516	–
Risk Contributions	6,271	–	–	6,271	341
Waqalat-ul-Istismar	1,893	–	–	1,893	51
Policy administration fee	2,680	–	–	2,680	132
Other expenses	–	–	–	–	2
	22,360	–	–	22,360	526
Excess of Income over Claims and expenditure	196,800	–	–	196,800	18,930
Add: Technical reserves at the beginning of the year	18,930	–	–	18,930	–
Less: Technical reserves at the end of the year	(215,730)	–	–	(215,730)	(18,930)
	(196,800)	–	–	(196,800)	(18,930)
Surplus / (Deficit)	–	–	–	–	–
Movement in technical reserves	196,800	–	–	196,800	18,930
Balance of PIF at the beginning of the year	18,930	–	–	18,930	–
Balance of PIF at the end of the year	215,730	–	–	215,730	18,930

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

23.2. Participants' Takaful Fund (PTF)

	Individual Family Takaful	Group Family	Group Health Takaful	AGGREGATE	
				2016	2015
----- (Rupees in '000) -----					
Income					
Contribution net of retakaful	2,833	884	5,312	9,029	2,087
Cede money	–	–	–	–	500
Net investment income	–	–	–	–	–
Other income	701	–	–	701	32
	3,534	884	5,312	9,730	2,619
Less: Claims and Expenditure					
Claims	1,106	650	4,025	5,781	354
Wakala fee	–	–	–	–	–
	1,106	650	4,025	5,781	354
Excess of Income over Claims and Expenditure	2,428	234	1,287	3,949	2,265
Add : Technical reserves at the beginning of the year	696	237	1,332	2,265	–
Less : Technical reserves at the end of the year	(1,721)	(548)	(3,009)	(5,278)	(1,791)
	(1,025)	(311)	(1,677)	(3,013)	(1,791)
Surplus / (Deficit)	1,403	(77)	(390)	936	474
Movement in technical reserves	1,025	311	1,677	3,013	1,791
Qard-e-Hasna contributed by Window Takaful Operator	–	100	600	700	–
Balance of PTF at the beginning of the year	696	237	1,332	–	–
Balance of PTF at the end of the year	3,124	471	2,619	3,949	2,265

23.3. Operators' Sub Fund (OSF)

Income					
Takaful operators' fee	182,741	231	1,332	184,304	32,014
Investment income and other income	4,747	–	–	4,747	–
Wakala fee – PTF	1,787	–	–	1,787	–
Policy administration fee	2,694	–	–	2,694	132
Takaful operator fee	–	–	–	–	103
Wakalat-ul-istismar	1,893	–	–	1,893	51
	193,862	231	1,332	195,425	32,300
Less: Expenses					
Acquisition cost	147,636	53	500	148,189	33,753
Administration expenses	47,805	35	209	48,049	17,049
	195,441	88	709	196,238	50,802
Excess of Expenditure over income	(1,579)	143	623	(813)	(18,502)
Add : Technical reserves at the beginning of the year	3,146	42	318	3,506	–
Less : Technical reserves at the end of the year	(20,154)	(103)	(494)	(20,751)	(3,506)
	(17,008)	(61)	(176)	(17,245)	(3,506)
Surplus / (Deficit)	(18,587)	82	447	(18,058)	(22,008)
Movement in technical reserves	17,008	61	176	17,245	3,506
Capital Contribution during the year	24,000	1,000	1,000	26,000	23,700
Qard-e-Hasna contributed to the Participants Takaful Fund	–	(100)	(600)	(700)	–
Balance of OSF at the beginning of the year	4,329	155	714	5,198	–
Balance of OSF at the end of the year	26,750	1,298	2,337	30,385	5,198
Balance of Family Takaful statutory fund	245,604	1,769	4,956	250,064	26,393

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24. ASSETS AND LIABILITIES OF SHARE HOLDER'S FUND

	Conventional	Takaful	Total
	(Rupees in '000)		
Liabilities			
Accrued expenses	–	–	–
Other creditors and accruals	81,186	9,782	90,968
Unclaimed dividend	147	–	147
Liabilities against assets subject to finance lease	6,343	–	6,343
Total liabilities	87,676	9,782	97,458
Assets			
Cash and others	315	–	315
Current and other accounts	(144,362)	145,755	1,393
Loans secured against other assets			
To employees	–	–	–
To agents	630	–	630
Government securities	521,908	–	521,908
Listed mutual funds	61,988	–	61,988
Inter-fund balances	(33,965)	(6,652)	(40,617)
Sundry receivables	15,540	(14,294)	1,246
Accrued interest	12,734	–	12,734
Taxation – payments less provision	311,588	779	312,367
Fixed Assets			
Tangible	74,800	745	75,545
Capital Work in Progress	7,836	–	7,836
Intangible	904	–	904
Total assets	829,916	126,333	956,249

25. CASH AND CASH EQUIVALENTS

Note	SHARE HOLDERS' FUND	CONVENTIONAL-STATUTORY FUNDS						TAKAFUL-STATUTORY FUNDS			AGGREGATE			
		Life (Participating)	Life (Non-participating) Individual	Group	Investment Linked	Accident & Health Individual Group		Pension Business Fund	Individual Family	Group Family	Group Health	2016	2015	
(Rupees in '000)														
Cash and stamps in hand	315	–	–	–	–	–	–	–	–	–	–	315	494	
Current and other accounts	25.1	1,393	–	97,000	639	385,897	–	–	11,000	107,873	120	6,643	610,565	432,708
Term Deposit Receipts	25.2	–	–	400,000	–	–	–	–	–	–	–	–	400,000	–
		1,708	–	497,000	639	385,897	–	–	11,000	107,873	120	6,643	1,010,880	433,202

25.1. This includes deposits and savings accounts that carry mark-up at rates ranging from 4% to 5.95% (2015: 4% to 6.25%) per annum.

25.2. These represent term deposits with various banks that carry mark-up at rates ranging from 6.25% to 6.75% (2015: Nil) per annum.

Notes to and Forming Part of the Financial Statements

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26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

	2016				2015			
	Chief Executive	Executives	Directors	Total	Chief Executive	Executives	Directors	Total
	----- (Rupees in '000) -----							
Fee for attending Board Meetings	–	–	3,275	3,275	–	–	3,188	3,188
Consultancy Fees (note 26.2)	–	–	–	900	900	–	–563	563
Managerial remuneration	14,672	143,599	–	158,271	13,169	164,704	–	177,873
Bonus and housing	1,539	3,517	–	5,056	1,725	5,374	–	7,099
Retirement benefits	743	67,864	–	68,607	691	14,274	–	14,965
Utilities / Telephone	–	139	–	139	–	350	–	350
Other benefits	–	114	–	114	–	1,340	–	1,340
	<u>16,954</u>	<u>215,233</u>	<u>4,175</u>	<u>236,362</u>	<u>15,585</u>	<u>186,042</u>	<u>3,751</u>	<u>205,378</u>
	----- (Number) -----							
Number of persons, including those who worked part of the year	<u>1</u>	<u>88</u>	<u>7</u>	<u>96</u>	<u>1</u>	<u>104</u>	<u>7</u>	<u>112</u>

26.1. In addition to the above remuneration, the Deputy Chief Executive, and two executives have been provided with Company maintained cars. Twenty one executives have been provided with Company cars maintained by them.

26.2. This represents amount paid to one of the directors in respect of legal and professional consultancy provided under group shared services agreement.

27. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

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

27.1. Insurance risk

27.1.1. Individual Life (Unit Linked Policies, Universal Life Policies and Traditional Policies)

This section discusses the exposure of insurance risk to the Company under Life Participating, Life Non-participating and Investment Linked statutory funds and the process adopted by the Company to manage these risks.

The risk underwritten is mainly death and sometimes disability and/or critical illness. The risk of death and disability will vary from region to region. The Company may get exposed to poor risks due to:

- Unexpected experience in terms of claim severity or frequency. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency.
- Additionally, the risk of poor persistency may result in the Company being unable to recover expenses incurred at policy acquisition.

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The Company manages these risks through its:

– **Pricing:**

All products of this nature are designed by the Actuarial Department along with input from relevant sales team members which is then reviewed by the Appointed Actuary. Profit testing is conducted on an annual basis to ensure reasonableness of premiums charged. Additionally, the Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under-pricing.

– **Underwriting:**

Adequate underwriting policies and controls have been put in place to cover various aspects such as health, location, nature of work etc. before issuance of policy. Appropriate underwriting authority limits have been assigned by the underwriting committee to each individual in the underwriting department. Furthermore, Underwriting Committee reviews the underwriting performance of the Company on a quarterly basis.

– **Reinsurance:**

Reinsurance contracts have been purchased by the Company to limit the maximum exposure on any one policyholder. Reinsurance Committee reviews every quarter the performance of the treaties from the Company's perspective and also from the Reinsurer's perspective to find the right balance of retained sum insured.

– **Claims handling policy:**

The Company through its claims-handling policies has procedures and controls in place to ensure that payment of any fraudulent claims is avoided. Detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. Moreover, Claims committee has assigned claims process authority limits for processing of claims. Claims committee meets on a quarterly basis to review the claims departments' performance and ensures that adequate claims controls are in place.

– **Persistency:**

The Company applies controls to curb mis-selling to the policyholders. For this, a regular branch wise monitoring of lapsation rates is conducted.

– **Concentration Risk:**

The Company has a good spread of business throughout the country thereby ensuring diversification of geographical risks.

a) Frequency and severity of claims

Concentration of risk is not a factor of concern due to spread of risks across various parts of the country. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis. The Company charges for mortality risk on a monthly basis for all insurance contracts without a fixed term. The Company manages these risks through its underwriting strategy and reinsurance arrangements.

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above. At year end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Company.

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The amounts presented are showing total exposure of the Company including exposure in respect of riders attached to the main policies.

Individual Life Participating

Benefits assured per life	Assured at the end of 2016			
	Total benefits assured			
	Before reinsurance (Rupees in '000)		After reinsurance (Rupees in '000)	
		%	%	
0 – 200,000	91,813	1.07%	91,688	1.54%
200,001 – 400,000	293,243	3.43%	292,204	4.92%
400,001 – 800,000	813,204	9.52%	781,765	13.16%
800,001 – 1,000,000	459,387	5.38%	427,536	7.19%
More than 1,000,000	6,887,999	80.60%	4,349,113	73.19%
Total	8,545,646	100.00%	5,942,306	100.00%

Individual Life Non – Participating

Benefits assured per life	Assured at the end of 2016			
	Total benefits assured			
	Before reinsurance (Rupees in '000)		After reinsurance (Rupees in '000)	
		%	%	
0 – 200,000	264,828	0.82%	264,705	1.29%
200,001 – 400,000	1,365,707	4.22%	1,361,099	6.66%
400,001 – 800,000	4,109,943	12.70%	4,038,014	19.75%
800,001 – 1,000,000	2,069,411	6.39%	1,990,363	9.74%
More than 1,000,000	24,552,067	75.87%	12,790,730	62.56%
Total	32,361,956	100.00%	20,444,911	100.00%

Investment Linked

Benefits assured per life	Assured at the end of 2016			
	Total benefits assured			
	Before reinsurance (Rupees in '000)		After reinsurance (Rupees in '000)	
		%	%	
0 – 200,000	137,056	0.73%	136,976	2.25%
200,001 – 400,000	293,522	1.56%	292,741	4.80%
400,001 – 800,000	1,099,392	5.84%	984,506	16.14%
800,001 – 1,000,000	660,211	3.51%	502,105	8.23%
More than 1,000,000	16,631,124	88.36%	4,184,778	68.59%
Total	18,821,305	100.00%	6,101,106	100.00%

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b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long – term unit linked and universal life insurance contracts arises from the unpredictability of long–term changes in overall levels of mortality and variability in policyholder's behaviour (this impacts primarily persistency).

c) Process used to decide on assumptions

- **Mortality:** The expected mortality is assumed at 80% of LIC (94–96) since the current experience for this line of business is not credible.
- **Persistency:** A periodic analysis of the Company's recent and historic experience is performed and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel.
- **Expense levels and inflation:** A periodic study is conducted on the Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.
- **Investment returns:** The investment returns are based on 10 year PIB rates.

d) Change in Assumptions

There has been no change in assumptions.

27.1.2. Group Life

The main risk written by the Company under the Group Life business is mortality. The Company may be exposed to the risk of unexpected claim severity or frequency. This can be a result of writing business with higher than expected mortality (such as mining or other hazardous industries), writing high cover amounts without adequate underwriting, and difficulty of verification of claims, fraudulent claims or a catastrophe. The Company also faces risk such as that of under–pricing to acquire business in a competitive environment and of non–receipt of premium in due time. There also exists a potential risk of asset liability term mismatch due to liabilities being very short term in nature (this will be addressed in the later section).

The Company manages these risks through its:

– Pricing and Underwriting:

All products of this nature are prepared by the Group Underwriting Department along with input from relevant sales team members which is then reviewed by the Appointed Actuary.

Pricing is done in line with the actual experience of the Company. The premium charged takes into account the actual experience of the client and the nature of mortality exposure the group faces.

At the same time, due caution is applied in writing business in areas of high probability of terrorism. The Company ensures writing business with good geographical spread and tries to maintain a controlled exposure to large groups which generally have poor exposure.

Also, Underwriting Committee reviews the underwriting performance of the Company on a quarterly basis and track the adequacy of premium charged.

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– Reinsurance:

Reinsurance contracts have been purchased by the Company to limit the maximum exposure. The Company also has a catastrophe excess of loss cover with respect to group life. Reinsurance Committee reviews every quarter the performance of the treaties from the Company's perspective and also from the Reinsurer's perspective to find the right balance of retained sum insured.

– Claims handling policy:

The Company through its claims-handling policy has procedures and controls in place to ensure that payment of any fraudulent claims is avoided. Detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. Moreover, Claims committee has assigned claims process authority limits for processing of claims. Claims committee meets on a quarterly basis to review the claims departments' performance and ensures that adequate claims controls are in place.

– Concentration Risk:

The Company has a good spread of business throughout the country thereby ensuring diversification of geographical risks.

a) Frequency and severity of claims

The Company measures concentration of risk by its exposure to catastrophic events. Concentration of risk arising from geographical area is not a factor of concern due to spread of risks across various parts of the country. To mitigate risk accumulation resulting from catastrophic events, the Company maintains a catastrophe excess of loss reinsurance cover which ensures that the Company's liability in respect of catastrophic events remains within reasonable limits.

The following table presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above. At year end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Company.

The amounts presented are showing total exposure of the Company including exposure in respect of riders attached to the main policies.

Group Life

Benefits assured per life	Assured at the end of 2016			
	Total benefits assured			
	Before reinsurance (Rupees in '000)		After reinsurance (Rupees in '000)	
		%		%
0 – 500,000	3,742,163	5.52%	3,742,163	7.64%
500,001 – 1,000,000	6,485,312	9.57%	6,485,312	13.25%
1,000,001 – 1,500,000	7,375,053	10.89%	7,375,053	15.06%
1,500,001 – 2,000,000	6,020,972	8.89%	6,020,972	12.30%
2,000,001 – 2,500,000	3,228,097	4.77%	3,228,097	6.59%
More than 2,500,000	40,890,038	60.36%	22,107,452	45.15%
Total	67,741,635	100.00%	48,959,049	100.00%

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b) Sources of uncertainty in the estimation of future benefits payments and premium receipts

Other than conducting a liability adequacy for Unexpired Risk Reserves (URR), there is no need to estimate mortality for future years because of the short duration of the contracts.

c) Process used to decide on assumptions

Where data is sufficient to be statistically credible, the statistics generated by the data is assigned appropriate credibility factors to account for the group's experience.

d) Changes in assumptions

The methodology to calculate IBNR Reserve, before and after reinsurance, has been modified to better streamline the calculation using the Chain-Ladder method. The above change in valuation bases has resulted in decrease in policyholder liability by Rs. 17.8 million with corresponding impact on revenue account of the respective statutory fund. Previously, IBNR Reserve was determined on the basis of lag pattern experienced over the past few years which was held as a percentage of last twelve months earned premium.

e) Sensitivity analysis

The table below shows the level of respective variation in liabilities for change in each assumption while holding all other assumptions constant.

	Change in variable %	Increase Liability 2016 (Rupees in '000)
Worsening of mortality rates for risk policies	10	3,419
Increase in reporting lag	10	3,419

27.1.3 Accident & Health

The main risk written by the Company is morbidity. The Company may be exposed to the risk of unexpected claim severity or frequency. This can be a result of high exposure in a particular geographical location, medical expense inflation, fraudulent claims and catastrophic event. The Company potentially faces the risk of lack of adequate claims control (such as for very large groups). The Company also faces a risk of under-pricing to acquire business in a competitive environment and of non-receipt of premium in due time.

The Company manages these risks through its:

– Pricing and Underwriting:

All products of this nature are prepared by the Actuarial Department along with input from relevant sales team members which is then reviewed by the Appointed Actuary.

Pricing is done in line with the actual experience of the Company. The premium charged takes into account the actual experience of the client and the nature of mortality exposure the group faces. The rates are certified by the Appointed Actuary for large groups.

At the same time, due caution is applied in writing business in areas of high probability of terrorism. The Company ensures writing business with good geographical spread and tries to maintain a controlled exposure to large groups which generally have poor exposure.

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Furthermore, the Company also maintains various MIS that are shared with relevant management to track the adequacy of the premium charged.

Also, Underwriting Committee reviews the underwriting performance of the Company on a quarterly basis.

– Claims handling policy:

The Company has procedures in place to ensure that payment of any fraudulent claims is avoided. Detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. Also, the claims are reviewed and managed by technical staff and doctors while an on-site monitoring and checking is performed.

– Concentration Risk:

The Company has a good spread of business throughout the country thereby ensuring diversification of geographical risks.

a) Frequency and severity of claims

The Company measures concentration of risk by its exposure to catastrophic events. Concentration of risk arising from geographical area is not a factor of concern due to spread of risks across various parts of the country.

The following table presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above. At year end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Company.

The amounts presented are showing total exposure of the Company including exposure in respect of riders attached to the main policies.

Individual Accident and Health

Benefits assured per life	Assured at the end of 2016			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in '000)	%	(Rupees in '000)	%
0 – 200,000	3,525	0.03%	3,525	0.05%
200,001 – 400,000	8,152	0.08%	7,864	0.10%
400,001 – 800,000	686,008	6.74%	685,883	8.94%
800,001 – 1,000,000	494,860	4.86%	494,360	6.44%
More than 1,000,000	8,984,101	88.28%	6,484,158	84.48%
Total	10,176,646	100.00%	7,675,790	100.00%

b) Sources of uncertainty in the estimation of future benefits payments and premium receipts

Other than conducting a liability adequacy for Unexpired Risk Reserves (URR), there is no need to estimate mortality for future years because of the short duration of the contracts.

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c) Process used to decide on assumptions

Where data is sufficient to be statistically credible, the statistics generated by the data is assigned appropriate credibility factors to account for the group's experience.

An investigation into group's experience is performed periodically, and statistical methods are used to adjust the rates to a best estimate of morbidity. Where data is sufficient to be statistically credible, the statistics generated by the data are assigned appropriate credibility factors to account for the group's experience.

d) Changes in assumptions

The methodology to calculate IBNR Reserve, before and after reinsurance, has been modified to better streamline the calculation using the Chain-Ladder method. The above change in valuation bases has resulted in decrease in policyholder liability by Rs. 16.9 million with corresponding impact on revenue account of the respective statutory fund. Previously, IBNR Reserve was determined on the basis of lag pattern experienced over the past few years which was held as a percentage of last twelve months earned premium.

e) Sensitivity analysis

The table below shows the level of respective variation in liabilities for change in each assumption while holding all other assumptions constant:

	Change in variable %	Increase Liability 2016 (Rupees in '000)
Worsening of morbidity rates for risk policies	10	6,307
Increase in reporting lag	10	6,307
Increase in average claim amount	10	6,307

27.1.4. MANAGEMENT OF TAKAFUL RISK AND FINANCIAL RISK

The Company is responsible for managing contracts that result in the transfer of Takaful and Financial Risk from the Participant to the respective PTF. This section summarizes the risks and the way the Company manages them, as part of the Company's Window Takaful Operations.

Takaful Risk

The PTF issues Takaful contracts that are classified in the following segments:

- Individual Family Takaful
- Group Family Takaful
- Group Health Takaful

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27.1.4.1. Individual Family Takaful

These risks are managed along similar lines as explained for individual life unit linked and universal life policies.

a) Frequency and severity of claims

Concentration of risk is not a factor of concern due to spread of risks across various parts of the country. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis. However, a risk of concentration of risk on any one Participant of the PTF still exists. The Company caters to this risk by entering into suitable Retakaful arrangements. The Company charges for mortality risk (credited to the PTF) on a monthly basis for all Takaful contracts without fixed term.

Moreover, the Company manages these risks through its underwriting strategy.

The table below presents the concentration of takaful benefits across five bands of takaful benefits per individual life assured. The benefit figures are shown gross and net of the retakaful contracts described above. At year end, none of these takaful contracts had triggered a recovery under the retakaful held by the Company.

The amounts presented are showing total exposure of the PTF including exposure in respect of riders attached to the main policies.

Individual Family Takaful

Benefits assured per life	Assured at the end of 2016			
	Total benefits assured			
	Before reinsurance (Rupees in '000)		After reinsurance (Rupees in '000)	
		%	%	
0 – 200,000	36,875	1.08%	36,875	2.24%
200,001 – 400,000	163,816	4.80%	163,816	9.97%
400,001 – 800,000	471,308	13.82%	456,640	27.80%
800,001 – 1,000,000	482,346	14.15%	314,421	19.14%
More than 1,000,000	2,255,020	66.14%	670,954	40.84%
Total	3,409,365	100.00%	1,642,706	100.00%

b) Source of uncertainty in the estimate of future benefits payments and contributions receipts

Uncertainty in the estimation of future benefit payments and contribution receipts for long – term takaful contracts arises from the unpredictability of long–term changes in overall levels of mortality and variability in participants's behaviour (this impacts primarily persistency).

c) Process used to decide on assumptions

- **Mortality:** The expected mortality is assumed at 80% of LIC (94–96) since the current experience for this line of business is not credible.
- **Persistency:** A periodic analysis of the Company's recent and historic experience is performed and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel.

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- **Expense levels and inflation:** A periodic study is conducted on the Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.
- **Investment returns:** The investment returns are based on 10 year PIB rates.

d) Changes in assumptions

There has been no change in assumptions.

e) Sensitivity analysis

The size of the fund is not material enough to enable a credible sensitivity analysis due to this immateriality, sensitivity analysis is not conducted.

27.1.4.2. Group Life Family Takaful

The risks are managed along similar lines as explained for Group Life policies.

Concentration Risk:

The Company has a good spread of business throughout the country thereby ensuring diversification of geographical risks.

a) Frequency and severity of claims:

The Company measures concentration of risk by its exposure to catastrophic events. Concentration of risk arising from geographical area is not a factor of concern due to spread of risks across various parts of the country. To mitigate risk accumulation resulting from catastrophic events, the Company maintains a catastrophe excess of loss retakaful cover which ensures that the liability in respect of catastrophic events remains within reasonable limits.

The concentration of risk for these policies is mentioned in note 27.1.5.

b) Sources of uncertainty in the estimation of future benefits payments and contribution receipts:

Other than conducting a liability adequacy for Unexpired Risk Reserves (URR), there is no need to estimate mortality for future years because of the short duration of the contracts.

c) Process used to decide on assumptions

Where data is sufficient to be statistically credible, the statistics generated by the data is assigned appropriate credibility factors to account for the group's experience.

d) Changes in assumptions

There has been no change in assumptions.

e) Sensitivity analysis

The size of the fund is not material enough to enable a credible sensitivity analysis. Due to this immateriality, sensitivity analysis is not conducted.

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27.1.4.3. Group Health Takaful

The risks are managed along similar lines as explained for Accident and Health policies.

Concentration Risk:

The Company has a good spread of business throughout the country thereby ensuring diversification of geographical risks.

a) Frequency and severity of claims

The Company measures concentration of risk by its exposure to catastrophic events. Concentration of risk arising from geographical area is not a factor of concern due to spread of risks across various parts of the country.

The concentration of risk for these policies is mentioned in note 27.1.5.

b) Sources of uncertainty in the estimation of future benefits payments and contribution receipts

Other than conducting a liability adequacy for Unexpired Risk Reserves (URR), there is no need to estimate mortality for future years because of the short duration of the contracts.

c) Process used to decide on assumptions

Where data is sufficient to be statistically credible, the statistics generated by the data is assigned appropriate credibility factors to account for the group's experience.

An investigation into group's experience is performed periodically, and statistical methods are used to adjust the rates to a best estimate of morbidity. Where data is sufficient to be statistically credible, the statistics generated by the data are assigned appropriate credibility factors to account for the group's experience.

d) Changes in assumptions

There has been no change in assumptions.

e) Sensitivity analysis

The size of the fund is not material enough to enable a credible sensitivity analysis. Due to this immateriality, sensitivity analysis is not conducted.

27.1.5. Concentration of insurance risk

A concentration of risk may arise from a single insurance contract issued to a particular type of policyholder, within a geographical location or to types of commercial business. The Company minimises its exposure to significant losses by obtaining reinsurance from foreign reinsurers.

To optimise benefits from the principle of average and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risks e.g. financial underwriting ensuring a reasonable relationship between the income and insurance amount of insured, determination of insurance amount through some mechanism which precludes individual choices and anti-selection.

The concentration of risk by type of contracts is summarised below by reference to liabilities.

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For the year ended December 31, 2016

	Gross sum insured		Reinsurance / Retakaful		Net	
	2016	2015	2016	2015	2016	2015
	----- (Rupees in million) -----					
Life (participating)	8,546	9,610	2,604	3,032	5,942	6,578
Life (non-participating)						
– Individual	32,362	33,509	11,917	11,950	20,445	21,559
Life (non-participating)						
– Group	67,742	71,142	18,783	35,890	48,959	35,252
Investment Linked	18,821	19,541	12,720	14,377	6,101	5,164
Accident & Health						
– Individual	10,177	12,233	2,501	2,924	7,676	9,309
Family Takaful						
– Individual	3,409	587	1,766	312	1,643	275
Family Takaful						
– Group	1,855	89	–	–	1,855	89
	142,912	146,711	50,291	68,485	92,621	78,226

27.1.6. Claims development tables

The following table shows the development of claims over a period of time on gross basis. For each class of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at December 31, 2016 therefore claim development table is not required to be presented. However, aging of outstanding claims and movement of outstanding claims is presented below:

	2016	2015
	(Rupees in '000)	
Aging of outstanding claims		
Upto 1 year	109,349	63,001
1–2 years	23,927	24,356
2–3 years	15,533	35,666
Over 3 years	116,703	92,008
Total	265,512	215,031
Movement of outstanding claims		
Opening balance	215,031	210,214
Total gross claims	3,199,462	2,589,336
Claims paid /settled	(3,148,981)	(2,584,519)
Closing balance	265,512	215,031

27.1.7. Unclaimed insurance benefit

Circular 11 of 2014 dated May 19, 2014 issued by the Securities and Exchange Commission of Pakistan (SECP) has established requirement for all insurers to disclose age wise break up of unclaimed insurance benefits in accordance with format prescribed in the annexure to the said circular.

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The unclaimed benefits is described in the circular as the amounts which have become payable in accordance with the terms and conditions of an insurance policy but have not been claimed by the policyholders or their beneficiaries. Such unclaimed amounts may fall into the following categories:

	Age-wise Breakup					
	Total Amount	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months
----- (Rupees in million) -----						
Unclaimed maturity benefits	-	-	-	-	-	-
Unclaimed death benefits	-	-	-	-	-	-
Unclaimed disability benefits	-	-	-	-	-	-
Claims not encashed	7,554	-	1,223	3,925	17	2,389
Others unclaimed benefits	-	-	-	-	-	-
Total	7,554	-	1,223	3,925	17	2,389

27.1.8. Assets – Liabilities matching

	2016								
	Fixed and guaranteed insurance and investment contracts	Contracts with DPF		Unit-linked contracts			Corporate		Total
		Insurance contract	Investment contracts	Insurance contract	Investment contracts	Short-term insurance contracts	Other financial assets and liabilities	Other assets and liabilities	
----- (Rupees in million) -----									
Debt securities									
Available for sale – unlisted securities	5,809,223	1,839,005	-	-	6,197,424	-	521,908	-	14,367,560
Equity securities									
Available for sale – listed securities	169,228	-	-	-	2,357,611	-	61,988	-	2,588,827
Loans and receivables									
– Loans secured against life insurance policies	73,675	79,781	-	-	-	-	-	-	153,456
– Others at amortised cost	-	-	-	-	-	-	630	-	630
Reinsurance assets	89,482	-	-	-	-	-	-	-	89,482
Cash and cash equivalents	515,402	-	-	-	493,770	-	1,708	-	1,010,880
Other assets	306,813	45,191	-	-	299,877	-	13,980	356,035	1,021,896
Total assets	6,963,823	1,963,977	-	-	9,348,682	-	600,214	356,035	19,232,731
Long-term insurance contracts and investment contracts with DPF:									
– Insurance contracts	5,701,085	1,367,408	-	-	8,934,403	-	-	-	16,002,896
Short-term insurance contracts	358,969	-	-	-	-	-	-	-	358,969
Amounts due to related parties, trade payables, and other provisions at amortised cost	60,506	3,796	-	-	95,525	-	-	-	159,827
Other liabilities	843,263	592,773	-	-	318,754	-	97,458	-	1,852,248
Total liabilities	6,963,823	1,963,977	-	-	9,348,682	-	97,458	-	18,373,940

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	2015								
	Fixed and guaranteed insurance and investment contracts	Contracts with DPF		Unit-linked contracts			Corporate		Total
		Insurance contract	Investment contracts	Insurance contract	Investment contracts	Short-term insurance contracts	Other financial assets and liabilities	Other assets and liabilities	
----- (Rupees in million) -----									
Debt securities									
Available for sale - unlisted securities	4,654,965	1,247,295	-	-	3,078,527	-	591,106	-	9,571,893
Equity securities									
Available for sale - listed securities	98,911	-	-	-	1,569,109	-	134,843	-	1,802,863
Fair value through profit and loss listed securities	582,623	136,631	-	-	-	-	-	-	719,254
Loans and receivables									
- Loans secured against life insurance policies	70,088	76,859	-	-	-	-	-	-	146,947
- Others at amortised cost	-	-	-	-	-	-	734	-	734
Reinsurance assets	19,138	-	-	-	-	-	-	-	19,138
Cash and cash equivalents	11,000	-	-	-	371,823	-	50,379	-	433,202
Other assets	319,601	195,795	-	-	227,260	-	20,710	148,759	912,125
Total assets	5,756,326	1,656,580	-	-	5,246,719	-	797,772	148,759	13,606,156
Long-term insurance contracts and investment contracts with DPF:									
- Insurance contracts	4,623,900	1,140,823	-	-	4,903,566	-	-	-	10,668,289
Short-term insurance contracts	361,806	-	-	-	-	-	-	-	361,806
Amounts due to related parties, trade payables, and other provisions at amortised cost	107,792	18,910	-	-	58,874	-	-	-	185,576
Other liabilities	662,828	496,847	-	-	284,279	-	56,630	-	1,500,584
Total liabilities	5,756,326	1,656,580	-	-	5,246,719	-	56,630	-	12,716,255

27.2. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk
- Foreign Currency Risk

Risk management framework

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit function. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

27.2.1. Credit risk

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

27.2.1.1. Exposure to credit risk

Credit risk of the Company arises principally from the investments (except for government securities), premium due but unpaid, amount due from other insurers / reinsurers , reinsurance recoveries. To reduce the credit risk the Company has developed a formal approval process whereby credit limits are applied to its policyholders and other insurers / reinsurers. The management continuously monitors the credit exposure towards the policyholders and other insurers / reinsurers and makes provision against those balances considered doubtful of recovery.

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

	2016	2015
	(Rupees in '000)	
Bank deposits	610,565	432,708
Term Deposit Receipts	400,000	-
Loans - secured		
against life insurance policies	153,456	146,947
to agents	630	734
Investments		
Listed Mutual Funds	2,588,827	2,522,117
Premiums / contribution due but unpaid	108,148	118,488
Amount due from other insurers / reinsurers / retakaful	89,482	19,138
Amounts due from agents	3,198	989
Sundry receivables	83,259	59,434
Experience refund receivable	12,306	9,029
	<u>4,049,871</u>	<u>3,309,584</u>

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

	Rating		Rating
	Short term	Long term	Agency
Bank Al Habib Limited	AA+	A1+	PACRA
Bank Alfalah Limited	AA	A1+	PACRA
BankIslami Pakistan Limited	A+	A1	PACRA
Faysal Bank Limited	AA	A1+	PACRA
Habib Bank Limited	AAA	A-1+	JCR-VIZ
Habib Metropolitan Bank Limited	AA+	A1+	PACRA
MCB Bank Limited	AAA	A1+	PACRA
Meezan Bank Limited	AA	A-1+	JCR-VIZ
NIB Bank Limited	AA-	A1+	PACRA
Soneri Bank Limited	AA-	A1+	PACRA
Standard Chartered Bank Pakistan Limited	AAA	A1+	PACRA
Summit Bank Limited	A-	A-1	JCR-VIZ
Tameer MicroFinance Bank Limited	A+	A1	PACRA
United Bank Limited	AAA	A-1+	JCR-VIZ

The credit quality of Company's bank balances and investment in open end mutual funds is categorised as follows:

Rating	Open end mutual funds	Cash and cash equivalents	Total
	----- (Rupees in '000) -----		
AAA	-	-	-
AA+	40,974	441,119	482,093
AA	404,847	139,015	543,862
AA-	38,677	6,104	44,781
A+	117,292	2,196	119,488
A	465,220	-	465,220
A-	218,552	22,131	240,683
BBB+	167,833	-	167,833
BBB	-	-	-
Not Rated	1,135,432	-	1,135,432
	2,588,827	610,565	3,199,392

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Premiums / contribution due but unpaid

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. Sector-wise analysis of premium due but unpaid at the reporting date was:

	December 31, 2016		December 31, 2015	
	(Rupees in '000)	%	(Rupees in '000)	%
Banks	32,315	29.88	33,643	28.39
Insurance	–	0.00	1,761	1.49
Textiles	532	0.49	124	0.10
Food and allied industries	6,990	6.46	24,307	20.51
Chemical and pharmaceuticals	4,291	3.97	2,256	1.90
Technology & Communication	19,582	18.12	17,882	15.10
Oil and gas	17,598	16.27	19,725	16.65
Miscellaneous	26,840	24.82	18,790	15.86
	108,148	100.00	118,488	100.00

The age of premium due but unpaid at the reporting date is less than one year.

Amount due from other insurers / reinsurers / retakaful

The Company enters into re-insurance arrangements with re-insurers having sound credit ratings accorded by reputed credit rating agencies. The Company is required to comply with the requirements of Circular No. 32 / 2009 dated 27 October 2009 issued by SECP which requires an insurance company to place at least 80% of their outward treaty cessions with reinsurers rated 'A' or above by Standard & Poors with the balance being placed with entities rated at least 'BBB' by reputable ratings agency. All reinsurance assets relating to outward treaty cessions are with reinsurer with rating of "A" or above:

Rating	Amounts Due from Reinsurers	Reinsurance Recoveries against Outstanding Claims
	----- (Rupees in '000) -----	
A or Above	–	107,070
BBB	–	–
Others	–	–

The age of amount due from other insurers / reinsurers at the reporting date is less than one year.

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

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

The carrying value of the financial assets which are neither past due nor impaired are as under:

	2016	2015
	(Rupees in '000)	
Bank deposits	610,565	432,708
Term Deposit Receipts	400,000	–
Loans secured against life insurance policies	153,456	146,947
Premiums / contribution due but unpaid	91,088	92,270
Amount due to other insurers / reinsurers / retakaful	89,482	19,138
Amount due from agents	3,198	989
Sundry receivables	83,259	59,434
Experience refund receivable	12,306	9,029

The carrying value of the financial assets which are past due but not impaired are as under:

Premiums / contribution due but unpaid	17,060	26,218
---	---------------	---------------

27.2.2. Fair value of financial instruments

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

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value of investments is determined as follows:

- Fair value of listed equity securities is determined on the basis of closing market prices quoted on the respective stock exchange.
- Fair value of mutual funds is determined on the basis of closing net assets value (NAV) per unit published by Mutual Fund Association of Pakistan (MUFAP).
- Fair values of Treasury Bills and Pakistan Investment Bonds are derived using the PKRV rates (Reuters page).
- The fair value of all other financial assets and financial liabilities of the Company approximate their carrying amounts due to short term maturities of these instruments.

27.2.2.1. Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Company to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities.
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

As at December 31, 2016, the Company held the following financial instruments measured at fair value:

	As at December 31, 2016		
	Level 1	Level 2	Level 3
	----- (Rupees in '000) -----		
Assets carried at fair value			
Available-for-sale investments	2,062,623	6,097,401	-
Fair value through profit and loss investments	-	-	-
	As at December 31, 2015		
	Level 1	Level 2	Level 3
	----- (Rupees in '000) -----		
Assets carried at fair value			
Available-for-sale investments	1,569,109	3,078,527	-
Fair value through profit and loss investments	719,254	-	-

27.2.3. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected operational requirements. The Company also manages this risk by investing in deposit accounts that can be readily encashed. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

The following are the contractual maturities of financial liabilities:

	2016		2015	
	Carrying Amount	Contractual cash flows upto one year	Carrying Amount	Contractual cash flows upto one year
	----- (Rupees in '000) -----			
Non-derivative financial liabilities				
Outstanding claims	265,512	265,512	215,031	215,031
Staff gratuity	23,219	23,219	-	-
Amount due to other insurers / reinsurers / retakaful	13,448	13,448	38,858	38,858
Amount due to agents	67,939	67,939	63,893	63,893
Experience refund	36,831	36,831	39,576	39,576
Accrued expenses	99,164	99,164	98,731	98,731
Other creditors and accruals	82,087	82,087	150,226	150,226
Unclaimed dividend	147	147	27	27
Liabilities against assets subject to finance lease	6,343	6,343	-	-
	594,690	594,690	606,342	606,342

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

27.2.4. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All transactions are carried in Pak Rupees therefore, the Company is not exposed to any significant foreign exchange risk. The Company currently invests in equity mutual funds which are not accounted for at fair value through profit and loss, therefore the change in equity market prices do not affect the profit and loss and equity of the company. However, the Company is exposed to interest rate risk and other price risk.

27.2.4.1. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from balances held in profit and loss sharing accounts with reputable banks. At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments is:

	2016	2015	2016	2015
	Effective interest rate (in %)		(Rupees in '000)	
Fixed rate instruments				
– Government securities	(5.05 to 14.47)	(7.50 to 14.47)	<u>14,367,560</u>	<u>9,571,893</u>
Variable rate instruments				
– Savings accounts & deposit	(4 to 6.75)	(4 to 6.25)	<u>1,010,565</u>	<u>432,708</u>

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

The Company is not exposed to significant cash flow interest rate risk in respect of its variable rate instruments.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

27.2.4.2. Interest rate profile

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments based on their maturities is:

Effective Yield / Interest rate %	2016					
	Total	Upto one year	Over one year upto five years	Over five years upto ten years	Over ten years	Non-interest bearing financial instruments
	(Rupees in '000)					
Balance sheet – financial instruments						
Financial Assets						
Cash and others	315	–	–	–	–	315
Current and other accounts	4 – 5.95	610,565	610,565	–	–	–
Term Deposit Receipts	6.2 – 6.75	400,000	400,000	–	–	–
Loans – secured						
against life insurance policies	9 – 11	153,456	153,456	–	–	–
to agents	9	630	630	–	–	–
Investments – Government securities	5.05 – 14.47	14,367,560	–	14,323,922	43,636	–
Investments – Listed mutual funds		2,588,827	–	–	–	2,588,827
Premiums / contribution due but unpaid		108,148	–	–	–	108,148
Amount due from other insurers / reinsurers / retakaful		89,482	–	–	–	89,482
Amount due from agents		3,198	–	–	–	3,198
Sundry receivables		83,259	–	–	–	83,259
Accrued interest		363,439	–	–	–	363,439
Experience refund receivable		12,306	–	–	–	12,306
		18,781,185	1,164,651	14,323,922	43,636	–
						3,248,976
Financial Liabilities						
Outstanding claims	265,512	–	–	–	–	265,512
Staff retirement benefits	23,219	–	–	–	–	23,219
Amount due to other insurers / reinsurers / retakaful	13,448	–	–	–	–	13,448
Amount due to agents	67,939	–	–	–	–	67,939
Experience refund payable	36,831	–	–	–	–	36,831
Accrued expenses	99,164	–	–	–	–	99,164
Other creditors and accruals	82,087	–	–	–	–	82,087
Unclaimed dividend	147	–	–	–	–	147
Liabilities against assets subject to finance lease	6,343	–	–	–	–	6,343
	594,690	–	–	–	–	594,690
Balance sheet gap	18,186,495	1,164,651	14,323,922	43,636	–	2,654,286
Total yield / interest rate risk sensitivity gap		1,164,651	14,323,922	43,636	–	
Cumulative yield / interest rate risk sensitivity gap		1,164,651	15,488,573	15,532,209	15,532,209	

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

	Effective Yield / Interest rate %	2015					Non-interest bearing financial instruments
		Total	Upto one year	Over one year upto five years	Over five years upto ten years	Over ten years	
(Rupees in '000)							
Balance sheet – financial instruments							
Financial Assets							
Cash and others		494	–	–	–	–	494
Current and other accounts	6 – 6.25	432,708	432,708	–	–	–	–
Loans – secured							
against life insurance policies	9 – 11	146,947	146,947	–	–	–	–
to agents	9	734	734	–	–	–	–
Investments – Government securities	7.50 – 14.47	9,571,893	79,948	5,108,411	4,340,810	42,724	–
Investments – Listed mutual funds		2,522,117	–	–	–	–	2,522,117
Premiums / contribution due but unpaid		118,488	–	–	–	–	118,488
Amount due from other insurers / reinsurers / retakaful		19,138	–	–	–	–	19,138
Amount due from agent		989	–	–	–	–	989
Sundry receivables		59,434	–	–	–	–	59,434
Accrued interest		414,256	–	–	–	–	414,256
Experience refund receivable		9,029	–	–	–	–	9,029
		13,296,227	660,337	5,108,411	4,340,810	42,724	3,143,945
Financial Liabilities							
Outstanding claims		215,031	–	–	–	–	215,031
Amount due to other insurers / reinsurers / retakaful		38,858	–	–	–	–	38,858
Amount due to agents		63,893	–	–	–	–	63,893
Experience refund payable		39,576	–	–	–	–	39,576
Accrued expenses		98,731	–	–	–	–	98,731
Other creditors and accruals		150,226	–	–	–	–	150,226
Unclaimed dividend		27	–	–	–	–	27
		606,342	–	–	–	–	606,342
Balance sheet gap		12,689,885	660,337	5,108,411	4,340,810	42,724	2,537,603
Total yield / interest rate risk sensitivity gap			660,337	5,108,411	4,340,810	42,724	
Cumulative yield / interest rate risk sensitivity gap			660,337	5,768,748	10,109,558	10,152,282	

27.2.5. Foreign Currency Risk

As at balance sheet date, there are no material financial instruments denominated in foreign currency. Therefore, the Company is not materially exposed to risk from foreign currency exchange rate fluctuation.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

27.3. FINANCIAL INSTRUMENTS BY CATEGORY

	2016	2015
	(Rupees in '000)	
Financial assets and financial liabilities		
Financial assets		
<i>Loans and receivables – amortised cost</i>		
Cash and bank deposits		
Cash and other equivalents	315	494
Current and other accounts	610,565	432,708
Term Deposit Receipts	400,000	–
	1,010,880	433,202
Loans secured against Life Insurance Policies	153,456	146,947
Loans to agents	630	734
Current assets – others		
Premiums / contribution due but unpaid	108,148	118,488
Amount due from other insurers / reinsurers / retakaful	89,482	19,138
Amount due from agents	3,198	989
Sundry receivables	83,259	59,434
Accrued interest	363,439	414,256
Experience refund receivable	12,306	9,029
	659,832	621,334
Investments – fair value through profit and loss	–	719,254
Investments –available for sale	16,956,387	11,374,756
Financial Liabilities		
<i>Amortised cost</i>		
Outstanding claims	265,512	215,031
Amount due to other insurers / reinsurers / retakaful	13,448	38,858
Amount due to agents	67,939	63,893
Experience refund payable	36,831	39,576
Accrued expenses	99,164	98,731
Staff gratuity payable	23,219	–
Other creditors and accruals	82,087	150,226
Unclaimed dividend	147	27
Liabilities against assets subject to finance lease	6,343	–
	594,690	606,342

28. CAPITAL MANAGEMENT

The Company's goals and objectives when managing capital are:

- To comply with the minimum paid-up capital requirements as prescribed by SECP;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders;
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

- Maintain strong ratings and to protect the Company against unexpected events / losses; and
- To ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

As prescribed by SECP, Company is required to maintain the minimum capital and to comply with the solvency requirements both for shareholders' and statutory funds in accordance with the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 as amended by S.R.O. 16 (1)/2012 dated January 9, 2012, with which the Company is in compliance.

29. TRANSACTIONS WITH RELATED PARTIES

29.1. Related parties comprise of holding company, associated companies, retirement benefit funds, directors and key management personnel. Remuneration to the key personnel are determined in accordance with the terms of their appointments. All transactions involving related parties arise in the normal course of business. Transactions with the key management personnel are made under their terms of employment / entitlements. Contributions to the employee retirement benefits are made in accordance with the terms of employee retirement benefit schemes and actuarial advice. There are few companies with certain common directors but not considered as related parties in accordance with requirements of IAS 24 – *Related party Disclosures*. Accordingly, transactions with such companies have not been disclosed here.

29.2. The details of transactions with related parties, other than those which have been specifically disclosed elsewhere in the financial statements are as follows:

	Holding Company		Post employment benefit plans		Key Management personnel		Other related parties	
	2016	2015	2016	2015	2016	2015	2016	2015
	(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	
Transactions								
Premium underwritten	2,930	3,376	–	–	3,852	19	40,274	34,572
Premium paid for general insurance	3,120	1,121	–	–	–	–	–	–
Claims paid	3,577	1,257	–	–	–	–	24,686	17,755
Charges for administrative services provided	–	8,000	–	–	–	–	5,243	1,103
Net payments for group shared services	30,815	6,766	–	–	–	–	13,295	–
Rent expense	17,204	5,146	–	–	–	–	–	–
Brokerage charges	–	–	–	–	–	–	–	20
Net book value of fixed assets disposed	–	–	–	–	–	342	–	–
Mark-up on loan	–	–	–	–	–	2	–	–
Remuneration paid	–	–	–	–	68,876	90,878	–	–
Contribution to gratuity fund	–	–	9,389	10,009	–	–	–	–
Contribution to provident fund	–	–	11,185	11,030	–	–	–	–
Purchase of fixed assets	–	89	–	–	–	–	–	–
Dividend Paid	40,989	–	–	–	126	–	–	–
Balances								
Payable for group shared services	13,218	2,205	–	–	–	–	–	–
Payable for general insurance premium	348	776	–	–	–	–	–	–
Premium receivable	–	–	–	–	–	–	2,772	2,188
Claims payable	–	–	–	–	–	–	–	1,001
Receivable against administrative services provided	–	–	–	–	–	–	1,756	4,429

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

30. GENERAL

All figures have been rounded off to the nearest of thousand, except otherwise stated.

31. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 27, 2017 by the Board of Directors of the Company.

32. EVENTS AFTER BALANCE SHEET DATE

The Board of Directors has proposed a final dividend for the year ended December 31, 2016 of Rs. 1.5 per share (2015: Re. 1 per share), amounting to Rs 90.75 million (2015: 50 million) in its meeting held on February 27, 2017 for the approval of the members at the annual general meeting. The financial statements for the year ended December 31, 2016 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2017.



Chairman



Director



Director



Chief Executive Officer

Statement of Directors

(As per the requirement of section 46(6) and section 52 (2) of Insurance Ordinance, 2000)

Section 46 (6)

- a) In our opinion the annual statutory accounts of the IGI Life Insurance Limited set out in the forms attached to the statement have been drawn up in accordance with the Ordinance and any rules made thereunder;
- b) IGI Life Insurance Limited has at all times in the year complied with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and reinsurance arrangements; and
- c) As at December 31, 2016, IGI Life Insurance Limited continues to be in compliance with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and reinsurance arrangements.

Section 52 (2)

- c) In our opinion each statutory fund of IGI Life Insurance Limited complies with the solvency requirements of Insurance Ordinance, 2000.



Chairman



Director



Director



Chief Executive Officer

Statement of Actuary

[As per the requirement of section 52(2) (a) & (b) of the Insurance Ordinance, 2000]

In my opinion:

- a) the policyholder liabilities included in the balance sheet of IGI Life Insurance Limited as at December 31, 2016 have been determined in accordance with the provisions of the Insurance Ordinance, 2000; and
- b) Each Statutory fund of the IGI Life Insurance Limited complies with the solvency requirements of the Insurance Ordinance, 2000 as on December 31, 2016.

Date: February 27, 2017
Karachi

Ali Nadim
Appointed Actuary
IGI Life Insurance Limited

Notice of Annual General Meeting

For the year ended December 31, 2016

Notice is hereby given that the 22nd Annual General Meeting of IGI Life Insurance Limited (the "Company") will be held on Friday, 21st April 2017 at 11:00 am, at The Institute of Chartered Accountant of Pakistan (ICAP), Chartered Accountants Avenue, Clifton, Karachi-75600 to transact the following business: -

ORDINARY BUSINESS

1. To confirm the minutes of the last Extraordinary General Meeting of the Company held on 22th March 2017.
2. To receive, consider and adopt the annual audited financial statements of the Company together with the Directors' and Auditors' report thereon for the year ended 31st December 2016.
3. To consider and approve the payment of final cash dividend @ Rs 1.5/- per share (15%) for the financial year ended 31st December, 2016 as recommended by the Board of Directors (the "Board") of the Company.
4. To appoint external auditors for the year ended 31st December, 2017 and fix their remuneration.

ANY OTHER BUSINESS

5. To consider any other business with the permission of the Chairman.

By order of the Board

Date: 31st March, 2017
Karachi

Muhammad Amin
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from 14th to 21st April 2017 (both days inclusive).
2. Any member entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend, speak and vote on his/her behalf. A corporation being a member may, by means of a resolution of its directors, appoint a person who need not be a member, as proxy or as its representative under section 162 of the Companies Ordinance 1984.
3. The instrument appointing a proxy, in order to be valid, must be deposited at the office of Share Registrar "M/s FAMCO Associates (Pvt.) Limited", at 8-F, Next to Faran Hotel, Nursery, Block-6, P.E.C.H.S. Sharah-e-Faisal, Karachi, duly signed, stamped and witnessed, not less than forty-eight (48) hours before the time of the Meeting. A member shall not be entitled to appoint more than one proxy. If more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
4. Members whose shares are deposited with Central Depository Company of Pakistan Limited (CDC) are requested to bring their original Computerized National Identity Cards (CNIC) along with the participant's I.D. number and their account numbers in CDC to facilitate identification at the time of Annual General Meeting and in case of proxy, must enclose an attested copy of his/her CNIC. In case of a corporate entity, the Board of Directors resolution/power of attorney with specimen signature of the nominee and /or all such other documents, as are required under Circular No.1 dated 26th January 2000 issued by the Securities and Exchange Commission of Pakistan ("SECP") for the purpose, shall be produced at the time of the meeting (unless it has been provided earlier).
5. Members (Non-CDC) are requested to promptly notify to M/s FAMCO Associates (Pvt) Limited of any change in their address to ensure delivery of mail.
6. Pursuant to Para 3(a) of SRO 634(1)/2014 dated July 10, 2014 issued by the SECP the financial statements and reports have been placed on website of the Company.
7. The SECP has vide SRO No. 787(1)2014 dated September 8, 2014 has allowed companies to circulate annual balance sheet, profit and loss account, auditors report and directors' report along with notice of annual general meeting to its members through email. Members who wish to avail this facility can give their consent to Company Secretary.

Notice of Annual General Meeting

For the year ended December 31, 2016

8. The Government of Pakistan through Finance Act, 2015 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These rates are as under:

- For filers of income tax returns 12.5%
- For non-filers of income tax returns 17.5%

To enable the Company to make tax deductions on the amount of cash dividend @12.5% instead of 17.5% all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into the ATL before the book closure of the Company, otherwise tax on their cash dividend will be deducted @ 17.5% instead of 12.5%.

For shareholders holding their shares jointly as per the clarification issued by the Federal Board of Revenue, withholding tax will be determined separately on "Filer / Non-Filer" status of the principal shareholder as well as joint-holder(s) based on their shareholding proportions. Therefore, all shareholders who hold shares jointly are required to provide shareholding proportions of the principal shareholder and Joint-holder(s) in respect of shares held by them to the Share Registrar above-mentioned, in writing as follows:

Company Name	Folio / CDC Account No.	Total shares	Principal Shareholder		Joint Shareholder	
			Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding Proportion (No. of Shares)

9. Clause 1(b) of SRO No.1027/(I)2014 dated 13th November 2014 issued by the SECP states "The company may provide video conference facility to its members for attending the general meeting at places other than the town in which general meeting is taking place after considering the geographical dispersal of its members: Provided that if members, collectively holding 10% or more shareholding residing at a geographical location, provide their consent to participate in the meeting through video conference at least 10 days prior to date of meeting the company shall arrange video conference facility in that city subject to availability of such facility in that city".

If you wish to take benefit of this facility, please fill the form appearing below and submit it to the Company at its registered address at least 10 days prior to the holding of the Meeting.

The Company will intimate members regarding venue of video conference facility at least 5 days before the date of the Annual General Meeting along with complete information necessary to enable them to access the facility.

<p>I/We, _____ of _____ being a member of IGI Life Insurance Limited, holder of _____ Ordinary shares as per Register Folio No. _____ hereby opt for video conference facility at _____.</p> <p style="text-align: right;">_____ Signature of member</p>
--

10. Members who have not yet submitted photocopy of their Computerized National Identity Cards to the Company are requested to send the same at the earliest.
11. The Company is in the process of setting up the e-voting facility as required by the SECP by the Companies (E-Voting) Regulations, 2016, and in this connection, a special resolution for alteration of the Company's Articles of Association to allow for e-voting is proposed to be passed. However, the e-voting facility cannot be made available to the Members for this meeting because all the conditions required to be satisfied for providing e-voting facility could not be satisfied.

ڈائریکٹرز کی رپورٹ برائے ممبران

کلیئر سیٹلمنٹ کمیٹی

یہ کمیٹی کمپنی کی کلیئر سیٹلمنٹ پالیسی تشکیل دیتی ہے۔ یہ کمیٹی کی کلیئر پوزیشن کی نگرانی کرتی ہے اور اس امر کو یقینی بناتی ہے کہ کلیئر کے لئے اثاثہ جات مناسب حد تک برقرار رہیں۔ یہ کلیئر کے غیر معمولی کیسز یا واقعات پر خصوصی توجہ دیتی ہے جو کلیئر کی ایک سیریز کا موجب ہو سکتے ہیں۔ کلیئر سیٹلمنٹ کمیٹی ان حالات کا بھی تعین کرتی ہے جن کے تحت کلیئر کے امور پر توجہ دی جانی چاہئے اور ان کو طے کرنے کا فیصلہ کیا جائے: یہ فراڈ پر مبنی کیسوں سے نمٹنے کے لئے اقدامات پر عملدرآمد کی نگرانی بھی کرتی ہے۔ کمیٹی سہ ماہی میں کم از کم ایک بار اجلاس ضرور طلب کرتی ہے۔

ری انشورنس کمیٹی

یہ کمیٹی اس امر کو یقینی بناتی ہے کہ کمپنی کے لئے موزوں و مناسب ری انشورنس انتظامات موجود ہیں۔ یہ مجوزہ ری انشورنس کے انتظامات کا تعین ان کی انجام دہی سے قبل کرنے کے ساتھ وقتاً فوقتاً انتظامات کا جائزہ لیتی ہے اور شرکت کرنے والے ری انشورنس کی اجازت سے مشروط درست اور موزوں بندوبست کرتی ہے۔ یہ ری انشورنس پروگرام کے مستقبل میں موثر ہونے کا جائزہ بھی لیتی ہے۔ کمیٹی سہ ماہی میں کم از کم ایک اجلاس لازماً طلب کرتی ہے۔

انڈر رائٹنگ کمیٹی

انڈر رائٹنگ کمیٹی کمپنی کی انڈر رائٹنگ پالیسی تشکیل دیتی ہے۔ یہ بیمہ کے خطرات کی مختلف اقسام کا جائزہ لینے کے لئے معیار بھی طے کرتی ہے۔ کمیٹی باقاعدگی سے اپنے کاروباری پورٹ فولیو اور مارکیٹ کی پیشرفت کا جائزہ لینے کے ساتھ انڈر رائٹنگ پالیسیوں پر باقاعدگی سے نظر ثانی کرتی رہتی ہے۔ کمیٹی سہ ماہی میں کم از کم ایک اجلاس منعقد کرتی ہے۔

ہیومن ریسورس اور ری میونریشن (Remuneration) کمیٹی

ہیومن ریسورس اور ری میونریشن کمیٹی کمپنی کی ہیومن ریسورس پالیسیاں تشکیل دینے کی ذمہ دار ہے۔ یہ بورڈ کو سی ای او، سی ایف او، کمپنی سیکریٹری اور انٹرنل آڈٹ کے سربراہ کے انتخاب، جانچ پڑتال، مشاہدے (بشمول ریٹائرمنٹ پر حاصل مراعات) اور سی ای او کی وراثتی منصوبہ بندی پر سفارشات کے لئے بھی ذمہ دار ہے۔ یہ باقاعدگی سے ہیومن ریسورس پالیسیوں پر نظر ثانی کرتی ہے اور بھرتی اور انتخاب کے لئے اہلیت کا تعین کرتی ہے۔ کمیٹی سال میں کم از کم ایک بار اجلاس بلائی ہے۔

ضابطہ اخلاق

آپ کی کمپنی اپنے صارفین کو ان کے مستقبل کے مالیاتی تحفظ کے لئے روایتی لائف انشورنس، یونیورسل لائف اور یونٹ سے منسلک پلانز کی پیشکش کرتی ہے۔ ہم سختی سے ایس ای سی پی کی جانب سے مقرر کردہ مارکیٹ کے ضابطہ اخلاق پر عملدرآمد کرتے ہیں اور اسی کے مطابق اپنی مصنوعات کے بارے میں تمام حقائق ہماری مصنوعات کو حاصل کرنے کے خواہشمند افراد کے روبرو پیش کرتے ہیں۔ ہم تمام وقتوں میں کاروباری ضوابط کے بلند ترین معیار پر عمل کرتے ہیں اور یہ ہمارے تمام ملازمین کے لئے بھی ضروری ہے۔

شیئر ہولڈنگ کا طرز

شیئر ہولڈنگ کا طرز بمطابق 31 دسمبر 2016ء، جیسا کہ کمپنیز آرڈیننس 1984ء کی دفعہ 236 کے تحت لازمی اور کوڈ آف کارپوریٹ گورننس کی شرائط کے مطابق ہے اس رپورٹ میں شامل کر دیا گیا ہے۔

شیم احمد خان

چیئر مین

مورخہ 27 فروری 2017

سید حیدر علی

چیف ایگزیکٹو آفیسر

مورخہ 27 فروری 2017

ڈائریکٹرز کی رپورٹ برائے ممبران

بورڈ کے اجلاس اور ڈائریکٹر شپس میں تبدیلی

سال کے دوران آپ کی کمپنی کے ایک ڈائریکٹر کے استعفیے کے باعث ایک اتفاقی اسامی سامنے آئی۔ اس اتفاقی اسامی کو مقررہ مدت کے اندر پُر کر لیا گیا۔

بورڈ آف ڈائریکٹرز، آڈٹ، انڈر رائٹنگ، ری انشورنس، کلیمز، انویسٹمنٹ اور ہیومن ریسورسز اور ری میونریشن کمیٹی کے اجلاس شیڈول کے مطابق منعقد کئے گئے۔ بورڈ اور ان کی ذیلی کمیٹیوں کے اجلاس میں ہر ایک ڈائریکٹر کی جانب سے منعقدہ اجلاسوں میں شرکت درج ذیل کے مطابق رہی۔

بورڈ کے اجلاس میں شرکت نہ کرنے والے ڈائریکٹرز کو بورڈ نے غیر حاضر قرار دے دیا تھا۔

بورڈ کے اجلاس	آڈٹ کمیٹی	انڈر رائٹنگ کمیٹی	ری انشورنس کمیٹی	کلیمز کمیٹی	انویسٹمنٹ کمیٹی	ہیومن ریسورسز اور ری میونریشن کمیٹی
منعقدہ اجلاسوں کی تعداد	4	4	4	4	4	4
سید حیدر علی	-	4	4	-	4	4
شمیم احمد خان	-	-	-	3	-	-
ندیم رحمان ملک	-	4	4	4	4	-
محمد کمال سید	2	-	2	-	3	-
خرم رضا بختیاری	4	-	-	-	4	4
سید یاور علی	4	-	-	4	4	4
احسان علی ملک	4	-	-	-	4	4

ڈائریکٹرز، ایگزیکٹوز اور ان کے شریک حیات و نابالغ بچوں کی جانب سے شیئرز کی خرید و فروخت

سال کے دوران ڈائریکٹرز، ایگزیکٹوز اور ان کے شریک حیات و نابالغ بچوں کی جانب سے، ماسوائے درج ذیل کے، کمپنی کے شیئرز میں کوئی خرید و فروخت نہیں کی گئی، سوائے:

ڈائریکٹر اور ان کی شریک حیات

سیدہ گہمت علی جنہوں نے 25000 شیئرز میں سرمایہ کاری کی۔

شیئر ہولڈنگ کا طریقہ کار

شیئر ہولڈنگ کے طریقہ کار کی وضاحت کے حوالے سے ایک بیان سالانہ رپورٹ کے ساتھ منسلک ہے۔

آڈٹ کمیٹی

آڈٹ کمیٹی چار نامان ایگزیکٹوز ڈائریکٹرز پر مشتمل ہے جس میں دو آزاد ڈائریکٹرز بھی شامل ہیں۔ آڈٹ کمیٹی کے ٹرمز آف ریفرنس کوڈ آف کارپوریٹ گورننس سے ہم آہنگ ہیں۔ کمیٹی سہ ماہی میں کم از کم ایک بار اجلاس منعقد کرتی ہے۔

ڈائریکٹرز کی رپورٹ برائے ممبران

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک

کوڈ آف کارپوریٹ گورننس کے تحت بیان

بورڈ اور انتظامیہ بہترین کارپوریٹ گورننس پر مکمل کاربند ہیں۔ جیسا کہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) کی جانب سے جاری کردہ کارپوریٹ گورننس کے ضابطے کے تحت ضروری ہے، ڈائریکٹرز ہمسرت درج ذیل بیان جاری کرتے ہیں:

(اے) مالیاتی حسابات بشمول ان مالیاتی حسابات کے ایک یقینی حصے کی تشکیل کے نکات آپ کی کمپنی کی انتظامیہ کے ذریعے تیار کئے گئے ہیں اور اس کے شفاف کاروباری امور و معاملات، اس کے آپریشن کے نتائج، کیش فلو (Cash Flow) اور ایکویٹی میں تبدیلیوں کو ظاہر کرتے ہیں۔

(بی) کمپنی کے کھاتوں کی باقاعدہ جملہ کتب تیار کی گئی ہیں۔

(سی) درست اکاؤنٹنگ پالیسیاں مستقل طور پر مالیاتی حسابات کی تیاری میں لاگو کی جاتی ہیں اور اکاؤنٹنگ کے تخمینہ جات موزوں اور محتاط فیصلے پر منحصر ہوتے ہیں۔

(ڈی) انٹرنیشنل اکاؤنٹنگ کے اسٹینڈرڈز، انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز یا کوئی دیگر ضابطے یا قانون (بشمول شریعہ کی رہنمادایات/ اصولوں تاہم ان تک محدود نہیں) جیسا کہ پاکستان میں نافذ العمل ہیں، مالیاتی حسابات کی تیاری میں لاگو کئے جاتے ہیں اور ان سے کسی بھی روگردانی کو مناسب انداز میں واضح کر دیا جاتا ہے۔

(ای) اندرونی کنٹرول کا نظام مستحکم طور پر ڈیزائن کیا گیا ہے اور موثر طور پر نافذ العمل اور زیر نگرانی رہتا ہے۔

(جی) کارپوریٹ گورننس کے بہترین طریقہ کار سے کوئی اہم روگردانی نہیں کی جاتی جیسا کہ رول بک اور پاکستان کے اسٹاک ایکسچینج کے لسٹنگ ریگولیشنز میں تفصیلی درج ہے۔

(ایچ) ٹیکسز، ڈیوٹیوں، لیویز اور چارجز کے ضمن میں کوئی قانونی ادائیگیاں نہیں کرنی ہیں جو 31 دسمبر 2016 تک واجب الادا ہوں ماسوائے ان کے جن کو مالیاتی حسابات میں واضح کر دیا گیا ہے۔

(آئی) ملازمین کے ریٹائرمنٹ فنڈ کے ذریعے سرمایہ کاریوں کی مالیت جیسا کہ ان کے متعلقہ غیر آڈٹ شدہ مالیاتی حسابات کے مطابق کی جارہی ہیں بمطابق 31 دسمبر 2016 درج ذیل ہیں۔

ملازمین کے پراویڈنٹ فنڈ 37.177 ملین روپے

ملازمین کے گریجویٹ فنڈ 39.455 ملین روپے

(جے) بورڈ کے چیئرمین نے ایس ای سی پی سے استثنیٰ حاصل کر لیا ہے کیونکہ وہ کوڈ آف کارپوریٹ گورننس میں درج اہلیت اور قابلیت کے مطابق مناسب حد تک تجربہ کار ہیں۔ تمام ساتوں ڈائریکٹرز ایس ای سی پی کی جانب سے شرائط کے مطابق تربیت حاصل کر چکے ہیں۔

(کے) گزشتہ چھ سال کے لئے کلیدی آپریشننگ اور مالیاتی تفصیل ان مالی حسابات کے ساتھ منسلک ہیں۔

جیسا کہ انشورنس آرڈیننس 2000 کے تحت ضروری ہے، ڈائریکٹرز تصدیق کرتے ہیں کہ:

● ان کی رائے میں اور ان کے بہترین یقین کے مطابق کمپنی کے سالانہ قانونی حسابات جو اس بیان کے ساتھ منسلک فارمز میں درج کئے گئے ہیں وہ انشورنس آرڈیننس 2000 اور اس کے تحت آنے والے ضوابط کے مطابق تیار کئے گئے ہیں۔

● کمپنی سال میں تمام اوقات کے دوران ادا شدہ سرمائے، سالوینسی اورری انشورنس انتظامات سے متعلق آرڈیننس کی شقوق اور اس کے تحت بنائے گئے ضوابط پر عمل کرتی آئی ہے اور اسٹیٹمنٹ کی تاریخ کے مطابق کمپنی آرڈیننس کی شقوق اور اس کے تحت آنے والے ضوابط، جیسا کہ اوپر درج ہے، پر عملدرآمد کا سلسلہ جاری رکھے ہوئے ہے۔

ڈائریکٹرز کی رپورٹ برائے ممبران

انٹرنل آڈٹ

آپ کی کمپنی نے انٹرنل آڈٹ کے امور کے لئے ایک پروفیشنل فرم کی خدمات حاصل کی ہیں۔ اور انٹرنل آڈٹ کے ایک ہیڈ کا بھی تقرر کیا ہے جو رابطہ کاری کے لئے ذمے دار ہے۔

آڈیٹرز

آڈٹ کمیٹی کی تجاویز پر بورڈ آف ڈائریکٹرز نے میسرز ایف فرگوسن اینڈ کمپنی (چارٹرڈ اکاؤنٹینٹس) کو کمپنی کے ایکسٹرنل آڈیٹرز کی حیثیت سے مقرر کرنے کی سفارش کی ہے۔ کمپنی کے مالیاتی حسابات کسی کوالیفیکیشن کے بغیر آڈٹ کئے گئے ہیں۔

ہولڈنگ کمپنی

کمپنی آئی جی آئی انشورنس لمیٹڈ کا ایک ذیلی ادارہ ہے جو کہ کمپنی کے 81.97 فیصد (2015: 81.97 فیصد) شیئر کیپٹل کا حامل ہے۔

نمایاں واقعات

31 دسمبر 2016 کو ختم ہونے والے سال کے دوران کوئی ایسے نمایاں واقعات پیش نہیں آئے جو آپ کی کمپنی کی مالیاتی پوزیشن کو متاثر کر سکیں۔

بیرونی جائزہ

آپ کی کمپنی طویل مدتی مواقعوں کے بارے میں پر عزم اور متحرک ہے جبکہ مختصر مدتی چیلنجوں سے مؤثر طور پر نمٹنا جا رہا ہے اس کی بنیادی توجہ صارف کی خدمت اور ایک مؤثر اور متحرک ڈسٹری بیوشن تیار کرنے پر ہے۔ اس کی جاری حکمت عملی کے حصے کے طور پر یہ انتہائی باریک بینی سے مارکیٹ کی صورتحال کا جائزہ لے رہی ہے اور اس امر پر یقین رکھتی ہے کہ اس کا کاروباری ماڈل اور محتاط رسک مینجمنٹ کا طریقہ کار مشترکہ طور پر ایک مستحکم کاروباری بنیاد اور صارف کے ساتھ پائیدار تعلقات طویل مدتی شرح نمو کے لئے بنیاد فراہم کریں گے۔

منافع منقسمہ (Dividend)

کمپنی کے شیئر ہولڈرز کے 22 ویں سالانہ اجلاس عام میں بورڈ آف ڈائریکٹرز کی جانب سے 15 فیصد (1.5 روپے فی شیئر) کے حتمی نقد منافع منقسمہ کی منظوری کے لئے سفارش کی گئی ہے۔

اظہار تشکر

ہم اس موقع پر وزارت تجارت (Commerce)، حکومت پاکستان اور ایس ای سی پی کے ماتحت ڈپارٹمنٹ آف انشورنس کو ان کی قابل قدر معاونت، تعارف اور رہنمائی کے لئے خراج تحسین پیش کرتے ہیں۔

بورڈ آف ڈائریکٹرز ملازمین کی گرانقدر خدمات اور شراکت کے لئے ان کے انتہائی ممنون ہیں اور ان کو بھی خراج تحسین پیش کرنا چاہتے ہیں۔

آخر میں ہم اپنے ہزاروں پالیسی ہولڈرز اور شیئر ہولڈرز کا شکریہ ادا کرتے ہیں جن کا اعتماد، مستقل سرپرستی کمپنی کی حوصلہ افزائی کے لئے ایک قیمتی اثاثہ ہے۔

منجانب بورڈ آف ڈائریکٹرز

شہید احمد خان

شہید احمد خان

چیئرمین

مورخہ 27 فروری 2017

سید حیدر علی

سید حیدر علی

چیف ایگزیکٹو آفیسر

مورخہ 27 فروری 2017

ڈائریکٹرز کی رپورٹ برائے ممبران

گروپ کا کاروبار

آپ کی کمپنی کے گروپ لائف اور گروپ ایکسیڈنٹ (حادثاتی) وصحت (ہیلتھ) بزنس نے سال رواں کے دوران گزشتہ سال کے مقابلے میں بالترتیب ایک فیصد اور 31 فیصد کی شرح نمو رجسٹرڈ کی۔

تکافل

گزشتہ سال کی تیسری سہ ماہی کے دوران آپ کی کمپنی نے کامیابی سے اپنا ونڈو تکافل آپریٹرز متعارف کرایا، جس کے ساتھ انفرادی فیملی تکافل اور گروپ فیملی تکافل لائن بھی شروع کی گئی۔ رواں سال کے دوران آپ کی کمپنی کے تکافل بزنس نے انفرادی فیملی تکافل، گروپ فیملی اور گروپ ہیلتھ تکافل کے لئے بالترتیب 383 ملین روپے، 1.114 ملین روپے اور 6.6 ملین روپے کے مجموعی کنٹری بیوشن (Contribution) حاصل کئے۔

کلیمز

کمپنی نے کلیمز کو فوری طور پر نمٹانے پر خصوصی توجہ مرکوز رکھی ہے۔ کئی سالوں سے آپ کی کمپنی نے مستقل طور پر کلیمز کو نمٹانے کے اپنے طریقہ کار کو بہتر بنانے کے لئے کلیم مینجمنٹ (Management) پر خصوصی کنٹرول متعارف کرائے اور مسلسل کلیمز کی جلد از جلد ادائیگی کی کوششیں جاری رکھے ہوئے ہے۔

رواں سال 2016 کے دوران کمپنی نے انتقال کے دعوؤں پر 219 ملین روپے صرف کئے (2015: 159 ملین روپے)

سرمایہ کاریاں (Investments)

آپ کی کمپنی نے 16.9 ارب روپے کے سرمایہ کاری پورٹ فولیو کے ساتھ ایک مستحکم بیلنس شیٹ کا حجم برقرار رکھا (2015: 12.9 ارب روپے) جو کمپنی کے مجموعی اثاثوں کا 88 فیصد (2015: 89 فیصد) ہے۔

انڈر رائٹنگ، ری انشورنس اور رسک مینجمنٹ

آپ کی کمپنی اپنی محتاط انڈر رائٹنگ پالیسیوں پر عملدرآمد کا سلسلہ جاری رکھے ہوئے ہے۔ کمپنی نے اپنے انڈر رائٹنگ امور کو مستحکم بنانے کی غرض سے اپنے ہیومن ریسورس، ٹیکنالوجی اور انفراسٹرکچر میں نمایاں سرمایہ کاری کی ہے۔

آپ کی کمپنی ری انشورنس کے ایک محتاط انداز میں تیار کردہ پروگرام کے ذریعے رسک کی موجودگی کو منیج کرنے کی پالیسی پر گامزن ہے۔ کمپنی نے معروف بین الاقوامی ری انشوررز کے ساتھ ری انشورنس معاہدے بھی کئے ہیں تاکہ کمپنی کو مذکورہ بالا رسک کی صورت میں نقصانات سے محفوظ رکھا جائے۔

کیپٹل مینجمنٹ اور لیکویڈیٹی

کمپنی اپنی موجودہ اور طے کردہ کاروباری سرگرمیوں میں معاونت کے لئے مناسب سرمایہ برقرار رکھتی ہے۔ کمپنی کا ادا شدہ سرمایہ اور لیکویڈیٹی بالترتیب 605 ملین روپے اور 859 ملین روپے ہے۔

کمپنی کلیمز کی ادائیگی اور آپریٹنگ اخراجات کو پورا کرنے کے لئے ایک فریم ورک کے تحت کام کرتی ہے تاکہ اس امر کو یقینی بناسکے کہ مناسب لیکویڈیٹی دستیاب رہے۔ کمپنی کا نقد اور نقد کے مساوی اثاثوں کا حجم بمطابق 31 دسمبر 2016، 1,011 ملین روپے تھا (2015: 433 ملین روپے)۔

متعلقہ پارٹی کی ٹرانزیکشنز

بورڈ کے ہر اجلاس میں بورڈ آف ڈائریکٹرز نے متعلقہ کمپنیوں اور متعلقہ پارٹی کے ساتھ کمپنی کی ٹرانزیکشنز کی منظوری آڈٹ کمیٹی کی سفارشات کے مطابق دی۔ ایسی تمام ٹرانزیکشنز مسابقتی غیر کنٹرول شدہ نرخ کے طریقہ کار اور مالیت کی حصہ داری کے انتظامات کی بنیاد پر انجام دی گئیں۔

ہیومن ریسورس مینجمنٹ

سال رواں کے دوران کمپنی نے مختلف شعبوں بالخصوص سبزز و مارکیٹنگ، انڈر رائٹنگ، کلیمز، فنانس، ایچ آر، ہیومن ریسورسز اور کسٹمر سروسز میں پیشہ ورانہ مہارت کے حامل اور کوالیفائیڈ افرادی بھرتی کی ذریعے اپنے انسانی وسائل کے اثاثے کو مضبوط بنایا۔ 2016 کے دوران کمپنی نے اسٹاف اور سبزز فورس کے لئے مختلف ٹریننگ اور ڈیولپمنٹ پروگرام بھی منعقد کئے۔

ڈائریکٹرز کی رپورٹ برائے ممبران

آپ کی کمپنی کے ڈائریکٹرز کمپنی کی 22 ویں سالانہ رپورٹ 31 دسمبر 2016 کو ختم ہونے والی مدت کے لئے آڈٹ شدہ مالیاتی حسابات کے ساتھ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

کمپنی کی کارکردگی کا جائزہ 2016

منافع جات

31 دسمبر 2016 کو ختم ہونے والے سال کے دوران آپ کی کمپنی نے 223 ملین روپے اضافی حاصل کئے جو گزشتہ سال کے مقابلے میں 65 فیصد زائد ہیں۔ شیئر ہولڈرز کے فنڈ کے لئے حسابات کے بعد آپ کی کمپنی نے 316 ملین روپے کا قبل از ٹیکس منافع حاصل کیا (2015: 230 ملین روپے) جو گزشتہ سال کے مقابلے میں 37 فیصد اضافہ ظاہر کرتا ہے۔ اس اضافے کی بنیادی وجہ کمپنی کے سرمایہ کار پورٹ فولیو سے زائد آمدنی کا حصول اور گزشتہ سال کے مقابلے میں بہتر انڈر رائٹنگ نتائج تھے۔

2015	2016	نفع/تقصان
(روپے 000)		
135,249	222,599	قانونی فنڈز کا سرپلس
94,645	93,107	سرپلس کا شیئر ہولڈرز فنڈ میں تصرف کئے جانے سے پہلے کا منافع
36,046	40,649	ٹیکسیشن
(روپے میں)		
1.27	1.57	آمدنی فی شیئر
		بریک اپ ویلیو فی شیئر (بشمول قانونی فنڈز میں موجود رقم تاکہ انشورنس آرڈیننس کی شرط پوری کی جاسکے)
23.96	26.14	

تصرف (Appropriations)

مقرر کردہ ایکچوٹری کی سفارشات کے مطابق بورڈ نے شیئر ہولڈرز کے فنڈ کے لئے قانونی فنڈز سے 75 ملین روپے کے سرمائے کی منتقلی کی منظوری دی۔ اسی کے ساتھ بورڈ نے شیئر ہولڈرز کے فنڈ کے لئے قانونی فنڈز سے 42.4 ملین روپے کے سرپلس ٹرانسفر کو منظور کیا۔ علاوہ ازیں شیئر ہولڈرز کے فنڈ سے 151 ملین روپے سرمائے کی منتقلی کو منظور کیا۔ اگرچہ مذکورہ منتقلی سے قبل مجموعی سالوینسی مارجن مقرر کردہ سالوینسی مارجن سے نمایاں طور پر زائد ہے، اس لئے اس سلسلے میں بورڈ کا فیصلہ فنڈ کے لحاظ سے سالوینسی کی شرائط کو بطور ایک محتاط پیمانہ مد نظر رکھ کر کیا گیا۔ اس لئے کہا جاسکتا ہے کہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) نے آپ کی کمپنی کے لئے فنڈ کے لحاظ سے سالوینسی برقرار رکھنے سے خصوصی آتشنی منظور کیا۔

مجموعی پریمیئمز (Gross Premium)

2016 میں آپ کی کمپنی کی جانب سے مجموعی پریمیئم 7,584 ملین روپے لکھا جو گزشتہ سال کے مقابلے میں 91 فیصد اضافے کو ظاہر کرتا ہے۔ رواں مدت کے دوران سنگل پریمیئم انفرادی لائف پالیسیوں سے پریمیئم 244 فیصد تک بڑھ گیا۔ پہلے سال کے انفرادی لائف پریمیئم بشمول نکافل اور پالیسیوں پر تجدیدی پریمیئم میں گزشتہ سال کے مقابلے میں بالترتیب 4 فیصد کی کمی اور 9 فیصد کا اضافہ ہو گیا۔ کمپنی کے گروپ لائف بزنس نے بھی رواں سال کے دوران 17 فیصد کی شرح نمو رجسٹرڈ کی۔

بزنس لائن کے لحاظ سے مجموعی پریمیئمز کا ایک مختصر جائزہ درج ذیل ہے:

روایتی انفرادی لائف و حادثاتی اور صحت

رواں سال کے دوران روایتی انفرادی لائف بزنس سے مجموعی پریمیئم (بشمول سرمایہ کاری سے منسلک شدہ پریمیئم) گزشتہ سال کے مقابلے میں 102 فیصد تک بڑھ گیا۔ سنگل پریمیئم پالیسیوں سے پریمیئم میں رواں سال کے دوران 237 فیصد تک اضافہ ہوا۔ انفرادی لائف بزنس پر پہلے سال کے پریمیئم میں 41 فیصد کمی دیکھنے میں آئی جبکہ تجدیدی پریمیئمز رواں سال کے دوران بتدریج 7 فیصد تک بڑھ گئے۔

Proxy Form

Shareholder's Folio No. _____ Number of shares held _____

I/We _____ of (full address) _____

_____ being a member of IGI Life Insurance Limited, hereby appoint.

Mr./Ms. _____ of (full address) _____ or

failing him/her Mr./ Ms. _____ of (full address)

_____ .

as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Friday, 21st April, 2017 at 11:00 am. The Institute of Chartered Accountants of Pakistan (ICAP), Chartered Accountants Avenue, Clifton, Karachi-75600 and at any adjournment thereof.

Signed this _____ day of _____ 2017

Signed by the members in the presence of;

Witness : _____

Address : _____

Please affix
Rupee Five
Revenue Stamp

Signature of Member

1. The Proxy Form, duly completed, to be effective, should be deposited at the Registrar of the Company "FAMCO Associates (Pvt.) Limited", at 8-F, next to Hotel Faran, Nursery, Block - 6, P.E.C.H.S, Shahrah-e-Faisal, Karachi as soon as possible but not later than 48 hours before the time of holding the Meeting.
2. Both member and non-member can be appointed as a proxy and qualified to vote, and corporation being a member may also appoint as its proxy any officer of such corporation whether a member of the Company or not.

پراکسی فارم

شیر ہولڈر کا فوئیو نمبر _____ موجودہ شیرز کی تعداد _____

میں/ہم _____ بابت (مکمل پتہ) _____

بحیثیت آئی جی آئی لائف انشورنس کا / کے ممبر بذریعہ بذاتقررت کرتے ہیں۔

جناب/محترمہ _____ بابت (مکمل پتہ) _____

یا ان کی عدم موجودگی کی صورت میں جناب/محترمہ _____ بابت (مکمل پتہ) _____

_____ کو کمپنی کے سالانہ اجلاس عام، منعقدہ 21 اپریل 2017 بوقت دوپہر 11:00 بجے بمقام دی انسٹی ٹیوٹ

آف چارٹرڈ اکاؤنٹینٹس آف پاکستان (آئی سی اے پی) چارٹرڈ اکاؤنٹینٹس ایونیو کلفٹن، کراچی۔ 75600 اور کسی زیر التوا تاریخ و مقام پر میری/ہماری عدم موجودگی کی

صورت میں میری/ہماری جانب سے شرکت کرنے اور ووٹ دینے کے لئے بطور اپنا/ہمارا پراکسی مقرر کرتے ہیں۔

برائے مہربانی 5 روپے کا

ریونیو اسٹیپ چسپاں کریں

ممبر کے دستخط

دستخط بتاریخ _____ 2017

ممبران کی جانب سے ذیل کی موجودگی میں دستخط کئے گئے

_____ گواہ

_____ پتہ

1- ہر طرح سے باقاعدہ مکمل پراکسی فارم موثر ہونے کے لئے کمپنی کے رجسٹرار ”دفیکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ“ بمقام 8- ایف متصل ہوٹل فاران، نرسری،

بلاک-6، پی ای سی ایچ ایس، شاہراہ فیصل کراچی کو جلد از جلد تا ہم اجلاس کے وقت سے کم از کم 48 گھنٹے قبل لازمی طور پر جمع کرادیئے جائیں۔

2- ممبران اور غیر ممبران دونوں کا بطور پراکسی تقرر کیا جاسکتا ہے اور وہ ووٹ دینے کے اہل ہیں جبکہ کوئی بھی کارپوریشن بحیثیت ایک ممبر ایسی کارپوریشن کے کسی افسر کو








پراکسی مقرر کر سکتی ہے چاہے وہ کمپنی کا ممبر ہو یا نہ ہو۔










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