

# ANNUAL REPORT 2013





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**B++**  
A.M. Best

**AA+**  
JCR - VIS

**AA+**  
PACRA

THE HIGHEST IFS\* RATED GENERAL INSURANCE  
COMPANY OF PAKISTAN BY LOCAL AND  
INTERNATIONAL RATING AGENCIES

\*Insurer Financial Strength

# TEAMWORK



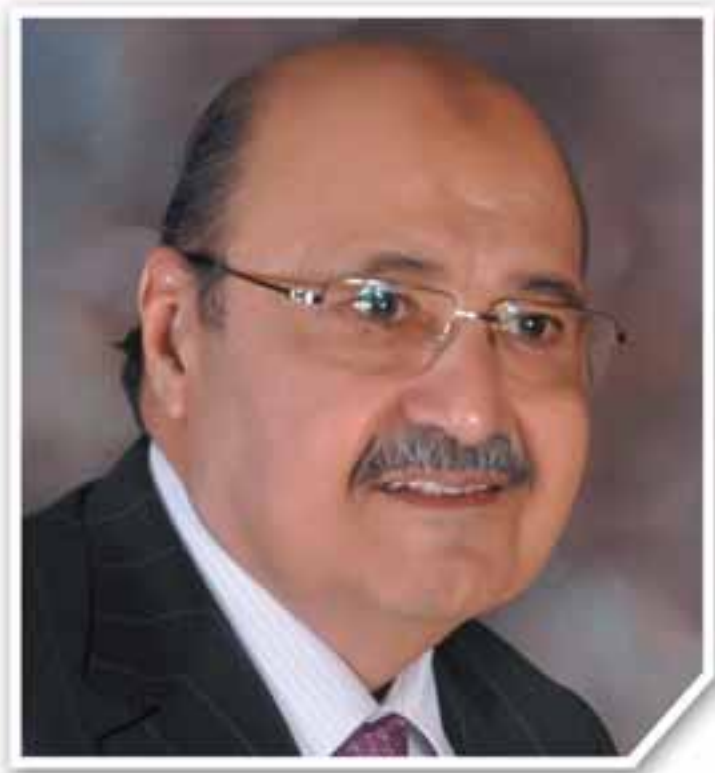
## Company Information

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## CORPORATE INFORMATION

Chairman of the Board of Directors	Towfiq H. Chinoy	(Non-Executive Director)
Directors	Akbarali Hashwani Sadruddin Hashwani Masood Noorani Akbarali Pesnani John Joseph Metcalf R. Zakir Mahmood Aly Noormahomed Rattansey	(Non-Executive Director) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director)
President & Managing Director (Chief Executive)	Tahir Ahmed	(Executive Director)
Company Secretary	Atiq Anwar Mahmudi	
Auditors	Ernst & Young Ford Rhodes Sidat Hyder	
Legal Advisor	SurrIDGE & Beecheno	
Bankers	Habib Bank Limited Standard Chartered Bank (Pakistan) Limited. United Bank Limited Soneri Bank Limited Faysal Bank Limited Bank Alfalah Limited	
Share Registrar	THK Associates (Pvt) Ltd Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi. Tel: 35689021, 35686658	
Head Office / Registered Office	2nd Floor, Jubilee Insurance House I. I. Chundrigar Road, Karachi, Pakistan UAN : (92-21) 111 - 654 - 111 Tel : (92-21) 32416022-26 Fax : (92-21) 32416728 , 32438738 E-Mail : info@jubileegeneral.com.pk Website : www.jubileegeneral.com.pk	

## BOARD OF DIRECTORS



### **TOWFIQ H. CHINOY** Chairman

Director since: 27-08-1997

**Other engagements:**

**Chairman**

Packages Limited  
HBL Asset Management Ltd  
Indus Valley School of Art and Architecture

**Managing Director/Chief Executive**

International Steels Limited

**Director / Trustee**

Jubilee Life Insurance Company Ltd  
IGI Investment Bank Ltd  
Mohatta Palace Gallery -Trust  
Habib University Foundation

## BOARD OF DIRECTORS



### Tahir Ahmed

Managing Director & Chief Executive

Director since: 09-07-2005

Other engagements:

**Chairman**

Pakistan Insurance Institute



### Akbarali Hashwani

Director

Director since: 17-11-1979

Other engagements:

**Cheif Executive / Proprietor**

Landmark Spinning Industries Ltd.  
Syndicate Trading Company

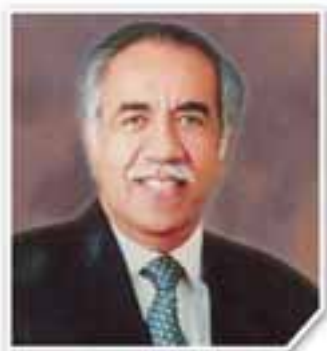
**Chairman / Director**

Regent Textile Industries Ltd  
Ittehad Cement Industries Ltd

Hassan Ali & Co. Cotton (Pvt)  
Ltd

Coronet Enterprises (Pvt) Ltd  
Hashwani Construction  
Company (Pvt) Ltd.

Beaumont Enterprises (Pvt) Ltd.  
Marvel Enterprises (Pvt) Ltd.  
Stonyx (Pvt) Ltd.



### Sadruddin Hashwani

Director

Director since: 17-11-1979

Other engagements:

**Chairman & Cheif Executive**

Hashwani Hotels Ltd  
Zaver Petroleum Corporation Ltd.

**Chairman / Director**

Gelcaps (Pakistan) Ltd  
Hassan Ali & Co. (Pvt) Ltd  
Hassan Ali (Grains) (Pvt) Ltd  
Hashoo Ltd  
Hashoo Holdings (Pvt) Ltd  
Hashoo International (Pvt) Ltd  
Noor Properties (Pvt) Ltd

Zaver Chemicals Ltd  
Zaver Mining Company (Pvt) Ltd  
Pakistan Services Ltd  
Pearl Continental Hotel (Pvt) Ltd  
Trains Air Travels (Pvt) Ltd  
Pearls Tours and Travel (Pvt) Ltd  
Zaver Power (Pvt) Ltd  
O P I Gas (Pvt) Ltd  
Pakistan Services (Azad Kashmir) Ltd  
Ocean Pakistan Limited



### Masood Noorani

Director

Director since: 28-01-1982

Other engagements:

**Chairman**

Jubilee Life Insurance Company Ltd

**Sole Proprietor**

Noorani Associates

# BOARD OF DIRECTORS



**Akbarali Pesnani**

Director

Director since: 15-08-2002

Other engagements:

**Chairman**

Aga Khan Cultural Services Pakistan  
The First Micro Finance Bank Ltd

**Director**

Cherat Cement Co. Ltd  
Cherat Packaging Ltd  
Air Asia Ltd.  
Air Safira Ltd.



**John Joseph Metcalf**

Director

Director since: 28-02-2007

Other engagements:

**Director**

Jubilee Life Insurance Company Ltd,  
Jubilee Holdings, Kenya  
Jubilee Insurance, Kenya  
Jubilee Insurance, Tanzania  
Jubilee Insurance, Uganda  
Jubilee Insurance, Mauritius  
Jubilee Insurance, Burundi



**R. Zakir Mahmood**

Director

Director since: 25-06-2008

Other engagements:

**Chairman**

Habib Allied International Bank Plc, UK

**Director**

Habib Bank Limited  
Khushhali Bank



**Aly Noormahomed Rattansey**

Director

Director since: 25-06-2008

Other engagements:

**Chairman**

Aga Khan Rural Support Programme

**Director**

Rural Support Programme Network  
International Industries Ltd  
Jubilee Life Insurance Company Ltd

# VISION



To enable people  
overcome  
uncertainty

# MISSION

Provide solutions to  
protect the future of  
our customers



# VALUES

Teamwork  
Integrity  
Excellence  
Passion



# STRATEGIC OBJECTIVE

To grow by excelling in service to our clients and quality of our security



# COMPANY PROFILE



Jubilee General Insurance Company Limited, established in 1953, is one of the most reputed and brightest names in the insurance sector. Sustained growth over sixty years has secured Jubilee General a place among the “Big Three” Pakistani insurers in terms of gross direct premium and financial base. Jubilee General is listed on the Karachi and Lahore Stock Exchanges. Major shareholders include, Aga Khan Hospital and Medical College Foundation, Habib Bank Limited, Aga Khan Fund for Economic Development and Hashoo Group. Jubilee General, with its Head Office in Karachi, has an extensive and dynamic branch network in all major cities and towns of Pakistan that guarantees prompt service at the customer’s doorstep.

Jubilee General is the highest rated general insurance company in Pakistan with an Insurer Financial Strength Rating of “AA +” with “Stable Outlook” assigned by both the rating agencies of Pakistan i.e JCR-VIS and PACRA. The “AA+” with “stable

outlook” takes into account financial strength of the Company as demonstrated by its strong capitalization and liquidity indicators. It also denotes a very strong capacity of the Company to meet policyholder and contract obligations.

Jubilee General has also been accorded the Financial Strength Rating of “B++” (good) and issuer credit rating of “BBB” by A. M. Best which is the highest rating assigned by an International Rating Agency to a General Insurance Company in Pakistan. According to A.M. Best the rating reflects Jubilee General’s strong risk-adjusted capitalisation, solid business profile within Pakistan and good track record of operating performance and has developed good procedures in assessing, measuring and mitigating the key risks associated with the Company’s business. A. M. Best Company is the world’s oldest and most authoritative insurance rating and information source.

During the last eight years Jubilee General has grown at double the industry average growth rate.

In 2003, Jubilee General became the first Pakistani insurance company to acquire a foreign company when it took over the Pakistan operations of Commercial General Union.

The Company prides itself in its long-standing reinsurance arrangements and relationships with internationally renowned reinsurers such as Swiss Re, Lloyds, Hannover Re, Asia Capital Re and Korean Re. The company is also supported by internationally acclaimed reinsurance brokers including AON Group, Willis, Marsh, Howden and UIB.

With a broad spectrum of services available, Jubilee General's client-base comprises prominent national and multinational corporations operating in Pharmaceutical, Chemical, Textile, Cement, Services (Hospitals & Hotels), Oil & Energy, Manufacturing, FMCG, Engineering, Banking and Financial sectors.

At Jubilee General, diversity is maintained through underwriting all classes of general insurance including Fire, Marine, Motor, Engineering, Health and General Accident. Jubilee General not only offers wide risk coverage, but also provides related risk management services delivered by highly qualified and experienced risk managers. Jubilee General has developed unique and innovative insurance solutions to meet the growing consumer financing trends of the economy. From auto financing to personal loans, mortgages to plastic cards, and trade finance to capital investment finance, Jubilee General has the customised solutions to secure entire operations, product range and transactions of all financial institutions. With the stream of upcoming power, engineering and infrastructure development projects on the national level, our Engineering & Bonds Department, comprising of the most experienced engineers in the industry, is geared to provide technical and financial security to this vital sector.

As pioneers in Group Health Insurance, Jubilee General continues to develop new, flexible and customised plans to suit the diverse needs of our many blue chip Pakistani companies and multinational clients. Jubilee General has recently modified its health insurance products with better coverage and scalable limits.

Jubilee General continues to innovate in terms of product development and distribution channels, as well as customer service which is the corner stone of our business philosophy.

In this regards the Company has recently ventured to put up its personal lines products on the internet by virtue of which, Jubilee General has become the first insurer in Pakistan to offer its products online. Already Jubilee General's online portal boasts of a variety of Travel, Home, Personal Accident and Health insurance products. More innovations in this area are expected in the near future.

The true test of the soundness of insurance coverage is the duration of client relationships. This is proven by the fact that many valued clients have been with us for over 40 years. Clients are satisfied knowing that Jubilee General is their best security.

Jubilee General's business philosophy can be summed up as Customer Protection, Customer Satisfaction and Customer Trust. This is acquired largely by the ability to handle claims effectively. The customer focus and pro-active management approach in all areas of business, allows Jubilee General to underwrite and handle claims in an expeditious and efficient manner.

# INSURANCE PRODUCTS



## Property

- Fire & Allied Perils
- Burglary
- Business Interruption following Fire & Allied Perils
- Property All Risks
- Industrial All Risks
- Ship Breaking



## Marine Insurance

- Marine Cargo Import
- Marine Cargo Export
- Marine Cargo Inland Transit
- Marine Umbrella Liability
- Seller's Contingency
- Marine Hull
- Pleasure Craft Policy
- Sports Craft Policy
- Graveyard Policy
- Marine & Delay in Startup Containers
- Stevedores Liability



## Engineering Insurance

- Contractor's All Risk Comprehensive Project Advance Loss of Profit following CAR/EAR
- Comprehensive Machinery Errection All Risks
- Machinery Breakdown (MBD)
- Boiler & Pressure Vessels
- Business Interruption following MBD
- Computer & Electronic Equipment
- Contractor's Plant & Machinery



## Motor Insurance

- Private Car Comprehensive
- Commercial Vehicle Comprehensive
- Motorcycles Comprehensive
- Motor Third Party Liability
- Old Car Comprehensive
- 3T- Old Car
- Trade Plate



## Bonds

- Bid Bond
- Mobilization Advance Bond
- Performance Bond
- Maintenance Bond
- Customs Bond
- Excise Bond
- Supply Bond
- Retention Money Bond
- Utility Bond
- Travel Agent Bond
- APTTA Custom Bond



## Group Health Insurance

- Comprehensive Dread Disease Expenses Benefit
- Comprehensive Hospitalization Expenses Benefit
- Maternity Expenses Benefit
- Out-Patient Expenses Benefit
- Managed Care Solution
- Micro Health



### Specialized Insurances

Banker's Blanket Bond  
 Computer Crime  
 Plastic Card  
 Safe Deposit Box  
 Foreign Currency Exchange  
 Comprehensive Security Guard Co.  
 Kidnap & Ransom  
 Terrorism  
 Crop  
 Hotel Owner's All Risks  
 Professional Indemnity  
 Director's & Officers' Liability  
 Residual Value  
 Energy Risk  
 Protection & Indemnity  
 Prize Money

Event Cancellation  
 Network Operator's Policy  
 Submarine Cable Policy  
 Off Shore Construction Project  
 Control of Well Policy  
 Oil Liability  
 Livestock  
 Employment Practice Liability  
 Contractual Legal Liability  
 Package Policies  
 SFIP (Stock Brokers Policy)  
 AMV (Guard)  
 Delinquency  
 Loss of License



### Miscellaneous Insurance

Cash in Safe  
 Cash in Transit  
 Cash on Counter  
 Neon Sign  
 Plate Glass  
 Workmen's Compensation  
 General Public Liability  
 Product Liability  
 Employer's Residual  
 Fidelity Guarantee  
 Golfer's Policy  
 Aviation  
 All Risks  
 Commercial General Liability



### Care line (Retail Products)

Self Care  
 Self Care Plus  
 Home Care structured Package  
 Shop Care  
 Shop Care Plus  
 Education Care  
 All Care  
 Via Care Travel  
 Via Care Hajj & Umrah Travel  
 Via Care Students Travel  
 Critical Illness  
 Sehat Care

Cell Care  
 Business Cover  
 Wallet Guard  
 Pocket Secure  
 Pocket Secure Plus  
 Cash Guard  
 Medi Cash

# MANAGEMENT TEAM

## In front

Tahir Ahmed

Managing Director

## From left to right

### 1st row

Azfar Arshad  
Atiq Anwar Mahmudi

Executive Vice President  
Executive Director

### 2nd row

Nawaid Jamal  
M Uzair Mirza  
Brendan T D' Lima  
Syed Sohail Ahmed  
Syed Ather Abbas  
Captain Mahmood Sultan  
Karim Merchant  
Asad Raza Bhojani

Executive Vice President  
Executive Vice President  
Executive Vice President  
Executive Vice President  
Executive Vice President  
Executive Vice President  
Executive Vice President  
Executive Vice President

### 3rd row

Zahoor A Shaheen  
Fayyiaz A Khan  
Ahsan Ilyas  
Mahboob Parvez  
M Nadeem Irshad  
Syed Imran Rabbani  
M Saifuddin Shafi  
Syed Rafiq Ali  
Syed Abid Waseem  
Mohammad Safdar

Senior Vice President  
Joint Executive Vice President  
Joint Senior Vice President  
Joint Executive Vice President  
Executive Vice President  
Joint Executive Vice President  
Joint Executive Vice President  
Vice President  
Senior Vice President  
Executive Vice President

### 4th row

Syed M Haroon A Bokhari  
Syed Hamid Hussain Zaidi  
Ejaz Mehmood  
Tariq Zia  
Syed Zamin Zafar  
M Razzak Chaudhary  
Asif Ali  
Ghulam Qadir  
Khalid Hameed  
M Amin Haroon

Senior Vice President  
Senior Vice President  
Senior Vice President  
Senior Vice President  
Senior Vice President  
Senior Vice President  
Senior Vice President  
Senior Vice President  
Senior Vice President  
Assistant Vice President  
Joint Senior Vice President

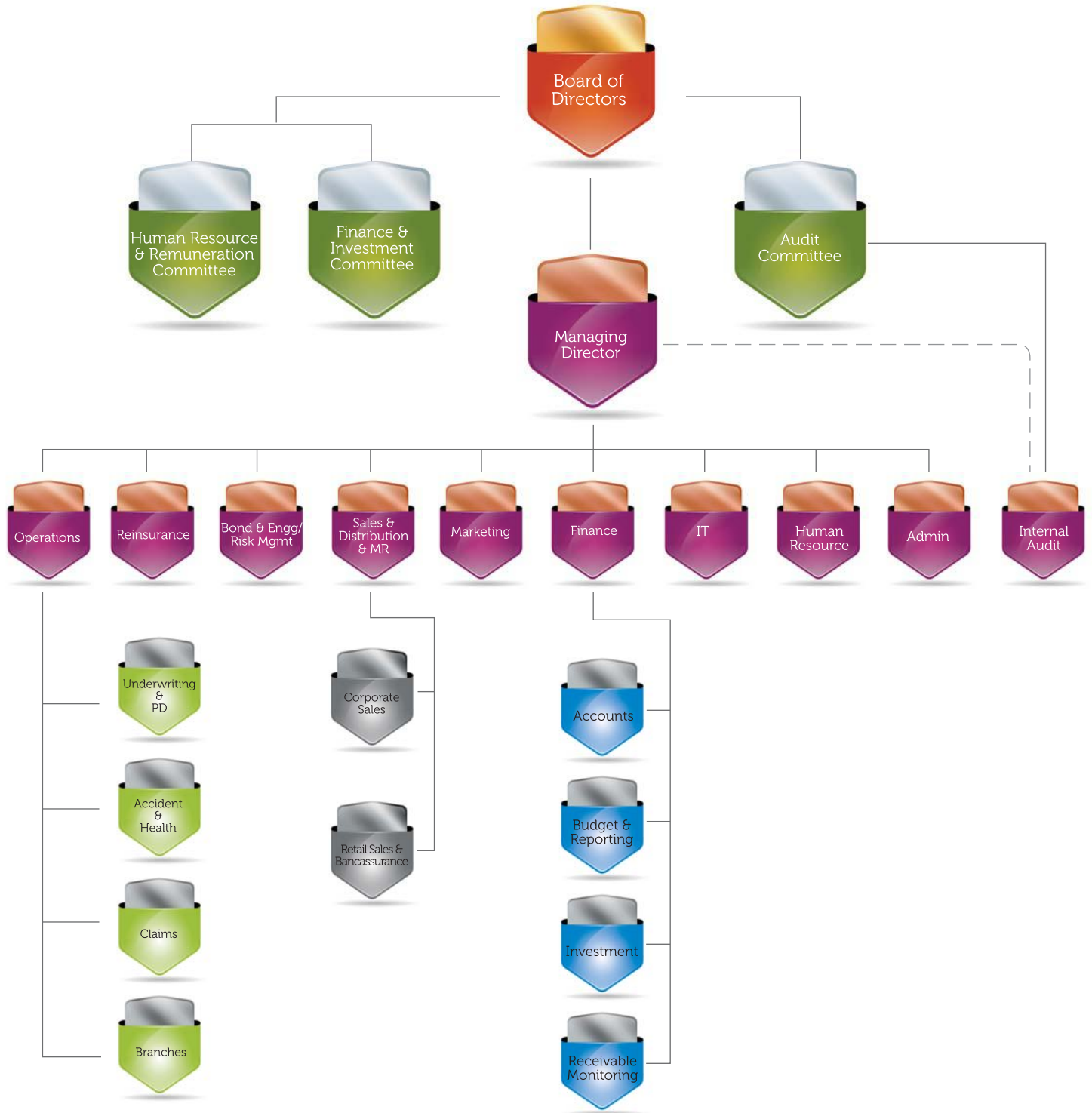
### 5th row

Captain Shahid Ahmed  
Hashim M. Shamim  
Rizwan Ehsan Puri  
Syed M Tariq Ziauddin  
Munir ul Haq  
Tauseef Hussain Shah  
M Shahzad Kasumbi  
Ghulam Shabbir Goraya  
Saeed Jan Awan  
M Muzammil Memon  
Mohammad Arif  
Bashir Ahmed Khan  
Rai Zahoor Ali Khan

Senior Vice President  
Advisor  
Vice President  
Joint Senior Vice President  
Senior Vice President  
Senior Vice President  
Vice President  
Senior Vice President  
Branch Head  
Assistant Vice President  
Joint Senior Vice President  
Vice President  
Assistant Vice President



# ORGANISATION STRUCTURE



———— Functional Reporting  
 - - - - - Administrative Reporting

# CODE OF CONDUCT

**Our Integrity guides our conduct towards our policyholders, colleagues, shareholders and the general public. This principle constitutes the foundation of our code of conduct and ethics as under:**

- Compliance with law and the legal system is a fundamental principle for Jubilee. Every employee, agent and director shall obey the laws and regulations of the legal systems in letter and spirit within which he / she acts. Regardless of the sanctions foreseen by the law, any director, employee or an agent guilty of a violation will be liable to disciplinary consequences related to such violation.
- Respect for personal integrity, privacy and personal right of every individual is a fundamental principle. We work together with individuals of various backgrounds, ethnic types, different cultures, gender, religions, ages and disabilities.
- We compete fairly with the quality and the price of our innovative products and services, not by offering improper benefits to others. Employees are not permitted to use their jobs to solicit, to demand, accept, obtain or be promised advantages.
- Jubilee does not make political contributions (donations to politicians, political parties or political organizations). As a responsible member of society and a good corporate citizen, Jubilee makes donations for education, health, and social and humanitarian projects.
- It is Jubilee's objective to conduct business with reputable clients and business partners who are involved in lawful business activities. We do not facilitate money laundering.
- It is the duty of Jubilee employees to make business decisions in the best interest of Jubilee Insurance and not based on their personal interest.
- Jubilee employees are obligated to protect all assets of the Company, including intangible assets and software products, and use these properly only for the benefit of the Company.
- Open and effective communication requires accurate and truthful reporting. Jubilee is required to maintain sound processes and controls so that transactions are executed within approved authorization. Confidentiality is maintained with regard to Jubilee's proprietary information that has not been made known to public.
- Protecting the health and safety of employees in the workplace is a high priority for Jubilee. Jubilee promotes sound environment friendly business practices.

# INTEGRITY



## Shareholders' and Investors' Information

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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 61st Annual General Meeting of Jubilee General Insurance Company Ltd. will be held on Thursday, April 24, 2014 at 11:00 a.m. at the Auditorium, Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Block 8, Clifton, Karachi to transact the following business.

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended December 31, 2013 together with the Auditors' and Directors' Report thereon.
2. To consider and approve the payment of final cash dividend of 30% (Rs.3.00 per ordinary share of Rs.10/- each) for the year ended December 31, 2013 as recommended by the Directors of the Company.
3. To appoint Auditors of the Company for the year ending December 31, 2014 and fix their remuneration. One of the shareholders has proposed the name of M/s. KPMG Taseer Hadi & Company, Chartered Accountants, as auditors in place of retiring auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, who have completed the required five years tenure as auditors of the Company.
4. To elect nine (9) Directors of the Company as fixed by the Board in the meeting held on February 12, 2014 in accordance with the provision of Section 178 of the Companies Ordinance, 1984, for a term of three years commencing from June 25, 2014. The name of retiring directors are:
  - (1) Mr. Towfiq H. Chinoy
  - (2) Mr. Akbarali Hashwani
  - (3) Mr. Sadruddin Hashwani
  - (4) Mr. Masood Noorani
  - (5) Mr. Akbarali Pesnani
  - (6) Mr. John Joseph Metcalf
  - (7) Mr. R. Zakir Mahmood
  - (8) Mr. Aly Noormahomed Rattansey.

### SPECIAL BUSINESS

5. To approve an increase in the Authorized Share Capital of the Company, and in this connection to pass the following resolution as and by way of a Special Resolution, namely:

#### RESOLVED THAT:

(i) The Authorized Share Capital of the Company be and is hereby increased to Rs.2,000,000,000 by the creation of 50,000,000 Ordinary Shares of Rs.10 each, such new shares to rank pari passu in all respects with the existing Ordinary Shares in the Capital of the Company.

(ii) The Memorandum of Association of the Company be and is hereby altered by substituting for the existing Article V by the following new Article V, namely:

"V. The Authorized Share Capital of the Company is Rs. 2,000,000,000 divided into 200,000,000 Ordinary Shares of Rs.10 each."

6. To consider and if thought fit to capitalize a sum of Rs. 204,665,310 out of the unappropriated profits/reserves of the Company for the issuance of 20,466,531 bonus shares in the proportion of 15 (Fifteen) Ordinary Shares for every 100 (Hundred) Ordinary Shares held by the Members of the Company as at the close of business on April 14, 2014.

Accordingly, it is proposed to consider and pass the following Resolutions as an Ordinary Resolution:

#### RESOLVED THAT:

(i) A sum of Rs. 204,665,310 out of the unappropriated profits/reserves of the Company be capitalized and applied for the issue of 20,466,531 Ordinary Shares of Rs.10 each and that the said shares be allotted as fully paid Bonus Shares to those Members of the Company whose names appear in the Register of Members of the Company as at the close of business on April 14, 2014 in the proportion of 15 (Fifteen) bonus shares for every 100 (Hundred) shares held by the entitled Members, and that such bonus shares shall rank pari passu as regards future dividends and in all other respects with the existing ordinary shares of the Company.

(ii) In the event of any Member becoming entitled to a fraction of a share, the Directors be and are hereby authorized to consolidate all such fractions and sell the shares so constituted on the Stock Market and to pay the net proceeds thereof to a charitable organization designated by the Directors.

(iii) For the purpose of giving effect to the above resolutions, the Managing Director be and is hereby authorized to take all necessary actions and do all acts, deeds and things and to settle any question or difficulties that may arise in regard to the allotment and the distribution of the said bonus shares as he thinks fit.

7. To consider and if thought fit to pass the following Resolution with or without modification(s) as a Special Resolution as

required under Section 208 of the Companies Ordinance, 1984, for authorizing investment in the shares of Jubilee Kyrgyzstan Insurance Company, Closed Joint Stock Company (formerly London Bishkek Insurance Company-CJSC, Kyrgyz Republic).

**RESOLVED THAT:**

Having reviewed the information and update provided by the Company, the Shareholders confirm and approve the investment to be made by the Company as follows:

(i) To Invest a sum of up to US\$ 440,088 by subscription upto 10,106,691 Ordinary Shares of Jubilee Kyrgyzstan Insurance Company, Closed Joint Stock Company (formerly London Bishkek Insurance Company-CJSC, Kyrgyz Republic) constituting 19.5% shareholding of the increased Capital of this Company, subject to necessary regulatory approvals.

(ii) The about said resolution shall be valid for 2 years and the Managing Director (Chief Executive) and /or Chief Financial Officer of the Company be and are hereby singly authorized to take all actions which may be required for the above mentioned investment.

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

All material facts concerning the resolutions contained in item no. 5, 6 and 7 of the notice.

By order of the Board



Atiq A. Mahmudi  
Company Secretary

Karachi: February 12, 2014

**NOTES:**

1. SECP has directed vide SRO No. 831(I)2012 dated July 05,2012 to issue dividend warrant only crossed as "A/c Payee only" and should bear the computerized National Identity Card (CNIC) number of the registered members. All those shareholders possessing physical shares are requested to submitted a photocopy of their valid CNIC alogwith the Folio Number at the earliest directly to Company's Share Registrar, THK Associates (Private) Limited, 2nd Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi. No dividend will be payable unless the CNIC number is printed on the dividend warrants. Corporate are also requested to submit their NTN at the address of our Registrar as given above.
2. Any person who seeks to contest the election of Directors shall file with the Company at its registered office not later than fourteen days before the date of the said meeting notice of his / her intention to offer himself / herself for the election of the Directors in terms of Section 178(3) of the Companies Ordinance, 1984 together with:
  - a) Consent to act as director under Section 184 (1) of the Companies Ordinance, 1984.
  - b) Information on Annexure A and affidavit on Annexure B required under Insurance Companies (Sound and Prudent Management) Regulation 2012 notified by the SECP vide SRO 15 (1)/2012 dated 9th January 2012. Annexure A and B are available on SECP website and can also be obtained from the Registered office of the Company.
  - c) The profile alongwith office address for placing on website of the Company seven days prior to the date of election in term of SRO 25(1)/2012 dated January 16, 2012.
3. Approval from Securities and Exchange Commission of Pakistan is needed to become director of the Company.
4. The qualification of a director shall be holding shares in the Company of the nominal value of Rs. 21,000 in terms of Article 72 of the Article of Association.
5. The Share Transfer Books of the Company will be closed for the purpose of determining the entitlement for the payment of final cash dividend and for the issuance of bonus shares from April 15, 2014 to April 24, 2014 (both days inclusive). Transfer received at THK Associates (Pvt.) Ltd, 2nd Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi at the close of business on April 14, 2014 will be treated in time for the purpose of Cash Dividend and Bonus Shares entitlement to the transferees.
6. A member entitled to attend and vote at the Meeting may appoint another member as his/her proxy to attend, speak and vote at the Meeting on his/her behalf. The proxy forms must be deposited at the Registered Office of the Company not later than 48 hours before the time of the Meeting.
7. For attending the Meeting and Appointing Proxies, CDC Account Holders will further have to follow the guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
8. Members are requested to immediately inform the Company of any change in their addresses.

## Statement U/S 160(1)(b) of the Companies Ordinance, 1984

This statement sets out the material facts concerning "Special Business" to be transacted at the 61st Annual General Meeting of the Company to be held on Thursday, April 24, 2014.

### (i) Increase in the Authorized Capital of the Company - Item # 5

The Company presently has an Authorized Share Capital of Rs. 1,500,000,000 divided into 150,000,000 Ordinary Shares of Rs.10 each of which 136,443,542 Ordinary Shares are fully subscribed issued and paid up.

In order to facilitate future increases in the paid up capital, the Board of Directors of the Company has recommended that the Authorized Share Capital of the Company should be raised from Rs.1,500,000,000 divided into 150,000,000 Ordinary Shares of Rs.10 each to Rs.2,000,000,000 divided into 200,000,000 Ordinary Shares of Rs.10 each by the creation of a further 50,000,000 Ordinary Shares of Rs.10 each. For this purpose the Board of Directors has also recommended that the resolution set forth at item No.5 under the heading of special business of the notice convening the Annual General Meeting of the Company should be passed as a Special Resolution.

### (ii) Capitalization out of the Company's unappropriated profit / reserves - Item # 6

The Directors of the Company are of the view that the Company's financial position justifies the capitalization of a sum of Rs. 204,665,310 out of the Company's unappropriated profits/reserves enabling the issuance of 20,466,531 fully paid Bonus Shares of Rs.10 each. These Shares shall be issued to Members whose names appear in the Register of Members at the close of business on April 14, 2014. The Bonus Shares shall be issued in the proportion 15 (Fifteen) Shares for every 100 (Hundred) Shares held by a Member. After the issuance of these Bonus Shares, the paid up capital of the Company would increase from Rs. 1,364,435,420 to Rs. 1,569,100,730.

The Directors of the Company are not directly or indirectly, personally interested in this business except to the extent of their respective shareholding in the Company.

### (iii) Investment in an Associated Company - Item # 7

The approval given by the shareholders in the last Annual General Meeting held on April 10, 2013 in respect of Investment of US\$ 440,088.2 for acquisition of 19.5%

shareholding in the Ordinary Shares of Jubilee Kyrgyzstan Insurance Company, Closed Joint Stock Company (formerly London Bishkek Insurance Company - CJSC, Kyrgyz Republic), could not be finalized as it is still in the process of approval with the Regulatory Authorities. However, keeping in view Clause 8 of S.R.O. 27(1)/2012 dated January 16, 2012, the Company is seeking a fresh approval of the Shareholders to make this investment.

The information required to be disclosed under the Companies (Investment in Associated Companies or Undertakings) Regulations, 2012 relating to this investment is as under:

#### (i) Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established;

Jubilee Kyrgyzstan Insurance Company, Closed Joint Stock Company (formerly London Bishkek Insurance Company -CJSC, Kyrgyz Republic).

The associated relationship is established based on the common directorship and associated company.

#### (ii) Purpose, benefits and period of investment;

This is a long term strategic investment and the purpose is to support the establishment of a strong market position in Central Asian markets so as to earn dividend and prospective capital gains.

#### (iii) Maximum amount of investment;

Up to US \$ 440,088.

#### (iv) Maximum price at which securities will be acquired;

US \$ 0.0435442 Per Share

#### (v) Maximum number of securities to be acquired;

Up to 10,106,691 Ordinary Shares

#### (vi) Number of securities and percentage thereof held before and after the proposed investment;

No previous investment was made in this Company and therefore number of securities and percentage after the proposed investment will be as follows;

- a) number of securities 10,106,691 Ordinary Shares  
b) percentage of shareholding 19.5% of increased paid-up capital.

**(vii) In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired;**

Not applicable as the proposed investment is not in a listed Company.

**(viii) In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6(I);**

100% shareholding of jubilee Kyrgyzstan Insurance Company, Closed Joint Stock Company (formerly London Bishkek Insurance Company CJSC, Kyrgyz, Republic) has been acquired by the Kyrgyz Investment and Credit Bank (KICB) at a negotiated price of US\$ 0.0435442 per ordinary share based on a due diligence carried out by Deloitte.

A copy of Due Diligence Report (DDR) may be inspected at the Registered Office of Jubilee General Insurance Company Limited on any working day during business hours from the date of publication of this Notice till conclusion of the AGM.

**(ix) Break-up value of securities intended to be acquired on the basis of the latest audited financial statements;**

US \$ 0.0293 Per Share

**(x) Earning / (loss) per share of the associated company or associated undertaking for the last three years;**

2011 - US \$ (0.0007)  
2012 - US \$ 0.0015  
2013 - US \$ (0.0026)

**(xi) Sources of fund from which securities will be acquired;**

Own sources of the Company.

**(xii) Where the securities are intended to be acquired using borrowed funds;**

(I) justification for investment through borrowing; and  
(II) detail of guarantees and assets pledged for obtaining such funds;

Not applicable.

**(xiii) Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment;**

Shares Subscription Agreement dated January 30, 2014 has been signed between Jubilee Kyrgyzstan Insurance Company, CJSC and Jubilee General Insurance Company Limited. The salient features of the agreement are as under:

- The present authorized and paid up capital of Jubilee Kyrgyzstan Insurance Company CJSC is Kyrgyz Som (KGS) 26,432,885 divided in to 26,432,885 ordinary shares.
- Jubilee Kyrgyzstan Insurance Company CJSC has agreed to increase the authorized share capital by 25,396,301 ordinary shares thereby total authorized and paid up will be 51,829,186 ordinary shares with a par value of KGS 1 each.
- Jubilee General Insurance Company Limited has agreed to invest in Jubilee Kyrgyzstan Insurance Company, CJSC, by subscribing to 19.50% of the increased paid up capital constituting 10,106,691 ordinary shares at the rate of US\$ 0.435442 per subscription share.

A Shareholders Agreement has also been jointly signed on January 30, 2014 between Jubilee Kyrgyzstan Insurance Company CJSC and the shareholders of the increase paid up capital.

**(xiv) Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;**

No personal interest of Jubilee General Insurance Directors.

Aga Khan Fund for Economic Development has 21% shareholding in KICB.

Habib Bank Limited has 18% shareholding in KICB.

**(xv) Any other Important details necessary for the members to understand the transaction.**

The revised shareholdings in the increased paid up capital of Jubilee Kyrgyzstan Insurance Company CJSC, would be as under:

KICB	=51.00%
Jubilee General Insurance Company Limited	=19.50%
Jubilee Life Insurance Company Limited	=19.50%

Aga Khan Fund for Economic Development = 10.00%

(xvi) In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to the above, the following further information required, namely;

1. Description of the project and its history since conceptualization;
2. Starting and expected date of completion of work;
3. Time by which such project shall become commercially operational; and
4. Expected time by which the project shall paying return on investment.

Not applicable

Copies of duly audited latest published annual financial statements of Jubilee Kyrgyzstan Insurance Company, Closed Joint Stock Company (formerly London Bishkek Insurance Company-CJSC, Kyrgyz Republic) may be inspected during business hours on any working day at the registered office of the Company from the date of publication of this notice till conclusion of the Annual General Meeting.

The Directors of Jubilee General Insurance Company Limited undertake that they have carried out necessary due diligence for the proposed investment.

## FINANCIAL CALENDAR

## Results

First quarter ended 31 March 2013	Announced on	24 April 2013
Half year ended 30 June 2013	Announced on	23 August 2013
Third quarter ended 30 September 2013	Announced on	29 October 2013
Year ended 31 December 2013	Announced on	12 February 2014

## Dividend

Final Cash (2013)	Announced on	12 February 2014
	Entitlement date	14 April 2014
	Statutory limit upto which payable	23 May 2014

Final Bonus Shares (2013)	Announced on	12 February 2014
	Entitlement date	14 April 2014
	Statutory limit upto issue	23 May 2014

Final Cash (2012)	Announced on	14 February 2013
	Entitlement date	01 April 2013
	Statutory limit upto which payable	09 May 2013
	Paid on	07 May 2013

Final Bonus Shares (2012)	Announced on	14 February 2013
	Entitlement date	01 April 2013
	Statutory limit upto which payable	09 May 2013
	Issued on	07 May 2013

## Issuance of Annual Report

01 April 2014

## 61st Annual General Meeting

24 April 2014

# ACCESS TO REPORTS & ENQUIRIES

## Annual Report

Annual report 2013 may be downloaded from the Company's website: [www.jubileegeneral.com.pk](http://www.jubileegeneral.com.pk) or Printed copies can be obtained by writing to:

The Company Secretary  
Jubilee General Insurance Company Limited  
2nd Floor, Jubilee Insurance House  
I.I. Chundrigar Road  
Karachi 74000  
Pakistan

## Quarterly Reports

The Company publishes interim reports at the end of first, second and third quarters of the financial year. The interim reports for the year 2013 can be accessed at Jubilee General's website or printed copies can be obtained by writing to the Company Secretary.

## Presentation on Company's performance

Video presentation on company's financial position and performance in 2013 is available on company's website: [www.jubileegeneral.com.pk](http://www.jubileegeneral.com.pk)

## Shareholders' Enquiries

Shareholders' enquiries about their holding, dividends or share certificates should be directed either to Company's registered office or share registrar at the following address:

THK Associates (Pvt) Limited  
Ground Floor, State Life Building No. 3  
Dr. Ziauddin Ahmed Road, Karachi.  
UAN: 111-000-322 Tel: 35686658 / 35689021

## Stock Exchange Listing

Jubilee General Insurance Company Limited shares are listed on Karachi and Lahore stock exchanges.

## Stock Code

The symbol code for dealing in shares of the company is **JGICL**.

# EXCELLENCE



## Corporate Governance & Financial Highlights

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# THE DIRECTORS' REPORT

For the year ended December 31 2013

The Directors are pleased to present the Annual Report and the Audited Accounts for the year ended December 31 2013.

## Country Review:

According to the State Bank of Pakistan, the GDP growth rate for the current fiscal year 2013-14 will be in the range of 3 to 4% against the official projection of 4.4%. Once again, Pakistan's economy is expected to under-perform compared to the region. Overall fiscal deficit is estimated to be in the range of 7% of GDP against the budgetary target of 6.3%. The indicated current account deficit of 1 to 2% of GDP are contingent upon a number of inflows including foreign exchange remittances by overseas Pakistanis. Fiscal 2013 was a frustrating year for the economy, with prospects for the current year being equally grim. The low tax to GDP ratio will continue to force the government to rely increasingly on the banking system to fund the budget deficit consequently slowing down credit disbursement to the private sector and badly hurt the real economy which is reeling in the face of acute energy crisis and a poor law and order situation.

## Insurance Sector Review:

Gross premium of the non-life insurance sector grew by 5% in 2012 to Rs.44 billion. However, in 2013 the growth in premium is expected to be between 8-10%. Thus after a gap of many years, growth in the non-life insurance market is expected to match rather than lag behind the rate of inflation. The unsatisfactory rate of premium growth will continue to place rate competition especially in Marine and Motor portfolios under further pressure. Floods in August and some major Fire claims are forcing the market to maintain Fire premium rates. The market is keenly awaiting the implementation of new Takaful and Microinsurance Rules for diversification and to increase revenues.

## Company Performance:

On the strength of its diversified portfolio, your Company has increased its written premium by 9% to reach Rs.6.60 billion (2012: Rs.6 billion). The net premium revenue has increased more robustly by 14% to Rs.3.5 billion (2012: Rs.3.1 billion). As evident from the numbers summarized below, the pre-tax and after tax profit has also increased on the back of both higher investment and underwriting income:

	2013	2012
	(Rupees in '000)	
		(Restated)
Gross Premium	6,569,306	6,007,908
Net premium Revenue	3,525,777	3,084,738
Underwriting Result	223,275	154,350
Investment Income including		
Capital gain and Rent	980,036	783,011
Profit before tax	1,220,202	946,001
Profit after tax	1,045,315	826,498
Earnings per share of Rs.10 each (Rupees)	7.66	6.06

## Fire & Property:

The Fire & Property portfolio contributed 26% of total written premium and grew by 8% to Rs.1.7billion.

The portfolio was affected by flood and some other large claims to post an underwriting loss of Rs.111 million as compared to profit of Rs.2 million in 2012.

## Marine, Aviation & Transport:

This portfolio contributes 11% of the total written premium and increased by 12% to Rs.693 million.

This class of business generated an underwriting profit of Rs.60 million which is almost the same as in 2012.

## Motor:

The Motor portfolio comprises 14% of our total written premium and increased by 5% to Rs.922 million. Due to various management measures, Motor portfolio yielded a robust underwriting profit of Rs.115 million as compared to Rs.34 million in 2012.

## Liability:

The Liability portfolio constitutes 8% of the total written premium at Rs.505 million. It grew robustly by 44% due to enhanced oil/gas exploration activity in the country and yielded an underwriting profit of Rs.46 million (Rs.37 million in 2012).

## Accident & Health:

Accident & Health constitutes 12% share in the business mix of the Company. The written premium increased by 14% to Rs.792 million. Due to various underwriting measures and changes in the basis of calculating unearned premium reserve, the underwriting loss has decreased to Rs.49million from Rs.68 million in 2012. The Management is continuing to take measures to make this portfolio profitable.

## Miscellaneous:

The Miscellaneous class contributed 30% of total written premium. It increased nominally by 3% to reach Rs.2 billion. Due to prudent underwriting, the profit in this class of business continues to improve and stands at Rs.163 million as against Rs.86 million recorded in 2012.

## Investment Income:

The investment income of the Company from all sources including dividends, returns on bank deposits, realized capital gains and income from real estate holdings generated Rs.980million in 2013(Rs.783 million in 2012) a robust increase of 25%.

The investment portfolio as on December 31, 2013 shows an unrealized gain of Rs.3,379 million inclusive of appreciation of Rs.1,648 million in our real estate holdings.

**Market Share:**

Your Company has been increasing its market share steadily over the years. Our market share which stood at 7.6% in 2005 increased to 13.6% in 2012. We expect a further gain in 2013, which will come to light when industry statistics are compiled by the Insurance Association of Pakistan.

**Reinsurance:**

Inflows of fresh capital and lower than average catastrophe claims have allowed the international reinsurance market to remain stable in general. However, finding suitable reinsurance arrangements remain a challenge for the Pakistan insurance market due to its lack of economies of scale and also because in recent years it has been prone to catastrophic flood claims. Jubilee General, however, has been able to enhance its reinsurance capacity thereby, providing higher capacity to its clients and to write a larger volume of business.

**Product Development:**

Your Company has enhanced its reputation as the most innovative general insurer by placing a bouquet of personal products online. The Company is developing a host of e-based products and investing in partnerships to reach a wider segment of customers. Simultaneously the Company continues to develop knowledge-based products to stay ahead of competition. We believe in continuous training and re-training of our manpower to ensure responsiveness to the fast changing environment.

**Dividend and Appropriations of profit:**

(Rupees in '000)

The amount available for appropriation is:

Amount brought forward from previous years	15,077
Total Comprehensive income for the year	1,040,899
Amount available for appropriation	<u>1,055,976</u>

The Directors recommend that this amount be appropriated in the following manner:

**Appropriation:**

(Rupees in '000)

Transfer to special reserves	100,000
Transfer to general reserve	320,000
Proposed final cash dividend @ 30% (2012: 30%)	409,331
Proposed issue of bonus shares @ 15% (2012: 15%)	204,665
Carry forward to next year	21,980
	<u>1,055,976</u>

**Board Meetings:**

The Board of Directors held five (5) meetings in 2013. Attendance of Directors is indicated below:

Name of Director	Meetings Attended
Towfiq H. Chinoy	05
Akbarali Hashwani	05
Masood Noorani	05
Akbarali Pesnani	04
John Joseph Metcalf	05
Aly Noormahomed Rattansey	05
R. Zakir Mahmood	03
M. Akhtar Bawany	05
(Alternate Director to Sadruddin Hashwani)	
Tahir Ahmed	05

**Board Committees:**

During the year the Board Audit Committee, Finance & Investment Committee and Human Resource & Remuneration Committee held four (4), four(4) and two (2) meetings respectively. The names of the members of the Board Committees and terms of reference are given in the annexure to this report (Page 34). Except the Managing Director and the Chief Financial Officer, all others are non-executive Directors.

**Management Committees:**

The Company has four management committees, which cover the core areas of business; these are Underwriting Committee, Claims Settlement Committee, Re-insurance & Co-insurance Committee and Enterprise Risk Management Committee. During the year four meetings were held by each of the first three Committee while two meetings were held by Enterprise Risk Management Committee. The names of members and the terms of references of these committees are given in the annexure to this report (page 36).

**Chief Executive Officer (CEO) Performance Review**

The Board of Directors appoints the Chief Executive Officer for the tenure of three years. The Human Resource & Remuneration Committee of the Board sets operational, financial and strategic objectives to evaluate his performance. The same Committee reviews and monitors CEO performance on annual basis.

**Statement of Directors Responsibilities:**

In compliance with the Corporate and Financial Reporting Framework of the Code of Governance the Directors confirm the following:

- the financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- proper books of accounts of the Company have been maintained.
- appropriate accounting policies have been consistently applied in preparation of Financial Statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standard as applicable in Pakistan have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
- the system of internal control is sound in design and has been effectively implemented and monitored.
- there are no significant doubts upon the Company's ability to continue as a going concern.
- there is no material departure from the best practices of corporate governance, as detailed in the listing regulations.

**Insurer Financial Strength (IFS) Rating**

The Directors are pleased to announce that Jubilee General's IFS (Insurers Financial Strength) rating has been affirmed as "AA+" with "Stable Outlook" by both rating agencies of Pakistan i.e. JCR-VIS and Pakistan Credit Rating Agency (PACRA).

The "AA+" with "Stable Outlook" takes into account robust financial strength of Jubilee General as demonstrated by its strong capitalization and liquidity indicators. It also denotes a very strong capacity of the Company to meet policyholder and contract obligations.

A. M. Best have also affirmed Financial Strength Rating of "B++" (Good) and issuer Credit rating of "BBB". According to A. M. Best, Jubilee General has established a solid business profile within Pakistan and has achieved a good level of diversification by line of business.

The above ratings make our Company the highest rated General Insurer of Pakistan.

**Liquidity Management:**

During the year, an amount of Rs.465 million (2012: Rs.849 million) has been generated from operating activities which are utilized in investment activities and payment of dividend to shareholders. The company prudently manages liquidity to ensure its ability to meet its contractual obligations efficiently when they fall due.

**Awards:**

The Company has secured Third Position in the Best Corporate Report Awards in Non-Banking Financial sector, which comprises of Insurance, Leasing, Investment Banks, Mutual Funds and Modarabas. The awards competition is jointly organized by the Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP) for the last 13 years to encourage and recognize excellence in annual corporate reporting as well as to promote corporate accountability and transparency through publication of timely information in a factual and reader friendly manner.

**Financial Contribution to the National Exchequer:**

The company has contributed Rs.1,170 million (2012: Rs.1,115 million) to the National Exchequer during the year in the form of direct and indirect taxes and other mandatory contributions.

**Corporate Social Responsibility:**

In 2013, Jubilee General was engaged in education and health initiatives under the ambit of a CSR drive.

With the growing addiction to Chalia and Gutka by the young Pakistanis, which causes mouth cancer, the Company, therefore, embarked on mass awareness campaign in collaboration with Pakistan Medical Association to publicize its hazardous effects. In consultation with Dr Qaiser Sajjad, a doctor, who assisted in developing a public service message and three radio spots were also developed and then aired via popular FM radio channels to reach the target audience.

This awareness campaign was extended to children of NGO - HOPE, and JGI organized "Poster Competition" in the school.

Donations are also made every year by the Company in the health, education and community service sectors. In the year 2013, the Company donated a sum of Rs. 11.57 million (Rs 8.09 million in 2012).

**Human Resource Development:**

The success of any good organization in this demanding business environment depends on the caliber of its employees. JGI places great emphasis on training and development activities, nurturing the potential of employees by upgrading their knowledge, skills and abilities.

The Company has its in-house training facility, and in addition, employees are also sent to external training courses both locally and internationally. Besides this, JGI also encourages and provides financial assistance to its employees to acquire internationally recognized insurance qualification i.e. ACII from the Chartered Insurance Institute of UK and Post - Graduate Diploma in Insurance from Karachi University.

**Sports Activities:**

The Company is also committed towards the development of sports activities and the employees are highly encouraged to engage themselves in organizing and participating both in in-house and Inter-Company sporting competitions. Regular in-house cricket tournaments are organized.

Moreover, the Company has also sponsored the following sports in 2013;

- 5 Snooker Tournaments including 'Asian Snooker Championship - 2013'.
- 5th Roshan Khan (Pakistan) Junior Open Squash - 2013
- Table Tennis

**Information Technology:**

The Company has successfully implemented the Centralized Web-based Core Insurance Application iGis across Pakistan, which will bring efficiency in business processes, improve controls and provide better service to our clients. We have also implemented Centralized Investment System for effective monitoring of our investments and better returns. In addition we have also launched the Retail Portal for direct-to-consumer sales of structured insurance products and setup the Call Centre for 24x7 clients service.

**Business Risk:**

Details of business risk and measures taken for their mitigation are annexed to this report (Page 37).

**Business Process Re-Engineering (BRP)**

The Company believes in continuous business process re-engineering to improve operational efficiency and profitability. During the year under review, more than 60% of claims function has been centralized while Accounts function centralization has been initiated. The Company has also embarked on the process of making all personal lines sales paperless with the objective of reducing cost and bringing overall efficiencies.

**Pattern of Shareholding and Trading in the Shares:**

The pattern of shareholding and the information regarding trading in the shares of the Company by its Directors, Chief Executive, Chief Financial Officer and Company Secretary are annexed to this report (Page 39).

**Key Financial Data:**

Key financial data for the last six years is annexed to this report (Page 42).

**Value of investments in Provident Fund and Gratuity Fund:**

The Values of investments in employees retirement funds based on audited accounts for the year ended December 31, 2012 are as follows:

	(Rupees in '000)
Staff Provident Fund	218,496
Employees' Gratuity Fund	99,662

**Auditors:**

The existing auditors, Messrs Ernst & Young Ford Rhodes Sidat Hyder audited the accounts for the year 2013 and will retire at the conclusion of the 61st Annual General Meeting on 24 April 2014. Since Messrs Ernst & Young Ford Rhodes Sidat Hyder were the auditors of the Company for five (5) years, therefore, in compliance with the requirement of Code of Corporate Governance contained in the listing regulations of Karachi Stock Exchange, we have to change the external auditors for the year 2014.

The Audit Committee has suggested to the Board the name of Messrs KPMG Taseer Hadi & Company, Chartered Accountants as the auditors of the Company for the year 2014 and the Board of Directors recommends their appointment subject to the approval of the members in the AGM. Messrs KPMG Taseer Hadi & Company, Chartered Accountants, being eligible, have given their consent to act as auditors.

**Future outlook:**

While the USA economy is expected to grow 3% or more, the EC zone is struggling with a recession and China's growth has slowed down considerably. As mentioned in the opening section of this report, the Pakistan economy is beset with difficulties. However, the newly elected government is now firmly in saddle but expected to make difficult decisions and structural reforms.

Your Company is capable of meeting the challenges posed by difficult business environment and intends to leverage on its high IFS rating. IT system and product, innovation to achieve improved technical result, enhance our market position and build on our financial strength.

**Acknowledgements:**

We thank our valued patron clients and shareholders of the Company for their support which has enabled us to progressively increase our market share year after year. We also thank our brokers and reinsurers for their valuable support and would like to record our appreciation for the cooperation of Securities & Exchange Commission of Pakistan. We acknowledge the hard work and dedication of our development officers, staff members and executives without whom we could not have achieved our goals.

On behalf of the Board.



**Towfiq H. Chinoy**  
Chairman  
Karachi: 12 February 2014

# BOARD COMMITTEES

The company has three committees at the board level. These committees meet on quarterly basis to review the company's performance, which strengthens its governance framework. The terms of reference and composition of these committees are given below:

## Audit Committee

The terms of reference of this committee include the following:

- Determination of appropriate measures to safeguard the Company's assets.
- Review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
  - major judgmental areas.
  - significant adjustments resulting from the audit.
  - any changes in accounting policies and practices.
  - compliance with applicable accounting standards
  - compliance with listing regulations and other statutory or regulatory requirements.
- Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary).
- Review of management letter issued by external auditors and management's response there to.
- Ensuring coordination between the internal and external auditors of the company.
- Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the company.
- Consideration of major findings of internal investigations and management's response thereto.
- Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.
- Review of the company's statement of internal control system prior to endorsement by the board of directors.
- Determination of compliance with relevant statutory requirements.
- Monitoring compliance with the best practices of corporate governance and identification of any significant violations thereof and
- Consideration of any other issue or matter as may be assigned by the board of directors.

The Committee comprises of three members, including the Chairman of this committee, all of them are non-executive directors. During the year 2013 four meetings of this committee were held and the attendance of meeting is as follows:

Name of Members	Meetings Attended
Aly Noormahomed	
Rattansey – Chairman	04
Akbarali Pesnani – Member	03
John Joseph Metcalf – Member	04

## Finance & Investment Committee

The terms of reference of this committee include the following:

### Planning & Budgeting:

- Review the annual operating & capital expenditures budget and recommending the same to the Board.
- Review and approve the long term plan and recommend three years budget of the Company.
- Review and approve proposals for opening of Branch Offices inside and outside Pakistan.

### Operating Review:

- Review and recommend the monthly, quarterly, half yearly and annual results of the Company for approval of the Board.
- Review and monitor the capital expenditures incurred in accordance with the budget.

### Investments

- Define the strategic objectives of the Investment Policy.
- Allocate funds for investment in the different sectors and sub-sectors.
- Establish the basic parameters governing the investment in the various sectors.
- Review and approve the annual investment plan and budget.
- Review each quarter, the overall investment portfolio with particular reference to purchase and sale of investments made during the quarter, the income accruing from each sector vis-à-vis the budget, and to consider the reasons for variances.
- Review the economic, political and law & order outlook for the foreseeable future and to issue guidance for further investment / disinvestment activity, sectoral reallocation of investment portfolio etc.
- Establish the benchmarks against which the performance of the overall investment portfolio and its sectors are to be assessed.

### Other Matters:

- Review and recommend the financial policies and controls of the Company, including the policies required under the Code of Corporate Governance to the board.

The Committee comprises of six members, including the Chairman of this Committee, out of which four are non-executive directors, one executive director and the Chief Financial Officer. The Committee held four meetings in the year 2013 and the attendance of meetings is as follows:

Name of Members	Meetings Attended
Masood Noorani – Chairman	04
John Joseph Metcalf – Member	04
Akberali Pesnani – Member	03
Akberali Hashwani – Member	04
Tahir Ahmed – Member	04
Atiq A. Mahmudi – Member	04

### Human Resource & Remuneration Committee

The terms of reference of this committee include the following:

- Review the HR policies and make appropriate amendments if needed.
- Review and approve manpower development plan and budget.
- Review and recommend annual appraisal and salary revision of senior executives of the Company.
- Review and approve any changes required in perquisites and benefits of senior executives and employees.
- Approve terminations and acceptance of resignations for senior executives.

The committee comprises of five members including the Chairman of this Committee, out of which four are non-executive directors and one executive director. During the year 2013 two meetings of this committee were held and the attendance of meeting is as follows:

Name of Members		Meetings Attended
Towfiq H. Chinoy	– Chairman	02
Akbarali Hashwani	– Member	02
Masood Noorani	– Member	02
John Joseph Metcalf	– Member	02
Tahir Ahmed	– Member	02

# MANAGEMENT COMMITTEES

The company has four management committees, which cover the core areas of business. These committees meet on regular basis and are headed by the Chief Executive Officer. The functions and composition of the committees are given below:

## Underwriting Committee

The underwriting committee's function is to formulate the underwriting policy of the company and to set out the criteria for assessing various types of insurance risks and determines the premium of different insurance covers. The committee shall regularly review the underwriting and premium policies with due regard to relevant factors such as business portfolio and the market development.

The following are the members of this committee:

Tahir Ahmed	- Chairman
Azfar Arshad	- Member
Mehboob Pervaiz	- Member
Mohammad Safdar	- Member

## Claims Settlement Committee

The function of this committee is to devise the claim settling policy of the Company. The committee oversees the claim position of the company and ensures that adequate claims reserves are made. The committee pays a particular attention to significant claims cases or events, which will give rise to a series of claims. The Committee also determines the circumstances under which the claim disputes shall be brought to its attention, and decide how to deal with such claims disputes. It shall also oversee the implementation of the measures for combating fraudulent claims cases.

The following are the members of this committee:

Tahir Ahmed	- Chairman
Mohammad Safdar	- Member
Syed Imran Rabbani	- Member

## Re-insurance & Co-insurance Committee

This committee ensures that adequate reinsurance arrangements are made for the company. The committee pursues the proposed reinsurance's arrangements prior to their execution, reviews the arrangements from time to time and subject to the consent of the participating reinsurers makes appropriate adjustments to those arrangements in the light of the market development. The committee will also assess the effectiveness of the reinsurance program for the future reference.

The following are the members of this committee:

Tahir Ahmed	-Chairman
Nadeem Irshad	-Member
Karim Merchant	-Member
Brendan Thomas D' Lima	-Member

## Enterprise Risk Management Committee

This committee shall ensure the continuity of critical business functions, and commercial activity of the company and safe guard its assets. The committee shall assess, review, record, rank and rate the physical, financial and reputation risks. It will conduct the business impact analysis; assess effects of impact of any physical disruption; its financial implications and people to be affected. It will also evaluate mitigation in place; lay down proactive approach and reactive actions. It will also develop and implement business continuity plan for the company and review it from time to time.

The following are the members of this committee:

Tahir Ahmed	- Chairman
Atiq A. Mahmudi	- Member
Azfar Arshad	- Member
Brendan Thomas D' Lima	- Member
Uzair Mirza	- Member

# BUSINESS RISK MANAGEMENT

Risk management ensures an integrated pre-emptive approach to mitigate current and emerging business risks. The Board is committed to effectively manage its risk through the formulation of risk management policy and system. The Company continuously monitors and controls risk to the business. The following are the major risks faced by the Company and their Mitigating factors:

Risk	Mitigating factors
<p><b>Economic and Political Risk</b> Difficult business conditions resulting from economic and political instability may prove to be an impediment in the plans of the Company to achieve its business objectives.</p>	<p>The Company has cautious approach to deal with such risks and develops niche products to maintain and increase its market share without compromising its profitability.</p>
<p><b>Market Risk</b> The Company faces increased competition from existing players and new entrants including Takaful companies in insurance market.</p>	<p>The Company relies on its personalized service and customized products to retain its customer base and increase its market share.</p>
<p><b>Insurance Risk</b> The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty in the amount of compensation to the insured. Generally most insurance contracts carry the insurance risk for a period of one year.</p>	<p>The Company's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk underwritten under the insurance contract. This framework includes implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate reinsurance is arranged to mitigate the effect of the potential loss to the Company from individual to large or catastrophic insured events.</p>
<p><b>Reinsurance Risk</b> Reinsurance ceded do not relieve the Company from its obligation to the insured and as a result the Company remains liable for the portion of claims reinsured in case of inability of the reinsurer to discharge its obligation.</p>	<p>To minimize its exposure of losses from reinsurer insolvencies, the Company obtains reinsurance from a number of reinsurers, representing first class security and spread over several geographical regions. The Company also ensures that 80% of all reinsurance treaties are backed by atleast "A" rated reinsurers including Pakistan Reinsurance Company Limited and remaining by "BBB" rated.</p>
<p><b>Reserve Risk</b> The Risk of inadequate reserve to meet future insurance obligations.</p>	<p>The Company has developed a policy to monitor and enhance reserves periodically to control this risk.</p>

Risk	Mitigating factors
<p><b>Credit Risk</b> The Possibility that the insured may fail to discharged its obligation for payment of premium and cause the Company to incur a financial loss.</p>	<p>The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.</p>
<p><b>Investment Risk</b> The changes in stock market, and interest rate may affect future cash flows of financial instruments.</p>	<p>The company limits investment risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity, money market fund and term finance certificates (TFCs) markets. In addition, the company actively monitors the key factors that affect stocks, money market and TFCs market.</p>
<p><b>Liquidity Risk</b> The Company may encounter difficulty in meeting obligations associated with insurance and reinsurance contracts.</p>	<p>The Company manages its liquidity by maintaining healthy cash and cash equivalent and other liquid assets balances. The maturity profiles of financial assets and liabilities are also closely monitored for this purpose.</p>
<p><b>IT Risk</b> The development in Information Technology may affect the company's operational process.</p>	<p>The company continuously upgrades its IT system which are managed by able officers and regulated by formal policy with disaster management system.</p>

# PATTERN OF SHAREHOLDING

For the year ended December 31 2013

Number of Shareholders	Shareholdings		No. of Shares held	Percentage
	From	To		
484	1	100	9,607	0.0070
233	101	500	56,474	0.0414
133	501	1,000	97,110	0.0712
362	1,001	5,000	836,545	0.6131
100	5,001	10,000	727,191	0.5330
46	10,001	15,000	566,733	0.4154
27	15,001	20,000	449,599	0.3295
12	20,001	25,000	265,692	0.1947
8	25,001	30,000	217,997	0.1598
15	30,001	35,000	489,920	0.3591
3	40,001	45,000	126,304	0.0926
7	45,001	50,000	331,865	0.2432
1	50,001	55,000	53,759	0.0394
1	55,001	60,000	59,770	0.0438
3	60,001	65,000	189,454	0.1389
3	65,001	70,000	204,725	0.1500
3	70,001	75,000	213,320	0.1563
2	75,001	80,000	154,449	0.1132
2	80,001	85,000	165,067	0.1210
2	100,001	105,000	205,284	0.1505
1	105,001	110,000	105,342	0.0772
1	110,001	115,000	113,436	0.0831
2	115,001	120,000	234,510	0.1719
2	125,001	130,000	259,459	0.1902
2	135,001	140,000	277,285	0.2032
2	145,001	150,000	296,545	0.2173
1	160,001	165,000	162,381	0.1190
3	165,001	170,000	499,675	0.3662
4	170,001	175,000	691,459	0.5068
2	175,001	180,000	355,861	0.2608
1	180,001	185,000	183,031	0.1341
1	210,001	215,000	213,727	0.1566
2	240,001	245,000	484,023	0.3547
1	250,001	255,000	252,568	0.1851
1	270,001	275,000	274,401	0.2011
1	310,001	315,000	312,862	0.2293
1	320,001	325,000	324,812	0.2381
1	365,001	370,000	365,419	0.2678
1	380,001	385,000	383,000	0.2807
1	425,001	430,000	425,502	0.3119
1	505,001	510,000	507,546	0.3720
1	590,001	595,000	592,512	0.4343
1	645,001	650,000	648,594	0.4754
1	1,030,001	1,035,000	1,033,844	0.7575
1	1,095,001	1,100,000	1,097,392	0.8043
1	1,105,001	1,110,000	1,107,850	0.8119
1	1,255,001	1,260,000	1,258,090	0.9221
1	1,320,001	1,325,000	1,324,965	0.9711
1	1,360,001	1,365,000	1,364,216	0.9998
1	1,425,001	1,430,000	1,427,171	1.0460
1	1,540,001	1,545,000	1,543,822	1.1315
1	1,570,001	1,575,000	1,572,994	1.1529
1	1,620,001	1,625,000	1,625,000	1.1910
1	1,625,001	1,630,000	1,625,751	1.1915
1	1,860,001	1,865,000	1,862,523	1.3650
1	1,980,001	1,985,000	1,980,212	1.4513
1	5,015,001	5,020,000	5,019,702	3.6790
1	7,500,001	7,505,000	7,500,349	5.4970
1	10,345,001	10,350,000	10,350,000	7.5856
1	10,620,001	10,625,000	10,621,350	7.7844
1	19,165,001	19,170,000	19,167,020	14.0476
1	23,470,001	23,475,000	23,474,140	17.2043
1	28,100,001	28,105,000	28,102,336	20.5963
<b>1,501</b>			<b>136,443,542</b>	<b>100.0000</b>

## PATTERN OF SHAREHOLDING

For the year ended December 31 2013

Categories of Shareholders	Number of Shareholders	No. of Shares held	Percentage
<b>Associated Companies, Undertakings and Related Parties:</b>	10	95,086,756	69.69
Hassanali & Company (Pvt.) Limited		425,502	
Hashoo (Pvt.) Limited		146,545	
Hashoo Holdings (Pvt.) Limited		252,568	
Hashwani Hotels Limited		7,500,349	
Habib Bank Limited		23,474,140	
Aga Khan Fund for Economic Development		19,167,020	
Aga Khan Hospital and Medical College Foundation		28,102,336	
Jubilee Life Insurance Company Limited		648,594	
Aga Khan University Foundation		5,019,702	
Pakistan Services Limited		10,350,000	
<b>NIT and ICP</b>			
Investment Corporation of Pakistan	1	32	-
<b>Directors, CEO &amp; their Spouse and Minor Children</b>	10	2,973,532	2.18
Towfiq H. Chinoy		30,733	
Akbarali Hashwani		1,900,152	
Sadruddin Hashwani		592,512	
Masood Noorani		165,271	
Akbarali Pesnani		77,968	
R. Zakir Mahmood		207	
Aly Noormahomed Rattansey		207	
Tahir Ahmed		174,935	
Sultana Akbar H. Hashwani		11,500	
Sakina Pesnani w/o Akbarali Pesnani		20,047	
<b>Executives</b>	6	218,095	0.16
Atiq Anwar Mahmudi		70,307	
Azfar Arshad Inam		26,875	
Syed Sohail Ahmed		101,430	
Mohammad Safdar		3,755	
Nasim ul Haq		11,588	
Karim Merchant		4,140	
<b>Public Sector Companies and Corporations</b>		-	
<b>Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and ICP Mutual Funds</b>	8	404,341	0.29
<b>Individuals</b>	1,435	34,041,720	24.95
<b>Others</b>	31	3,719,066	2.73
<b>Total</b>	<b>1,501</b>	<b>136,443,542</b>	<b>100.00</b>

# PATTERN OF SHAREHOLDING ADDITIONAL INFORMATION

For the year ended December 31 2013

No. of Shares held	Percentage
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## Shareholders holding 10 percent or more shares in the Company

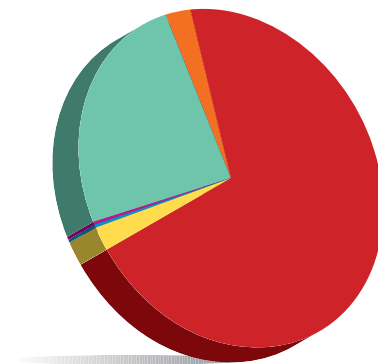
- Aga Khan Hospital and Medical College Foundation	28,102,336	20.60
- Habib Bank Limited	23,474,140	17.20
- Aga Khan Fund for Economic Development	19,167,020	14.05

## Trading in shares by Directors, CEO, CFO, Company Secretary & their spouses and minor children during the year 2013

No. of Shares held	Designation	Transaction	No. of Shares
Mr. Tahir Ahmed	Chief Executive Officer	Acquired	15,000
Mrs. Sultana Akbar H. Hashwani	w/o Mr. Akbarali Hashwani	Acquired	10,000

Categories of Shareholders	No. of Shareholders	Shares held	Percentage of Total
Individual	1,433	26,098,853	19.13
Insurance Companies	3	1,041,819	0.76
Joint Stock Companies	30	19,255,782	14.11
Financial Institutions	6	23,477,198	17.21
Modarabas & Mutual Funds	2	8,090	0.01
Non Resident Shareholders	19	30,301,514	22.21
Others - see below	8	36,260,286	26.57
	<u>1,501</u>	<u>136,443,542</u>	<u>100.00</u>

- I. The Aga Khan Hospital & Medical College Foundation
- II. Aga Khan Foundation
- III. The Aga Khan University Foundation
- IV. Trustees Pak Services Ltd, Employees Provident Fund
- V. Trustees Hashwani Hotels Ltd, Employees Provident Fund
- VI. Trustees Artal Restaurants Int'l Employees Provident Fund
- VII. The Aga Khan University- Employees Provident Fund
- VIII. The Aga Khan University - Employees Gratuity Fund



- Associated Companies, Undertakings and Related Parties
- Directors, CEO & their Spouse and Minor Children
- Executives
- Other Companies
- General Public
- Other

## KEY FINANCIAL DATA

2013	2012	2011	2010	2009	2008
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(Rupees in million)

## FINANCIAL DATA

Paid-up Capital	<b>1,364</b>	1,186	989	791	659	659
General & Capital Reserves	<b>3,395</b>	2,888	2,554	2,113	1,962	1,402
Equity	<b>4,759</b>	4,074	3,543	2,904	2,621	2,061
Total Liabilities	<b>8,052</b>	6,685	5,432	4,798	3,799	3,364
Investment - at Cost	<b>7,303</b>	5,927	4,937	3,709	1,753	1,430
Investment Property- (at book value)	<b>156</b>	149	145	146	150	124
Cash and Bank Deposits	<b>1,010</b>	1,260	967	975	2,028	1,670
Other assets - Current	<b>4,171</b>	3,254	2,788	2,737	2,350	2,067
Other assets - Non-Current	<b>172</b>	169	138	135	139	134
Total assets (book value)	<b>12,812</b>	10,759	8,975	7,702	6,433	5,425
Total assets (Market value)	<b>16,185</b>	13,010	10,900	9,572	8,164	6,712

## OPERATING DATA

Gross Premium Revenue	<b>6,569</b>	6,008	5,180	4,285	4,031	3,526
Net Premium Revenue	<b>3,526</b>	3,085	2,764	2,451	2,298	2,186
Net Claims	<b>2,156</b>	1,910	1,699	1,678	1,421	1,332
Management Expenses	<b>837</b>	734	652	633	535	506
Underwriting Results	<b>223</b>	154	154	(64)	114	108
Investment Income	<b>979</b>	783	748	587	674	366
Profit / (Loss) before Taxation	<b>1,220</b>	946	893	547	772	(179)
Taxation - Net	<b>(175)</b>	(119)	(96)	(97)	(115)	(88)
Profit / (Loss) After Taxation	<b>1,045</b>	827	797	450	656	(267)

## CASH FLOWS SUMMARY

Operating Activities	<b>465</b>	849	599	474	217	(103)
Investing Activities	<b>(369)</b>	(332)	(451)	(1,308)	213	173
Financing Activities	<b>(349)</b>	(291)	(155)	(194)	(97)	(81)
Cash & Cash Equivalents at the year end	<b>940</b>	1,193	967	974	2,003	1,670

	2013	2012	2011	2010	2009	2008	
<b>FINANCIAL RATIOS</b>							
<b>Profitability</b>							
Profit / (Loss) Before Tax / Gross Premium	%	<b>18.57</b>	15.75	17.24	12.77	19.15	(5.08)
Profit / (Loss) Before Tax / Net Premium	%	<b>34.60</b>	30.66	32.31	22.32	33.59	(8.19)
Profit / (Loss) After Tax / Gross Premium	%	<b>15.91</b>	13.76	15.39	10.50	16.27	(7.58)
Profit / (Loss) After Tax / Net Premium	%	<b>29.64</b>	26.81	28.84	18.36	28.55	(12.22)
Underwriting Result / Gross Premium	%	<b>3.39</b>	2.56	2.97	(1.49)	2.83	3.07
Underwriting Result / Net Premium	%	<b>6.32</b>	4.99	5.57	(2.61)	4.96	4.94
Profit / (Loss) Before Tax / Total Income	%	<b>27.08</b>	24.46	25.43	18.01	25.98	(7.02)
Profit / (Loss) After Tax / Total Income	%	<b>23.20</b>	21.38	22.69	14.81	22.07	(10.47)
Combined ratio	%	<b>93.68</b>	95.01	94.43	102.61	95.04	95.06
Net Claims / Net Premium	%	<b>61.15</b>	61.91	61.47	68.46	61.84	60.92
Management Expense / Net Premium	%	<b>23.74</b>	23.79	23.59	25.83	23.28	23.14
<b>Return to Share Holders</b>							
Return on Equity - PAT	%	<b>21.96</b>	20.30	22.50	15.50	25.03	(12.96)
Earnings / (Loss) Per Share (pre tax)	Rs.	<b>8.94</b>	7.98	9.03	6.92	11.71	(2.72)
Earnings / (Loss) Per Share (after tax)	Rs.	<b>7.66</b>	6.97	8.06	5.69	9.95	(4.05)
Earnings / (Loss) Per Share (pre tax)-Restated	Rs.	<b>8.94</b>	6.94	6.55	4.01	5.66	(1.31)
Earnings / (Loss) Per Share (after tax)-Restated	Rs.	<b>7.66</b>	6.06	5.84	3.30	4.81	(1.96)
Earning growth	%	<b>26.36</b>	3.76	77.11	(31.40)	(345.46)	(145.42)
Price Earning Ratio - PAT	Times	<b>9.14</b>	11.07	9.12	17.98	12.11	(50.10)
Breakup value per share	Rs.	<b>34.89</b>	34.34	35.82	36.71	39.77	31.27
Return on Assets (Book value)	%	<b>8.16</b>	7.69	8.88	5.84	10.20	(4.93)
Return on Assets (Market value)	%	<b>6.46</b>	6.36	7.31	4.70	8.04	(3.98)
<b>Market Data</b>							
Face Value (Per share)	Rs.	<b>10.00</b>	10.00	10.00	10.00	10.00	10.00
Market Price per share at the end of the year	Rs.	<b>70.00</b>	67.11	53.31	59.33	58.24	98.16
Market Price per share -Highest during the year	Rs.	<b>72.90</b>	73.18	74.90	87.75	114.00	234.90
Market Price per share-Lowest during the year	Rs.	<b>52.70</b>	50.10	51.00	52.21	46.00	98.16
Karachi Stock Exchange Index	Points	<b>25,261</b>	16,905	11,348	12,022	9,386	5,865
Market Capitalization	(Rs. M)	<b>9,548</b>	7,959	5,272	4,693	3,839	6,470
Cash Dividend Per Share	Rs.	<b>3.00</b>	3.00	3.00	2.00	3.00	1.50
Cash Dividend	%	<b>30.00</b>	30.00	30.00	20.00	30.00	15.00
Stock Dividend Per Share	Rs.	<b>1.50</b>	1.50	2.00	2.50	2.00	-
Stock Dividend	%	<b>15.00</b>	15.00	20.00	25.00	20.00	-
Dividend Yield	%	<b>4.29</b>	4.47	5.63	3.37	5.15	1.53
Dividend Pay out	%	<b>39.16</b>	49.48	51.34	60.62	62.38	(76.56)
Dividend Cover	Times	<b>2.55</b>	2.02	1.95	1.65	1.60	(1.31)
<b>Performance / Liquidity</b>							
Current Ratio	Times	<b>1.55</b>	1.56	1.60	1.55	1.61	1.54
Liquid Ratio	Times	<b>1.03</b>	1.08	1.09	0.98	1.00	0.92
Cash / Current Liabilities	%	<b>12.54</b>	18.85	17.80	20.32	53.38	49.65
Total Assets Turnover	Times	<b>0.51</b>	0.56	0.58	0.56	0.63	0.65
Fixed Assets Turnover	Times	<b>22.52</b>	23.65	21.20	17.13	16.86	14.72
Total Liabilities / Equity	Times	<b>1.69</b>	1.64	1.53	1.65	1.45	1.63
Return on capital employed	%	<b>25.64</b>	23.23	25.20	18.84	29.45	(8.69)
Liquid Assets / Total Assets	%	<b>64.88</b>	66.80	65.78	60.82	58.89	57.15
Paid-up Capital / Total Assets	%	<b>10.65</b>	11.02	11.02	10.27	10.27	12.15
Earning Assets / Total Assets	%	<b>66.10</b>	68.18	67.40	62.71	61.23	59.43
Equity / Total Assets	%	<b>37.14</b>	37.86	39.48	37.70	40.83	37.99

## FINANCIAL STATEMENTS ANALYSIS

## Vertical Analysis

## Balance Sheet

Cash and bank deposits
Loans to employees
Investments
Investment properties
Deferred taxation
Other assets
Fixed assets - Tangible and Intangible

**Total Assets**

Total Equity
Underwriting provisions
Staff retirement benefits
Creditors and accruals
Other Liabilities
<b>Total Shareholders' Equity &amp; Liabilities</b>

## Profit &amp; Loss Account

## Net premium revenue

Net claims
Expenses
Net commission
Investment income including rental & bank deposits returns
Other income including share of profit of an associates
General and administration expenses
Impairment in value of available for sale securities
Profit / (Loss) before tax
Taxation - net
Profit / (Loss) after tax

	2013		2012	
	Rupees in '000	%	Rupees in '000	%
1,010,385	7.89	1,259,538	11.71	
519	0.00	757	0.01	
7,302,557	57.00	5,927,293	55.09	
156,427	1.22	149,017	1.38	
31,545	0.25	31,207	0.29	
4,171,113	32.56	3,252,936	30.23	
139,406	1.09	138,633	1.29	
<b>12,811,952</b>	<b>100.00</b>	<b>10,759,381</b>	<b>100.00</b>	
4,759,795	37.15	4,074,836	37.87	
5,579,012	43.55	4,603,868	42.79	
336	0.00	619	0.01	
1,370,911	10.70	1,196,159	11.12	
1,101,898	8.60	883,899	8.22	
<b>12,811,952</b>	<b>100.00</b>	<b>10,759,381</b>	<b>100.00</b>	
<b>3,525,777</b>	<b>100.00</b>	<b>3,084,738</b>	<b>100.00</b>	
2,154,726	61.15	1,910,326	61.91	
836,998	23.74	733,625	23.79	
310,778	8.81	286,437	9.29	
980,036	27.80	788,880	25.57	
61,416	1.74	42,996	1.39	
44,525	1.26	34,356	1.11	
-	-	5,869	0.19	
1,220,202	34.60	946,001	30.66	
(174,887)	(4.96)	(119,503)	(3.87)	
1,045,315	29.64	826,498	26.81	

## Horizontal Analysis

## Balance Sheet

Cash and bank deposits
Loans to employees
Investments
Investment properties
Deferred taxation
Other Assets
Fixed assets - Tangible and Intangible

**Total Assets**

Total Equity
Underwriting Provisions
Staff retirement benefits
Creditors and accruals
Other Liabilities
<b>Total Shareholders' Equity &amp; Liabilities</b>

## Profit &amp; Loss Account

Net premium revenue
Net claims
Expenses
Net commission
Investment income including rental & bank deposits returns
Other income including share of profit of an associates
General and administration expenses
Impairment in value of available for sale securities
Profit / (Loss) before tax
Taxation - net
Profit / (Loss) after tax

	2013	2012	2011	2010
	Rupees in '000			
1,010,385	1,259,538	967,361	974,783	
519	757	849	791	
7,302,557	5,927,293	4,937,313	3,709,155	
156,427	149,017	144,765	146,446	
31,545	31,207	36,233	36,383	
4,171,113	3,252,936	2,788,390	2,736,988	
139,406	138,633	99,924	97,512	
<b>12,811,952</b>	<b>10,759,381</b>	<b>8,974,835</b>	<b>7,702,058</b>	
4,759,795	4,074,836	3,542,869	2,903,875	
5,579,012	4,603,868	3,732,626	3,455,752	
336	619	900	1,371	
1,370,911	1,196,159	1,102,684	921,558	
1,101,898	883,899	595,756	419,502	
<b>12,811,952</b>	<b>10,759,381</b>	<b>8,974,835</b>	<b>7,702,058</b>	
3,525,777	3,084,738	2,764,204	2,451,227	
2,154,726	1,910,326	1,699,094	1,677,614	
836,998	733,625	652,483	632,961	
310,778	286,437	258,871	204,737	
980,036	788,880	765,198	586,715	
61,416	42,996	21,584	43,189	
44,525	34,356	30,747	19,137	
-	5,869	16,880	-	
1,220,202	946,001	892,911	546,682	
(174,887)	(119,503)	(95,722)	(96,531)	
1,045,315	826,498	797,189	450,151	

2011		2010		2009		2008	
Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
967,361	10.78	974,783	12.66	2,028,132	31.53	1,670,155	30.79
849	0.01	791	0.01	294	0.00	364	0.01
4,937,313	55.01	3,709,155	48.16	1,753,158	27.25	1,430,217	26.36
144,765	1.61	146,446	1.90	149,653	2.33	123,822	2.28
36,233	0.40	36,383	0.47	31,978	0.50	35,974	0.66
2,788,390	31.07	2,736,988	35.54	2,362,790	36.73	2,066,680	38.09
99,924	1.11	97,512	1.27	106,549	1.66	97,960	1.81
<b>8,974,835</b>	<b>100.00</b>	<b>7,702,058</b>	<b>100.00</b>	<b>6,432,554</b>	<b>100.00</b>	<b>5,425,172</b>	<b>100.00</b>
3,542,869	39.48	2,903,875	37.70	2,621,006	40.75	2,061,314	38.00
3,732,626	41.59	3,455,752	44.87	2,830,414	44.00	2,583,876	47.63
900	0.01	1,371	0.02	1,936	0.03	2,501	0.05
1,102,684	12.29	921,558	11.97	693,542	10.78	526,783	9.71
595,756	6.64	419,502	5.45	285,656	4.44	250,698	4.62
<b>8,974,835</b>	<b>100.00</b>	<b>7,702,058</b>	<b>100.00</b>	<b>6,432,554</b>	<b>100.00</b>	<b>5,425,172</b>	<b>100.00</b>
<b>2,764,204</b>	<b>100.00</b>	<b>2,451,227</b>	<b>100.00</b>	<b>2,297,720</b>	<b>100.00</b>	<b>2,186,443</b>	<b>100.00</b>
1,699,094	61.47	1,677,614	68.46	1,420,977	61.84	1,332,461	60.92
652,483	23.59	632,961	25.83	534,982	23.28	506,324	23.14
258,871	9.37	204,737	8.35	227,640	9.91	239,543	10.96
731,438	26.46	586,715	23.94	673,537	29.31	366,030	16.74
21,584	0.78	43,189	1.76	4,842	0.21	17,397	0.80
30,747	1.11	19,137	0.78	20,602	0.90	19,553	0.89
16,880	0.61	-	-	-	-	651,142	29.78
892,911	32.31	546,682	22.32	771,898	33.59	(179,153)	(8.19)
(95,722)	(3.46)	(96,531)	(3.94)	(115,434)	(5.02)	(88,096)	(4.03)
797,189	28.84	450,151	18.36	656,464	28.55	(267,249)	(12.22)
2009	2008	% increase / (decrease) over preceeding year					
Rupees in '000		2013	2012	2011	2010	2009	2008
2,028,132	1,670,155	(19.78)	30.20	(0.76)	(51.94)	21.43	(0.62)
294	364	(31.44)	(10.84)	7.33	169.05	(19.23)	(15.94)
1,753,158	1,430,217	23.20	20.05	33.11	111.57	22.58	(26.88)
149,653	123,822	4.97	2.94	(1.15)	(2.14)	20.86	62.50
31,978	35,974	1.08	(13.87)	(0.41)	13.78	(11.11)	(42.51)
2,362,790	2,066,680	28.23	16.66	1.88	15.84	14.33	4.60
106,549	97,960	0.56	38.74	2.47	(8.48)	8.77	(45.95)
<b>6,432,554</b>	<b>5,425,172</b>	<b>19.08</b>	<b>19.88</b>	<b>16.53</b>	<b>19.74</b>	<b>18.57</b>	<b>(8.55)</b>
2,621,006	2,061,314	16.81	15.02	22.00	10.79	27.15	(14.53)
2,830,414	2,583,876	21.18	23.34	8.01	22.09	9.54	(3.31)
1,936	2,501	(45.72)	(31.22)	(34.35)	(29.18)	(22.59)	(18.43)
693,542	526,783	14.61	8.48	19.65	32.88	31.66	(7.21)
285,656	250,698	24.66	48.37	42.02	46.86	13.94	(9.83)
<b>6,432,554</b>	<b>5,425,172</b>	<b>19.08</b>	<b>19.88</b>	<b>16.53</b>	<b>19.74</b>	<b>18.57</b>	<b>(8.55)</b>
2,297,720	2,186,443	14.30	11.60	12.77	6.68	5.09	20.22
1,420,977	1,332,461	12.79	12.43	1.28	18.06	6.64	(5.75)
534,982	506,324	14.09	12.44	3.08	18.31	5.66	24.89
227,640	239,543	8.50	10.65	26.44	(10.06)	(4.97)	15.92
673,537	366,030	24.23	3.09	30.42	(12.89)	84.01	(53.09)
4,842	17,397	42.84	99.20	(50.02)	791.97	(72.17)	80.67
20,602	19,553	29.60	11.74	60.67	(7.11)	5.36	148.48
-	651,142	-	-	-	-	-	-
771,898	(179,153)	28.99	5.95	63.33	(29.18)	(530.86)	(131.15)
(115,434)	(88,096)	46.35	24.84	(0.84)	(16.38)	31.03	(756.70)
656,464	(267,249)	26.36	3.76	77.11	(31.40)	(345.64)	(145.42)

## COMMENTS ON KEY FINANCIAL DATA

## ● Performance Ratios

- The overall Combined and Claims Ratios mostly remain in the range of 93 to 95% and 61 to 62% respectively over the years, except for the year 2010 in which these are impacted due to massive flood in the country.
- The Company is able to maintain its expense ratio in the range of 23 to 24% over the period of six years.
- The Company has managed healthy return on equity of over 20% in the last five years after facing huge Stock Market debacle in 2008.
- The Earnings per share has also improved to Rs. 7.66 per share from Rs. 4.81 in 2009.
- The Company's overall distribution to shareholders ranges from 45 to 50% over last six years and dividend yield has also increased to 4.29% in 2013 from 1.53% in 2008.

## ● Balance Sheet

- The Company's assets have increased by 136% to Rs. 12.8 billion from Rs. 5.4 billion at the end of 2008.
- The total investments of the company has increased to Rs. 8.3 billion (Book Value) as at 31 December, 2013 in comparison to Rs. 3.1 billion (Book Value) as at 31 December, 2008.
- The total equity and technical reserves are at Rs. 10.3 billion as at 31 December, 2013 in comparison to Rs. 4.6 billion as at 31 December, 2008.

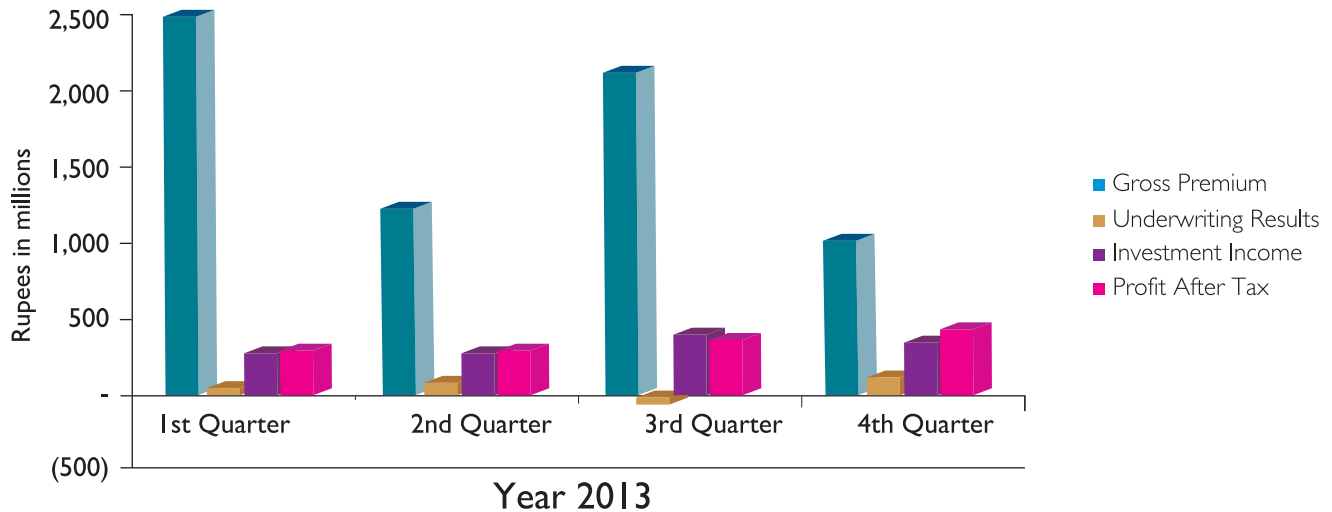
## ● Profit and Loss Account

- The gross premium and net premium have increased by 86% and 61% respectively over the period of six years.
- After the stock market crash in 2008 the company is able to increase its investment income to Rs. 980 million in the year 2013 from Rs. 673 million in 2009.
- The profit before tax reached to Rs. 1.2 billion for the year 2013 in comparison to loss before tax of Rs. 179 million at the end of the year 2008, which shows 780% increase in PBT over the period of six years. This shows steady progress in bottom line over the years.

## ● Cash Flows

- The operating cash inflow of the company is to Rs. 465 million in the year 2013 in comparison to an operating cash outflow of Rs. 103 million in the year 2008. The healthy generation of cash inflow from operating activities is properly utilized in investment activities and payment of dividend to shareholders.
- Due to consistent policy of increasing paid up share capital by issuing bonus shares, the cash outflow of financing activities has gone up significantly over the years.

# QUARTERLY ANALYSIS



### Gross Premium

In comparison to same periods last year, growth in the first quarter premium was 9%. The premium for the second quarter was slightly lower; however, in the third quarter the premium of Rs. 2.0 billion was underwritten which shows growth of 31%. As per the past trend the premium for the fourth quarter was less, and the year was ended with the overall growth of 9% in the gross premium underwritten.

### Underwriting Results

The underwriting results of all the quarters have remained positive, except the third quarter which is due to flood claims. The significant underwriting profit in the last quarter has increased the year end profit to Rs. 223 million which is due to financial impact of change in accounting estimate of calculating unearned premium of accident and health class and better performance of the company.

### Investment Income

An increasing trend of investment income is followed in all the quarters of 2013. The first and second quarters have contributed 22% each and third & fourth quarters have contributed 28% each to the total investment income for the year.

### Profit after Tax

The profit after tax in each quarter has remained stable, and has breached Rs. 1.0 billion mark for the year ended.

## SHARE PRICE ANALYSIS

## Volume Analysis

Month	Highest	Lowest	Per day Average Volume
JGI Share Price on the KSE in the year 2013	Rupees	Rupees	Number of shares
January	57.70	52.70	20,282
February	57.35	55.23	27,448
March	56.94	53.50	5,175
April	61.00	55.56	2,477
May	60.50	56.50	9,090
June	62.25	58.10	1,700
July	66.00	60.00	4,456
August	72.00	64.64	2,694
September	72.97	64.00	750
October	71.00	69.90	131
November	70.00	67.15	3,916
December	72.50	67.70	1,809

## Sensitivity Analysis

The company's share price is sensitive to the following main factors:

- Economic conditions.
- Stock market sentiments.
- Company's performance.
- Dividend announcements.
- Change in government policies and regulations relating to insurance business.
- Company's financial strength rating.

# STATEMENT OF VALUE ADDITION

## WEALTH GENERATED

Net premium revenue  
Commission from reinsurers  
Investment income  
Rental income  
Other income

2013	2012
(Rupees in '000)	
3,525,777	3,084,738
268,034	216,238
922,347	724,415
140,930	125,724
11,253	9,721
<b>4,868,341</b>	<b>4,160,836</b>

## Less :

Claims, Commission and expenses  
(excluding employees remuneration ,  
depreciation, and other taxes)  
Net Wealth Generated

2,993,578	2,646,628
<b>1,874,763</b>	<b>1,514,208</b>

## WEALTH DISTRIBUTION

Employees remuneration

569,165 492,932

Government taxes  
(includes income tax, WWF and others taxes )

215,463 154,028

Contribution to society

11,570 8,089

Dividends to shareholders

- Cash  
- Stock

409,331	355,940
204,665	177,970
<b>613,996</b>	<b>533,910</b>

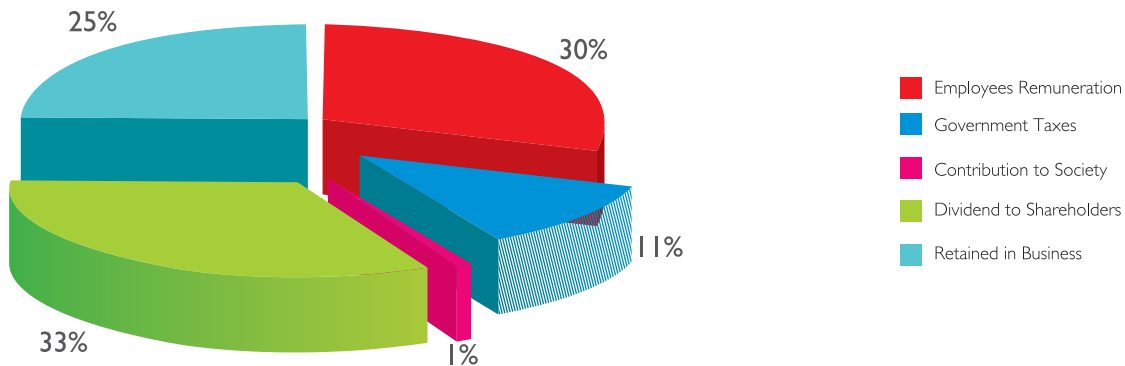
Retained in business

- Depreciation and Amortisation  
- Earnings

37,666	32,583
426,903	292,666
<b>464,569</b>	<b>325,249</b>

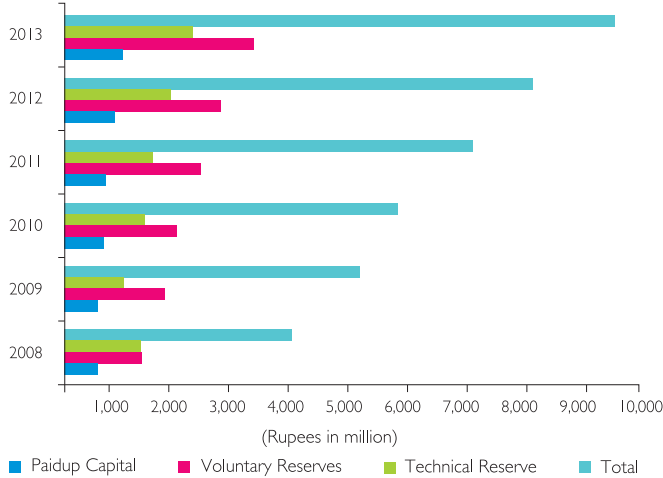
<b>1,874,763</b>	<b>1,514,208</b>
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## Distribution of wealth - 2013

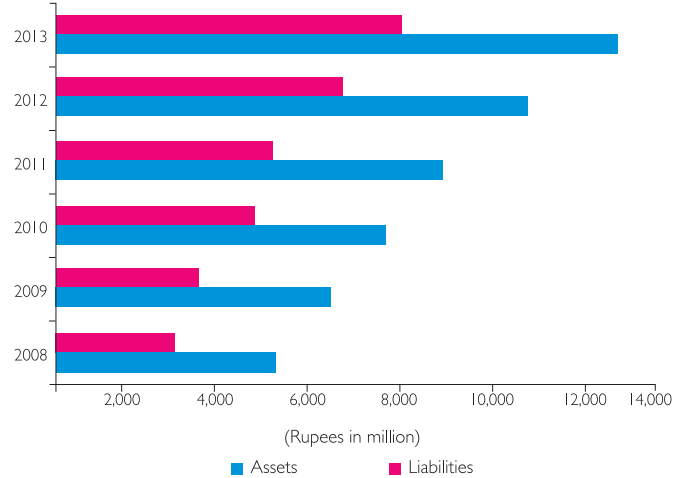


# PERFORMANCE AT A GLANCE

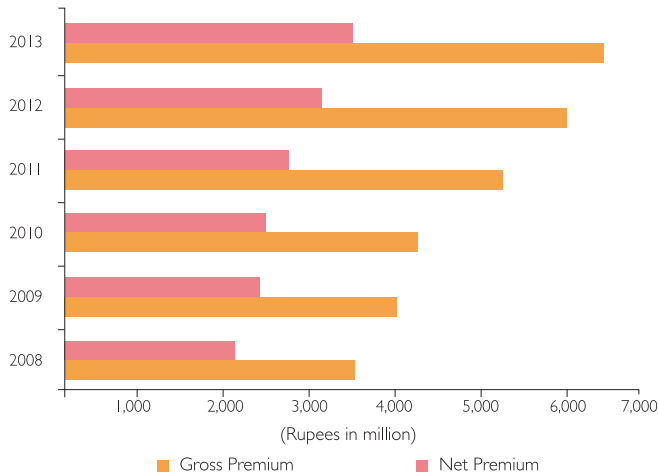
Capital & Reserves



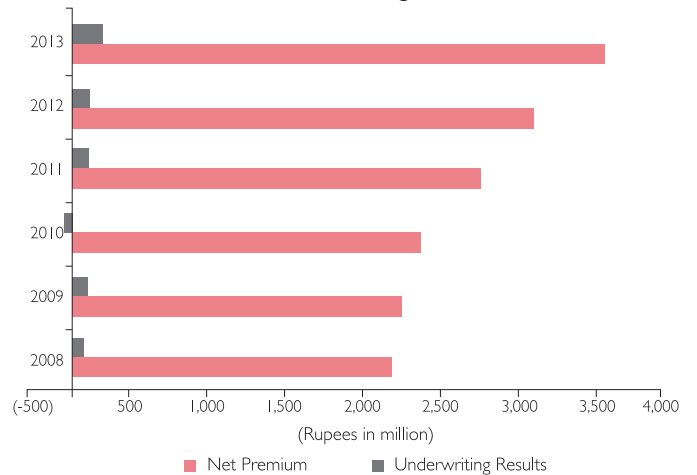
Assets & Liabilities



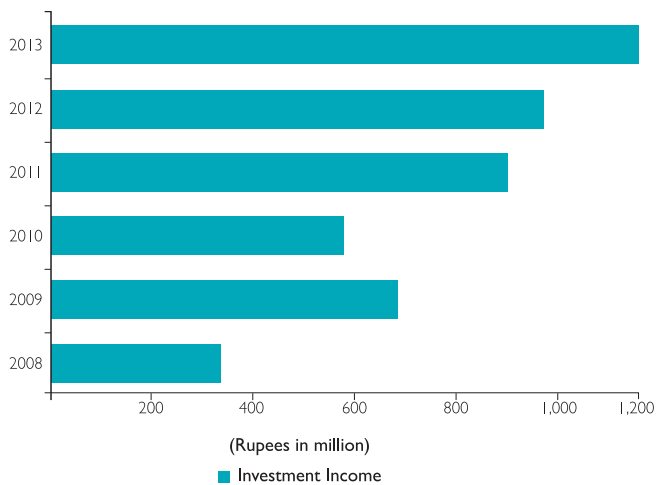
Gross Premium and Net Premium



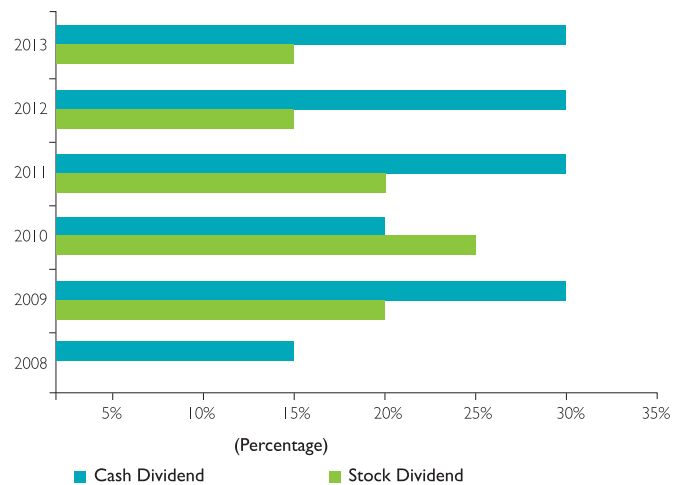
Net Premium and Underwriting Results



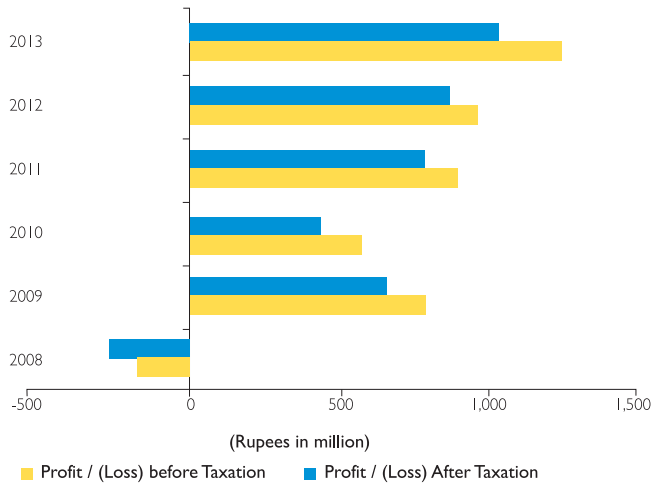
Investment Income



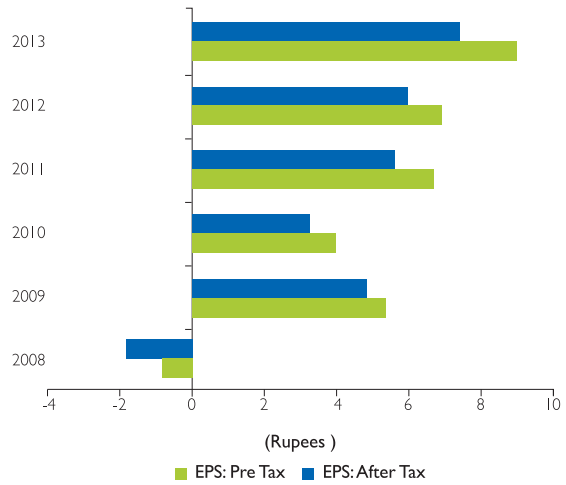
Dividends



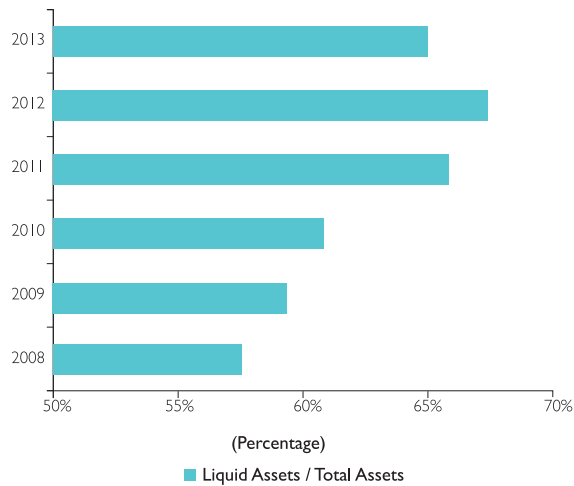
Profit / (Loss) before Tax and After Tax



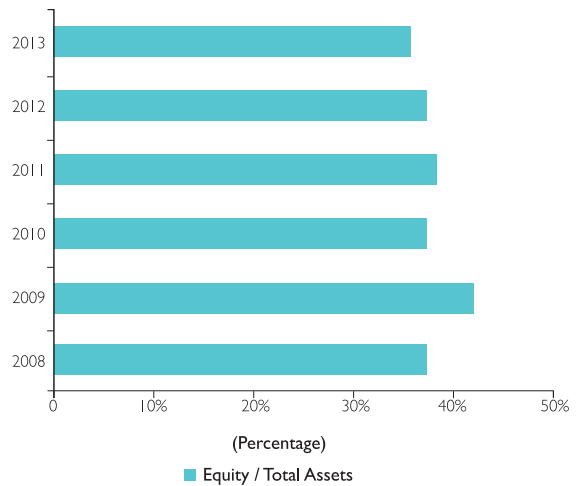
Earnings / Loss per Share Tax and After Tax



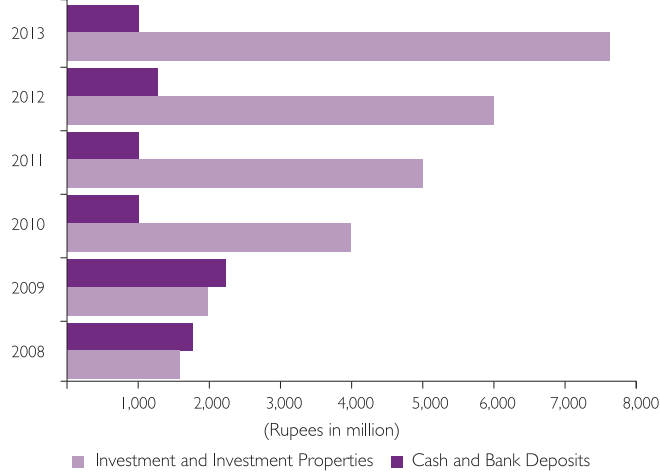
Liquid Assets / Total Assets %



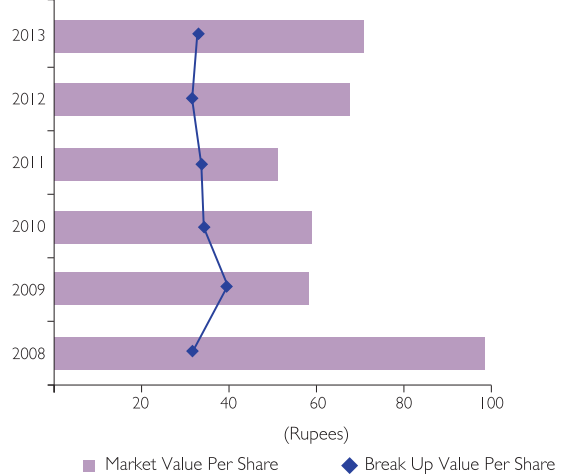
Equity / Total Assets %



Investments & Cash and bank deposits

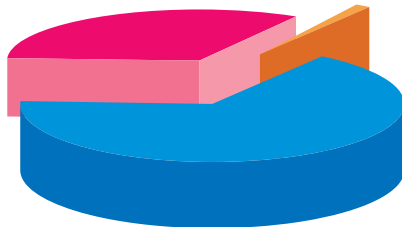


Market value vs Breakup value per share

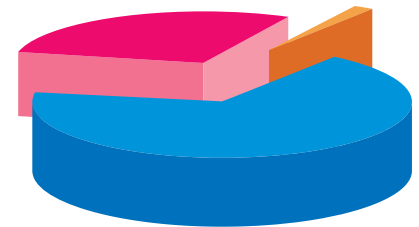


# GRAPHICAL COMPOSITION OF FINANCIAL STATEMENTS

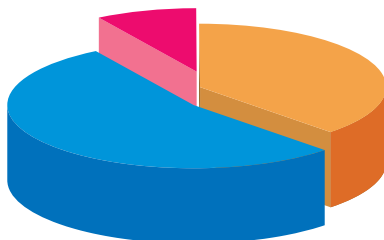
## Assets



	2013	2012
Earning Assets	66%	68%
Current Assets-other	33%	31%
Fixed Assets	1%	1%



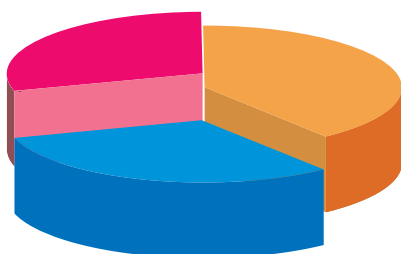
## Shareholder's Equity and Liabilities



	2013	2012
Share Capital & Reserve	37%	38%
Current Liabilities	54%	54%
Non Current Liabilities	9%	8%



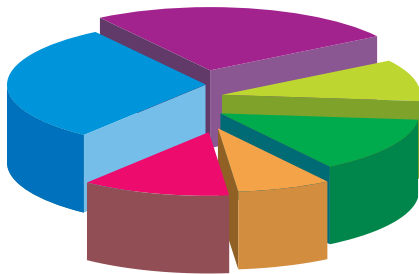
## Cash Flows



	2013	2012
Operating Activities	39%	57%
Investing Activities	31%	23%
Financing Activities	30%	20%



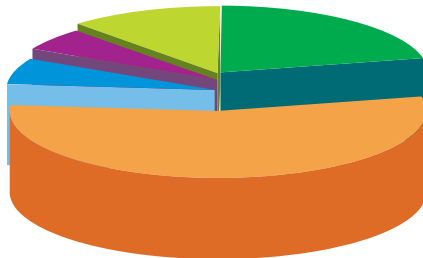
### Gross Premium Business Wise



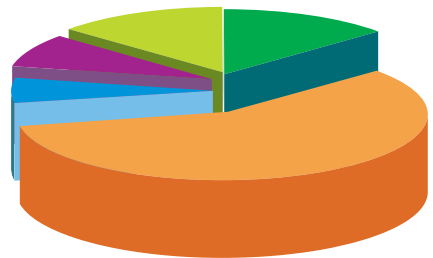
	2013	2012
Fire	26%	26%
Marine	11%	10%
Motor	14%	15%
Liability	7%	6%
Accident & Health	12%	12%
Miscellaneous	30%	31%



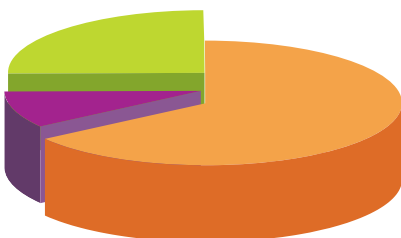
### Investment Income



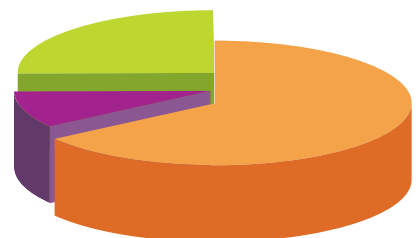
	2013	2012
Dividend Income	22%	13%
Capital Gains	55%	59%
Return on Bank deposits	6%	6%
Return on Govt. Securities	6%	8%
Rental Income	11%	14%



### Combined Ratio



	2013	2012
Net Claims	65%	65%
Net Commission	10%	10%
Expenses	25%	25%



# REPORT OF THE BOARD AUDIT COMMITTEE

For the year ended December 31, 2013

The role of the Committee in the context of governance framework is to monitor:

- i. The integrity of financial statements;
- ii. The appointment, qualification, independence and performance of External Auditors
- iii. The performance of internal audit function
- iv. The effectiveness of system of internal controls and risk management
- v. Compliance with legal and regulatory requirements

The Committee has concluded its annual review of the conduct and operations of the Company for the year ended December 31, 2013 and reports that:

- Four meetings of the Committee were held during the year and presided by the Chairman of the committee.
- The Committee reviewed and approved the quarterly and annual financial statements of the Company and recommended them for approval of the Board.
- The Company issued a Statement of Compliance with the Code of Corporate Governance which has also been reviewed by the external auditors of the Company.
- The Chief Executive Officer and the Chief Financial Officer have reviewed the financial statements of the Company and the chairman's and Board of Directors' Report. They acknowledge their responsibility for true and fair presentation of the financial statements, accuracy of reporting, compliance with regulations and applicable accounting standards and establishments and maintenance of internal controls and system of the Company.
- The financial statements have been prepared in accordance with approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and SEC (insurance) Rules, 2002.
- Appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgment. Applicable accounting standards were followed in preparation of the financial statements of the Company on a going concern basis for the financial year ended December 31, 2013, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equity of the Company for the year under review.
- Proper, accurate and adequate accounting records have been maintained by the Company in accordance with the Companies Ordinance, 1984.

## Internal audit function

- The internal control framework has been effectively implemented through outsourcing the internal audit function to A.F. Ferguson & Co., Chartered Accountants. The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and control.
- The Committee has ensured the achievement of operational, compliance and financial reporting objectives, safeguarding of the assets of the Company through effective financial, operational and compliance controls and risk management at all levels within the Company.
- Coordination between the external and internal auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

## External auditors

- The statutory auditors of the company, Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants, have completed their audit of the Company's financial statements and the Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2013.
- The Management Letter is required to be submitted within 45 days of the date of the Auditors' Report on the financial statements under the listing regulations and shall therefore accordingly be discussed in the next Committee meeting.
- The Audit firm has been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by ICAP. The statutory auditors have completed their term of 5 years and are not eligible for re-appointment.
- The Committee recommends the appointment of M/s. KPMG Taseer Hadi & Co. as statutory auditors for the financial year ending December 31, 2014 on terms to be determined by the Board of Directors.



Aly Noormahomed Rattansey  
Chairman Board, Audit Committee  
Karachi  
12 February, 2014



Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
eyfrsh.khi@pk.ey.com  
ey.com/pk

## REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2013 prepared by the Board of Directors of Jubilee General Insurance Company Limited (the Company) to comply with the Listing Regulations of the respective Stock Exchanges, where Company is listed.

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

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

Further, the Listing Regulations require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any 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 does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2013.

Chartered Accountants  
Date: 12 February 2014  
Karachi

STATEMENT OF COMPLIANCE WITH  
THE CODE OF CORPORATE GOVERNANCE

For the year ended December 31, 2013

This statement is being presented to comply with the Code of Corporate Governance contained in the Regulation No. 35 of listing regulations of Karachi Stock Exchange and SRO 68(I)/2003 dated January 21, 2003 issued by Securities and Exchange Commission of Pakistan 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 of Corporate Governance in the following manner:

1. The Company encourages representation of independent non-executive directors including those representing minority interest on its board of directors. At present all the directors on the board are non-executive directors.
2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
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 a Non-Banking Financial Institution and they are not a member of any stock exchange.
4. No casual vacancies occurred in the Board during the year 2013.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company.
6. The board has developed a vision / mission statement and overall corporate strategy. Significant policies of the Company have been developed and approved by the Board.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. All the meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (7) days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the company. The company includes all the necessary aspects of internal control given in the code.
10. All the Directors have either attended the orientation course or have been provided appropriate materials / guidelines in this regard and as such they are fully aware of their duties and responsibilities. In 2010 six directors have attended the Directors' development program conducted by Institute of Directors, UK in Karachi.
11. The appointment, remuneration and terms and conditions of employment of the Chief Financial Officer, Company Secretary and Head of Internal Audit are approved by the Board of Directors. There was no new appointment of CFO, Company Secretary and Head of Internal Audit during the year.
12. The directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
14. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
16. The underwriting, claims settlement and reinsurance and coinsurance committees have been formed.
17. The Board has formed an audit committee. It comprises of three members, all of whom are non-executive directors including the chairman of the committee.
18. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code of Corporate Governance. The terms of reference of the committee have been formed and advised to the committee for compliance.
19. The Board has formed an HR and Remuneration Committee. It comprises of five members, of whom four are non-executive directors and the chairman of the committee is a non-executive director.

20. The Board has set-up an effective internal audit function. This function has been outsourced to A.F. Ferguson & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and conversant with the policies and procedures of the company.
21. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
22. 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.
23. The 'close 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(s).
24. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
25. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

By order of the Board



**TOWFIQ H. CHINOY**  
Chairman

Karachi: 12 February 2014

# PASSION



## Financial Statements

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ey.com/pk

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

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

of **Jubilee General Insurance Company Limited** (the Company) as at **31 December 2013** together with the notes forming part thereof, 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 the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XL VII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

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

In our opinion:

- (a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied, except for the changes as stated in note 5.1 to the financial statements with which concur;
- (c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at **31 December 2013** and of the profit, its comprehensive income, 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; and
- (d) 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 the Ordinance.

Chartered Accountants  
Audit Engagement Partner: Shabbir Yunus  
Date: 12 February 2014  
Karachi

## BALANCE SHEET

As at December 31, 2013

	Note	2013	2012
		(Rupees in '000)	
			(Restated)
<b>Share capital and reserves</b>			
Authorised share capital [150,000,000 Ordinary shares of Rs.10 each (December 31, 2012: 150,000,000 Ordinary shares of Rs.10 each)]		<u>1,500,000</u>	<u>1,500,000</u>
Paid-up share capital	6	1,364,435	1,186,465
Retained earnings		1,055,976	878,987
Reserves	7	2,339,384	2,009,384
		4,759,795	4,074,836
<b>Underwriting provisions</b>			
Provision for outstanding claims (including IBNR)		3,142,956	2,275,743
Provision for unearned premium		2,334,671	2,246,077
Commission income unearned	25	101,385	82,048
Total underwriting provisions		5,579,012	4,603,868
<b>Deferred liabilities</b>			
Staff retirement benefits		336	619
<b>Creditors and accruals</b>			
Premiums received in advance		60,003	35,975
Amounts due to other insurers / reinsurers		612,567	568,914
Accrued expenses		40,243	29,981
Taxation-provision less payments	8	176,504	134,569
Other creditors and accruals	9	481,594	426,720
		1,370,911	1,196,159
<b>Other liabilities</b>			
Deposits and other payables	10	1,065,084	853,637
Unclaimed dividend		36,814	30,262
		1,101,898	883,899
<b>TOTAL LIABILITIES</b>		<u>8,052,157</u>	<u>6,684,545</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>12,811,952</u>	<u>10,759,381</u>
<b>CONTINGENCIES</b>	11		

The annexed notes from I to 43 form an integral part of these financial statements.



Towfiq H. Chinoy  
Chairman



Aly Noormahomed Rattansey  
Director

	Note	2013	2012
		(Rupees in '000)	
			(Restated)
<b>Cash and bank deposits</b>	12		
Cash and other equivalents		2,383	3,515
Current and other accounts		886,902	1,110,790
Deposits maturing within 12 months		121,100	145,233
		<b>1,010,385</b>	<b>1,259,538</b>
<b>Loans to employees</b>	13	519	757
<b>Investments</b>	14	7,302,557	5,927,293
<b>Investment properties</b>	15	156,427	149,017
<b>Deferred taxation</b>	16	31,545	31,207
<b>Current assets - others</b>			
Premiums due but unpaid	17	897,723	854,280
Amounts due from other insurers /reinsurers	18	78,022	76,910
Reinsurance recoveries due but unpaid		165,563	16,203
Salvage recoveries accrued		47,125	50,480
Accrued investment income		20,704	15,577
Reinsurance recoveries against outstanding claims	19	1,630,601	1,008,212
Deferred commission expense		200,814	175,365
Prepayments	20	1,090,113	992,212
Sundry receivables	21	40,448	63,697
		<b>4,171,113</b>	<b>3,252,936</b>
<b>Fixed assets</b>	22		
Tangible and intangible			
Buildings		6,040	6,329
Furniture, fixtures and Equipments		97,506	99,649
Vehicles		4,773	5,032
Computer software		31,087	27,623
		<b>139,406</b>	<b>138,633</b>
<b>TOTAL ASSETS</b>		<b>12,811,952</b>	<b>10,759,381</b>

  
John Joseph Metcalf  
Director

  
Tahir Ahmed  
Managing Director  
(Chief Executive)

# PROFIT AND LOSS ACCOUNT

For The Year Ended December 31, 2013

	Note							2013	2012	
		Fire and property	Marine, aviation and transport	Motor	Liability	Accident and health	Others	Treaty	Aggregate	Aggregate
		(Rupees in '000)							(Restated)	
<b>Revenue account</b>										
Net premium revenue		684,522	560,203	879,391	55,377	831,271	515,013	-	3,525,777	3,084,738
Less:										
Net claims		509,639	268,142	476,046	4,086	654,632	242,181	-	2,154,726	1,910,326
Expenses	24	162,501	132,989	208,762	13,146	197,339	122,261	-	836,998	733,625
Net commission		123,489	99,537	79,345	(7,578)	28,730	(12,745)	-	310,778	286,437
<b>Underwriting result</b>		<b>(111,107)</b>	<b>59,535</b>	<b>115,238</b>	<b>45,723</b>	<b>(49,430)</b>	<b>163,316</b>	<b>-</b>	<b>223,275</b>	<b>154,350</b>
Investment income									803,459	631,280
Rental income	26								116,226	104,689
Return on bank deposits									60,351	47,042
Other income	27								11,253	9,721
General and administration expenses	28								(44,525)	(34,356)
Share in profit of an associate	14.1.2								50,163	33,275
<b>Profit before tax</b>									<b>1,220,202</b>	<b>946,001</b>
Taxation - net	29								(174,887)	(119,503)
<b>Profit after tax</b>									<b>1,045,315</b>	<b>826,498</b>
<b>Profit and loss appropriation account:</b>										
									(Restated)	
<b>Balance at commencement of the year</b>								878,987	884,725	
Total comprehensive income for the year								1,040,899	818,623	
Transfer to general reserve								(230,000)	(230,000)	
Transfer to special reserve								(100,000)	(100,000)	
Issuance of bonus shares 2013: Rs.1.50 (15%) per share for the year 2012 [2012: Rs.2 (20%) per share for the year 2011]								(177,970)	(197,744)	
Final cash dividend 2013: at Rs.3 (30%) per share for the year 2012 [2012: Rs.3 (30%) per share for the year 2011]								(355,940)	(296,617)	
								176,989	(5,738)	
<b>Balance of unappropriated profit at end of the year</b>								<b>1,055,976</b>	<b>878,987</b>	
Earnings per share of Rs.10 each - basic and diluted (note 39)								Rupees	<b>7.66</b>	6.06

The annexed notes from I to 43 form an integral part of these financial statements.

  
Tawfiq H. Chinoy  
Chairman

  
Aly Noormahomed Rattansey  
Director

  
John Joseph Metcalf  
Director

  
Tahir Ahmed  
Managing Director  
(Chief Executive)

## STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended December 31, 2013

	2013	2012
	(Rupees in '000)	
	(Restated)	
Net profit for the year	1,045,315	826,498
<b>Other comprehensive income not to be reclassified to profit and loss account in subsequent periods</b>	-	-
Actuarial (loss) / gain on defined benefit plan	(4,416)	(7,875)
Total comprehensive income for the year	<u>1,040,899</u>	<u>818,623</u>

The annexed notes from 1 to 43 form an integral part of these financial statements.



Towfiq H. Chinoy  
Chairman



Aly Noormahomed Rattansey  
Director



John Joseph Metcalf  
Director



Tahir Ahmed  
Managing Director  
(Chief Executive)

# STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2013

	2013	2012
	(Rupees in '000)	
<b>Operating Cash Flows</b>		
<b>(a) Underwriting activities</b>		
Premiums received	6,549,891	5,956,489
Reinsurance premiums paid	(3,012,461)	(2,566,251)
Claims paid	(3,227,736)	(2,404,381)
Reinsurance and other recoveries received	1,160,717	693,370
Commissions paid	(555,688)	(464,899)
Commissions received	268,034	216,238
Other underwriting payments (management expenses)	(782,949)	(717,818)
Net cash inflow from underwriting activities	<u>399,808</u>	<u>712,748</u>
<b>(b) Other operating activities</b>		
Income tax paid	(152,212)	(112,535)
General expenses paid	(20,120)	(15,434)
Other operating payments	(914,509)	(862,941)
Other operating receipts	1,151,848	1,127,615
Loans advanced	(1,407)	(1,673)
Loan repayments received	1,741	1,694
Net cash inflow from other operating activities	<u>65,341</u>	<u>136,726</u>
<b>Total cash inflow from all operating activities</b>	<u>465,149</u>	<u>849,474</u>
<b>Investment activities</b>		
Profit / return received	108,686	108,479
Dividends received	211,578	107,414
Rentals received - net of expenses	147,901	93,427
Payments for purchase of investments	(10,538,797)	(8,670,255)
Capital expenditure on investment property	(12,813)	(10,227)
Proceeds from disposal of investments / investment property	9,748,391	8,104,936
Fixed capital expenditure	(35,361)	(67,258)
Proceeds from sale of fixed assets	1,027	1,436
<b>Total cash outflow from investing activities</b>	<u>(369,388)</u>	<u>(332,048)</u>
<b>Financing activities</b>		
Dividends paid	(349,388)	(291,175)
<b>Total cash outflow from financing activities</b>	<u>(349,388)</u>	<u>(291,175)</u>
<b>Net cash (outflow) / inflow from all activities</b>	<u>(253,627)</u>	<u>226,251</u>
<b>Cash at beginning of the year</b>	<u>1,193,312</u>	<u>967,061</u>
<b>Cash at end of the year</b>	<u>939,685</u>	<u>1,193,312</u>

	2013	2012
	(Rupees in '000)	
	(Restated)	
<b>Reconciliation to profit and loss account</b>		
Operating cash flows	465,149	849,474
Depreciation / amortisation expense	(32,517)	(26,608)
Loss on sale of fixed assets	(1,044)	(505)
Gain on sale of investment property	497	-
Profit on disposal of investments	537,009	462,685
Dividend income	211,578	107,414
Rental income	116,226	104,689
Other investment income	165,386	141,498
Actuarial loss on defined benefit plans	4,416	7,875
Increase in assets other than cash	929,755	437,333
Increase in liabilities other than running finance	(1,351,140)	(1,257,357)
<b>Profit after taxation</b>	<b>1,045,315</b>	<b>826,498</b>

**Definition of cash**

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

**Cash for the purposes of the statement of cash flows consists of:****Cash and bank deposits****Cash and other equivalents**

Cash  
Policy stamps and bond papers in hand

104	167
2,279	3,348
2,383	3,515

**Current and other accounts**

Current accounts  
PLS savings accounts

240,309	206,818
646,593	903,972
886,902	1,110,790

**Deposits maturing within 3 months (encashable on demand)**

Term deposits - Local Currency \*  
Term deposits - Foreign Currency

-	50,000
50,400	29,007
50,400	79,007
939,685	1,193,312

\* This does not include term deposits amounting to Rs.900 thousands (2012: Rs.800 thousands) placed under lien and those deposits having maturity exceeding three months amounting to Rs.69,800 thousands (2012: Rs.65,426 thousand).

The annexed notes from I to 43 form an integral part of these financial statements.

  
Towfiq H. Chinoy  
Chairman

  
Aly Noormahomed Rattansey  
Director

  
John Joseph Metcalf  
Director

  
Tahir Ahmed  
Managing Director  
(Chief Executive)

## STATEMENT OF CHANGES IN EQUITY

For The Year Ended December 31, 2013

	Share capital	Reserves					Total Reserves	Total
	Issued, subscribed and paid-up	Capital reserve	Revenue reserves					
		Reserve for exceptional losses	General reserves	Special reserve	Retained earnings	Total Revenue Reserves		
(Rupees in '000)								
Balance as at January 01, 2012	988,721	9,384	1,670,000	-	874,764	2,544,764	2,554,148	3,542,869
Effect of change in accounting policy as stated in note 5.I	-	-	-	-	9,961	9,961	9,961	9,961
Balance as at January 01, 2012 - Restated	988,721	9,384	1,670,000	-	884,725	2,554,725	2,564,109	3,552,830
Changes in equity for the year ended December 31, 2012								
Profit after tax for the year	-	-	-	-	826,498	826,498	826,498	826,498
Other comprehensive income	-	-	-	-	(7,875)	(7,875)	(7,875)	(7,875)
Total comprehensive income	-	-	-	-	818,623	818,623	818,623	818,623
Final cash dividend at Rs.3 (30%) per share for the year 2011	-	-	-	-	(296,617)	(296,617)	(296,617)	(296,617)
Issuance of bonus shares @ Rs.2 per share (20%) for the year 2011	197,744	-	-	-	(197,744)	(197,744)	(197,744)	-
Transfer to general reserve	-	-	230,000	-	(230,000)	-	-	-
Transfer to special reserve	-	-	-	100,000	(100,000)	-	-	-
Balance as at December 31, 2012	1,186,465	9,384	1,900,000	100,000	878,987	2,878,987	2,888,371	4,074,836
Balance as at January 01, 2013	1,186,465	9,384	1,900,000	100,000	876,979	2,876,979	2,886,363	4,072,828
Effect of change in accounting policy as stated in note 5.I	-	-	-	-	2,008	2,008	2,008	2,008
Balance as at January 01, 2013 - Restated	1,186,465	9,384	1,900,000	100,000	878,987	2,878,987	2,888,371	4,074,836
Changes in equity for the year ended December 31, 2013								
Profit after tax for the year	-	-	-	-	1,045,315	1,045,315	1,045,315	1,045,315
Other comprehensive income	-	-	-	-	(4,416)	(4,416)	(4,416)	(4,416)
Total comprehensive income	-	-	-	-	1,040,899	1,040,899	1,040,899	1,040,899
Final cash dividend at Rs.3 (30%) per share for the year 2012	-	-	-	-	(355,940)	(355,940)	(355,940)	(355,940)
Issuance of bonus shares @ Rs.1.5 per share (15%) for the year 2012	177,970	-	-	-	(177,970)	(177,970)	(177,970)	-
Transfer to general reserve	-	-	230,000	-	(230,000)	-	-	-
Transfer to special reserve	-	-	-	100,000	(100,000)	-	-	-
Balance as at December 31, 2013	1,364,435	9,384	2,130,000	200,000	1,055,976	3,385,976	3,395,360	4,759,795

The annexed notes from I to 43 form an integral part of these financial statements.



Towfiq H. Chinoy  
Chairman



Aly Noormahomed Rattansey  
Director



John Joseph Metcalf  
Director



Tahir Ahmed  
Managing Director  
(Chief Executive)

## STATEMENT OF PREMIUMS

For The Year Ended December 31, 2013

## Business underwritten inside Pakistan

Class	Premiums written (note 23)	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium		Reinsurance expense	2013 Net premium revenue	2012 Net premium revenue
		Opening	Closing			Opening	Closing			
(Rupees in '000)										
<b>Direct and facultative</b>										
1. Fire and property damage	1,692,581	627,819	723,542	1,596,858	987,466	314,266	389,396	912,336	684,522	643,850
2. Marine, aviation and transport	692,701	71,351	81,599	682,453	129,280	13,677	20,707	122,250	560,203	524,505
3. Motor	921,953	371,546	383,138	910,361	37,524	11,125	17,679	30,970	879,391	797,515
4. Liability	505,383	92,720	118,286	479,817	442,862	69,683	88,105	424,440	55,377	47,775
5. Accident and health	792,206	328,589	289,524	831,271	-	-	-	-	831,271	581,618
6. Miscellaneous	1,964,482	754,052	738,582	1,979,952	1,458,982	559,786	553,829	1,464,939	515,013	489,447
<b>Total</b>	<b>6,569,306</b>	<b>2,246,077</b>	<b>2,334,671</b>	<b>6,480,712</b>	<b>3,056,114</b>	<b>968,537</b>	<b>1,069,716</b>	<b>2,954,935</b>	<b>3,525,777</b>	<b>3,084,710</b>
<b>Treaty</b>										
7. Proportional / non-proportional	-	-	-	-	-	-	-	-	-	28
<b>Grand total</b>	<b>6,569,306</b>	<b>2,246,077</b>	<b>2,334,671</b>	<b>6,480,712</b>	<b>3,056,114</b>	<b>968,537</b>	<b>1,069,716</b>	<b>2,954,935</b>	<b>3,525,777</b>	<b>3,084,738</b>

The annexed notes from 1 to 43 form an integral part of these financial statements.



Tawfiq H. Chinoy  
Chairman



Aly Noormahomed Rattansey  
Director



John Joseph Metcalf  
Director



Tahir Ahmed  
Managing Director  
(Chief Executive)

## STATEMENT OF CLAIMS

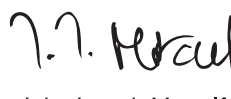
For The Year Ended December 31, 2013

## Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries revenue	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	2013 Net claims expense	2012 Net claims expense
		Opening	Closing			Opening	Closing			
(Rupees in '000)										
<b>Direct and facultative</b>										
1. Fire and property damage	874,433	627,521	1,355,694	1,602,606	532,880	278,375	838,462	1,092,967	509,639	368,686
2. Marine, aviation and transport	814,033	311,874	367,056	869,215	548,957	56,158	108,274	601,073	268,142	247,231
3. Motor	475,274	258,476	286,922	503,720	15,049	56,246	68,871	27,674	476,046	501,539
4. Liability	3,404	211,793	210,604	2,215	276	206,380	204,233	(1,871)	4,086	2,996
5. Accident and health	649,089	84,345	89,888	654,632	-	-	-	-	654,632	492,120
6. Miscellaneous	411,503	781,734	832,792	462,561	224,027	461,533	457,886	220,380	242,181	297,734
<b>Total</b>	<b>3,227,736</b>	<b>2,275,743</b>	<b>3,142,956</b>	<b>4,094,949</b>	<b>1,321,189</b>	<b>1,058,692</b>	<b>1,677,726</b>	<b>1,940,223</b>	<b>2,154,726</b>	<b>1,910,306</b>
<b>Treaty</b>										
7. Proportional / non-proportional	-	-	-	-	-	-	-	-	-	20
<b>Grand Total</b>	<b>3,227,736</b>	<b>2,275,743</b>	<b>3,142,956</b>	<b>4,094,949</b>	<b>1,321,189</b>	<b>1,058,692</b>	<b>1,677,726</b>	<b>1,940,223</b>	<b>2,154,726</b>	<b>1,910,326</b>

The annexed notes from 1 to 43 form an integral part of these financial statements.


Towfiq H. Chinoy  
Chairman

Aly Noormahomed Rattansay  
Director

John Joseph Metcalf  
Director

Tahir Ahmed  
Managing Director  
(Chief Executive)

## STATEMENT OF EXPENSES

For The Year Ended December 31, 2013

## Business underwritten inside Pakistan

Class	Commission paid or payable	Deferred commission		Net commission expense	Other management expenses (note 24)	Underwriting expense	Commission from reinsurers (note 25)	2013 Net underwriting expense	2012 Net underwriting expense
		Opening	Closing						
(Rupees in '000)									
<b>Direct and facultative</b>									
1. Fire and property damage	216,189	70,103	87,435	198,857	162,501	361,358	75,368	285,990	272,875
2. Marine, aviation and transport	102,916	11,477	12,147	102,246	132,989	235,235	2,709	232,526	214,530
3. Motor	80,942	34,265	34,580	80,627	208,762	289,389	1,282	288,107	262,029
4. Liability	10,202	3,770	3,626	10,346	13,146	23,492	17,924	5,568	7,507
5. Accident and health	29,891	9,507	10,668	28,730	197,339	226,069	-	226,069	157,852
6. Miscellaneous	144,784	46,243	52,358	138,669	122,261	260,930	151,414	109,516	105,189
<b>Total</b>	<b>584,924</b>	<b>175,365</b>	<b>200,814</b>	<b>559,475</b>	<b>836,998</b>	<b>1,396,473</b>	<b>248,697</b>	<b>1,147,776</b>	<b>1,019,982</b>
<b>Treaty</b>									
7. Proportional / non-proportional	-	-	-	-	-	-	-	-	2
<b>Grand total</b>	<b>584,924</b>	<b>175,365</b>	<b>200,814</b>	<b>559,475</b>	<b>836,998</b>	<b>1,396,473</b>	<b>248,697</b>	<b>1,147,776</b>	<b>1,019,984</b>

The annexed notes from 1 to 43 form an integral part of these financial statements.


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Chairman

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Director

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Director

Tahir Ahmed  
Managing Director  
(Chief Executive)

# STATEMENT OF INVESTMENT INCOME

For The Year Ended December 31, 2013

	2013	2012
	(Rupees in '000)	
<b>Income from non-trading investments</b>		
<b>Held to maturity</b>		
Return on government securities	47,831	57,948
Return on other fixed income securities and Term finance certificates	14,005	15,555
Amortisation of discount	1,410	496
	<u>63,246</u>	<u>73,999</u>
<b>Available for sale</b>		
<b>Dividend income</b>		
Related parties	12,230	8,234
Others	199,348	99,180
	<u>211,578</u>	<u>107,414</u>
<b>Gain on sale of non-trading investments</b>	537,009	462,685
<b>Impairment in value of available for sale securities</b>	-	(5,869)
<b>Investment related expenses</b>	(8,374)	(6,949)
<b>Net investment income</b>	<u><u>803,459</u></u>	<u><u>631,280</u></u>

The annexed notes from 1 to 43 form an integral part of these financial statements.



Towfiq H. Chinoy  
Chairman



Aly Noormahomed Rattansey  
Director



John Joseph Metcalf  
Director



Tahir Ahmed  
Managing Director  
(Chief Executive)

# NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2013

## I. STATUS AND NATURE OF BUSINESS

Jubilee General Insurance Company Limited (the Company) is a public limited company incorporated in Pakistan on May 16, 1953. The Company is listed on the Karachi and Lahore Stock Exchanges and is engaged in general insurance business. The registered office of the Company is situated at 2nd Floor, Jubilee Insurance House, I.I. Chundrigar Road, Karachi.

## 2. BASIS OF PREPARATION

2.1 These financial statements have been prepared on the format of financial statements issued by the Securities and Exchange Commission of Pakistan (SECP) through Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002], vide S.R.O. 938 dated December 12, 2002.

2.2 These financial statements have been prepared under the historical cost convention.

## 3. STATEMENT OF COMPLIANCE

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

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

## 3.2 ACCOUNTING STANDARDS NOT YET EFFECTIVE

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

Standard	Effective date (accounting periods beginning on or after)
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment)	January 01, 2014
IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting – (Amendment)	January 01, 2014
IFRIC 21 – Levies	January 01, 2014

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

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

#### 4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan 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 trend and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

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

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

- (a) classification of insurance contracts (note 5.3);
- (b) provision for unearned premium (note 5.5);
- (c) provision for premium due but unpaid (note 5.6);
- (d) provision for outstanding claims (including IBNR) (note 5.7);
- (e) premium deficiency reserve (note 5.8);
- (f) accounting for employee benefit plans (note 5.9);
- (g) classification of investments (note 5.10);
- (h) determining the residual values and useful lives of fixed assets and investment properties (note 5.11 and 5.12);
- (i) allocation of management expenses (note 5.18);
- (j) recognition of taxation and deferred tax (note 5.19);
- (k) segment reporting (note 5.20);
- (l) impairment (note 5.23); and
- (m) provision for obligations (note 5.24).

##### 4.1 Change in accounting estimate in respect of provision for unearned premium

Upto previous year, the provision for unearned premium of the Accident and Health insurance was calculated by applying twenty fourths method. During the year, the Company reassessed the basis for calculating the unearned premium reserve of Accident and Health insurance and to make it more accurate has applied 365 days method to determine the unearned premium provision liability at year end.

The above change has been accounted for as a change in accounting estimate in accordance with the requirements of International Accounting Standard (IAS-8) "Accounting Policies, Changes in Accounting Estimates and Errors" whereby the effect of this change is recognised prospectively by including the same in determination of profit and loss in the period of change, that is, during the current and future periods.

Had the accounting estimate not been changed, total liabilities and assets would have been higher by Rs.88,108 thousands and Rs.2,826 thousands, respectively, and profit after tax for the year ended December 31, 2013 and equity as at December 31, 2013 would have been lower by Rs.55,183 thousands. The earnings per share for the year ended would have also been lower by Re.0.41 per share.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except as stated in note 5.1 below:

### 5.1 Change in accounting policy relating to Defined Benefit Plan

Amendments to IAS 19 "Employee Benefits" range from fundamental changes to simple clarification and rewording. The significant changes to IAS 19 include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognised in other comprehensive income with no subsequent recycling to profit and loss.
- The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.
- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information regarding the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

This change in accounting policy has been accounted for retrospectively as required under International Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors', and the comparative financial statements have been re-stated.

The effects of the retrospective application of the change in accounting policy are as follows:

	2013	2012
	(Rupees in '000)	
(Increase) / decrease in the staff retirement gratuity	(2,408)	2,008
Net (decrease) / increase in equity	<u>(2,408)</u>	<u>2,008</u>
Increase in opening unappropriated profit	2,008	9,961
Decrease in Other Comprehensive Income (OCI)	(4,416)	(7,875)
Decrease in profit and loss account	-	(78)
Net (decrease) / increase in equity	<u>(2,408)</u>	<u>2,008</u>

The cumulative effect of the above change is not considered material. Accordingly, third balance sheet as of January 01, 2012 has not been presented in these financial statements.

### 5.2 Adoption of new and amended International Financial Reporting Standards (IFRSs)

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

#### Standard or interpretation

- IAS 1 – Presentation of Financial Statements –  
Presentation of items of other comprehensive income (Amendment)
- IAS 19 – Employee Benefits – (Revised)
- IFRS 7 – Financial Instruments: Disclosures – (Amendments)  
– Amendments enhancing disclosures about offsetting  
of financial assets and financial liabilities
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

#### Improvements to Accounting Standards Issued by the IASB

- IAS 1 – Presentation of Financial Statements -  
Clarification of the requirements for comparative information
- IAS 16 – Property, Plant and Equipment – Clarification of Servicing Equipment
- IAS 32 – Financial Instruments: Presentation – Tax Effects  
of Distribution to Holders of Equity Instruments
- IAS 34 – Interim Financial Reporting – Interim Financial Reporting  
and Segment Information for Total Assets and Liabilities

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements, except as disclosed in note 5.1.

### 5.3 Insurance contracts

Insurance contracts are those contracts under which the Company as insurer has accepted insurance risk from the insurance contract holder (insured) by agreeing to compensate the insured if a specified uncertain future event (the insured event) adversely affects the insured. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its tenure, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

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

- Fire and property
- Marine, aviation and transport
- Motor
- Liability
- Accident and health
- Miscellaneous

These contracts are normally one year insurance contracts except Marine and some contracts of Fire and property and miscellaneous class. Normally all marine insurance contracts and some fire and property contracts are of three months period. In miscellaneous class, some engineering insurance contracts are of more than one year period, whereas, normally travel insurance contracts expire within one month time.

These contracts are provided to all types of customers based on assessment of insurance risk by the Company. Normally personal insurance contracts e.g. vehicle, travel, personal accident, etc. are provided to individual customers, whereas, insurance contracts of fire and property, marine, aviation and transport, accident and health and other commercial line products are provided to commercial organizations.

Fire and property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities.

Marine Insurance covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination.

Motor insurance provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident.

Liability insurance contracts protects the insured against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events.

Accident and health insurance contract mainly compensate Hospitalisation and outpatient medical coverage to the insured.

Other various types of insurance are classified in miscellaneous category which includes mainly engineering, terrorism, personal accident, worker compensation, travel, products of financial institutions, livestock and crop insurance etc.

The Company also accepts insurance risk pertaining to insurance contracts of other insurer as reinsurance inward. The insurance risk involved in these contracts is similar to the contracts undertaken by the company as insurer. All reinsurance inward contracts are facultative (specific risk) acceptance contracts except retrocession business with Pakistan Reinsurance Company Limited (PRCL).

### 5.4 Reinsurance contracts held

These are contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued. These reinsurance contracts include both facultative and treaty arrangement contracts and are classified in same categories of insurance contracts for the purpose of these financial statements. The Company recognizes the entitled benefits under the contracts as various reinsurance assets.

### 5.5 Provision for unearned premium

The provision for unearned portion of premiums is calculated by applying twenty fourths' method, except Accident and Health Insurance for which unearned premium is calculated by applying 365 days method. As prescribed by SEC (Insurance) Rules, 2002.

The deferred portion of reinsurance premium is recognized as a prepayment. The deferred portion of reinsurance premium ceded is calculated by using twenty fourths' method.

## 5.6 Receivables and payables related to insurance contracts

Receivables and payables relating to insurance contracts are recognized when due. These include premiums due but unpaid, premium received in advance, premiums due and claims payable to insurance contract holders. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any.

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

Provision for impairment in premium receivables is estimated on a systematic basis after analysing the receivables as per their ageing.

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

A liability for outstanding claims is recognized in respect of all claims incurred as at the balance sheet date which represents the estimates of the claims intimated or assessed before the end of the accounting year and measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates.

Provision for IBNR is made for the cost of settling claims incurred but not reported at the balance sheet date, on the basis of management's judgment and the Company's prior experience.

The Company takes advice from actuary for the determination of IBNR claims at the year end. The actuary recommends that month wise factor based on an analysis of the past claims reporting pattern be applied to estimation of provision for IBNR. The historic claim lag triangle method is used for determination of month wise factor for each class of business. Accordingly, provision has been made based on IBNR factors applied on incurred claims recommended by the actuary.

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

## 5.8 Premium deficiency reserve

The Company is required as per SEC (Insurance) Rules, 2002, to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance from claims, and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recorded as an expense in the profit and loss account.

No provision has been made as the unearned premium reserve for each class of business as at the year end is adequate to meet the expected future liability after reinsurance from claims and other expenses, expected to be incurred after the balance sheet date in respect of policies in force at balance sheet date.

The Company determines adequacy of liability of premium deficiency by carrying out analysis of its loss ratio of expired periods. For this purpose average loss ratio of last three years inclusive of claim settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned premium. The liability of premium deficiency in relation to Accident and Health insurance is calculated in accordance with the advice of the actuary.

## 5.9 Employee benefit plans

### 5.9.1 Defined benefit plan

The Company operates an approved defined 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 actuarial recommendations. The most recent actuarial valuation was carried out for the year ended December 31, 2013 using the Projected Unit Credit Method.

The Company has adopted IAS 19 (revised) as mentioned in note 5.1. Actuarial gains or losses are recognised in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements and net interest income (expense). Previously, actuarial gains or losses in excess of 10% of the present value of defined benefit obligation and fair value of plan assets, whichever was higher, were recognized over the expected average remaining working life of the employees in the profit and loss account.

### 5.9.2 Defined contribution plan

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

### 5.9.3 Employees' compensated absences

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

## 5.10 Investments

### 5.10.1 Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs, except for investment at fair value through profit or loss in which case transaction costs are charged to the profit and loss account. These are recognized and classified as follows:

- Investment at fair value through profit or loss
- Held to maturity
- Available-for-sale

### 5.10.2 Measurement

#### 5.10.2.1 Investment at fair value through profit or loss

- Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.
- Investments which are designated at fair value through profit or loss upon initial recognition.

Subsequent to initial recognition, these investments are premeasured at fair value. Gains or losses on investments on remeasurement of these investments are recognised in profit and loss account.

#### 5.10.2.2 Held to maturity

Investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as 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 yield.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the profit and loss account.

#### 5.10.2.3 Available-for-sale

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available-for-sale.

##### Quoted

Subsequent to initial recognition at cost, quoted investments are stated at the lower of cost or market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002 vide S.R.O. 938 dated December 2002. The Company uses stock exchange quotations at the balance sheet date to determine the market value.

Had the Company adopted International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" in respect of recognition of gain / loss on remeasurement of available-for-sale securities directly into equity, the investments of the Company would have been higher by Rs.1,191,732 thousands and the net equity would have increased by the same amount.

##### Unquoted

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

#### 5.10.2.4 Investment in associates - equity method

Investments in associates, where the Company has significant influence but not control, are accounted for by using the equity method of accounting. These investments are initially recognised at cost and the carrying amount with investor's share of the profit and loss, distribution received and change in the comprehensive income of the investee at the end of each reporting period. After application of the equity method, the Company determines whether it is necessary to recognize any impairment loss with respect to the Company's net investment in the associate.

#### 5.10.2.5 Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

### 5.11 Investment property

Investment properties are accounted for under the cost model in accordance with approved International Accounting Standard (IAS) 40, "Investment Property" and S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan.

- Leasehold land is stated at cost.
- Building on leasehold land is depreciated to its estimated salvage value on straight line basis over its useful life, which is estimated to be 40 - 80 years.
- Installations forming a part of building on leasehold land but having separate useful lives are depreciated at the rate of 10 percent under the straight line method.

Depreciation policy, subsequent capital expenditure on existing properties and gains or losses on disposals are accounted for in the same manner as tangible fixed assets.

### 5.12 Fixed assets

#### 5.12.1 Tangibles

These are stated at cost less accumulated depreciation and impairment loss, 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 22 to the financial statements. The assets' residual values, useful lives and method are reviewed and adjusted if appropriate at each financial year end.

Depreciation on additions is charged from the month the assets are available for use. While on disposal, depreciation is charged up to the month in which the assets are disposed off.

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

An item of tangible fixed asset is derecognized 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 profit and loss account in the year the asset is derecognized.

#### 5.12.2 Intangibles

These are stated at cost less accumulated amortisation and impairment loss. 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 22 to the financial statements.

Amortisation is calculated from the month the assets are available for use. While on disposal, amortisation is charged up to the month in which the assets are disposed off.

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

### 5.13 Premium income

Premiums including administrative surcharge under a policy are recognised as revenue at the time of issuance of insurance policy.

Revenue from premiums is determined after taking into account the unearned portion of premiums. The unearned portion of premium income is recognised as a liability.

Reinsurance premium is recognised as expense after taking into account the proportion of deferred premium expense which is calculated using twenty fourths method. The deferred portion of premium expense is recognised as a prepayment.

Pakistan Reinsurance Company Limited (PRCL) retrocession business is booked on the basis of PRCL statements.

### 5.14 Commission

Commission expense incurred in obtaining and recording policies is deferred and recognised as an expense in accordance with pattern of recognition of premium revenue.

Commission and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognised as liability and recognised in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premiums.

### 5.15 Rental income

Rental income from investment properties is recognised on accrual basis.

#### 5.16 Investment income

- Income from held to maturity investments is recognised on a time proportion basis taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held to maturity investments is amortised and taken to the profit and loss account over the term of the investment.
- Dividend income is recognised when the company's right to receive the payment is established.
- Gain / loss on sale of available-for-sale investments is included in income currently.
- Return on fixed income securities classified as available-for-sale is recognised on a time proportion basis taking into account the effective yield on the investments.
- Return on bank deposits is recognised on a time proportion basis taking into account the effective yield.

#### 5.17 Dividend declaration and reserve appropriation

Dividend declaration and reserve appropriation are recognized when approved.

#### 5.18 Expenses of management

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

#### 5.19 Taxation

##### 5.19.1 Current

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

##### 5.19.2 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 recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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

Deferred tax is provided on temporary differences arising on investments in associates stated under equity method of accounting.

#### 5.20 Segment reporting

A business segment is a distinguishable component of the Company that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002 as the primary reporting format.

Based on its classification of insurance contracts issued, the Company has six primary business segments for reporting purposes namely fire, marine, motor, accident and health, liability and miscellaneous. The nature and business activities of these segments are disclosed in note 5.3.

Assets and liabilities are allocated to particular segments on the basis of premium earned. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities. Depreciation and amortisation are allocated to a particular segment on the basis of premium earned.

## 5.21 Currency transactions

### 5.21.1 Functional and presentational currency

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

### 5.21.2 Foreign currency translations

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

## 5.22 Offsetting of financial assets and liabilities

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

## 5.23 Impairment

The carrying amount of assets 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. In addition impairment on available-for-sale investments, associates and reinsurance assets are recognised as follows:

### Available-for-sale

The Company determines that available-for-sale equity investments are impaired when there has been a 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 share price. 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.

### Associates

The Company determines that a significant or prolonged decline in the fair value of its investments in associates below their cost is an objective evidence of impairment. The impairment loss is recognized when the carrying value exceeds higher of fair value less cost to sell or value in use.

### Reinsurance assets

The Company determines the impairment of the reinsurance assets by looking at objective evidence, as a result of an event that occurred after initial recognition of the reinsurance assets, which indicates that the Company may not be able to recover amount due from reinsurer under the terms of reinsurance contract. In addition the Company also monitors the financial ratings of its reinsurers on each reporting date.

## 5.24 Provisions

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

## 5.25 Financial instruments

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

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

**6. SHARE CAPITAL**

Issued, subscribed and paid-up

2013		2012				2013		2012	
(Number of shares in '000)						(Rupees in '000)			
210	210			Ordinary shares of Rs.10 each issued as fully paid in cash		2,100	2,100		
<u>136,233</u>	<u>118,437</u>			Ordinary shares of Rs.10 each issued as fully paid bonus shares		<u>1,362,335</u>	<u>1,184,365</u>		
<u>136,443</u>	<u>118,647</u>					<u>1,364,435</u>	<u>1,186,465</u>		

Shares of the Company held by associated undertakings (including associates) amounted to Rs.950,867 thousands (95,086,756 shares of Rs.10 each) [2012: Rs.837,436 thousands (83,743,587 shares of Rs.10 each)].

**7. RESERVES**

		Note	2013	2012
			(Rupees in '000)	
<b>Capital reserve</b>				
Reserve for exceptional losses		7.1	9,384	9,384
<b>Revenue reserves</b>				
General reserve		7.2	2,130,000	1,900,000
Special reserve		7.3	200,000	100,000
			<u>2,339,384</u>	<u>2,009,384</u>

- 7.1 Under the Income Tax Act, 1922 applicable to insurance companies, the Company set aside in prior years amounts upto 10 percent of premium earnings, net of reinsurances of the year as a reserve for exceptional losses, which was treated as an allowable deduction in arriving at the taxable income. This option was withdrawn by the Income Tax Ordinance, 1979 with retrospective effect upto the accounting year ended December 31, 1978. Accordingly, the Company has ceased to set aside such amounts, but has retained the reserve created upto December 31, 1978.

**7.2 General reserve**

		2013	2012
		(Rupees in '000)	
Balance at beginning of the year		1,900,000	1,670,000
Transfer from retained earnings		230,000	230,000
Balance at end of the year		<u>2,130,000</u>	<u>1,900,000</u>

**7.3 Special reserve**

Balance at beginning of the year		100,000	-
Transfer from retained earnings		100,000	100,000
Balance at end of the year		<u>200,000</u>	<u>100,000</u>

This represents special reserve created for meeting catastrophic losses and dividend equalisation in future.

**8. TAXATION-PROVISION LESS PAYMENTS**

- 8.1 The Company has filed returns upto tax year 2013. The income tax assessments of the Company have been finalised upto and including assessment year 2002-2003 and tax years 2004, 2008, 2009 and 2010. The returns filed for tax years 2005, 2006, 2007, 2011, 2012 and 2013 are deemed to be orders under the provisions of section 120 of the Income Tax Ordinance, 2001 unless any amendments have been made by the tax authorities.

- 8.2 In the assessment order for the assessment year 2002-2003, made in prior years, certain items have been disallowed and further additional tax has been levied. The appeal against the order filed before the Commissioner of Inland Revenue (Appeals) (CIRA) has been decided mostly in favour of the Company. The Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the disallowance of certain items amounting to Rs.31,700 thousands. The ATIR has set aside disallowances and referred to Taxation Officer for reassessment proceedings. The tax provision amounting to Rs.11,110 thousands in this respect has been recorded by the Company in prior years.
- 8.3 During prior years, the Taxation Officer had passed an assessment order in respect of tax year 2004 consequent to finalisation of tax audit proceedings wherein the disallowances have been made on account of bad debts written off, amortisation of negative goodwill and allocation of expenses against dividend income. Further, the claim of tax credits has also not been allowed in full. The Company filed an appeal before the CIRA who maintained the order passed by the Taxation Officer except allocation of expenses against dividend income. The ATIR also maintained the order of CIRA. The Company has filed petition with the Honorable High Court of Sindh against the said disallowances. Income tax charge amounting to Rs.54,400 thousands in this respect has been recorded by the Company in prior years.
- 8.4 During prior years, the Taxation Officer had passed an assessment order in respect of tax year 2009 consequent to finalisation of tax audit proceedings in which disallowances have been made on account of bad debts, amortisation of premium, loss on disposal of assets and impairment in the value of investments. This resulted in aggregate tax liability after adjustment of brought forward loss of Rs.43,960 thousands which is already accounted for in prior years. The Company filed an appeal before the CIRA who maintained the disallowances made by the Taxation Officer. The Company's appeal before the ATIR is pending adjudication.
- 8.5 During prior years, the Taxation Officer had passed an assessment order in respect of tax year 2010 in which additions / disallowances were made on account of management expenses, rental income, provision for IBNR, etc. This has resulted in aggregate tax liability of Rs.165,730 thousand. The Company had made provision amounting to Rs.111,440 thousand against the same in prior years. The Company had filed an appeal before the CIRA against additions / disallowances. The CIRA has issued the appeal order by deleting the additions / disallowances made by the Taxation Officer in respect of management expenses and rental income. The CIRA has also set aside additions of provision for IBNR and contribution to provident fund for further verification of the Taxation Officer. This has resulted in a reduced tax liability of Rs.97,740 thousand. The tax department has filed an appeal with ATIR against the order issued by CIRA on certain disallowances which is decided in favour of the Company. The appeal effect order in this respect is still pending.

## 9. OTHER CREDITORS AND ACCRUALS

	2013	2012
	(Rupees in '000)	
Federal excise duty and sales tax	32,477	38,530
Federal insurance fee	2,026	2,251
Workers' Welfare Fund	24,405	18,922
Tax deducted at source	1,055	929
Commissions payable	353,100	323,864
Premiums payable	51,064	28,946
Claims payable	11,329	6,605
Miscellaneous	6,138	6,673
	<b>481,594</b>	<b>426,720</b>

**10. DEPOSITS AND OTHER PAYABLES**

	Note	2013	2012
		(Rupees in '000)	
Advance rent		39,395	29,475
Security deposits against bond insurance		1,025,597	824,070
Other deposits		92	92
		<u>1,065,084</u>	<u>853,637</u>

**11. CONTINGENCIES**

Contingencies in respect of income tax amounted to Rs.Nil (2012: Rs.14,700 thousands) at the year end.

**12. CASH AND BANK DEPOSITS****Cash and other equivalents**

Cash		104	167
Policy stamps and bond papers in hand		2,279	3,348
		<u>2,383</u>	<u>3,515</u>

**Current and other accounts**

Current accounts		240,309	206,818
PLS savings accounts	12.1	646,593	903,972
		<u>886,902</u>	<u>1,110,790</u>

**Deposits maturing within 12 months**

Term deposits - local currency	12.2 & 12.3	27,650	77,550
Term deposits - foreign currency	12.4	93,450	67,683
		<u>121,100</u>	<u>145,233</u>
		<u>1,010,385</u>	<u>1,259,538</u>

- 12.1** The rate of return on PLS Saving accounts maintained at various banks range from 6.0% to 8.0% per annum (2012: 6.0% to 9.10% per annum).
- 12.2** The rate of return on term deposits with various banks range from 7.90% to 9.10% per annum (2012: 8.30% to 11.10% per annum) due on maturity. These term deposits have maturities upto August 15, 2014.
- 12.3** Included herein is a sum of Rs.900 thousands (2012: Rs.800 thousands) placed under lien with a commercial bank against bank guarantee.
- 12.4** The rate of return on these term deposits is 1.25% (2012: 1.25%) per annum due on maturity. These term deposits have maturities upto February 26, 2014.

**13. LOANS TO EMPLOYEES****Considered good**

	Note	2013	2012
		(Rupees in '000)	
Secured	13.1	1,065	1,401
Unsecured	13.2	395	393
		<u>1,460</u>	<u>1,794</u>
Less: Current portion	21	941	1,037
		<u>519</u>	<u>757</u>

- 13.1** These represent loans provided to employees for the purchase of motor vehicles at the mark-up rate of 6% per annum (2012: 6% per annum) and are recoverable in four to five years. These are secured against motor vehicles.
- 13.2** These represent interest free loans to employees for general purposes in accordance with the terms of their employment and are recoverable within one year.
- 13.3** The maximum amount due from executives calculated with reference to month-end balances was Rs.Nil (2012: Rs.Nil).

## 14. INVESTMENTS

	Note	2013	2012
		(Rupees in '000)	
<b>In related parties</b>			
Investment in an associate under equity method	14.1	125,018	103,084
Available-for-sale - quoted equity securities / mutual funds	14.4.1	742,852	642,852
		<u>867,870</u>	<u>745,936</u>
<b>Others</b>			
<b>Held to maturity</b>			
Government securities	14.2	684,011	467,352
Term finance certificates - quoted	14.3	95,850	128,221
<b>Available-for-sale</b>			
Quoted equity securities / mutual funds	14.4.2	5,652,326	4,583,284
Unquoted equity securities			
- Matiari Sugar Mills Limited			
[715,000 shares (2012: 715,000 shares)]			
Name of CEO: Shafqat Ali Shah			
Break-up value: Rs.42.20 (2012: Rs.39.13)		2,500	2,500
		<u>6,434,687</u>	<u>5,181,357</u>
		<u>7,302,557</u>	<u>5,927,293</u>

## 14.1 Investment in an associate under equity method

## 14.1.1 Particulars of investment in associate - listed

Number of shares		Face value per share (Rupees)	Name of associate	2013	2012
2013	2012			(Rupees in '000)	
4,032,766	4,032,766	10	Jubilee Life Insurance Company Limited (Incorporated in Pakistan) (Chief Executive: Javed Ahmed)	<u>125,018</u>	<u>103,084</u>

Market value of investment and percentage of holding in associate are Rs.665,003 thousands and 6.43% respectively (2012: Rs.374,850 thousands and 6.43%).

## 14.1.2 Movement of investment in associate

Beginning of the year	103,084	81,907
Share in profit upto September 30	50,163	33,275
Less: Dividend received	(28,229)	(12,098)
	<u>21,934</u>	<u>21,177</u>
Closing balance	<u>125,018</u>	<u>103,084</u>

14.1.3 Following information has been summarised based on financial statements as at September 30, 2013 (2012: September 30, 2012) of the associate:

	2013	2012
	(Rupees in '000)	
Total assets	30,384,164	21,001,275
Total liabilities	28,535,035	19,408,222
Net assets	1,849,129	1,593,053
Share of net assets	118,899	103,084
Revenue	11,803,396	8,194,775
Profit after tax	587,478	360,791

14.2 Government securities

Face value (Rupees)	Profit rate %	Profit payment	Type of Security	Maturity date	2013	2012
					(Rupees in '000)	
50,000,000	10	Semi annually	Pakistan Investment Bond - 20 years	20-01-2024	56,663	57,081
52,000,000	11.5	Semi annually	Pakistan Investment Bond - 5 years	18-08-2016	51,100	50,673
20,700,000	11.25	Semi annually	Pakistan Investment Bond - 3 years	18-08-2014	20,601	20,420
19,100,000	11.25	Semi annually	Pakistan Investment Bond - 3 years	19-07-2015	19,302	-
22,000,000	11.25	Semi annually	Pakistan Investment Bond - 3 years	18-07-2016	22,495	-
<b>Sub total</b>					<b>170,161</b>	<b>128,174</b>
125,000,000	9.41	On maturity	Treasury Bills	23-01-2014	122,350	-
200,000,000	9.43	On maturity	Treasury Bills	09-06-2014	195,700	-
200,000,000	9.78	On maturity	Treasury Bills	06-02-2014	195,800	-
100,000,000	10.29	On maturity	Treasury Bills	07-03-2013	-	95,120
125,000,000	9.10	On maturity	Treasury Bills	07-02-2013	-	123,705
125,000,000	9.15	On maturity	Treasury Bills	30-05-2013	-	120,353
<b>Sub total</b>					<b>513,850</b>	<b>339,178</b>
					<b>684,011</b>	<b>467,352</b>

14.2.1 Market value of Pakistan Investment Bonds is Rs.155,778 thousands (2012: Rs.118,690 thousands) and of Treasury Bills is Rs.521,661 thousands (2012: Rs.342,630 thousands).

14.2.2 Pakistan Investment Bonds with face value of Rs.141,800 thousands (2012: Rs.122,700 thousands) are placed with State Bank of Pakistan under Section 29 of the Insurance Ordinance, 2000.

14.2.3 Pakistan Investment Bonds with face value of Rs.22,000 thousands (2012: Nil) are placed with a Commercial bank against issuance of a bank guarantee.

14.3 Term Finance Certificates - quoted

Number of certificates		Face value per certificates	Name of entity	2013	2012
2013	2012	(Rupees )		(Rupees in '000)	
10,000	10,000	5,000	Bank Al Habib Limited	49,870	49,890
2,000	2,000	5,000	ORIX Leasing Pakistan Limited	2,000	6,000
6,000	6,000	5,000	Pakistan Mobile Communications Limited	24,000	28,500
4,000	4,000	5,000	Karachi Electric Supply Company Limited	19,980	19,996
-	5,056	5,000	United Bank Limited	-	23,835
				<b>95,850</b>	<b>128,221</b>

14.3.1 Market value of quoted term finance certificates is Rs.96,110 thousands (2012: Rs.129,610 thousands). The market values are determined as per rates quoted by Mutual Funds Association of Pakistan as on December 31, 2013.

14.3.2 Details of term finance certificates are as follows:

Particulars	Profit rate per annum	Profit payment	Maturity date
Bank Al Habib Limited	6 months KIBOR plus 1.95% per annum	Semi-annually	14-02-2018
ORIX Leasing Pakistan Limited	3 months KIBOR plus 2.15% per annum	Quarterly	30-06-2014
Pakistan Mobile Communications Limited	6 months KIBOR plus 2.65% per annum	Quarterly	30-06-2015
Karachi Electric Supply Company Limited	14.75% per annum	Quarterly	30-06-2015

14.4 Available-for-sale securities / mutual funds - quoted

14.4.1 In related parties

Number of shares / certificates / units		Face value per share / certificate / unit	Name of entity	2013	2012
2013	2012	(Rupees)		(Rupees in '000)	
<b>Open-end mutual funds</b>					
6,164,646	5,004,021	100	HBL Money Market Fund	600,000	500,000
<b>Ordinary shares</b>					
<b>Industrial metal and mining</b>					
2,912,706	2,912,706	10	International Industries Limited	88,773	88,773
<b>Commercial Banks</b>					
1,269,197	1,153,816	10	Habib Bank Limited	54,079	54,079
				<b>742,852</b>	<b>642,852</b>

14.4.2 Others

-	166,742	100	<b>Open-end mutual funds</b>		
201,548	-	500	JS Large Capital Fund	-	2,300
50,397,049	49,949,052	10	Alfalah GHP Cash Fund	100,000	-
513,295	519,494	500	ABL Cash Fund	500,000	500,000
1,997,613	4,979,266	100	Atlas Money Market Fund	250,000	250,000
2,105,273	-	100	Askari Sovereign Cash Fund	200,000	500,000
-	2,243,163	10	Askari Sovereign Yield Enhance	200,000	-
1,508,735	1,052,213	100	BMA Empress Cash Fund	-	20,000
2,016,030	2,549,914	100	First Habib Cash Fund	150,000	100,000
1,007,520	2,113,714	100	Faysal Money Market Fund	200,000	250,000
1,031,365	867,294	100	IGI Money Market Fund	100,000	200,000
-	33,989	100	Lakson Income Fund	100,000	80,000
-	2,046,252	100	Lakson Money Market Fund	-	2,613
5,335,818	3,062,358	50	MetroBank Pakistan Sovereign Fund	-	100,000
4,133,765	4,152,293	100	MCB Cash Management Optimizer	500,000	300,000
30,237,901	-	50	Meezan Sovereign Fund	200,000	200,000
-	-	10	NAFA Money Market Fund	300,000	-
-	2,738,836	10	NAFA Financial Securities Income Fund	-	25,000
-	39,053,659	10	NAFA Government Securities Liquid Fund	-	375,000
42,195,808	29,008,989	10	NIT Government Bond Fund	404,938	300,000
2,078,199	2,302,870	50	Pakistan Cash Management Fund	100,000	110,000
601,610	634,150	100	PICIC Cash Fund	60,000	60,000
1,002,677	445,461	100	PICIC Income Fund	100,000	40,000
1,510,113	-	100	Primus Daily Reserve Fund	150,000	-
3,049,128	-	100	UBL Islamic Sovereign Fund	300,000	-
4,435,573	-	100	UBL Stock Advantage Fund	200,000	-
-	5,131,297	100	UBL Liquidity Plus Fund	-	500,000
<b>Equity investment instruments</b>					
500,000	500,000	10	PICIC Growth Fund (ICP SEMF)	2,797	2,797
1,881,379	1,881,379	10	PICIC Investment Fund	3,825	3,825
1,297,972	1,297,972	10	Standard Chartered Modaraba	8,839	8,839
3,969,000	3,969,000	5	First Habib Modaraba	22,515	22,515

Number of shares / certificates / units		Face value per share / certificate / unit (Rupees )	Name of entity	2013	2012
2013	2012			(Rupees in '000)	
<b>Ordinary shares</b>					
<b>Financial services</b>					
362,323	362,323	10	ORIX Leasing Pakistan Limited	2,300	2,300
<b>Commercial Banks</b>					
1,537,454	1,162,454	10	Bank Al Habib Limited	44,122	31,594
400,190	611,905	10	National Bank of Pakistan Limited	13,056	21,501
460,000	427,500	10	United Bank Limited	38,059	28,639
1,413,000	1,163,000	10	Bank Al Falah Limited	23,064	18,747
<b>Personal Goods (textiles)</b>					
544,889	38,889	10	Nishat Mills Limited	46,427	1,194
199,420	199,420	10	Services Textiles Limited	100	100
62,106	62,106	10	Crescent Jute Products Limited	34	34
<b>General Industrials</b>					
310,639	320,639	5	Thal Limited	15,945	16,458
<b>Construction and materials (cement)</b>					
4,764,500	2,000,000	10	Fauji Cement Company Limited	42,205	13,411
<b>Tobacco</b>					
17,500	234,909	10	Pakistan Tobacco Company Limited	1,794	24,081
<b>Electricity</b>					
3,381,510	3,546,710	10	The Hub Power Company Limited	124,832	119,637
16,190,893	1,133,893	10	Kot Addu Power Company Limited	740,393	42,668
<b>Oil and gas</b>					
112,250	-	10	Attock Petroleum Limited	55,606	-
254,000	270,000	10	Pakistan State Oil Company Limited	52,480	66,942
166,099	137,099	10	Pakistan Oil Fields Limited	69,680	50,656
482,652	318,877	10	Pakistan Petroleum Limited	64,980	42,257
<b>Engineering</b>					
-	42,160	10	Hinopak Motors Limited	-	3,699
213,070	225,000	10	Millat Tractors Limited	9,614	11,589
<b>Fixed line telecommunication</b>					
1,717,400	1,717,400	10	Pakistan Telecommunication Company Limited (A)	27,011	27,011
<b>Chemicals</b>					
1,158,830	1,100,330	10	Fauji Fertilizer Company Limited	92,890	78,986
410,500	-	10	Fauji Fertilizer Bin Qasim Limited	16,275	-
179,374	149,374	10	Engro Corporation Limited	18,545	15,931
-	12,322	10	ICI Pakistan Limited	-	2,141
-	500,000	10	Lotte Pakistan PTA Limited	-	6,855
<b>Forestry (Paper and board)</b>					
-	365,880	10	Century Paper & Board Mills Limited	-	3,964
				<b>5,652,326</b>	<b>4,583,284</b>

14.4.3 Market value of quoted available-for-sale investments is Rs,7,586,910 thousands (2012: Rs,5,767,310 thousands) at the year end.

## 15. INVESTMENT PROPERTIES

	2013							Useful life
	Cost			Depreciation			Written down value as at December 31, 2013	
	As at January 01, 2013	Additions (Disposals)	As at December 31, 2013	As at January 01, 2013	For the year / (on disposals)	As at December 31, 2013		
	(Rupees in '000)							
Leasehold land	34,164	-	34,164	-	-	-	34,164	-
Building on leasehold land	119,228	4,806	124,034	16,584	3,345	19,929	104,105	40-80 years
Lifts and other installations	27,880	8,007 (6,079)	29,808	15,670	1,804 (5,824)	11,650	18,158	10 years
	<u>181,272</u>	<u>12,813 (6,079)</u>	<u>188,006</u>	<u>32,254</u>	<u>5,149 (5,824)</u>	<u>31,579</u>	<u>156,427</u>	
	2012							Useful life
	Cost			Depreciation			Written down value as at December 31, 2012	
	As at January 01, 2012	Additions	As at December 31, 2012	As at January 01, 2012	For the year	As at December 31, 2012		
	(Rupees in '000)							
Leasehold land	34,164	-	34,164	-	-	-	34,164	-
Building on leasehold land	111,051	8,177	119,228	13,363	3,221	16,584	102,644	40-80 years
Lifts and other installations	25,830	2,050	27,880	12,917	2,754	15,671	12,209	10 years
	<u>171,045</u>	<u>10,227</u>	<u>181,272</u>	<u>26,280</u>	<u>5,975</u>	<u>32,255</u>	<u>149,017</u>	

15.1 The market value of the investment properties as per valuations carried out by professional valuers in 2013 is Rs.1,803,935 thousands (2012: Rs.1,591,090 thousands).

## 15.2 Disposal of investment property

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of buyers
	(Rupees in '000)						
Lifts and other installations	6,079	5,824	255	750	495	Negotiation	Zeeshan Traders, Karachi

## 16. DEFERRED TAXATION

	2013	2012
	(Rupees in '000)	
Deferred tax debits / (credits) arising in respect of:		
Accelerated depreciation	(11,090)	(11,600)
Provision for doubtful debts	50,307	48,286
Share of profit from associate	(7,672)	(5,479)
	<u>31,545</u>	<u>31,207</u>

17. PREMIUMS DUE BUT UNPAID

Unsecured

Considered good  
Considered doubtful

Less: Provision for doubtful balances

Note

2013	2012
(Rupees in '000)	
897,723	854,280
137,961	137,961
<b>1,035,684</b>	992,241
137,961	137,961
<b>897,723</b>	854,280

17.1 Premium due but unpaid includes an amount of Rs.58,891 thousands (2012: Rs.55,990 thousands) due from related parties.

18. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS

Unsecured

Considered good  
Considered doubtful

Less: Provision against doubtful balances

18.1

2013	2012
(Rupees in '000)	
78,022	76,910
10,000	-
<b>88,022</b>	76,910
10,000	-
<b>78,022</b>	76,910

18.1 Provision against doubtful balances

Opening balance  
Provision made during the year  
Less: Charged during the year

-	4,631
10,000	-
-	(4,631)
<b>10,000</b>	-

19. REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS

These are unsecured and considered good.

20. PREPAYMENTS

Prepaid reinsurance premium ceded  
Rent  
Computer software maintenance fee  
Miscellaneous expenses

1,069,716	968,537
14,661	13,684
700	5,230
5,036	4,761
<b>1,090,113</b>	992,212

21. SUNDRY RECEIVABLES

Current portion of long-term loans  
Advances to suppliers and contractors - considered good  
Rent receivable  
Security deposits  
Sales tax recoverable  
Medical claims recoverable  
Other advances - considered good

13

941	1,037
11,008	21,520
2,031	18,636
7,862	8,037
3,061	3,259
5,795	6,102
9,750	5,106
<b>40,448</b>	63,697

## 22. FIXED ASSETS - Tangible and intangible

2013	Building	Furniture, fixtures and equipment				Sub total	Motor vehicles	Computer software	Total
		Furniture and fixtures	Office equipment	Trakker equipment	Computer equipment				

(Rupees in '000)

As at  
January 01, 2013

Cost	7,069	65,454	72,091	51,875	44,645	234,065	9,211	37,974	288,319
Accumulated depreciation	(740)	(38,004)	(47,565)	(16,501)	(32,346)	(134,416)	(4,179)	(10,351)	(149,686)

Net book value as at  
January 01, 2013

	<u>6,329</u>	<u>27,450</u>	<u>24,526</u>	<u>35,374</u>	<u>12,299</u>	<u>99,649</u>	<u>5,032</u>	<u>27,623</u>	<u>138,633</u>
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For the year ended  
December 31, 2013

Opening net book value	6,329	27,450	24,526	35,374	12,299	99,649	5,032	27,623	138,633
Additions	-	2,640	7,058	11,228	3,934	24,860	169	10,332	35,361

## Disposals

- Cost	-	(3,493)	(3,597)	(865)	(1,606)	(9,561)	(89)	-	(9,650)
- Accumulated depreciation	-	2,767	2,946	391	1,422	7,526	53	-	7,579
	-	(726)	(651)	(474)	(184)	(2,035)	(36)	-	(2,071)

## Adjustment / transfer

- Cost	-	-	-	30	-	30	(30)	-	-
- Accumulated depreciation	-	-	-	-	-	-	-	-	-
	-	-	-	30	-	30	(30)	-	-

Depreciation charge	(289)	(6,776)	(6,979)	(7,916)	(3,327)	(24,998)	(362)	(6,868)	(32,517)
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Net book value as at  
December 31, 2013

	<u>6,040</u>	<u>22,588</u>	<u>23,954</u>	<u>38,242</u>	<u>12,722</u>	<u>97,506</u>	<u>4,773</u>	<u>31,087</u>	<u>139,406</u>
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As at December 31, 2013

Cost	7,069	64,601	75,552	62,268	46,973	249,394	9,291	48,306	314,030
Accumulated depreciation	(1,029)	(42,013)	(51,598)	(24,026)	(34,251)	(151,888)	(4,518)	(17,219)	(174,624)

Net book value as at  
December 31, 2013

	<u>6,040</u>	<u>22,588</u>	<u>23,954</u>	<u>38,242</u>	<u>12,722</u>	<u>97,506</u>	<u>4,773</u>	<u>31,087</u>	<u>139,406</u>
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Annual rate of depreciation	<u>3%</u>	<u>17%</u>	<u>17% - 25%</u>	<u>20%</u>	<u>25%</u>		<u>20%</u>	<u>20%</u>	
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2012	Building	Furniture, fixtures and equipment				Sub total	Motor vehicles	Computer software	Total
		Furniture and fixtures	Office equipment	Trakker equipment	Computer equipment				
(Rupees in '000)									
<b>As at January 01, 2012</b>									
Cost	6,875	60,416	67,845	34,776	39,873	202,910	8,298	11,051	229,134
Accumulated depreciation	(485)	(33,483)	(41,578)	(10,506)	(30,802)	(116,369)	(4,032)	(8,324)	(129,210)
<b>Net book value as at January 01, 2012</b>	<u>6,390</u>	<u>26,933</u>	<u>26,267</u>	<u>24,270</u>	<u>9,071</u>	<u>86,541</u>	<u>4,266</u>	<u>2,727</u>	<u>99,924</u>
<b>For the year ended December 31, 2012</b>									
Opening net book value	6,390	26,933	26,267	24,270	9,071	86,541	4,266	2,727	99,924
Addition	194	9,874	4,747	17,703	6,381	38,705	1,436	26,923	67,258
Disposals									
- Cost	-	(2,870)	(2,329)	(604)	(1,747)	(7,550)	(523)	-	(8,073)
- Accumulated depreciation	-	2,290	1,841	195	1,488	5,814	318	-	6,132
	-	(580)	(488)	(409)	(259)	(1,736)	(205)	-	(1,941)
Adjustment / transfer									
- Cost	-	(1,966)	1,828	-	138	-	-	-	-
- Accumulated depreciation	-	-	-	-	-	-	-	-	-
	-	(1,996)	1,828	-	138	-	-	-	-
Depreciation charge	(255)	(6,811)	(7,828)	(6,190)	(3,032)	(23,861)	(465)	(2,027)	(26,608)
<b>Net book value as at December 31, 2012</b>	<u>6,329</u>	<u>27,450</u>	<u>24,526</u>	<u>35,374</u>	<u>12,299</u>	<u>99,649</u>	<u>5,032</u>	<u>27,623</u>	<u>138,633</u>
<b>As at December 31, 2012</b>									
Cost	7,069	65,454	72,091	51,875	44,645	234,065	9,211	37,974	288,319
Accumulated depreciation	(740)	(38,004)	(47,565)	(16,501)	(32,346)	(134,416)	(4,179)	(10,351)	(149,686)
<b>Net book value as at December 31, 2012</b>	<u>6,329</u>	<u>27,450</u>	<u>24,526</u>	<u>35,374</u>	<u>12,299</u>	<u>99,649</u>	<u>5,032</u>	<u>27,623</u>	<u>138,633</u>
<b>Annual rate of depreciation</b>	<u>3%</u>	<u>17%</u>	<u>17% - 25%</u>	<u>20%</u>	<u>25%</u>		<u>20%</u>	<u>20%</u>	

## 22.1 Disposal of tangible assets

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain/(Loss)	Mode of disposal	Particulars of buyers
	(Rupees in '000)						
Disposal of tangible assets during the year having book value exceeding Rs.50,000							
Furniture and fixtures	3,493	2,767	726	56	(670)	Negotiation	Various
Office equipment, electrical installations, trakkor equipment and computers	6,067	4,760	1,307	946	(361)	Negotiation	Various
Disposal of tangible assets during the year having book value upto Rs.50,000							
Motor vehicles							
	10	6	4	1	(3)	Negotiation	Muhammad Furqan Alam, Karachi
	40	24	16	13	(3)	Negotiation	Naveed Rauf, Karachi
	36	21	15	9	(6)	Negotiation	Muhammad Suleman, Karachi
	4	1	3	2	(1)	Negotiation	Muhammad Saleem, Karachi
<b>2013</b>	<b>9,650</b>	<b>7,579</b>	<b>2,071</b>	<b>1,027</b>	<b>(1,044)</b>		
<b>2012</b>	<b>8,074</b>	<b>6,133</b>	<b>1,941</b>	<b>1,436</b>	<b>(505)</b>		

## 23. ADMINISTRATIVE SURCHARGE

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

	2013	2012
	(Rupees in '000)	
Fire and property damage	10,198	9,761
Marine, aviation and transport	15,721	14,395
Motor	22,585	23,319
Liability	37	22
Miscellaneous	8,914	11,778
	<b>57,455</b>	<b>59,275</b>

24. MANAGEMENT EXPENSES

	Note	2013	2012
		(Rupees in '000)	
		(Restated)	
Salaries, wages and benefits	24.1	569,165	492,932
Rent, taxes and electricity		55,119	46,036
Communications		16,093	15,433
Directors' fee and expenses		2,240	2,680
Printing and stationery		24,421	18,909
Travelling and entertainment		30,553	25,356
Auditors' remuneration	28.2	1,233	278
Legal and professional charges		3,148	5,179
Statutory levies		11,849	10,013
Annual monitoring fee for vehicle tracking devices		21,142	19,835
Inspection fee		3,601	4,207
Repairs and maintenance		6,130	7,090
Advertisement and sales promotion		20,143	32,583
Depreciation	22	25,649	24,581
Amortisation	22	6,868	2,027
Bad debts written off		2,294	5,620
Provision against doubtful balances	18.1	10,000	-
Insurance expense		4,628	4,625
Motor vehicle running expenses		2,422	1,837
Other expenses		20,300	14,404
		<u>836,998</u>	<u>733,625</u>

24.1 These include Rs.12,730 thousands (2012: Rs.11,370 thousands) being contribution for employees' provident fund and Rs.10,167 thousands (2012: Rs.8,788 thousands) in respect of defined benefit plan.

25. COMMISSION FROM REINSURERS

Commission received or receivables	Unearned Commission		2013	2012	
	Opening	Closing	Commission from reinsurers	Commission from reinsurers	
	(Rupees in '000)				
Fire and property damage	87,173	21,620	33,425	75,368	64,822
Marine, aviation and transport	2,774	635	700	2,709	2,780
Motor	1,639	473	830	1,282	1,222
Liability	18,254	4,273	4,603	17,924	13,523
Miscellaneous	158,194	55,047	61,827	151,414	119,759
	<u>268,034</u>	<u>82,048</u>	<u>101,385</u>	<u>248,697</u>	<u>202,106</u>

26. RENTAL INCOME

	2013	2012
		(Rupees in '000)
Rental revenue	140,930	125,724
Investment property related expenditure	(24,704)	(21,035)
	<u>116,226</u>	<u>104,689</u>

## 27. OTHER INCOME

		2013	2012
		(Rupees in '000)	
<b>Income from financial assets / liabilities</b>			
	Exchange gain	11,080	7,997
	Return on loans to employees	92	97
	Creditors no longer considered payable written back	553	1,863
	Others	77	269
<b>Income from non-financial assets</b>			
	Loss on sale of fixed assets	22.1	(1,044)
	Gain on sale of investment property	15.2	495
		<u>11,253</u>	<u>9,721</u>

## 28. GENERAL AND ADMINISTRATION EXPENSES

	Legal and professional		3,582	3,659
	Subscription		934	314
	Registration fee		693	281
	Insurance ombudsman		296	509
	Workers' Welfare Fund		24,405	18,922
	Charity and donations	28.1	11,570	8,089
	Auditors' remuneration	28.2	1,273	1,088
	Others		1,772	1,494
			<u>44,525</u>	<u>34,356</u>

## 28.1 Donations made include the following in which a Director or spouse of a Director is interested.

Name and address of donee	Interested Director	Interest in donee	2013	2012
			(Rupees in '000)	
Aga Khan Cultural Service, Pakistan Shahrah-e-Quaid-e-Azam Gilgit, Pakistan	Akbarali Pesnani	Chairman	500	305
Aga Khan Rural Support Programme Serena Business Complex Khayaban-e-Suhrawardy Islamabad	Aly Noormahomed Rattansey	Chairman	5,000	-
Pakistan Centre of Philanthropy ST-14, F8/3, Islamabad, Pakistan	Towfiq H. Chinoy	Director	-	150
			<u>5,500</u>	<u>455</u>

## 28.2 Auditors' remuneration

	Audit fee		500	400
	Interim review fee		100	100
	Special reports and certificates for various government agencies and sundry advisory services		555	455
	Out of pocket expenses		118	133
		28	<u>1,273</u>	<u>1,088</u>
	Federal excise duty / sales tax advisory services		242	278
	Other advisory services		991	-
		24	<u>1,233</u>	<u>278</u>
			<u>2,506</u>	<u>1,366</u>

## 29. TAXATION - NET

	2013	2012
	(Rupees in '000)	
Current	175,225	114,477
Deferred	(338)	5,026
	<u>174,887</u>	<u>119,503</u>

## 29.1 Relationship between tax expense and accounting profit

	2013	2012	2013	2012
	(Effective tax rate) (Percentage)		(Rupees in '000)	
Profit before taxation			<u>1,220,202</u>	<u>946,001</u>
Tax at the applicable rate of 34% (2012: 35%)	34.00	35.00	414,869	331,127
Tax effect of income subject to lower rate	(5.33)	(6.81)	(65,011)	(64,395)
Tax effect of expenses that are not allowable in determining taxable income	0.50	1.55	6,088	14,711
Tax effect of income exempt from tax	(14.84)	(17.12)	(181,059)	(161,940)
	<u>14.33</u>	<u>12.62</u>	<u>174,887</u>	<u>119,503</u>

## 30. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise companies having common directorship, associates, directors, key management personnel and retirement benefit funds. Investments in related parties have been disclosed in the relevant notes. Directors' fees and remuneration to the key management personnel are included in note 32 to these financial statements and are determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2013	2012
	(Rupees in '000)	
<b>Companies having common directorship</b>		
Insurance premium written (including government levies administrative surcharge and policy stamps)	<u>446,101</u>	<u>459,197</u>
Insurance premium received / adjusted during the year	<u>443,461</u>	<u>520,073</u>
Insurance commission paid	<u>24</u>	<u>666</u>
Insurance claims paid	<u>201,724</u>	<u>138,496</u>
Purchases of goods and services	<u>7,308</u>	<u>7,093</u>
Dividend received	<u>12,230</u>	<u>8,234</u>
Dividend received from an associate under equity method	<u>28,229</u>	<u>12,098</u>
Dividend paid	<u>245,262</u>	<u>189,544</u>
Rental income	<u>35,980</u>	<u>31,848</u>
Investment in shares / mutual funds other than associate	<u>1,200,000</u>	<u>1,000,000</u>
Disposal of shares / mutual funds other than associate	<u>1,128,170</u>	<u>1,044,803</u>
Donations	<u>5,500</u>	<u>455</u>
<b>Others</b>		
Insurance premium written (including government levies administrative surcharge and policy stamps)	<u>438</u>	<u>45</u>
Insurance premium received / adjusted during the year	<u>177</u>	<u>98</u>
Insurance claims paid	<u>-</u>	<u>107</u>
Dividend paid	<u>7,819</u>	<u>6,456</u>
Contributions for staff retirement benefit plans	<u>25,348</u>	<u>20,081</u>
Donations	<u>2,500</u>	<u>-</u>

**31. EMPLOYEE BENEFITS****31.1 Defined benefit plan**

The actuarial valuations are carried out annually and contributions are made accordingly. Following were the significant assumptions used for valuation of the plan:

- Discount rate 12.50% (2012: 11%) per annum.
- Expected rate of increase in the salaries of the employees 12.50% (2012: 11%) per annum.
- Expected interest rate on plan assets 11% (2012: 12.50%) per annum.
- Expected service length of the employees 14 years (2012: 14 years).

**31.1.1 Asset / (liability) in balance sheet**

	Note	2013	2012
		(Rupees in '000)	
			(Restated)
Present value of defined benefit obligation	31.1.3	120,020	90,954
Fair value of plan assets	31.1.4	(120,020)	(92,962)
		-	(2,008)

**31.1.2 Movement in asset / (liability) during the year**

Opening balance		(2,008)	(9,961)
Charge to profit and loss account	31.1.5	10,167	8,710
Charge to other comprehensive income	31.1.6	4,416	7,953
Contributions to the Fund during the year		(12,575)	(8,710)
Closing balance		-	(2,008)

**31.1.3 Reconciliation of the present value of the defined benefit obligations**

Present value of obligation as at January 01		90,954	78,727
Current service cost		10,389	10,033
Interest cost		10,004	9,841
Benefits paid		(3,296)	(5,959)
Experience adjustments		11,969	(1,688)
Present value of obligation as at December 31		120,020	90,954

**31.1.4 Changes in fair value of plan assets**

Fair value of plan assets as at January 01		92,962	88,688
Interest income		10,226	11,086
Contribution to the Fund		12,575	8,710
Benefits paid		(3,296)	(5,959)
Return on plan assets excluding interest income		7,553	(9,563)
Fair value of plan assets as at December 31		120,020	92,962

**31.1.5 Charge to profit and loss account**

Current service cost		10,389	10,033
Interest cost		10,004	9,841
Expected return on plan assets		(10,226)	(11,086)
		10,167	8,788

**31.1.6 Remeasurements recognized in other comprehensive income, expense / (income) during the year**

Experience adjustments		11,969	(1,688)
Return on plan assets excluding interest income		(7,553)	9,563
		4,416	7,875

### 31.1.7 Actual return on plan assets

	2013	2012
	(Rupees in '000)	
Expected return on assets	10,226	11,086
Actuarial gain / (loss)	7,553	(9,563)
	<u>17,779</u>	<u>1,523</u>

### 31.1.8 Composition of fair value of plan assets

	2013		2012	
	Fair value (Rupees in '000)	Percentage	Fair value (Rupees in '000)	Percentage
Debt instruments	6,500	5.42%	1,500	1.61%
Equity instruments	22,535	18.78%	1,615	1.74%
Government securities	75,623	63.01%	89,473	96.25%
Others	15,362	12.80%	374	0.40%
Fair value of plan assets	<u>120,020</u>		<u>92,962</u>	

### 31.1.9 Historical data

	2013	2012	2011	2010	2009
	(Rupees in '000)				
Present value of defined benefit obligations	120,020	90,954	78,727	71,169	60,817
Fair value of plan assets	(120,020)	(90,954)	(78,727)	(71,169)	(60,817)
(Surplus) / deficit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Experience adjustments					
- Actuarial (gain) / loss on obligation	11,969	(1,688)	(9,388)	(4,908)	(9,290)
- Actuarial (loss) / gain on assets	<u>7,553</u>	<u>(9,563)</u>	<u>(1,484)</u>	<u>(446)</u>	<u>(5,910)</u>

31.1.10 The estimated charge to profit and loss account for the defined benefit plan for the year ending December 31, 2014 is Rs.13,004 thousands.

### 31.1.11 Sensitivity analysis on significant actuarial assumptions: Actuarial liability

	2013
	(Rupees in '000)
Discount rate +1%	109,999
Discount rate -1%	131,567
Future salary increases +1%	131,597
Future salary increases -1%	108,968

## 31.2 Defined contribution plan

## 31.2.1 Provident fund trust

	2013 (Unaudited)	2012 (Audited)
	(Rupees in '000)	
Size of the fund	273,291	221,222
Cost of investments made	253,598	208,054
Percentage of investments made (based on fair value)	96%	99%
Fair value of investments	262,956	218,496

31.2.2 Investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose. The break-up of investments is as follows:

**Break-up of investments**

Listed securities / mutual funds	111,976	53,012
Government securities	144,480	163,984
Other debt instruments	6,500	1,500
	<u>262,956</u>	<u>218,496</u>

## 32. REMUNERATION OF MANAGING DIRECTOR, DIRECTORS AND EXECUTIVES

	Managing Director		Directors		Executives		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	(Rupees in '000)							
Directors' fees	-	-	2,240	2,680	-	-	2,240	2,680
Managerial remuneration								
- including bonus	13,268	11,126	-	-	90,082	74,465	103,350	85,591
Staff retirement benefits	877	754	-	-	4,476	3,591	5,353	4,345
House rent allowance	3,158	2,715	-	-	32,601	26,899	35,759	29,614
Utilities allowance	1,053	905	-	-	7,570	6,145	8,623	7,050
Medical expenses	17	17	-	-	2,464	1,991	2,481	2,008
Leave passage / assistance	2,050	1,223	-	-	3,581	3,091	5,631	4,314
Vehicle allowance	1,829	1,591	-	-	38,039	28,080	39,868	29,671
Others	1,041	953	-	-	20,772	19,503	21,813	20,456
	<u>23,293</u>	<u>19,284</u>	<u>2,240</u>	<u>2,680</u>	<u>199,585</u>	<u>163,765</u>	<u>225,118</u>	<u>185,729</u>
Number of persons	<u>1</u>	<u>1</u>	<u>8</u>	<u>8</u>	<u>71</u>	<u>60</u>	<u>80</u>	<u>69</u>

In addition, the managing director and some of the executives are provided with certain items of household furniture, fixtures and equipment in accordance with their entitlements.

**33. SEGMENT REPORTING**

Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirement of Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The following table presents information regarding segment assets, liabilities as at December 31, 2013 and December 31, 2012, unallocated capital expenditure and non-cash expenses during the year:

	Fire		Marine		Motor		Liability		Accident and health		Miscellaneous		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	(Rupees in '000)													
<b>SEGMENT ASSETS</b>	(Restated)													
Segment assets	<u>1,596,513</u>	<u>912,356</u>	<u>261,314</u>	<u>183,149</u>	<u>281,452</u>	<u>240,948</u>	<u>380,464</u>	<u>335,321</u>	<u>157,062</u>	<u>108,002</u>	<u>1,412,759</u>	<u>1,370,212</u>	<u>4,089,564</u>	<u>3,149,988</u>
Unallocated corporate assets													<u>8,722,388</u>	<u>7,609,393</u>
Consolidated total assets													<u>12,811,952</u>	<u>10,759,381</u>
<b>SEGMENT LIABILITIES</b>														
Segment liabilities	<u>2,406,965</u>	<u>1,557,190</u>	<u>575,132</u>	<u>498,189</u>	<u>838,671</u>	<u>786,896</u>	<u>421,924</u>	<u>371,080</u>	<u>532,617</u>	<u>523,511</u>	<u>1,998,110</u>	<u>1,930,607</u>	<u>6,773,419</u>	<u>5,667,473</u>
Unallocated corporate liabilities													<u>1,278,738</u>	<u>1,017,072</u>
Consolidated total liabilities													<u>8,052,157</u>	<u>6,684,545</u>
<b>Depreciation / amortisation</b>	<u>6,312</u>	<u>5,554</u>	<u>5,167</u>	<u>4,524</u>	<u>8,110</u>	<u>6,879</u>	<u>511</u>	<u>412</u>	<u>7,667</u>	<u>5,017</u>	<u>4,750</u>	<u>4,222</u>	<u>32,517</u>	<u>26,608</u>
<b>Non-cash expenses other than depreciation / amortisation</b>	<u>2,387</u>	<u>1,173</u>	<u>1,953</u>	<u>956</u>	<u>3,066</u>	<u>1,453</u>	<u>193</u>	<u>87</u>	<u>2,899</u>	<u>1,060</u>	<u>1,796</u>	<u>891</u>	<u>12,294</u>	<u>5,620</u>
<b>Unallocated capital expenditure</b>													<u>48,174</u>	<u>77,485</u>

## 34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 34.1 Financial risk management objectives and policies

The Company is exposed to a variety of financial risks: market risk (comprising currency risk, interest rate risk, and other price risk), liquidity risk and credit risk that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

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

#### 34.1.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and other equity prices. The Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies.

##### 34.1.1.1 Interest rate risk exposure

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

The information about Company's exposure to interest rate risk based on contractual repricing or maturity dates whichever is earlier is as follows:

	Effective rate % per annum	2013					Non-interest / mark-up bearing financial instruments	Total
		Interest / mark-up bearing financial instruments				Sub total		
		Maturity upto one year	Maturity over one year to five years	Maturity more than five years				
(Rupees in '000)								
<b>Financial assets</b>								
Cash and bank deposits	1.25 to 9.10	767,693	-	-	767,693	242,692	1,010,385	
Loans to employees	6	-	519	-	519	-	519	
Investments	9.41 to 14.75	536,451	186,747	56,663	779,861	6,522,696	7,302,557	
Premiums due but unpaid		-	-	-	-	897,723	897,723	
Amounts due from other insurers / reinsurers		-	-	-	-	78,022	78,022	
Reinsurance recoveries due but unpaid		-	-	-	-	165,563	165,563	
Accrued investment income		-	-	-	-	20,704	20,704	
Reinsurance recoveries against outstanding claims		-	-	-	-	1,630,601	1,630,601	
Sundry receivables	6	546	-	-	546	29,440	29,986	
		<u>1,304,690</u>	<u>187,266</u>	<u>56,663</u>	<u>1,548,619</u>	<u>9,587,441</u>	<u>11,136,060</u>	
<b>Financial liabilities</b>								
Provision for outstanding claims		-	-	-	-	3,142,956	3,142,956	
Amounts due to other insurers / reinsurers		-	-	-	-	612,567	612,567	
Accrued expenses		-	-	-	-	34,564	34,564	
Other creditors and accruals		-	-	-	-	421,631	421,631	
Deposits and other payables		-	-	-	-	1,025,689	1,025,689	
Unclaimed dividend		-	-	-	-	36,814	36,814	
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,274,221</u>	<u>5,274,221</u>	
Interest risk sensitivity gap		<u>1,304,690</u>	<u>187,266</u>	<u>56,663</u>	<u>1,548,619</u>	<u>4,313,220</u>	<u>5,861,839</u>	
Cumulative interest risk sensitivity gap		<u>1,304,690</u>	<u>1,491,956</u>	<u>1,548,619</u>				

Effective rate % per annum	2012						
	Interest / mark-up bearing financial instruments				Non-interest / mark-up bearing financial instruments	Total	
	Maturity upto one year	Maturity over one year to five years	Maturity more than five years	Sub total			
(Rupees in '000)							
<b>Financial assets</b>							
Cash and bank deposits	1.25 to 11.10	1,049,205	-	-	1,049,205	210,333	1,259,538
Loans to employees	6	-	757	-	757	-	757
Investments	9.10 to 14.75	339,178	175,479	80,916	595,573	5,331,720	5,927,293
Premiums due but unpaid		-	-	-	-	854,280	854,280
Amounts due from other insurers / reinsurers		-	-	-	-	76,910	76,910
Reinsurance recoveries due but unpaid		-	-	-	-	16,203	16,203
Accrued investment income		-	-	-	-	15,577	15,577
Reinsurance recoveries against outstanding claims		-	-	-	-	1,008,212	1,008,212
Sundry receivables	6	644	-	-	644	42,177	42,821
		<u>1,389,027</u>	<u>176,236</u>	<u>80,916</u>	<u>1,646,179</u>	<u>7,555,412</u>	<u>9,201,591</u>
<b>Financial liabilities</b>							
Provision for outstanding claims		-	-	-	-	2,275,743	2,275,743
Amounts due to other insurers / reinsurers		-	-	-	-	568,914	568,914
Accrued expenses		-	-	-	-	27,000	27,000
Other creditors and accruals		-	-	-	-	366,088	366,088
Deposits and other payables		-	-	-	-	824,162	824,162
Unclaimed dividend		-	-	-	-	30,262	30,262
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,092,169</u>	<u>4,092,169</u>
Interest risk sensitivity gap		<u>1,389,027</u>	<u>176,236</u>	<u>80,916</u>	<u>1,646,179</u>	<u>3,463,243</u>	<u>5,109,422</u>
Cumulative interest risk sensitivity gap		<u>1,389,027</u>	<u>1,565,263</u>	<u>1,646,179</u>			

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

	Increase / (decrease) in basis points	Effect on profit before tax	Effect on equity
		(Rupees in '000)	
December 31, 2013	100 (100)	18,735 (18,735)	12,365 (12,365)
December 31, 2012	100 (100)	11,981 (11,981)	7,788 (7,788)

#### 34.1.1.2 Foreign currency risk

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

#### 34.1.1.3 Other price risk

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

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

The following table summarizes the Company's other price risk as of December 31, 2013 and 2012. It shows the effects of an estimated increase of 5% in the market prices as on those dates. A decrease of 5% in the fair values of the quoted securities would affect it in a similar but opposite manner.

	Fair value (Rupees in '000)	Price change	Effect on fair value (Rupees in '000)
December 31, 2013	7,683,020	+5% -5%	384,151 (384,151)
December 31, 2012	5,896,920	+5% -5%	294,846 (294,846)

### 34.1.2 Liquidity risk

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

The table below summarises the maturity profile of the Company's financial liabilities. The contractual maturities of these liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. Financial liabilities not having a contractual maturity are assumed to mature on the expected date on which these liabilities will be settled.

	2013			
	With in one year	Over one year to five years	Over five years	Total
	(Rupees in '000)			
<b>Financial liabilities</b>				
Provision for outstanding claims	3,142,956	-	-	3,142,956
Amounts due to other insurers / reinsurers	612,567	-	-	612,567
Accrued expenses	34,564	-	-	34,564
Other creditors and accruals	421,631	-	-	421,631
Deposits and other payables	1,025,689	-	-	1,025,689
Unclaimed dividend	36,814	-	-	36,814
	<u>5,274,221</u>	<u>-</u>	<u>-</u>	<u>5,274,221</u>
	2012			
	With in one year	Over one year to five years	Over five years	Total
	(Rupees in '000)			
<b>Financial liabilities</b>				
Provision for outstanding claims	2,275,743	-	-	2,275,743
Amounts due to other insurers / reinsurers	568,914	-	-	568,914
Accrued expenses	27,000	-	-	27,000
Other creditors and accruals	366,088	-	-	366,088
Deposits and other payables	824,162	-	-	824,162
Unclaimed dividend	30,262	-	-	30,262
	<u>4,092,169</u>	<u>-</u>	<u>-</u>	<u>4,092,169</u>

### 34.1.3 Credit Risk

Credit risk is the risk, which 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 counter parties in various industries and by continually assessing the credit worthiness of counter parties.

**34.1.3.1 Concentration of credit risk and credit exposure of the financial instruments**

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

The Company is exposed to major credit risk on bank balances and deposits, Term Finance Certificates, premiums receivable from customers and co-insurers; and on commission and claim recoveries from re-insurers.

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

Bank	Rating	Rating agency	2013	2012
			(Rupees in '000)	
Standard Chartered Bank (Pakistan) Limited	AAA	PACRA	463,521	426,611
Habib Bank Limited	AAA	JCR-VIS	350,889	298,928
Soneri Bank Limited	AA-	PACRA	110,022	426,925
United Bank Limited	AA+	JCR-VIS	35,997	21,891
The First Micro Finance Bank Limited	A	JCR-VIS	25,000	25,000
NIB Bank Limited	AA-	PACRA	2,109	1,395
Pak Oman MicroFinance Bank Limited	BBB+	JCR-VIS	1,750	1,750
MCB Bank Limited	AAA	PACRA	989	731
Samba Bank Limited	AA-	JCR-VIS	46	62
Barclays Bank (plc)	A-	Standard & Poor	-	50,000
Faysal Bank Limited	AA	PACRA /JCR-VIS	-	42
			<u>990,323</u>	<u>1,253,335</u>

The credit quality of Company's quoted equity securities and mutual funds can be assessed as follows:

**Rating**

A or above	5,598,355	4,963,169
others	921,841	366,051
	<u>6,520,196</u>	<u>5,329,220</u>

The credit quality of Company's exposure in TFCs can be assessed as follows:

TFCs	Rating	Rating agency	2013	2012
			(Rupees in '000)	
Bank Al-Habib Limited	AA	PACRA	49,870	49,890
Orix Leasing Pakistan Limited	AA+	PACRA	2,000	6,000
Pakistan Mobile Communication Limited	AA-	PACRA	24,000	28,500
Karachi Electric Supply Corporation	AA	PACRA	19,980	19,996
United Bank Limited	AA	JCR-VIS	-	23,835
			<u>95,850</u>	<u>128,221</u>

The management monitors exposure to credit risk in premium receivable from customers and amount due from Co-insurers through regular review of credit exposure and prudent estimates of provision for doubtful receivables as disclosed in note 17 and 18.

The credit quality of premium receivable from co-insurer, and for commission and claim recoveries from reinsurer can be assessed from external ratings disclosed in note 36.

**35. INSURANCE RISK**

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

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

The Company's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk. This framework includes implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate reinsurance is arranged to mitigate the effect of the potential loss to the Company from individual to large or catastrophic insured events. Further, the Company adopts strict claim review policies including active management and prompt pursuing of the claims, regular detailed review of claim handling procedures and frequent investigation of possible false claims to reduce the insurance risk.

**Frequency and severity of claims**

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

The Company's class wise major risk exposure is as follows:

Class	Maximum Gross Risk Exposure	
	2013	2012
	(Rupees in '000)	
Fire and property damage	41,629,992	30,910,457
Marine, aviation and transport	2,554,488	2,978,486
Motor	63,000	39,390
Liability	15,040,000	5,722,617
Accident and health	10,880,745	7,990,484
Miscellaneous	40,905,000	3,678,250

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

**Uncertainty in the estimation of future claims payment**

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

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. For the estimation of provision of claims IBNR, the Company follows the recommendation of actuary to apply month wise factor based on analysis of the past claim reporting pattern. For this purpose, the claim lag triangle method is used for each class of business. The month wise factor is applied on claims incurred to determine the amount of claims incurred but not reported.

There are several variable factors which affect the amount and timing of recognized claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognized amount. Similarly, the provision for claims incurred but not reported is based on historic reporting pattern of the claims; hence, actual amount of incurred but not reported claims may differ from the amount estimated.

**Key assumptions**

The principal assumption underlying the liability estimation of IBNR and Premium Deficiency Reserves is that the Company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc. The internal factors such as portfolio mix, policy conditions and claim handling procedures are further used in this regard.

The assumed net of reinsurance loss ratios for each class of business for estimation of Premium Deficiency Reserves is as follows:

Class	Assumed net loss ratio	Assumed net loss ratio
	2013	2012
Fire and property damage	46%	48%
Marine, aviation and transport	46%	48%
Motor	59%	62%
Liability	5%	4%
Accident and health	81%	82%
Miscellaneous	61%	69%

**Sensitivities**

The insurance claim liabilities are sensitive to the incidence of insured events and severity/size of claims. The impact of variation in incidence of insured events on gross claim liabilities, net claim liabilities, profit before tax and equity is as follows:

Average claim cost	Change in assumption	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
(Rupees in '000)					
2013	+ 10%	409,494	215,714	211,484	137,465
2012	+ 10%	284,798	190,118	186,390	121,154

**Claims development**

The development of claims against insurance contracts issued is not disclosed as uncertainty about the amount and timing of claim settlement is usually resolved within one year.

**36. REINSURANCE RISK**

Reinsurance ceded does not relieve the Company from its obligation towards policy holders and, as a result, the Company remains liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligation under the reinsurance agreements.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company obtains reinsurance rating from a number of reinsurers, who are dispersed over several geographical regions.

An analysis of all reinsurance assets recognised by the rating of the entity from which it is due is as follows:

Rating	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance assets	2013	2012
(Rupees in '000)					
A or above including Pakistan Reinsurance Company Limited	67,974	1,510,337	158,566	1,736,877	977,441
BBB	5,241	70,705	6,609	82,555	92,366
Others	4,807	49,559	388	54,754	31,518
	<u>78,022</u>	<u>1,630,601</u>	<u>165,563</u>	<u>1,874,186</u>	<u>1,101,325</u>

**37. CAPITAL MANAGEMENT**

The management's policy is to maintain a strong capital base for the confidence of stakeholders and to sustain future development of the business. The management closely monitors the return on capital along with the level of distributions to Ordinary shareholders. The Company meets minimum paid up capital requirements as required by Securities and Exchange Commission of Pakistan.

**38. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

The fair value of all the financial instruments are estimated to be not significantly different from their carrying values except for investments in associate, held to maturity and available-for-sale securities having fair value of Rs,9,025,462 thousands (December 31, 2012: Rs,6,733,090 thousands).

**39. EARNINGS PER SHARE - BASIC AND DILUTED**

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

	2013	2012
	(Rupees in '000)	
		(Restated)
Profit after tax for the year	<u>1,045,315</u>	<u>826,498</u>
	(Number of shares in '000)	
Weighted average number of shares of Rs.10 each	<u>136,443</u>	<u>136,443</u>
	(Rupees)	
Earnings per share of Rs.10 each - basic and diluted	<u>7.66</u>	<u>6.06</u>

**39.1** No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.

**39.2** The number of shares for the last year has also been adjusted for the effect of 17,796 thousands bonus shares issued during the current year.

**40. SUBSEQUENT EVENT - NON ADJUSTING**

The Board of Directors in its meeting held on February 12, 2014 has announced a final cash dividend in respect of the year ended December 31, 2013 of Rs. 3.0 per share of Rs.10 each (30%) [December 31, 2012: Rs.3.0 per share of Rs.10 each (30%)] and bonus shares @ 15% (December 31, 2012: 15%). In addition, the Board of Directors has approved the transfer of Rs.100,000 thousands (December 31, 2012: Rs.100,000 thousands) to special reserve and Rs. 320,000 thousands (December 31, 2012: Rs.230,000 thousands) to general reserve from unappropriated profit. These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

**41. NUMBER OF EMPLOYEES**

	2013	2012
	(Numbers)	
As at December 31	<u>627</u>	<u>630</u>
Average Number of employees during the year	<u>631</u>	<u>623</u>

**42. DATE OF AUTHORISATION FOR ISSUE**

These financial statements have been authorised for issue in accordance with a resolution of the Board of Directors on 12 February 2014.

**43. GENERAL**

All figures have been rounded off to the nearest thousand of rupees.

  
Tawfiq H. Chinoy  
Chairman

  
Aly Noormahomed Rattansay  
Director

  
John Joseph Metcalf  
Director

  
Tahir Ahmed  
Managing Director  
(Chief Executive)

## GLOSSARY

- **Actuary** Qualified expert who analyses problems from the area of insurance, investments and pensions using methods of probability theory and financial mathematics, and develops solutions with due regard to legal and economic parameters.
- **Actuarial Valuations** A determination by an actuary at a special date of the value of a insurance Company's assets and its liabilities.
- **Amortisation** The reduction of the value of an asset by prorating its cost over a period of years.
- **Associate** Is a company in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor.
- **Authorised Share Capital** The maximum value of share that a Company can legally issue
- **Bonus Shares** Free shares given to current shareholders out of profit.
- **Book Value** The value of a asset as entered in a company's books.
- **Budget** An estimate of income and expenditure for a set period of time.
- **Business Process Re-Engineering** The analysis and design of workflows and processes within an organization.
- **Capital Expenditure** The cost of long-term improvements and fixed assets.
- **Capital Gain** Portion of the total gain recognized on the sale or exchange of a non inventory asset.
- **Capital Reserves** Any reserve not regarded free for distribution by way of dividends.
- **Cedant** Client of a reinsurance company.
- **Combined Ratio** Percentage ratio of the sum of net claims plus management expenses and net commission to net earned premiums. It corresponds to the sum of the loss ratio, commission ratio and the expense ratio.
- **Commission** Remuneration to an intermediary for services such as selling and servicing an insurer's products.
- **Claims** The amount payable under a contract of insurance arising from occurrence of an insured event.
- **Claims Incurred** The aggregate of all claims paid during the accounting period together with attributable claims handling expenses, where appropriate, adjusted by the gross claims reserve at the beginning and end of the accounting period.
- **Corporate Social Responsibility** Is a process with the aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, and all other members of the public who may also be considered as stakeholders.
- **Deferred Commission** Expenses which vary with and are primarily related to the acquisition of new insurance contracts and renewal of existing contracts, which are deferred as they relate to a period of risk subsequent to the Balance Sheet date.
- **Deferred Tax** An accounting concept (also known as future income taxes), meaning a future tax liability or asset in respect of taxable temporary differences.
- **Defined benefit Plans** Are post-employment benefit plans other than defined contribution plans.
- **Depreciation** Is the systematic allocation of the cost of an asset over its useful life.
- **Dividend cover** Profit after tax divided by Dividend measures the number of times dividends are covered by distributable profit for the period.
- **Doubtful debts** Is a debt where circumstances have rendered its ultimate recovery uncertain.
- **Earnings per share** Amounts for profit or loss attributable to ordinary shareholders of the entity.

- **E C Zone** England and China Zone
- **Energy Conservation** Refers to efforts made to reduce energy consumption.
- **Equity method** Method of accounting whereby the investment is initially recognized at cost and adjusted hereafter for the post-acquisition change in the investor's share of net assets of the investee.
- **Exchange Gain (Loss)** Difference resulting from translating a given number of units of one currency into another currency at different exchange rates.
- **Facultative reinsurance** The reinsurer assumes a share of selected individual risks. the primary insurer can offer an individual risk in reinsurance, which the reinsurer for its part can either accept or decline.
- **Fair Value** The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing business partners in an arm's length transaction.
- **Fiscal Deficit** When a government's total expenditures exceed the revenue that it generates.
- **General Insurance** All kind of Insurance except Life Insurance. i-e, Fire, Marine, Motor and Other Insurance.
- **Gross Domestic Product** The total value of goods produced and services provided in a country during one year.
- **Gross Premium** Premium which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance
- **Group Health Insurance** A single health policy covering a group of individuals, usually employees of the same company or members of the same association and their dependents.
- **Human Resource Development** A framework for the expansion of within an organization through the development of both the organization and the individual to achieve performance improvement.
- **Impairment** The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.
- **Incurred but not reported (IBNR)** Claim incurred but not reported to the insurer until the financial statements reporting date.
- **Inflation** A general increase in prices and fall in the purchasing value of money.
- **Insurance Contracts** A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder for a specified uncertain future event.
- **Insurer Financial Strength Rating** Provides an assessment of the financial strength of an insurance company.
- **Intangibles** An identifiable non-monetary asset without physical substance.
- **Internal Control** An accounting procedure or system designed to promote efficiency or assure the implementation of a policy or safeguard assets or avoid fraud and error etc.
- **Loss Ratio** Percentage ratio of claims expenses to net premium.
- **Knowledge Base Products** Product produces using knowledge-based systems.
- **Market Share** The portion of a market controlled by a particular company or product.
- **Market Value** The highest estimated price that a buyer would pay and a seller would accept for an item in an open and competitive market.
- **National Exchequer** The account into which tax funds and other public funds are deposited.
- **Net Asset Value** The value of all tangible and intangible assets of a company minus its liabilities.
- **Net Premium Revenue** Gross written premium less Reinsurance expense.
- **Non-Life Insurance** Non Life Insurance and General Insurance have the identical meaning.

- **Outstanding Claims** A type of technical reserve or accounting provision in the financial statements of an insurer to provide for the future liability for claims
- **Paid up Capital** The amount paid or contributed by shareholders in exchange for shares of a company's Stock.
- **Premium** The amount that has to be paid for the insurance cover provided by an insurer.
- **Present Value** Future amounts that have been discounted to the present.
- **Proxy** Power of attorney by which the shareholder transfers the voting rights to another shareholder.
- **Quoted** Being listed on a Stock Exchange.
- **Registered Office** The registered office is an address which is registered with the government registrar as the official address of a company.
- **Reinsurance** A method of insurance arranged by insurers to share the exposure of risks accepted.
- **Reinsurance Commission** Commission received or receivable in respect of premium paid or payable to a reinsurer.
- **Reinsurance Premium** The premium payable to the reinsurer in respect of reinsurance contract.
- **Related Party** Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.
- **Retrocession** Transfer of risk from a reinsurer to another reinsurer.
- **Revenue Reserves** Reserve that is normally regarded as available for distribution through the profit and loss account, including general reserves and other specific reserves created out of profit and un-appropriated profit.
- **Risk** Condition in which there is a possibility of loss.
- **Risk Management** Includes analyzing all exposures to gauge the likelihood of loss and choosing options to better manage or minimize loss.
- **Statutory levies** Fee charged (levied) by a government on a product, income, or activity.
- **Strategic Objective** A broadly defined objective that an organization must achieve to make its strategy succeed.
- **Subsequent Event-Non Adjusting** Are events concerning conditions which arose after the balance sheet date, but which may be of such materiality that their disclosure is required to ensure that the financial statements are not misleading.
- **Takaful** An Islamic concept of insurance.
- **Tangibles** An asset whose value depends on particular physical properties.
- **Term Finance Certificate** A debt instrument issued by a entity to raise funds.
- **Underwriting Profit** This is the profit generated purely from the General Insurance business without taking into account the investment income and other non- technical income and expenses.
- **Unearned Premium** It represents the portion of premium already entered in the accounts as due but which relates to a period of risk subsequent to the Balance Sheet date.

## EXECUTIVES

**President & Managing Director**

Tahir Ahmed, BE (MET), MBA, ACII,  
Chartered Insurer

**Executive Director**

Atiq A Mahmudi, B Com, LLB, FCA

**Executive Vice Presidents**

Asad Raza Bhojani, FIA  
Azfar Arshad, BE (Mech), MBA  
Brendan Thomas D' Lima, B Com  
Captain Mahmood Sultan, FCII  
Karim Merchant, BE (Mech), ACII  
Mohammed Safdar, MBA, ACII  
M Nadeem Irshad, B Sc  
M Uzair Mirza, BE (Elec), MBA  
Nawaid Jamal, FCA  
Syed Ather Abbas, MBA  
Syed Sohail Ahmed, MBA

**Joint Executive Vice Presidents**

Abdul Aziz, B Com  
Dr Syed Tanveer Rauf, MBBS  
Fayyiaz Ahmad Khan, BA  
Kamran Arif, B Com  
Mahboob Pervez, BA  
M Saifuddin Shafi, BS (Electronics)  
Syed Imran Rabbani, MA  
Zulfiqar Ali Abdullah, MBA

**Senior Vice Presidents**

Abdul Alim, MA, FCII, Chartered Insurer  
Abdul Majeed  
Abdul Wahid, FCA  
Ali Aasim Khan, BA  
Asif Ali, BA  
Captain Shahid Ahmed, B Sc  
Chaudhary Sardar Ali, BA  
Ejaz Mehmood, BA  
Ghulam Qadir  
Ghulam Shabbir Goraya

Haji Muhammad Ramzan, BA  
Ilyas Mohammed  
Muhammad Adnan Junaid, MBA  
Muhammad Afzal Qureshi, MA  
Muhammad Razzak Chaudhary  
Munir ul Haq, M Sc  
Nasimul Haq, B Com, LLB  
Syed Abid Waseem, MBA  
Syed Abdul Rahim, B Com  
Syed Hamid Hussain Zaidi, B Com  
Syed Kamran Ali, FCMA  
Syed M Haroon A Bokhari, MBA  
Syed Zamin Zafar, MBA  
Tariq Zia, B Sc  
Tauseef Hussain Shah, MBA  
Zahoor A Shaheen, MBA

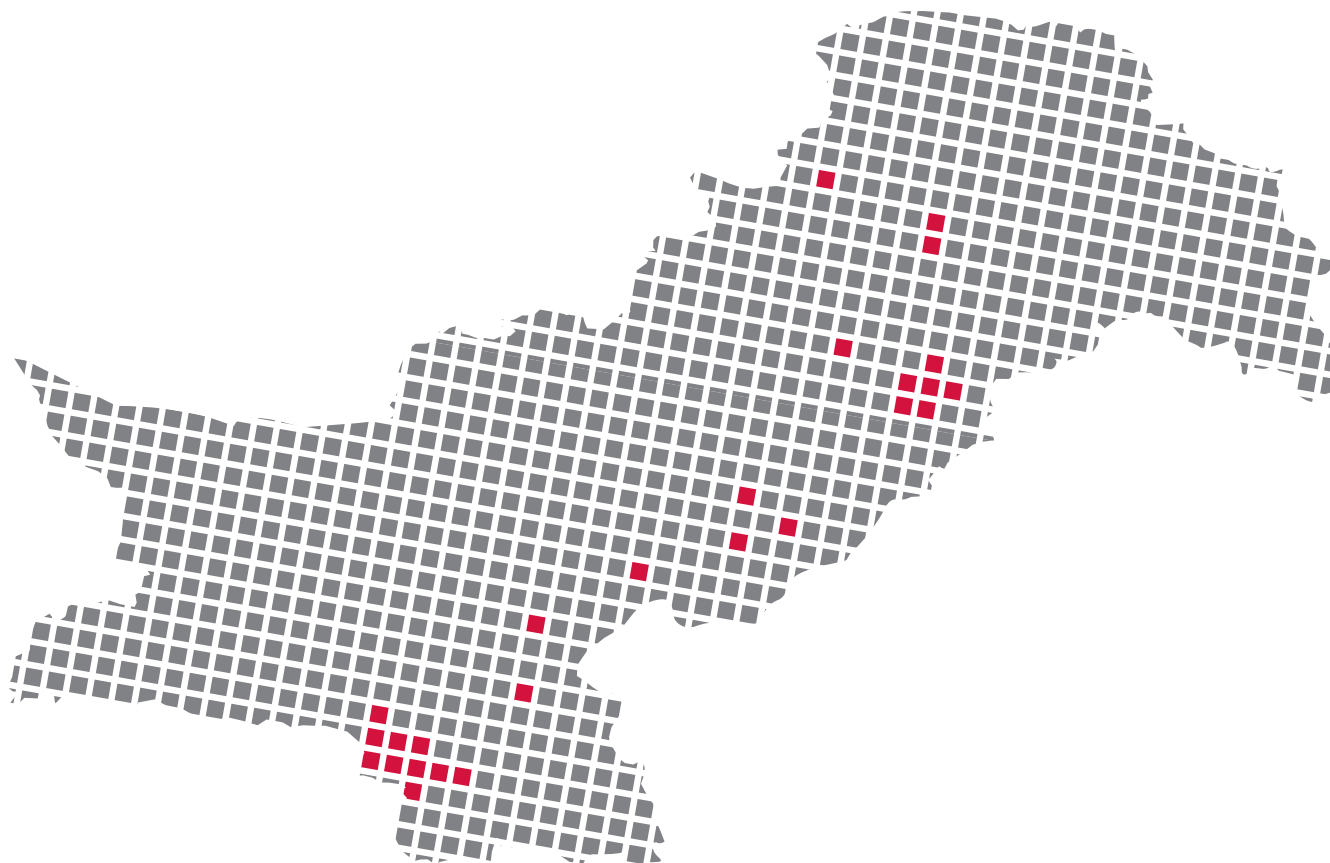
**Advisors**

Hashim M Shamim  
M Jahangir Chughtai, MA  
Saeed Jan Awan, M Com

**Joint Senior Vice Presidents**

Ahsan Ilyas, BBA  
Amar Mumtaz Piracha, BA  
Amir Saeed Malik, B Com  
Ghufranullah Khan, MBA  
Irfan Mujeeb, M Com  
Ishtiaque Ahmed, B Com  
Muhammad Adnan Jamil, B Com  
Muhammad Amin Haroon, B Com  
Muhammad Arif, B Com  
Muhammad Arif Bashir, MBA  
Muhammad Ashraf Tahir, BA  
M Sajjad Chaudhary,  
Qamar Saleem, B Com  
Saad Siddiqui, MBA  
Syed M Tariq Ziauddin, B Sc  
Tariq Mahmood, MBA  
Tariq Mushtaq, M Com  
Umair Ismail, BBA  
Zafar Ahmed Qazi, B Sc, ACII

## BRANCH NETWORK



### HEAD OFFICE

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Fax: (9291) 5274698

# Proxy Form

## JUBILEE GENERAL INSURANCE COMPANY LIMITED

JUBILEE INSURANCE HOUSE  
I.I. CHUNDRIGAR ROAD,  
KARACHI

I / We \_\_\_\_\_ of \_\_\_\_\_  
being a member of Jubilee General Insurance Company Limited and a holder of \_\_\_\_\_  
ordinary shares, as per Share Register Folio No. \_\_\_\_\_ and / or CDC  
Participant I.D. No. \_\_\_\_\_ and sub Account No. \_\_\_\_\_

hereby appoint \_\_\_\_\_ of \_\_\_\_\_  
(Name)

failing him \_\_\_\_\_ of \_\_\_\_\_  
(Name)

who are also members of Jubilee General Insurance Company Limited, as my/our proxy to vote for me/us and on  
my/our behalf at the Annual General Meeting of the Company to be held on April 24, 2014 at 11:00 a.m and at  
any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2014.

### WITNESS:

1. Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

CNIC No: \_\_\_\_\_

Signature

Revenue  
Stamp

2. Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

CNIC No: \_\_\_\_\_

- Note:
1. Signature should agree with the specimen signature registered with the company.
  2. The Proxy Form must be deposited at the Registered Office of the Company not later than 48 hours before the time of holding the Meeting.
  3. No person shall act as proxy unless he/she is a member of the company.
  4. CDC Shareholders and their proxies are each requested to attach an attested Photocopy of their Computerised National Identity Card or Passport with this proxy form before submission to the Company.

[WWW.JUBILEEGENERAL.COM.PK](http://WWW.JUBILEEGENERAL.COM.PK)

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I.I. Chundrigar Road,  
Karachi 74000, Pakistan

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Fax: 32438738, 32416728  
Email: [info@jubileegeneral.com.pk](mailto:info@jubileegeneral.com.pk)