



***IGI GENERAL INSURANCE LIMITED
AND
WINDOW TAKAFUL OPERATIONS***

***AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019***



General



DIRECTORS REPORT TO THE SHAREHOLDERS

The Directors of IGI General Insurance Limited (“the Company”) take pleasure in presenting the annual report of your Company, together with the audited financial statements for the year ended December 31, 2019.

PRINCIPAL ACTIVITIES OF THE COMPANY

The Company was incorporated as a public limited company on November 18, 2016 under the Companies Ordinance 1984 (now Companies Act, 2017). The objects of the Company include general insurance services in spheres of Fire, Marine, Motor, Health and Miscellaneous including engineering and travel as well as general takaful services, which the Company commenced in July 2017.

PERFORMANCE OF THE COMPANY

Conventional Insurance Business

On conventional business side, the Company has written gross premium of Rs 5,177 million compared with Rs 4,417 million during 2018 i.e. 17% higher than last year. The net premium revenue stood at Rs 2,396 million compared to Rs 2,236 million in the corresponding period.

The Company incurred net claims of Rs 1,203 million during the year compared to Rs 1,143 million in the corresponding period. The Company also added Rs 0.6 million to its premium deficiency reserve on its health business compared to Rs 20.5 million in the corresponding period.

Net commission expense stood at Rs 36 million compared to Rs 66 million during last year. Investment and other income posted a strong growth and grew by Rs 243 million during the year.

Window Takaful Operations

The Company has written gross contribution of Rs 435 million compared to Rs 190 million in the corresponding period and earned Rs 50 million from its Takaful operations compared to that of Rs 24 million in the corresponding period.

As a result, the Company generated profit before tax of Rs 807 million with profit after tax of Rs 578 million during the year compared to Rs 531 million and Rs 368 million respectively in the corresponding period.

Earnings per share (EPS) of the Company stood at Rs 2.99 per share as compared to Rs 1.95 per share in corresponding period.

IGI GENERAL INSURANCE LIMITED

Corporate Office & Lahore Branch

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SEGMENTS AT A GLANCE

FIRE

Gross Premium written was Rs 1,897 million compared to Rs 1,203 million during 2018. Net Premium Earned and Net claims were Rs 183 million and Rs 23 million respectively compared to Rs 175 million and Rs 98 million respectively during 2018. This resulted in underwriting loss of Rs 64 million compared to underwriting loss of Rs 36 million during 2018.

MARINE, AVIATION AND TRANSPORT

Marine business gross written premium was Rs 629 million in 2018 compared to Rs 528 million during 2018. Net Premium Earned and Net claims were Rs 253 million and Rs 82 respectively compared to Rs 527 million and Rs 89 million respectively during 2018. This resulted in underwriting profit of Rs 97 million compared to Rs 107 million during 2018.

MOTOR

Motor business gross Premium was Rs 1,548 million compared to Rs 1,399 million during 2018. Net Premium Earned and Net claims were Rs 1,406 million and Rs 681 million respectively. This resulted in underwriting profit of Rs 285 million compared to Rs 279 million during 2018.

HEALTH

Gross Premium was Rs 353 million compared to Rs 368 million during 2018. Net Premium Earned and Net claims were Rs 361 million and Rs 337 respectively. During the year, the Company has recorded premium deficiency reserve amounting to Rs 0.6 million. This resulted in underwriting loss of Rs 58 million.

MISCELLANEOUS

Miscellaneous segment includes Engineering and Contractor's All Risk Insurance, Travel, Bond and Pecuniary lines of business. During the year, this business line has written gross premium of Rs 751 million compared to Rs 920 million during 2018. Net premium earned and net claims amounted to Rs 193 million and Rs 81 million respectively with underwriting loss of Rs 27 million.

CLAIMS

Our focus is on swift settlement of claims. For this purpose, the Company has taken a number of initiatives to further reduce the claims settlement turnaround time.

Incurred loss ratio remained 50% during the year compared to 51% in 2018.

RE-INSURANCE AND RISK MANAGEMENT

The Company follows a policy of risk optimization through a carefully designed program of re-insurance. The Company believe in building partnerships with our clients to provide them a long term risk management solution by using our insurance expertise, a state of the art technology

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platform and a focused risk management service that helps our clients understand the hazards that may threaten their businesses and determine cost-effective loss prevention solutions.

APPROPRIATIONS

The Board of Directors has proposed final dividend for the year ended December 31, 2019 of Rs 0.78 per share (2018: Rs 1.06 per share), amounting to Rs 150 million (2018: Rs 203 million). This is in addition to accumulated interim dividend of Rs 1.61 per share (2018: Nil) amounting to Rs 310 million (2018: Nil) declared and disbursed during the year.

BOARD OF DIRECTORS MEETINGS

During the year 2019, meetings of the board of directors were held on timely basis. Attendance by each director in the meetings held was as follows:

	<u>Attendance</u>
Syed Hyder Ali	4
Shamim Ahmad Khan	3
Syed Hasnain Ali	4
Tahir Masaud (CEO)	4
Sajjad Iftikhar	4
Faisal Khan	4

Leave of absence was granted to director who could not attend one of the Board meetings.

RELATED PARTY TRANSACTIONS

The Board of Directors approved Company's transactions made with Associated Companies / Related parties. All the transactions executed with related parties were on commercial terms and conditions.

CAPITAL MANAGEMENT AND LIQUIDITY

The Company actively manages and monitors the matching of its asset positions against its commitments, together with diversification and credit quality of its investments against established targets.

The Company's primary source of funds is cash provided by operating activities i.e. insurance business. Net operating cash flows have also been invested to generate investment income for the Company. Net cash flows of the Company are utilized for business commitments, expansions and for dividend payout to the shareholder.

INSURER'S FINANCIAL STRENGTH RATING

Pakistan Credit Rating Agency (Private) Limited (PACRA) and VIS Credit Rating Company Limited (JCR) have assigned your Company an "Insurer Financial Strength" (IFS) Rating of "AA"

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(Double A). IFS rating of “AA” (Double A) denotes a very strong capacity to meet policyholder and contractual obligations, modest risk factors, and the expectation that the impact of any adverse business and economic factors will be very limited.

RISK MITIGATION

The senior management team, led by the Chief Executive Officer is responsible for risk mitigation measures. The Company’s proactive risk management program helps in identifying and responding to changing business and regulatory requirements on timely basis.

MATERIAL CHANGES

There have been no material changes during the year which would affect financial position of Company.

CODE OF CONDUCT

The Board has adopted a statement of ethics and business practices. The Code of Conduct is signed by all the employees undertaking that they subscribed to high ethical values. All our operational activities are carried out in a transparent manner in accordance with the code of ethics.

CORPORATE SOCIAL RESPONSIBILITY

Your Company is aware of its corporate social responsibilities and is supporting social sector organizations in the fields of education, health and environment. The Company also offers internships all around the year to students from colleges and universities.

ISO CERTIFICATION AND ITS VALUE TO OUR CUSTOMERS

Your Company continues to focus on improving productivity and efficiency in its operations and during the year has upgraded its Quality Management Certification to ISO 9001:2015.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

- The financial statements prepared by the management of the Company present the state of its affairs, the results of its operations, cash flows and changes in equity, fairly.
- Proper books of accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The financial statements have been prepared in conformity with the Companies Ordinance 1984 and International Financial Reporting Standards, as applicable in Pakistan. Any departures therefrom have been adequately disclosed and explained;

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- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no doubts on the Company's ability to continue as a going concern;
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
- Key operating and financial data is separately annexed with the report.
- Outstanding taxes and duties are given in the financial statements.
- The value of investments of based on audited accounts of the respective funds were as follows:

Provident fund as at June 30, 2017 - Rs 74.2 million
Gratuity fund as at December 31, 2016 - Rs 50.4 million

- The statement of pattern of shareholding in the Company as on December 31, 2019 is as follows:

Holding Co

IGI Holdings Limited	191,838,394
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Directors

Syed Hyder Ali	1
Mr Tahir Masaud (Chief Executive Officer)	1
Mr Sajjad Iftikhar	1
Syed Hasnain Ali	1
Mr Shamim Ahmed Khan	1
Mr Faisal Khan	1
Total	191,838,400

The directors are holding one share each of the Company as nominee of IGI Holdings.

STATEMENT OF COMPLIANCE UNDER SECTION 46(6) OF THE INSURANCE ORDINANCE 2000

The directors hereby certify that in their opinion:

- the annual statutory accounts of the company annexed hereto have been drawn up in accordance with the Ordinance and any Rules made thereunder;
- the company has during the period complied with the provisions of the Ordinance and the Rules made thereunder relating to paid up capital, solvency and reinsurance arrangements; and

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General



- as at the date of the statement, the company continues to be in compliance with the provisions of the Ordinance and the Rules made thereunder relating to paid up capital, solvency and reinsurance arrangements.

FUTURE OUTLOOK

During the year, the Company has started its tracker operations with “IGI Drive” brand name, the Board and management are confident that it will enhance the customer experience of our motor insurance customers.

The Board and management of your Company are committed in making significant investment in modern technology and infrastructure enabling the Company to improve its efficiencies and level of customer service.

The Board also believes that there is a professional team and modern infrastructure to deliver sustainable and profitable growth in the future.

AUDITORS

The present auditors M/s A.F Ferguson & Co., Chartered Accountants have retired and offer themselves for reappointment. They have confirmed achieving satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) and compliance with the Guidelines on the Code of Ethics of the International Federation of Accountants (IFAC) as adopted by ICAP.

The Board of Directors have recommended their reappointment as Auditors of the Company for the year ending December 31, 2020, at a fee to be mutually agreed.

ACKNOWLEDGEMENT

We would like to thank our customers for their loyalty and trust. We also value the support and patronage extended by our business partners and all stakeholders. We appreciate the dedicated and sincere efforts of our employees.

We would also like to thank the Securities and Exchange Commission of Pakistan for their continued guidance.

For and on behalf of the Board

Shamim Ahmad Khan
Chairman
Lahore: March 05, 2020

Tahir Masaud
Chief Executive Officer
Lahore: March 05, 2020

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**IGI GENERAL INSURANCE LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

**INDEPENDENT AUDITOR'S REPORT****To the members of IGI General Insurance Limited****Report on the Audit of the Financial Statements****Opinion**

We have audited the annexed financial statements of **IGI General Insurance Limited** (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at December 31, 2019 and of the total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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


Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of Management and Board of Directors for the Financial Statements

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


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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);

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A.F. FERGUSON & CO.

- b) the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the company's business; and;
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Noman Abbas Sheikh**.

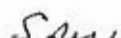
A.F. Ferguson & Co.
A.F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: March 19, 2020

IGI GENERAL INSURANCE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

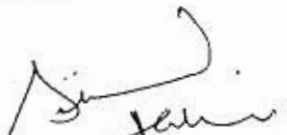
	Note	2019	2018 Restated	2017 Restated
		(Rupees in '000)		
Assets				
Property and equipment	5	840,747	315,619	274,627
Intangible assets	6	18,163	3,694	5,193
Investment properties	7	376,995	356,950	303,573
Investments				
- Equity securities	8	497,577	225,821	-
- Government securities	9	2,159,874	1,814,142	321,211
- Debt securities	10	194,025	-	-
- Term deposits	11	300,000	525,000	960,000
Loans and other receivables	12	389,338	286,892	138,741
Insurance / reinsurance receivables	13	1,424,867	1,101,170	701,814
Reinsurance recoveries against outstanding claims	24	1,012,984	854,041	723,743
Salvage recoveries accrued		59,885	46,148	78,889
Deferred commission expense	25	178,261	153,419	127,569
Tax recoverable		72,478	65,301	137,883
Prepayments	15	1,022,756	645,177	509,692
Cash and bank	16	133,110	477,161	1,507,742
		8,681,060	6,870,535	5,790,677
Total assets of Window Takaful Operations - operator's fund		247,559	142,096	64,186
Total assets		8,928,619	7,012,631	5,854,863
Equity and liabilities				
Capital and reserves attributable to Company's equity holders				
Authorised capital				
250,000,000 (2018: 250,000,000) ordinary shares of Rs 10 each		2,500,000	2,500,000	2,500,000
Issued, subscribed and paid-up share capital				
191,838,400 (2018: 191,838,400) ordinary shares of Rs 10 each		1,918,384	1,918,384	1,501,000
Proposed shares to be issued under scheme of arrangement		-	-	417,384
Unappropriated profit		543,728	464,563	259,581
Total equity		2,462,112	2,382,947	2,177,965
Surplus on revaluation of property and equipment - net of tax	17	313,309	-	-
Liabilities				
Underwriting provisions				
Outstanding claims including IBNR	24	1,512,227	1,314,812	1,226,184
Unearned premium reserves	23	1,860,409	1,503,062	1,185,547
Premium deficiency reserve		21,111	20,503	-
Unearned reinsurance commission	25	174,561	120,933	101,679
Retirement benefit obligations	14	19,363	21,217	12,419
Borrowings	18	177,519	118,881	78,235
Premium received in advance		282	484	536
Insurance / reinsurance payables	19	1,299,750	703,314	347,883
Deferred taxation	20	175,104	21,587	23,366
Other creditors and accruals	21	786,731	733,932	684,324
		6,027,057	4,558,725	3,660,173
Total liabilities of Window Takaful Operations - operator's fund		126,141	70,959	16,725
Total liabilities		6,153,198	4,629,684	3,676,898
Total equity and liabilities		8,928,619	7,012,631	5,854,863
Contingencies and commitments	22			

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

AH co


Chairman


Director


Director


Chief Executive Officer

IGI GENERAL INSURANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019 ----- (Rupees in '000)-----	2018 Restated
Net insurance premium	23	2,396,793	2,236,397
Net insurance claims	24	(1,203,473)	(1,142,716)
Premium deficiency		(608)	(20,503)
Net commission expense	25	(36,398)	(66,246)
Insurance claims and acquisition expenses		(1,240,479)	(1,229,465)
Management expenses	26	(923,191)	(755,341)
Underwriting results		233,123	251,591
Investment income	27	465,848	134,816
Rental income		30,374	31,766
Other income	28	49,964	136,488
Other expenses	29	(29,168)	(42,603)
Result of operating activities		750,141	512,058
Finance costs		(14,062)	(5,168)
Profit from window takaful operations		70,818	23,677
Profit before tax		806,897	530,567
Income tax expense	30	(233,740)	(157,232)
Profit after tax		573,157	373,335
Other comprehensive income / (loss)			
-Remeasurement of defined benefit obligations-net of tax		5,259	(5,290)
Total comprehensive income		578,416	368,045
Earnings per share - Rupees	31	2.99	1.95

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

At H/o


Chairman


Director


Director

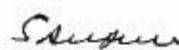

Chief Executive Officer

IGI GENERAL INSURANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

	Issued, subscribed and paid-up share capital	Proposed shares to be issued under scheme of arrangement	Unappro- priated profit	Total
	(Rupees in '000)			
Balance as at January 1, 2018 as previously reported	1,501,000	417,384	172,622	2,091,006
Effect of change in accounting policy - (note 3.2)	-	-	86,959	86,959
Balance as at January 01, 2018 (restated)	1,501,000	417,384	259,581	2,177,965
Profit after taxation for the year ended December 31, 2018 - restated	-	-	373,335	373,335
Other comprehensive loss for the year	-	-	(5,290)	(5,290)
Total comprehensive income for the year ended December 31, 2018 - restated	-	-	368,045	368,045
Transactions with owners - directly recognised in equity				
Issuance of shares under scheme of arrangement	417,384	(417,384)	-	-
Final dividend at the rate of Rs. 0.85 per share for the year ended December 31, 2017 declared on 27th April, 2018	-	-	(163,063)	(163,063)
	417,384	(417,384)	(163,063)	(163,063)
Balance as at December 31, 2018 (restated)	1,918,384	-	464,563	2,382,947
Profit after taxation for the year ended December 31, 2019	-	-	573,157	573,157
Other comprehensive income for the year	-	-	5,259	5,259
Total comprehensive income for the year ended December 31, 2019	-	-	578,416	578,416
Transfer from surplus on revaluation of property and equipment on account of incremental depreciation - net of tax (note 17)	-	-	14,098	14,098
Transactions with owners - directly recognised in equity				
Final dividend at the rate of Rs. 1.06 per share for year ended December 31, 2018 declared on 23rd April, 2019	-	-	(203,349)	(203,349)
Interim dividend at the rate of Rs. 1.04 per share for year ending December 31, 2019 declared on 23rd August, 2019	-	-	(200,000)	(200,000)
Interim dividend at the rate of Re. 0.57 per share for year ending December 31, 2019 declared on 24th October, 2019	-	-	(110,000)	(110,000)
	-	-	(513,349)	(513,349)
Balance as at December 31, 2019	1,918,384	-	543,728	2,462,112

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

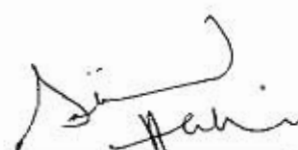
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Chairman



Director



Director



Chief Executive Officer

IGI GENERAL INSURANCE LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2019

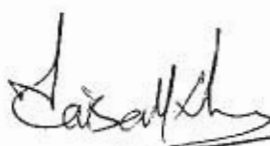
	Note	2019 ---- (Rupees in '000) ----	2018 Restated
OPERATING CASH FLOWS			
Underwriting activities			
Premiums received		5,021,878	4,312,361
Reinsurance premiums paid		(2,354,400)	(1,853,523)
Claims paid		(1,617,607)	(1,620,722)
Reinsurance and other recoveries received		452,606	436,336
Commissions paid		(541,528)	(477,884)
Commissions received		443,603	435,423
Net cash inflow from underwriting activities		<u>1,404,552</u>	<u>1,231,991</u>
Other operating activities			
Income tax paid		(66,863)	(84,270)
Operating receipts / (payments)- net		27,916	(104,283)
General management expenses paid		(913,574)	(780,258)
Net cash outflow on operating activities		<u>(952,521)</u>	<u>(968,811)</u>
Total cash inflow from all operating activities		<u>452,031</u>	<u>263,180</u>
INVESTMENT ACTIVITIES			
Profit received		335,364	152,688
Payments for investments		(723,677)	(1,669,139)
Fixed capital expenditure - owned		(78,121)	(49,618)
Proceeds from disposal of fixed assets - owned		11,844	20,805
Total cash outflow on investing activities		<u>(454,590)</u>	<u>(1,545,264)</u>
FINANCING ACTIVITIES			
Dividend paid		(513,349)	(163,063)
Financial charges paid		(14,062)	(5,168)
Repayment of liability against right-of-use assets		(39,081)	(15,266)
Total cash outflow from financing activities		<u>(566,492)</u>	<u>(183,497)</u>
Net cash outflow on all activities		<u>(569,051)</u>	<u>(1,465,581)</u>
Cash and cash equivalents at beginning of the year		1,002,161	2,467,742
Cash and cash equivalents at end of the year	16.2	<u><u>433,110</u></u>	<u><u>1,002,161</u></u>

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

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Chairman



Director



Director



Chief Executive Officer

IGI GENERAL INSURANCE LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 ---- (Rupees in '000) ----	2018 Restated
Reconciliation to statement of comprehensive income		
Operating cash flows	452,031	263,180
Depreciation and amortisation expense	(60,957)	(45,862)
Depreciation on leased assets	(31,424)	(16,397)
Financial charges	(14,062)	(5,168)
Gain on disposal of fixed assets	7,091	5,015
Fair value gain on investment properties	20,045	53,377
Increase in assets other than cash	966,027	708,941
Increase in liabilities other than borrowings	(1,281,723)	(741,378)
Return on bank balances	90,051	63,835
Other investment income	375,797	70,981
Profit from window takaful operations - net of tax	50,281	16,811
Profit after tax	<u>573,157</u>	<u>373,335</u>

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

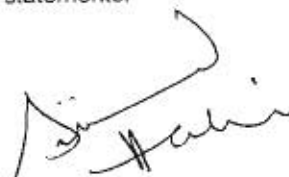
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Chairman



Director



Director



Chief Executive Officer

IGI GENERAL INSURANCE LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 IGI General Insurance Limited ("the Company"), a Packages Group Company, was incorporated as a public limited company on November 18, 2016 under the Companies Ordinance, 1984 (now Companies Act 2017). The registered office of the Company is situated at 7th floor, The Forum, Suite No. 701-713, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi. The objectives of the Company include providing general insurance services (mainly in the sphere of Fire, Marine, Motor, Health and Miscellaneous) and general takaful services (mainly in the sphere of Fire, Marine, Motor, Health and Miscellaneous).
- 1.2 The Company is a wholly owned subsidiary of IGI Holdings Limited ("Holding Company") and had been formed to facilitate the transfer of general insurance segment of IGI Insurance Limited to the Company under the Scheme of Arrangement filed with the Honourable High Court of Sindh (SHC). The transfer of general insurance business and related assets and liabilities from IGI Insurance Limited to the Company had been made effective from January 31, 2017, which had been sanctioned by SHC vide Order dated December 16, 2017. The insurance license was transferred to the Company from IGI Insurance Limited with effect from January 16, 2018.
- 1.3 The Company commenced its Window Takaful Operations with effect from July 1, 2017 after getting the approval from the SECP.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017, Insurance Ordinance, 2000, Insurance Rules 2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012.

In case requirements differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and the Takaful rules, 2012 shall prevail.

- 2.1.1 In terms of the requirements of the Takaful Rules, 2012, read with the SECP Circular 25 of 2015 dated July 9, 2015, the assets, liabilities and profit and loss of the Operator Fund of the Window Takaful Operations of the Company have been presented as a single line item in the statement of financial position and statement of comprehensive income of the Company respectively.
- 2.1.2 A separate set of financial statements of the Window Takaful Operations has been annexed to these financial statements as per the requirements of the Takaful Rules, 2012.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain staff retirement benefits which are carried at present value of the defined benefit obligation less fair value of plan assets, property and equipment and investment properties which are carried at fair value and certain investments which are carried at market value.

2.3 Functional and presentation currency

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

2.4 Standards, interpretations of and amendments to the accounting and reporting standards that are effective in the current year:

The Company has applied the following standards for the first time for their accounting year commencing January 1, 2019:

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- 2.4.1** Effective from January 1, 2019, the Company has adopted IFRS 16: 'Leases' which has replaced IAS 17, 'leases.' The standard addresses recognition and measurement of leases for both lessor and lessee. The impacts of adoption of IFRS 16 are further given in note 3.1 to these financial statements.
- 2.4.2** IFRS 9 'Financial Instruments' and amendment (effective for period ending on or after June 30, 2019). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit losses model for calculating impairment on financial assets and new general hedge accounting requirements. It also carried forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Further, IFRS 4 provides two alternative options in relation to application of IFRS 9 for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from the effective date to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The Company has adopted the temporary exemption which allows the Company to defer the application of IFRS 9 until December 31, 2021.

For the companies adopting the temporary exemption, the IFRS 4 requires certain disclosures which have been disclosed as in note 2.4.2.1.

2.4.2.1 Temporary exemption from application of IFRS 9

As an insurance company, the management has opted temporary exemption from the application of IFRS 9 as allowed by International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Additional disclosures, as required by the IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 are given below.

Fair value of financial assets as at December 31, 2019 and change in the fair values during the year ended December 31, 2019

Financial assets with contractual cash flows that meet the SPPI criteria, excluding those held for trading	2019 Rs in 000
<i>Pakistan Investment Bonds - Held to maturity (refer note 9)</i>	
Opening fair value	319,364
Additions / (disposals) during the year	(4,591)
Increase / (decrease) in fair value	6,152
Closing fair value	<u>320,925</u>

- 2.4.3** There are certain other standards, amendments and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

2.5 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective:

The following revised standards, amendments and interpretations with respect to the accounting and reporting standards would be effective for the dates mentioned below against the respective standards, amendments or interpretations:

Standards, amendments or interpretations	Effective date (period beginning on or after)
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2020
- IAS 8 - 'Accounting policies, changes in accounting estimates and errors' (amendments)	January 1, 2020

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

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting period beginning on or after January 1, 2020, but are considered not to be relevant or will not have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of the financial statements are set out below. Accounting policies relating to Window Takaful Operations are disclosed in a separate financial statements of Window Takaful Operations which have been annexed to these financial statements. The accounting policies have been consistently applied for all the years presented except for the changes disclosed in notes 3.1, 3.2 and 3.3 to these financial statements.

- 3.1** 'Effective from January 1, 2019, the Company has adopted IFRS 16, "Leases" which replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases- Incentive and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. During the year the Company has changed its accounting policy with respect to finance leases in accordance with IFRS 16 - "Leases".

For leases previously classified as finance leases the Company recognised the carrying amount of the lease assets and lease liability immediately before transition as the carrying amount of the right-of-use assets and the lease liability at the date of initial application. The measurement principles of IFRS 16 are applied only after that date. The remeasurements to the lease liabilities are recognised as adjustments to the related right-of-use assets immediately after the date of initial application as disclosed in note 3.1.1.

3.1.1 Impact of IFRS 16

December 31, 2018	Change	January 1, 2019
----- (Rupees. in '000) -----		
Motor vehicles - leased*	117,170	(117,170)
Right-of-use assets	-	117,170

*Represents finance leased arrangement which has now been classified as right of-use-assets.

The revised accounting policies are disclosed in note 3.24 to these financial statements.

On adoption of IFRS 16, the Company has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17 except for certain short term leases in accordance with IFRS 16. These liabilities were initially measured at the present value of the remaining lease payments, discounted using the Company's incremental weighted average borrowing rate of 12.80% per annum as of January 1, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method. The adoption of IFRS 16 had not impact on the prior year balances as all of the leases of the Company entered in prior years were short-term in nature. The current year impact of IFRS 16 mainly represents effect of a long-term rental arrangement entered into during the current year.

On adoption of IFRS 16, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the statement of financial position immediately before the date of initial application.

The right-of-use assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

The recognised right-of-use assets and lease liability recognised relate to the following type of asset:

	December 2019 (Rupees in '000)
Building - right of use asset	26,400
Total lease liability recognised	25,745

The expense relating to the aforementioned leases amounts to Rs 0.660 million.

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The effects of this change in accounting policy are as follows:

Impact on statement of financial position

Increase in right-of-use assets	26,400
Decrease in prepayments	(1,980)
Increase in tax recoverable	384
Increase in total assets	24,804
Increase in borrowings- lease liability against right-of-use assets	25,745
Decrease in net assets	941

Impact on statement of comprehensive income

Increase in finance costs	1,985
(Increase) / decrease in management expenses:	
- Depreciation on right-of-use assets	3,300
- Rent, rates and taxes	(3,960)
Decrease in profit before tax	1,325
Decrease in tax expense	384
Decrease in profit after tax	941

Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its arrangement made applying IAS 17 for determining whether an arrangement contains a Lease.

3.2 During the year, the Company has changed its accounting policy in respect of subsequent measurement of the carrying amounts of investment properties subsequent to initial recognition. In this respect, the Company has decided to follow the fair value model as allowed under International Accounting Standard "Investment Property" (IAS 40). In accordance with the revised policy, investment properties of the Company shall be carried at revalued amount, being their fair value at the date of the revaluation less any subsequent impairment losses. Previously, the investment properties were carried at their cost less accumulated depreciation and accumulated impairment losses. In the opinion of the management, the revised policy will result in a more realistic reflection of the value of these properties in the statement of financial position. The fair value changes arising from investment properties have been adjusted in the opening unappropriated profit net of related deferred tax as disclosed below.

Above retrospective adjustments have been made in the statement of financial position and statement of changes in equity and comparatives have been restated as follows:

	December 31, 2017	Change	January 1, 2018	December 31, 2018	Change	January 1, 2019
	(Rupees in '000)					
Investment properties	179,346	124,227	303,573	169,754	187,196	356,950
Deferred taxation asset / (liability)	13,902	(37,268)	(23,366)	32,700	(54,287)	(21,587)
Unappropriated profit	172,622	86,959	259,581	331,654	132,909	464,563

Had the accounting policy not been changed, investment properties, deferred taxation and earning per share would have been lower by Rs.216.505 million, Rs.62.787 million and Rs. 0.074 (2018: Rs. 187.196 million, Rs. 54.287 million and Rs. 0.198) respectively. The revised accounting policy is disclosed in note 3.15 to the financial statements.

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- 3.3** During the year, the Company has changed its accounting policy in respect of subsequent measurement of the carrying amounts of buildings and its related leasehold improvements subsequent to initial recognition. In this respect the Company has decided to follow the revaluation model as allowed under International Accounting Standard "Property, Plant and Equipment" (IAS 16). In accordance with the revised policy the buildings and its related leasehold improvements of the Company shall be carried at revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluation of these assets shall be carried out with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Previously, the buildings and its related leasehold improvements were carried at their cost less accumulated depreciation and accumulated impairment losses. In the opinion of the management, the revised policy will result in a more realistic reflection of the value of these assets in the statement of financial position. Surplus arising due to change in the value of buildings and its related leasehold improvements has been recognised prospectively. The revaluation of these assets resulted in surplus of Rs. 397.152 million as at the date of revaluation.

The revised accounting policy is disclosed in note 3.16 to the financial statements.

Had the accounting policy not been changed, the property and equipment and deferred taxation would have been lower by Rs. 441.279 million and Rs. 127.971 million respectively and earning per share would have been higher by Rs. 0.073.

3.4 Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policy holders) by agreeing to compensate the policy holders if a specified uncertain future event (the insured event) adversely affects the policy holders.

The Company enters into fire and property damage, marine, motor, health, burglary, loss of cash in transit, travel, personal accident, engineering losses and other insurance contracts with corporate clients and individuals residing or located in Pakistan.

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

The Company neither issues investment contracts nor does it issue insurance contracts with Discretionary Participation Features (DPF).

3.5 Premium

Premium received / receivable under a policy is recognised as written from the date of attachment of the risk to the policy to which it relates. Where the pattern of incidence of risk varies over the period of the policy, premium is recognised as revenue in accordance with the pattern of the incidence of risk. The portion of premium written relating to the unexpired period of coverage is recognised as unearned premium by the Company. This liability is calculated by applying 1/24 method as specified in the Insurance Rules, 2017.

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

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

3.6 Reinsurance ceded

Insurance contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued, are reinsurance contracts. These reinsurance contracts include both facultative and treaty arrangement contracts.

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

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

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

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

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

3.7 Claims expense

General insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

The Company recognises liability in respect of all claims incurred upto the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

The provision for Incurred But Not Reported (IBNR) claims is determined by the Company as required under circular No. 9 of 2016 issued by the SECP. As per the SECP circular No. 9 of 2016 an insurer shall estimate IBNR claims reserve based on the prescribed method provided in the guidelines. Guidelines also allows the use of any other alternative method of determining IBNR, if found more suitable for the risk class, provided that the amount estimated under the alternative method shall not be less than the amount calculated under prescribed method. The prescribed method for estimating IBNR claim reserve is the chain ladder method based on paid claims hereinafter called 'Incurred But Not Paid' or 'IBNP'. The Basic Chain Ladder (BCL) method uses a run off triangle to estimate the development factors for each accident period which are further used to estimate the ultimate paid claims. Data from settlement registers are used in the BCL models. Lags are determined to be the difference between the 'date of loss' and 'date of claim payment'. Monthly lags are used since it reflects the claim development pattern within a given year and the back testing supports the same. Once IBNP has been determined using BCL, the outstanding claims are deducted to arrive at IBNR on paid basis.

Under alternative method IBNR is determined on reported basis. IBNR (reported basis) is much similar to IBNR (paid basis) but is calculated using a different methodology. It does not use either IBNP or outstanding claims to estimate IBNR rather, is determined using BCL method. Development factors are determined for each accident period to estimate the ultimately reported claims directly. Intimation registers are used in the BCL model where lags are calculated as the difference between the 'date of loss' and 'date of intimation'.

The analysis is carried out separately for each class of business and results determined through this alternative method are compared to the results of prescribed method and higher of the two are set as the final reserve.

3.8 Reinsurance recoveries against claims

Claim recoveries receivable from the reinsurer are recognised as an asset at the same time as the claims which give rise to the right of recovery are recognised as a liability and are measured at the amount expected to be received.

3.9 Commission and other acquisition costs

Commission expense and other acquisition costs are charged to the statement of comprehensive income at the time the policies are accepted. This expense is deferred and brought to statement of comprehensive income as an expense in accordance with the pattern of recognition of the gross premium to which it relates. Commission expense is arrived at after taking the impact of opening and closing deferred commission.

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Commission income from reinsurers is recognised at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought to statement of comprehensive income as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Commission from reinsurers is arrived at after taking the impact of opening and closing unearned commission. Profit commission, if any, which the Company may be entitled to under the terms of reinsurance, is recognised on accrual basis.

3.10 Premium deficiency reserve

The Company is required as per Insurance Rules, 2017 to maintain a provision in respect of premium deficiency for the class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the reporting date in respect of the unexpired policies in that class of business at the reporting date. The movement in the premium deficiency reserve is recorded as an expense / income in the statement of comprehensive income for the year.

At each reporting date, liability adequacy tests are performed separately for each class of business to ensure the adequacy of the unearned premium liability for that class. It is performed by comparing the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after reporting date in respect of policies in force at reporting date with the carrying amount of unearned premium liability. Any deficiency is recognised by establishing a provision (premium deficiency reserve) to meet the deficit. The expected future liability is estimated with reference to the experience during the expired period of the contracts, adjusted for significant individual losses which are not expected to recur during the remaining period of the policies, and expectations of future events that are believed to be reasonable. The expected ultimate net claim ratios for the unexpired periods of policies in force at reporting date for each class of business is as follows:

Fire and property damage	56%
Marine, aviation and transport	35%
Motor	45%
Health	94%
Miscellaneous	37%

Based on an analysis of combined operating ratio for the expired period of each reportable segment, the management considers that the unearned premium reserve for all classes of business as at the year end is adequate (except for health class) to meet the expected future liability after reinsurance, from claims and other expenses, expected to be incurred after the reporting date in respect of policies in those classes of business in force at the reporting date.

The Company has recorded premium deficiency reserve on the recommendation of actuary for health business.

3.11 Creditors, accruals and provisions

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

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

3.12 Taxation

Current

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

Deferred

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

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

3.13 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, deposits with banks, stamps in hand, term deposits with maturity of less than three months and short term finances.

3.14 Investments

3.14.1 All investments are initially recognised at cost, being the fair value of the consideration given and include transaction cost, except for investments at fair value through profit or loss in which case transaction costs are charged to the statement of comprehensive income. These are classified into the following categories:

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

3.14.1.1 Investments at fair value through profit or loss

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

Subsequent to initial recognition these are measured at fair value by reference to quoted market prices with the resulting gain or loss being included in net profit or loss for the period in which it arises.

3.14.1.2 Held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost being the fair value of the consideration given and include transaction cost. At subsequent reporting dates, these are measured at amortised cost using the effective yield method.

Any premium paid or discount availed on acquisition of held to maturity investments is deferred and amortised over the term of the investment using the effective yield.

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 statement of comprehensive income over the term of the investment.

3.14.1.3 Available for sale

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. Subsequent to initial recognition, these are stated at market value. The Company uses stock exchange quotation at the reporting date to determine the market value of its quoted investments and MUFAP rates to compute market value of government securities.

Dividend income and entitlement of bonus shares are recognised when the Company's right to receive such dividend and bonus shares is established.

3.14.1.4 Loans and other receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition these are measured at amortised cost.

3.14.1.5 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.

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3.15 Investment property

Investment property is held for earning rentals and capital appreciation. Investment property is accounted for under the fair value model in accordance with International Accounting Standards (IAS) 40, "Investment property".

Investment properties, principally office buildings, are held for long-term rental yields. These are carried at fair value. The changes in fair values are presented in the statement of comprehensive income as part of other income.

3.16 Operating assets

Tangible

These are stated at cost less accumulated depreciation and accumulated impairment losses other than buildings. Buildings are stated at revalued amounts less accumulated depreciation and accumulated impairment losses (if any).

Depreciation on all operating assets is charged to the statement of comprehensive income using the straight line method so as to write-off depreciable amount of an asset over its useful life. Depreciation on additions to fixed assets is charged from the month in which an asset is acquired or capitalised, while no depreciation is charged for the month in which the asset is disposed of.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted, if impact on depreciation is significant. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of comprehensive income in the period in which they are incurred.

The gain or loss on disposal of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

An increase arising on revaluation is credited to the surplus on revaluation of property and equipment. A decrease arising on revaluation of fixed assets is adjusted against the surplus of that asset or, if no surplus exists, is charged to the statement of comprehensive income as an impairment of the asset. A surplus arising subsequently on an impaired asset is reversed through the statement of comprehensive income up to the extent of the original impairment. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost, net of tax, is reclassified from revaluation surplus on property and equipment to unappropriated profit.

Intangible

Software development cost are only capitalised to the extent that future economic benefits are expected to flow to the entity. Intangible assets with finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets with indefinite useful lives are stated at cost less impairment losses, if any.

Amortisation is charged to statement of comprehensive income using the straight line method.

3.17 Staff retirement benefits

3.17.1 Defined contribution plan

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

3.17.2 Defined benefit plan

All permanent employees of the Company participate in an approved funded defined gratuity plan. Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation was carried out as at December 31, 2019 using the Projected Unit Credit Method. Amounts arising as a result of 'Remeasurements', representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognised in the statement of financial position immediately, with a charge or credit to 'Other Comprehensive Income' in the periods in which they occur.

3.17.3 Accumulating compensated absences

Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to statement of comprehensive income.

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3.18 Impairment of assets

The management assesses at each reporting date whether there is an objective evidence that the financial assets or a group of financial assets are impaired. The carrying value of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

3.19 Financial instruments

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 are derecognised when the Company loses control of contractual rights that comprise 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 the statement of comprehensive income in the period in which financial instrument is derecognised.

3.20 Offsetting of financial assets and financial liabilities

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

3.21 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 Insurance Rules, 2017. The reported operating segments are also consistent with the internal reporting provided to Board of Directors which are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

The Company has five primary business segments for reporting purposes namely fire, marine, motor, health and miscellaneous.

The perils covered under fire insurance include damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and terrorism.

Marine insurance provides coverage against cargo risk, war risk and damages occurring in inland transit.

Motor insurance provides comprehensive car coverage and indemnity against third party loss.

Health insurance provides coverage against expenses incurred during the hospitalisation due to sickness, emergency and accidents.

Miscellaneous insurance provides cover against burglary, loss of cash in safe and cash in transit, travel, personal accident, money, engineering losses, live stocks, crops and other covers.

Financing, investment and income taxes are managed on an overall basis and are therefore, not allocated to any segment.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them. Those assets and liabilities which can not be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

3.22 Impairment of non-financial assets

The carrying values of the Company's non-financial assets are reviewed at each financial year end for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The resulting impairment loss is taken to the statement of comprehensive income.

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3.23 Foreign currency transactions and translations

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

3.24 Right-of-use assets and their related lease liability

Right-of-use assets

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or the site on which it is located.

Right-of-use assets are subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenure.

Right-of-use assets are depreciated over their expected useful lives using the straight-line method. Depreciation on additions (new leases) is charged from the month in which leases are entered into. No depreciation is charged in month in which the leases mature or are terminated.

Lease liability against right-of-use assets

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also measured to reflect any remeasurement or change in lease terms. These remeasurement of lease liabilities are recognised as adjustments to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the statement of comprehensive income as financial charges over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

3.25 Share capital

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

3.26 Expenses of management

Expenses of management allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated to the various classes of business on the basis of gross premium revenue. Expenses not allocable to the underwriting business are charged as administrative expenses.

3.27 Dividends and appropriations to reserves

Dividends and appropriations to reserves are recorded in the period in which these are approved.

3.28 Earnings per share

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

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CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements is in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an 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 revision and future periods if the revision affects both current and future periods.

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

- Provision for outstanding claims including IBNR (notes 3.7 and 24);
- Provision for taxation and deferred tax (notes 3.12, 20 and 30);
- Defined benefit plan (notes 3.17.2 and 14);
- Fair values of buildings (notes 3.16, and 7);
- Fair values of investment properties (notes 3.15 and 7);
- useful lives, residual value and depreciation method of property and equipment, intangible assets (notes 3.16, 5 and 6);
- Premium deficiency reserve (note 3.10);
- Classification of investments and its impairment (notes 3.14, 8, 9 and 10);
- Reinsurance recoveries against outstanding claims (notes 3.8); and
- Provision against premium due but unpaid and amount due from other insurers / reinsurers (notes 3.5, 13.3 and 13.4).

PROPERTY AND EQUIPMENT

	Note	2019 ---- (Rupees in '000) ----	2018
Operating assets	5.1	812,903	299,552
Capital work-in-progress	5.3	27,844	16,067
		<u>840,747</u>	<u>315,619</u>

Operating assets

2019										
Cost / Revalued amounts					Accumulated depreciation				Written Down Value as at December 31	Deprecia- tion rate (%) per annum)
As at January 1	Additions	Disposals / writeoff (note 5.2)	Revalua- tion	As at December 31	As at January 1	Charge for the year	Disposals / writeoff (note 5.2)	As at December 31		
(Rupees in '000)										
-	7,991	-	-	7,991	-	962	-	962	7,029	33.33%
29,466	5,509	(127)	-	34,848	4,350	3,484	(126)	7,708	27,140	10%
27,958	3,814	(1,268)	-	30,504	7,725	5,971	(814)	12,882	17,622	16.67%
25,189	3,530	(50)	-	28,669	9,982	8,076	(50)	18,008	10,661	33.33%
129,885	19,808	-	461,137	610,830	29,977	28,378	-	58,355	552,475	5%-33%
36,566	6,547	(12,775)	-	30,338	14,648	9,410	(11,755)	12,303	18,035	20%
143,012	68,020	(5,534)	-	205,498	25,842	28,125	(2,256)	51,711	153,787	20%
-	29,699	-	-	29,699	-	3,299	-	3,299	26,400	16.67%
392,076	144,918	(19,754)	461,137	978,377	92,524	87,705	(15,001)	165,228	813,149	
-	-	(14,695)		(14,695)	-	-	(14,449)	(14,449)	(246)	
392,076	144,918	(34,449)	461,137	963,682	92,524	87,705	(29,450)	150,779	812,903	

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2018									
Cost				Accumulated depreciation				Written Down Value as at December 31	Depreciation rate (% per annum)
As at January 01	Additions	Disposals / writeoff (note 5.2)	As at December 31	As at January 1	Charge for the year	Disposals / writeoff (note 5.2)	As at December 31		
(Rupees in '000)									

Tracker equipment	-	-	-	-	-	-	-	-	-	33.33%
Furniture and fixtures	26,261	4,887	(1,682)	29,466	2,501	3,232	(1,383)	4,350	25,116	10%
Office equipment	22,623	7,873	(2,538)	27,958	4,448	5,356	(2,079)	7,725	20,233	16.67%
Computer equipment	17,113	10,853	(2,777)	25,189	5,272	7,462	(2,752)	9,982	15,207	33.33%
Buildings	126,075	3,810	-	129,885	15,516	14,461	-	29,977	99,908	5%-33%
Motor vehicles-owned	42,026	18,632	(24,092)	36,566	11,189	13,852	(10,393)	14,648	21,918	20%
Motor vehicles-leased	89,202	55,912	(2,102)	143,012	10,239	16,397	(794)	25,842	117,170	20%
Right of use asset - rented premises	-	-	-	-	-	-	-	-	-	16.67%
	323,300	101,967	(33,191)	392,076	49,165	60,760	(17,401)	92,524	299,552	

5.2 Disposal of operating assets

Particulars of the assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Net gain / (loss)	Mode of disposal	Particulars of purchaser
(Rupees in '000)							
Furniture and fixtures							
Various	127	(126)	1	33	32	Negotiation	Rana Furniture House
Office equipment							
Various mobile phones	646	(529)	117	32	(85)	Negotiation	Muhammad Kamran
Gree air conditioner	349	(228)	121	35	(86)	Negotiation	M.Akhtar
Samsung S 10	133	(2)	131	133	2	Insurance Claim	Alfalah Insurance
iPhone 6s Plus	70	(31)	39	44	5	Negotiation	Faisal
Samsung Galaxy s8	70	(24)	46	27	(19)	Negotiation	Faisal
	1,268	(814)	454	271	(183)		
Computer equipment							
Laptop - Dell	50	(50)	-	6	6	Negotiation	Sohail Ahmed
Motor vehicles - Owned							
Suzuki Alto	608	(607)	1	500	499	Company Policy	Murid Abbas
Suzuki Cultus	1,102	(1,065)	37	489	452	Company Policy	Muhammad Ejaz*
Toyota Corolla	1,528	(1,528)	-	678	678	Insurance Claim	Anwar Sheikh
Honda City	1,557	(1,271)	286	851	565	Company Policy	Adnan Khaliq*
Honda Civic	2,651	(2,520)	131	1,176	1,045	Company Policy	Tahir Masaud - CEO*
Toyota Corolla	1,872	(1,872)	-	1,150	1,150	Negotiation	Jahanzaib Ali
Toyota Corolla	1,880	(1,316)	564	1,156	592	Company Policy	Rifat Ali*
Honda CD 70	1,577	(1,576)	1	34	33	Company Policy	Adnan Shah*
	12,775	(11,755)	1,020	6,034	5,014		
Right of use asset - Vehicle							
Toyota Corolla	1,489	(53)	1,436	1,550	114	Company Policy	Nadeem Akhtar*
Toyota Corolla	1,083	(1,083)	-	1,211	1,211	Negotiation	Muhammad Abbas
Honda City	1,062	(227)	835	1,184	349	Company Policy	Sohail Mustafa*
Toyota Corolla	1,900	(893)	1,007	1,555	548	Insurance Claim	Jubilee General Insurance
	5,534	(2,256)	3,278	5,500	2,222		
Total - December 31, 2019	19,754	(15,001)	4,753	11,844	7,091		
Total - December 31, 2018	33,191	(17,401)	15,790	20,805	5,015		

* These represent persons in the employment of the Company.

5.2.1 The cost of fully depreciated property and equipment still in use amounts to 84.656 million (2018: Rs. 88.816 million).

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2019 2018
---- (Rupees in '000) ----

5.3 Capital Work-in-Progress

Advances to suppliers*	11,511	11,135
Trackers	15,483	-
Others	850	4,932
	<u>27,844</u>	<u>16,067</u>

* These represents advances related to purchase of vehicle.

6 INTANGIBLE ASSETS

2019									
Cost				Accumulated amortisation				Written Down Value as at December 31	Amortisation rate (% per annum)
As at January 1	Additions	Disposals	As at December 31	As at January 1	Charge for the year	Disposals	As at December 31		

----- (Rupees in '000) -----

Computer Software	6,465	19,145	-	25,610	2,771	4,676	-	7,447	18,163	20%
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2018									
Cost				Accumulated amortisation				Written Down Value as at December 31	Amortisation rate (% per annum)
As at January 1	Additions	Disposals	As at December 31	As at January 1	Charge for the year	Disposals	As at December 31		

----- (Rupees in '000) -----

Computer Software	6,465	-	-	6,465	1,272	1,499	-	2,771	3,694	20%
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Note 2019 2018
---- (Rupees in '000) ----

7 INVESTMENT PROPERTIES

Opening net book value		356,950	303,573
Fair value gain during the year		20,045	53,377
Closing net book value	7.1	<u>376,995</u>	<u>356,950</u>

7.1 The market value of investment properties is Rs 376.995 million (2018: 356.95 million) as per the valuation carried out by the independent professional valuer as at December 31, 2019.

8 INVESTMENTS IN EQUITY SECURITIES - MUTUAL FUNDS

2019					2018				
Number of units	Carrying value	(Impairment / provision)	Unrealised gain / (loss)	Market value	Number of units	Carrying value	(Impairment / provision)	Unrealised gain / (loss)	Market value

----- (Rupees in '000) -----

----- (Rupees in '000) -----

Fair value through profit or loss

Alfalah GHP Stock Fund	355,961	37,074	-	4,588	41,662	355,961	45,000	-	(7,923)	37,077
HBL Stock Fund	365,971	39,000	-	-	39,000	399,361	45,000	-	(7,173)	37,827
MCB Pakistan Stock Market Fund	653,910	60,003	-	(3)	60,000	591,878	60,000	-	(9,978)	50,022
NBP Stock Fund (Formerly: NAFA Stock Fund)	5,611,085	74,895	-	4,546	79,441	3,845,299	59,870	-	(9,975)	49,895
UBL Stock Advantage Fund	289,477	20,000	-	-	20,000	828,454	60,000	-	(9,000)	51,000
Alfalah GHP Money Market Fund	2,623,787	260,000	-	(2,526)	257,474	-	-	-	-	-
	<u>9,900,191</u>	<u>490,972</u>	<u>-</u>	<u>6,605</u>	<u>497,577</u>	<u>6,020,954</u>	<u>269,870</u>	<u>-</u>	<u>(44,049)</u>	<u>225,821</u>

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INVESTMENTS IN GOVERNMENT SECURITIES

Particulars	Year of maturity	Effective yield % per annum	Profit payment	2019	2018
----- (Rupees in '000) -----					
Held to maturity (9.1)					
Pakistan Investment Bonds	2020	13.98%	Semi-annual	24,679	14,643
Pakistan Investment Bonds	2021	13.08%	Semi-annual	18,094	1,021
Pakistan Investment Bonds	2022	11.99%	Semi-annual	63,837	24,323
Pakistan Investment Bonds	2022	11.25%	Semi-annual	1,018	60,508
Pakistan Investment Bonds	2022	12.76%	Semi-annual	1,102	14,880
Pakistan Investment Bonds	2021	11.92%	Semi-annual	213,489	10,961
Pakistan Investment Bonds	2019	6.34%	Semi-annual	-	194,329
				322,219	320,665
At fair value through profit or loss					
Treasury Bills	2020	10.30%	On maturity	35,411	75,574
Treasury Bills	2020	10.30%	On maturity	53,378	245,022
Treasury Bills	2020	10.30%	On maturity	33,467	48,113
Treasury Bills	2019	10.30%	On maturity	-	431,117
Pakistan Investment Bonds	2021	12.00%	Semi-annual	32,473	123,838
Pakistan Investment Bonds	2021	12.00%	Semi-annual	60,307	246,075
Pakistan Investment Bonds	2023	12.66%	Semi-annual	82,943	94,886
Pakistan Investment Bonds	2023	13.71%	Semi-annual	67,726	105,814
Pakistan Investment Bonds	2023	13.45%	Semi-annual	311,540	-
Pakistan Investment Bonds	2023	13.75%	Semi-annual	94,816	-
Pakistan Investment Bonds	2023	13.80%	Semi-annual	189,633	-
Pakistan Investment Bonds	2023	13.77%	Semi-annual	67,726	-
Pakistan Investment Bonds	2022	12.87%	Semi-annual	46,841	-
Pakistan Investment Bonds	2024	12.38%	Semi-annual	47,298	-
Pakistan Investment Bonds(floaters)	2028	14.64%	Semi-annual	127,050	123,038
Pakistan Investment Bonds(floaters)	2028	13.35%	Semi-annual	125,900	-
Pakistan Investment Bonds(floaters)	2028	14.64%	Semi-annual	254,100	-
Pakistan Investment Bonds(floaters)	2028	14.59%	Semi-annual	97,986	-
Pakistan Investment Bonds(floaters)	2028	14.59%	Semi-annual	109,060	-
				1,837,655	1,493,477
Total market value				2,159,874	1,814,142
Total carrying value				2,090,263	1,824,846

9.1 These include Pakistan Investment Bonds which are placed as statutory deposit with the State Bank of Pakistan in accordance with the requirements of Clause (a) of sub-section 2 of section 29 of the Insurance Ordinance, 2000, having market value of Rs 208.285 million (December 31, 2018: Rs. 319.364).

10 INVESTMENTS IN DEBT SECURITIES

2019					2018				
Number of certificates	Maturity year	Coupon rate	Profit payment	Carrying amount	Number of certificates	Maturity year	Coupon rate	Profit payment	Carrying amount
Rupees in '000					Rupees in '000				

Fair value through profit or loss

Term finance certificate

Habib Bank Limited 500,000 Perpetual 3 months Kibor Quarterly 50,000
plus 1.6%

Commercial paper

Hub Power Company Limited 1,500,000 2020 - - 144,025

2,000,000

194,025

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- 10.1 The effective yield on commercial paper and term finance certificates is 14.98% and 13.55% (2018: Nil) per annum respectively.

	Note	2019 --- (Rupees in '000) ---	2018
11 INVESTMENTS IN TERM DEPOSITS			
Held to maturity			
Deposits maturing within 12 months	11.1	300,000	525,000

- 11.1 These carry profit rate ranging from 13.5% per annum (2018: 9.5% to 12%) and have maturities upto January 2020.

	Note	2019 --- (Rupees in '000) ---	2018
12 LOANS AND OTHER RECEIVABLES			
Receivable from related parties	12.1	98,819	79,291
Advances - considered good		5,708	9,043
Security deposits		75,576	55,030
Sales tax recoverable		57,389	35,350
Accrued income on investments and deposits		88,077	45,429
Others	12.2	63,769	62,749
		<u>389,338</u>	<u>286,892</u>

- 12.1 This includes receivables amounting to Rs. 18.859 million, Rs. 19.388 million, Rs. 5.146 million and Rs. 1.820 million (2018: Rs. 25.859 million, Rs. 18.967 million, Nil and Rs. 3.381 million) charged to IGI Life Insurance Limited, IGI Finex Securities Limited, IGI Holdings Limited and Packages Limited, respectively, under group shared services.

- 12.2 These include a receivable from takaful operations amounting to Rs. 58.028 million (2018: Rs.58.028 million) in respect of Sindh Sales Tax as disclosed in 22.4 to the financial statements.

	Note	2019 --- (Rupees in '000) ---	2018
13 INSURANCE / REINSURANCE RECEIVABLES			
Due from insurance contract holders - unsecured			
- considered good		692,753	537,728
- considered doubtful		143,399	120,338
	13.1 & 13.2	836,152	658,066
Less: provision for impairment of receivables from insurance contract holders	13.3	(143,399)	(120,338)
		692,753	537,728
Due from other insurer / reinsurer - unsecured			
- considered good		732,114	563,442
- considered doubtful		41,423	41,423
		773,537	604,865
Less: provision for impairment of receivables from insurance contract holders	13.5	(41,423)	(41,423)
		732,114	563,442
		<u>1,424,867</u>	<u>1,101,170</u>

- 13.1 This includes an amount of Rs. 17.520 million (2018: Rs. 18.058 million) receivable from related parties.

- 13.2 The aggregate amount due by directors, chief executive and executives of the Company amounts to Rs 0.171 million (2018: Rs 0.297 million).

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	Note	2019 ---- (Rupees in '000) ----	2018 ---- (Rupees in '000) ----
13.3 Provision for doubtful receivables - insurance contract holders			
Opening		120,338	102,741
Charge for the year		26,298	17,597
Written off during the year		(3,237)	-
Balance as at December 31	13.4	<u>143,399</u>	<u>120,338</u>

13.4 This includes an amount of Rs. 0.720 million (2018: Rs. 0.655 million) provided against related parties.

	2019 ---- (Rupees in '000) ----	2018 ---- (Rupees in '000) ----
13.5 Provision for doubtful receivables - other insurer / reinsurer		
Opening	41,423	41,423
Charge for the year	-	-
Balance as at December 31	<u>41,423</u>	<u>41,423</u>

14 RETIREMENT BENEFITS OBLIGATIONS

14.1 Defined benefit plan - Gratuity Fund

The Company offers an approved gratuity fund for all employees. Annual contributions are made to the fund on the basis of actuarial recommendations. The gratuity is governed under the Trust Act, 1882, the Trust Deed and the Rules of the Fund, the Income Tax Ordinance, 2001, the Income Tax Rules, 2002 and the applicable local regulations. An actuarial valuation is carried out every year to determine the liability of the Company in respect of the benefit. The most recent valuation in this regard has been carried out as at December 31, 2019 using the Projected Unit Credit (PUC) Actuarial Cost Method as allowed under the International Accounting Standard (IAS) 19 - 'Employee Benefits' for valuation of the Fund.

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

Final salary risks

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

Asset volatility

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

Discount rate fluctuation

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

Investment risks

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

Mortality risks

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

Longevity risks

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Withdrawal risks

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

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14.1.1 Principal actuarial assumptions	2019	2018
Valuation discount rate	11.75%	13.75%
Valuation discount rate for statement of comprehensive income	13.75%	9.50%
Salary increase rate - <i>short term</i>	11.25%	13.75%
Salary increase rate - <i>long term</i>	11.25%	13.75%
Return on plan assets	11.25%	13.75%
Duration	10.73 years	10.91 years
Normal retirement age	58	58
Withdrawal rate	Low	Moderate
Mortality rate	SLIC 2001-05	SLIC 2001-05
Next salary increase date	1-Jan-2020	1-Jan-2019
14.1.2 Amount recognised in the statement of financial position	2019	2018
---- (Rupees in '000) ----		
Reconciliation		
Present value of defined benefit obligation	113,983	98,685
Less: fair value of plan assets	(94,620)	(77,468)
Payable to defined benefit plan	<u>19,363</u>	<u>21,217</u>
Movement in net liability recognised		
Opening net liability	21,217	12,419
Expense for the year	15,864	11,658
Other comprehensive (gain) / loss	(7,407)	7,451
Contributions	<u>(10,311)</u>	<u>(10,311)</u>
Movement in present value of defined benefit obligation		
Opening	98,685	84,971
Current service cost	13,627	10,990
Interest cost	13,335	7,643
Benefits paid	(3,816)	(8,565)
Actuarial (gain) / loss on obligation	<u>(7,848)</u>	3,646
Closing	<u>113,983</u>	<u>98,685</u>
Movement in the fair value of plan assets		
Opening	77,468	72,552
Expected return on plan assets	11,098	6,975
Contributions	10,311	10,311
Benefits paid	(3,816)	(8,565)
Actuarial loss on obligation	<u>(441)</u>	<u>(3,805)</u>
	<u>94,620</u>	<u>77,468</u>
14.1.3 Amount recognised in statement of comprehensive income		
Current service cost	13,627	10,990
Interest cost	2,237	668
Past service cost	-	-
Expense for the year	<u>15,864</u>	<u>11,658</u>
14.1.4 Amount recognised in other comprehensive income		
Remeasurement (gain) / loss on obligation	(7,848)	3,646
Remeasurement loss on plan assets	441	3,805
	<u>(7,407)</u>	<u>7,451</u>
14.1.5 Actual return on plan assets		
Expected return on assets	11,098	6,975
Actuarial (loss) / gain	<u>(441)</u>	<u>(3,805)</u>
	<u>10,657</u>	<u>3,170</u>

AH Co

		2019	2018
		---- (Rupees in '000) ----	
14.1.6	Analysis of present value of defined benefit obligation		
	Split by vested / non-vested		
	(i) Vested benefits	113,983	98,685
	(ii) Non-vested benefits	-	-
		<u>113,983</u>	<u>98,685</u>

14.1.7 Sensitivity analysis

		2019		2018	
Change in assumption		Increase / (decrease) in present value of defined benefit obligation		Change in assumption	Increase / (decrease) in present value of defined benefit obligation
		(%)	Rupees in '000		(%)
Discount rate	+1%	-9.92%	(11,310)	+1%	-10.09%
	-1%	11.54%	13,156	-1%	11.74%
Salary increase rate	+1%	11.99%	13,663	+1%	12.12%
	-1%	-10.45%	(11,914)	-1%	-10.57%
Life expectancy / withdrawal rate	+10%	-0.15%	(168)	+10%	-0.25%
	-10%	0.15%	170	-10%	0.26%

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

14.1.8 Plan assets comprise of the following:

	2019 Rupees in '000	Percentage composition	2018 Rupees in '000	Percentage composition
Equity investments	16,545	17.49%	14,526	18.75%
Cash and bank deposits	967	1.02%	16,809	21.70%
Government securities	77,108	81.49%	46,133	59.55%
Fair value of plan assets	<u>94,620</u>	<u>100%</u>	<u>77,468</u>	<u>100%</u>

14.1.9 As per the actuarial recommendations, the expected return on plan assets was taken as 11.25% (2018: 13.75%), which is representative of yields on long-term Government bonds. Due to the increased volatility of share prices in recent months, there is no clear indication of return on equity. It is therefore assumed that the yield on equity matches the return on debt.

Based on actuarial advice, the Company intends to charge an amount of Rs 16.209 million in the financial statements for the year ending December 31, 2020.

The Expected Contribution for the next one year should take into account the maximum annual contribution limit set by the Income Tax Rules, 2002 i.e. the basic payroll of the last month of the financial year end. If the contribution exceeds the limit defined in the Income Tax Rules, the Company may apply to the Commissioner of Inland Revenue (CIR) for special contribution for the excess amount. The Expected Gratuity Expense is around 8.55% of annual salary which is greater than the maximum allowable limit of 8.33%. Therefore, the Company may contribute up to Rs. 15.8 million during 2020.

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

	Less than a year	Between 1-2 Years	Between 2-5 years	Over 5 years	Total
	(Rupees in '000)				
2019					
Gratuity	3,701	8,637	24,338	529,944	566,620
2018					
Gratuity	1,960	3,768	31,334	665,217	702,279

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14.1.11 Historical data on the deficit / (surplus) of the plan is as follows:

	2018	2017	2016
	(Rupees in '000)		
Present value of defined benefit obligation	113,983	98,685	84,971
Fair value of plan assets	(94,620)	(77,468)	(72,552)
Deficit / (surplus)	19,363	21,217	12,419

14.2 Defined contribution plan - Provident Fund

The Company has set up a provident fund for its permanent employees and contributions were made by the Company to the Trust in accordance with the requirements of Section 218 of the Companies Act, 2017. The total charge against provident fund for the year ended December 31, 2019 was Rs. 15.352 million (December 31, 2018: Rs. 13.251 million). The net assets based on unaudited financial statements of Provident Fund as at June 30, 2019 are Rs. 96.069 million out of which 81% were invested in different financial instruments categories as provided in Section 218 of the Companies Act, 2017 and the rules formulated therein. The carrying value of the investments of the provident fund as at June 30, 2019 (unaudited) was Rs. 105.076 million. The above investments out of provident fund have been made in accordance with the requirements of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

	June 30, 2019 (un-audited)		June 30, 2018 (audited)	
	Rupees in '000	% of the size of the fund	Rupees in '000	% of the size of the fund
Government securities	79,553	75.71%	59,676	59.67%
Listed securities	5,334	5.08%	4,860	4.86%
Bank deposits	2,467	2.35%	16,902	16.90%
Mutual Funds	12,721	12.11%	13,571	13.57%
Term finance certificates	5,000	4.75%	5,000	5.00%
Total	105,076	100%	100,009	100%

14.3 Staff Strength

	2019 (Number of employees)	2018 (Number of employees)
Number of employees as at December 31	202	176
Average number of employees during the year	189	176

15 PREPAYMENTS

	Note	2019 (Rupees in '000)	2018 (Rupees in '000)
Prepaid reinsurance premium ceded	23	972,374	613,175
Prepaid rent		24,665	21,763
Advance against salary		12,003	5,754
Others		13,714	4,485
		1,022,756	645,177

16 CASH AND BANK

Cash and cash equivalents

Cash in hand
Policy stamps in hand

Cash at bank

Current accounts
Savings accounts

1,122	-
-	240
13,990	3,929
117,998	472,992
131,988	476,921
133,110	477,161

16.1

At 11/10

16.1 The balances in savings accounts carry mark-up ranging between 11.25% to 12.5% (2018: 6.5% to 10%) per annum.

	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
16.2 Cash and cash equivalents for the purpose of cash flow statement:			
Cash and Bank		133,110	477,161
Term deposits having original maturity of upto three months	11.1	300,000	525,000
		<u>433,110</u>	<u>1,002,161</u>

17 SURPLUS ON REVALUATION OF PROPERTY AND EQUIPMENT - NET OF TAX

Opening balance		-	-
Surplus on revaluation due to change in accounting policy	3.3	281,977	-
Transfer from surplus on revaluation of property and equipment on account of incremental depreciation		(19,857)	-
Related deferred tax		5,759	-
		(14,098)	-
Change in fair value - net of tax		45,430	-
Closing surplus on revaluation of property and equipment		<u>313,309</u>	<u>-</u>

18 BORROWINGS

Lease liability against right-of-use assets - motor vehicle		151,773	118,881
Lease liability against right-of-use assets - rented premises		25,746	-
	18.1	<u>177,519</u>	<u>118,881</u>
Current portion		50,597	24,265
Non-current portion		126,922	94,616
		<u>177,519</u>	<u>118,881</u>

18.1 Lease liability against right-of-use assets

	2019			2018		
	Minimum lease Payments	Financial charges	Principal outstanding	Minimum lease Payments	Financial charges	Principal outstanding
	----- (Rupees in '000) -----					
Not later than one year	68,539	17,942	50,597	26,706	2,441	24,265
Later than one year and not later than five years	146,834	19,912	126,922	106,260	11,644	94,616
	<u>215,373</u>	<u>37,854</u>	<u>177,519</u>	<u>132,966</u>	<u>14,085</u>	<u>118,881</u>

	2019 ---- (Rupees in '000) ----	2018 ---- (Rupees in '000) ----
19 INSURANCE / REINSURANCE PAYABLES		
Due to other insurers / reinsurers	<u>1,299,750</u>	<u>703,314</u>

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20	DEFERRED TAXATION	2019	2018
		Restated ---- (Rupees in '000) ----	
	Deferred debits arising in respect of :		
	- Provision for doubtful receivables	(53,599)	(46,911)
	- Defined benefit plan	(5,615)	(6,153)
	- Unrealised loss on investments	-	(15,878)
	- Lease liability against right-of-use-assets	(51,481)	(34,475)
		(110,695)	(103,417)
	Deferred credits arising due to		
	- Accelerated tax depreciation	39,250	36,738
	- Surplus on property and equipment	127,971	-
	- Fair value gain on investment property	60,100	54,287
	- Unrealised gain on investments	6,224	-
	- Right-of-use-assets	52,254	33,979
		285,799	125,004
		<u>175,104</u>	<u>21,587</u>

21 OTHER CREDITORS AND ACCRUALS

Agent commission payable	196,513	154,728
Cash margin	286,116	265,036
Federal excise duty	39,416	29,177
Federal insurance fee	5,554	1,977
Accrued expenses	139,307	136,104
Others	119,825	146,910
	<u>786,731</u>	<u>733,932</u>

22 CONTINGENCIES AND COMMITMENTS

- 22.1 The Company is defending a suit against it by M/s Nawaz Enterprises for recovery of Rs. 9.45 million on account of insurance claim. The management, based on a advice of the legal counsel, is confident that the outcome of the case is likely to be in favor of the Company.
- 22.2 The Company is defending a suit filed against it and the beneficiary by the Federation of Pakistan amounting to Rs. 4.929 million. The petition is pending for hearing before Civil Court judge. The management, based on a advice of the legal counsel, is hopeful that the outcome of the case is likely to be decided in favor of the Company.
- 22.3 An appeal was filed before the Commissioner - Appeals, the Sindh Revenue Board (SRB) against the order passed by the Assistant Commissioner, SRB under section 23(1) of the Sindh Sales Tax on Services Act, 2011 for tax periods July 2011 to December 2012 in respect of re-insurance accepted transactions which was decided against the Company. The department alleged that the Company provided re-insurance services to local insurance companies and demanded Sindh sales tax on services under Sindh Sales Tax on Services Act, 2011. The Commissioner Appeals had decided the matter against the company. Against the order of the Commissioner - Appeals, further appeal had been filed before the Appellate Tribunal, SRB on January 16, 2015, which was also decided against the Company. The Company had filed an appeal in the Honourable High Court of Sindh which is pending adjudication. The management, based on a advice of the legal counsel, is hopeful that the outcome of the case will be decided in favor of the Company.
- 22.4 During the prior year, the Sindh Revenue Board (SRB) raised a demand of tax of Rs 430.412 million under section 23(1) of Sindh Sales Tax on Services Act (SSTA), 2011, in respect of sales tax on reinsurance obtained from foreign re-insurers by the Company. The department has also imposed a penalty of Rs 21.520 million.

The department alleged that the Company has received re-insurance services from foreign re-insurance companies for the period from July 2011 to December 2014 and it is the contention of the department that these services are liable to sales tax under SSTA, 2011. The department attached the Company's bank account and directed the Company's banker to issue pay orders to SRB. The pay orders of Rs 58.028 million from the Company's bank account were issued by the Company's banker on December 27, 2018 upon direction of SRB .

The Company has filed an appeal before the Commissioner Appeals on December 28, 2018 against the above order. The management in hearings held, during the year, before the Commissioner (Appeals) SRB has submitted that:

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- The payments to foreign re-insurance companies are not a service and is merely a re-distribution of the insurance risk and therefore the insurance premium. There is no value addition involved since in essence it is a sharing of the insurance risk between the insurer and re-insurers. The Management believes that the gross premium charged by the insurer was already subject to Sales Tax on the gross amount, hence it is illogical to again subject it to sales tax upon its re-distribution keeping in view the fact that neither any service is being provided to the policy holder nor any value addition is being made.
- These risk sharing arrangements have been made by the Company with the re-insurance companies incorporated outside Pakistan with no legal or physical presence therefore it is the view that the provisions of Sindh Sales Tax laws are not applicable to these type of arrangements and are outside the jurisdiction of Sindh Sales Tax laws.

The management believes that even if it is assumed that Sindh Sales Tax on re-insurance provided to insurer / insurance companies is applicable, the law does not provide any mechanism for calculating the basis on which such tax will be imposed and its related payment and the same would have been claimed as adjustable input tax by the Company against its output tax liability.

The Company had also filed a constitutional petition before the Honourable High Court of Sindh at Karachi (the Court) on December 28, 2018 seeking protection from the above mentioned coercive action taken by the tax department. The Court had suspended the above mentioned attachment notice and also instructed the bank that the said pay orders should not be encashed.

Subsequent to the year end, the Court has disposed of the constitutional petition together with the other similar petitions and has ordered SRB not to enforce recovery of impugned demand before expiry of seven days of the receipt of the final decision in appeal or stay application by the Commissioner (Appeals) SRB, whichever is earlier.

The management, based on the advice received from their tax and legal advisors, is confident that this matter is likely to be decided in favour of the Company. The Company has recorded Rs 58.028 million as 'other receivable' in these financial statements.

The contingencies relating to taxation are given in note 30.2 to the financial statements.

	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
23	NET INSURANCE PREMIUM		
Written gross premium	23.1	5,177,105	4,417,930
Add: Unearned premium reserve - opening		1,503,062	1,185,547
Less: Unearned premium reserve - closing		(1,860,409)	(1,503,062)
Premium earned	23.1	4,819,758	4,100,415
Less: Reinsurance premium ceded		(2,782,164)	(1,995,237)
Add: Prepaid reinsurance premium ceded - opening		(613,175)	(481,956)
Less: Prepaid reinsurance premium ceded - closing		972,374	613,175
Reinsurance expense		(2,422,965)	(1,864,018)
		<u>2,396,793</u>	<u>2,236,397</u>
23.1	This includes an amount of Rs. 15.81 million (2018: Nil) and 5.186 million (2018: Nil) in respect of premium written and earned on tracking services.		
24	NET INSURANCE CLAIMS		
Claims paid		1,617,607	1,620,722
Add: Outstanding claims (including IBNR) - closing		1,512,227	1,314,812
Less: Outstanding claims (including IBNR) - opening		(1,314,812)	(1,226,184)
Claims expense		<u>1,815,022</u>	<u>1,709,350</u>
Less: Reinsurance and other recoveries received		(452,606)	(436,336)
Add: Reinsurance and other recoveries in respect of outstanding claims - closing		(1,012,984)	(854,041)
Less: Reinsurance and other recoveries in respect of outstanding claims - opening		854,041	723,743
Reinsurance and other recoveries revenue		(611,549)	(566,634)
		<u>1,203,473</u>	<u>1,142,716</u>

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24.1 Claims development tables

The following table shows the development of fire claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For other classes of business the uncertainty about the amount and timings of claims payment is usually resolved within a year.

Analysis on gross basis

Accident year	2015	2016	2017	2018	2019	Total
(Rupees in '000)						
Estimate of ultimate claims cost:						
At end of accident year	324,613	332,103	363,401	575,330	462,385	2,057,832
One year later	371,882	358,703	330,493	364,402	-	1,425,480
Two years later	370,112	303,642	305,808	-	-	979,562
Three years later	360,734	371,478	-	-	-	732,212
Four years later	322,218	-	-	-	-	322,218
Estimate of cumulative claims	322,218	371,478	305,808	364,402	462,385	1,826,291
Cumulative payments to date	(296,239)	(368,536)	(276,313)	(314,958)	(124,556)	(1,380,602)
Liability recognised in the statement of financial position	25,979	2,942	29,495	49,444	337,829	445,689

The above effects have been worked out on the assumption that increase / decrease in net claims expense pertains to individual segment in isolation.

25 NET COMMISSION EXPENSE

	2019 --- (Rupees in '000) ---	2018 --- (Rupees in '000) ---
Commission paid or payable	558,471	508,265
Add: Deferred commission expense - opening	153,419	127,569
Less: Deferred commission expense - closing	(178,261)	(153,419)
Net commission	533,629	482,415
Less: Commission received or receivable	(550,859)	(435,423)
Add: Unearned reinsurance commission - opening	(120,933)	(101,679)
Less: Unearned reinsurance commission - closing	174,561	120,933
Commission from reinsurers	(497,231)	(416,169)
	36,398	66,246

26 MANAGEMENT EXPENSES

	Note	2019 --- (Rupees in '000) ---	2018 Restated --- (Rupees in '000) ---
Employee benefit cost	26.1	458,322	387,843
Rent, rates and taxes		43,577	37,598
Electricity and gas		13,468	11,506
Repairs and maintenance		15,319	14,932
Communication		24,619	12,063
Tracker / security locks		98,569	83,035
Depreciation and amortisation	5 & 6	92,381	62,259
Bad and doubtful debts	13.3	26,298	17,597
Vehicle running expenses		44,814	33,757
Travelling expenses		30,209	29,620
Representation expenses		10,203	8,909
Printing and stationery		9,420	9,198
Legal and professional		35,116	37,315
Advertisement expenses		17,664	7,057
Miscellaneous		3,212	2,652
		923,191	755,341

26.1 Employee benefit cost

Salaries, allowance and other benefits	427,106	362,472
Charges for post employment benefit	31,216	25,371
	458,322	387,843

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27	INVESTMENT INCOME		2019	2018
			--- (Rupees in '000) ---	
	Income from equity securities			
	Fair value through profit or loss			
	Dividend income		201	5,870
	Income from debt securities			
	Fair value through profit or loss			
	Return on government securities		230,640	88,104
	Return on sukuk, commercial paper and term finance certificate		20,733	-
	Held to maturity			
	Return on government securities		36,387	27,860
	Income from term deposits			
	Return on term deposits		90,051	63,835
	Net realised gains / (loss) on investments			
	Fair value through profit or loss			
	Mutual funds		13,426	5,140
	Held to maturity			
	Government securities		(1,806)	(1,240)
	Net unrealised income / (loss) on investments			
	Fair value through profit or loss			
	Mutual funds		6,605	(44,049)
	Government securities		69,611	(10,704)
	Total investment income		<u>465,848</u>	<u>134,816</u>
28	OTHER INCOME		2019	2018
			Restated --- (Rupees in '000) ---	
	Reversal of Workers' Welfare Fund		-	66,618
	Return on bank balances		21,551	7,395
	Gain on sale of fixed assets		7,091	5,015
	Exchange gain		1,141	4,048
	Fair value gain on investment properties		20,045	53,377
	Miscellaneous		136	35
			<u>49,964</u>	<u>136,488</u>
29	OTHER EXPENSES	Note	2019	2018
			--- (Rupees in '000) ---	
	Group shared services expenses		8,791	7,680
	Insurance expense		13,248	11,362
	Repairs and maintenance		1,382	148
	Legal and professional		1,596	11,508
	Auditors' remuneration	29.1	3,947	11,490
	Donations		204	415
			<u>29,168</u>	<u>42,603</u>
29.1	Auditor's remuneration			
	Fee for statutory audit		1,208	1,150
	Fee for interim review		500	500
	Fee for audit of regulatory return		368	350
	Special certifications and sundry services		1,101	1,250
	Tax advisory and other consultancy services		500	8,018
	Out of pocket expenses		270	222
			<u>3,947</u>	<u>11,490</u>

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		2019	2018 Restated
		---- (Rupees in '000) ----	
30	TAXATION		
	For the year		
	Current	216,101	156,850
	Deferred	17,639	382
		<u>233,740</u>	<u>157,232</u>
30.1	Relationship between tax expense and accounting profit		
	Profit before tax	<u>806,897</u>	<u>530,567</u>
	Tax calculation at the rate of 29% (2018: 29%)	234,000	153,864
	Provision for impairment	-	1,740
	Change in tax rate	-	(463)
	Others	(260)	2,091
		<u>233,740</u>	<u>157,232</u>
30.2	Taxation		
30.2.1	The Company has a group taxation policy with its Holding Company under section 59AA of the Income Tax Ordinance, 2001 under which payments of tax are made through Holding Company.		
	The income tax assessments of the Company have been finalised up to and including the tax year 2017. However, the Company has filed appeals in respect of certain assessment years which mainly relate to the following:		
30.2.2	While finalising the assessment for the year 1999-2000 the Taxation Officer had not allowed credit for tax paid under section 54 amounting to Rs. 3 million for which rectification application is filed which is pending.		
	The Company has also filed applications in respect of certain mistakes made in the orders passed under section 124 of the Income tax Ordinance for 2001-2002 and 2002-2003. The applications filed were rejected by the T.O. against which appeals had been filed with the CIT (A) which are pending.		
	The Additional Commissioner of Income Tax (AC) has issued notice under section 122 (5A) of the Income Tax Ordinance, 2001 in respect of the tax year 2005 and 2006 whereby he has proposed to disallow claim of expenses and exemption in respect of gain on sale of shares and taxed income from associates. Against the above notice, the Company has filed a constitutional petition before the Honorable High Court. The regular hearing of petition is currently pending with the High Court.		
30.2.3	In respect of tax year 2007, all significant issues involved amounting to Rs. 7 billion were decided in favor of the Company by CIR(A) and then by the ATIR. However, no appeal effect order has been passed. Further, certain matters amounting to Rs. 82 million that were remanded back to DCIR by the CIR(A) were not decided upon by the High Court. The Company has written a letter to the taxation officer for passing appeal effect orders. The department had filed Income Tax Reference Application before Honorable High Court of Sindh against the deletion of the addition made on account of re-characterisation of actual realized capital gain. The said Income Tax Reference Application was heard by Honorable High Court and the judgment has been passed in favour of the Company.		
	The tax department has further filed a civil petition before the Honorable Supreme Court of Pakistan against the judgement of the Honorable High Court which is pending adjudication.		
30.2.4	In case of tax year 2008, the Additional Commissioner Audit Division-II had issued notice under section 122 (5A) of the Ordinance for passing an amended order on certain issues. The Company filed a writ petition before the Honorable High Court of Sindh which dismissed the petition by directing the Company to submit its responses to the assessing authority. . Moreover, the Honorable High Court had directed the assessing authority to pass the order, preferably within two months of the service of the Court's order, strictly in accordance with law keeping in view the provisions relating to insurance business and the decisions of the High Court and the Supreme Court on the subject issues. However, to-date no notice has been received from the taxation authorities.		

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The additional Commissioner Audit zone III LTU Karachi issued another notice under section 122(5A) of the Ordinance in May 14, 2014 and passed an amended assessment order under section 122(5A) by disallowing provision for IBNR and allocation of expense against capital gains and dividend income. As a result of amended assessment demand of Rs. 63.166 million was created. Against the disallowances made by the ACIR, the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) and also filed an application for stay of demand. Pursuant to the stay application, the CIR(A) has granted stay of demand to the Company. Against the above disallowance, the company filed an appeal before the learned Appellate Tribunal Inland Revenue. Further, the company challenged the assessment order on the ground that the assessment was barred by limitation of time. Moreover, the department filed a cross appeal before the ATIR challenging the relief granted by the CIR(A). The ATIR has decided both the appeals on the point of limitation of law as contained under section 122(2) of the Ordinance and have decided the appeal in favor of the company. Moreover, the departmental appeal has also been rejected being treated as infructuous. The department has filed a reference application before the Sindh High Court against the order of the ATIR which is pending adjudication.

Moreover, pursuant to the decision of the CIR(A), the ACIR has passed an appeal effect order duly incorporating the relief granted by the CIR(A) in respect of allocation of expenses and tax refundable of Rs. 18.030 million has been determined.

- 30.2.5** In case of tax year 2009, the Deputy Commissioner of Inland Revenue (DCIR) has passed the amended order under section 122(5A) of the Ordinance by disallowing provisions on account of IBNR, Unearned Commission and allocation of expenses relating to exempt income. As a result of amended assessment demand of Rs 141 million was created. The DCIR has made certain errors in the order for which application for rectification was filed. Rectified order under Section 221 has been passed and as a result demand has been reduced to Rs.51 million. The learned CIR(A) has granted partial relief in respect of certain issue and confirmed certain disallowances. The company filed further appeal before the appellate tribunal inland revenue (ATIR) in respect of issues on which relief was not allowed by the CIR(A). The ATIR, pursuant to the appeals filed against the order of CIR(A), has now passed the order whereby the ATIR has confirmed disallowance made on account of provision for IBNR. Further issue of allocation of expenses against investment income has been remanded back to CIR(A). As regards, the issue of addition made on account of provision of unearned commission, the ATIR has upheld the decision of CIR(A) whereby disallowance made on this score is deleted. In respect of issues decided against the Company, a reference application was filed before honorable Sindh High Court where the IBNR issue has been decided in favor of the Company whereas remaining issues are pending adjudication.

The Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend income, commission income and property income has been charged at corporate tax rate (i.e. 35% for the year) by treating such income as business income of the company under Fourth Schedule to the Ordinance. As a result of the amended assessment demand of Rs.31.420 million was created. The Company paid an amount of Rs.10 million and obtained stay from the Commissioner Inland Revenue till 31 August 2015 in respect of payment of the remaining tax demand of Rs.21.420 million. Further, against the above treatment meted out by the ACIR, the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) which is pending adjudication. The Company also filed a petition against the said order before the Honorable Sindh High Court which was disposed off with the directions that no coercive measures taken by the Tax Authorities till the decision of the CIR(A) on the appeal filed which is pending adjudication.

- 30.2.6** In case of tax year 2010, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend and property income has been charged at corporate tax rate (i.e. 35% for the year) by treating such income as business income of the Company under Fourth Schedule to the Ordinance. Further, the ACIR has disallowed provision of IBNR under section 34(3) of the Ordinance. As a result of the amended assessment demand of Rs.93.445 million has been created. The Company has filed appeal and application for stay of tax demand before the CIR(A) against the above assessment order. The Company has also filed a petition against the said order before the Honorable Sindh High Court which is pending adjudication.

Pursuant to the appeal, the learned CIR(A) vide combined appellate order No.21 and 22/A-1 dated 10 March 2016 has decided all issues in favor of the company. The tax department has filed further appeal before the Appellate Tribunal Inland Revenue(ATIR) in respect of the issues on which relief was allowed by the CIR(A) which is pending adjudication.

- 30.2.7** In case of tax year 2011, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend and property income has been charged at corporate tax rate (i.e. 35% for the year) by treating such income as business income of the company under Fourth Schedule to the Ordinance. Further, the ACIR has also disallowed provision of IBNR, claim of brought forward loss for the tax year 2008 and refund adjustments for tax years 2004 and 2009 in the amended assessment order. Moreover, Workers' Welfare Fund @ 2% of the accounting profit for the year has also been levied. As a result of the amended assessment demand of Rs.142.414 million has been created. The Company has filed appeal and application for stay of tax demand before the CIR(A) against the above assessment order.

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Pursuant to the appeal, the learned CIR(A) vide combined appellate order No. 21 & 22/A-1 dated 10 March 2016 has decided the following issues in favor of the Company-

- (a) Chargeability of tax on dividend income and property income at corporate tax rate;
- (b) Provision for IBNR;
- (c) Levy of Workers' welfare fund for the year.

As regards, credit/adjustment of refunds available to the company, the CIR(A) has remanded back the issue with the directions to verify the claim of refunds and allow the adjustment as per law. The tax department has filed further appeal before the Appellate Tribunal Inland Revenue(ATIR) in respect of the issues on which relief was allowed by the CIR(A) which is pending adjudication.

30.2.8 In case of tax year 2012, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend and property income has been charged at corporate tax rate (i.e. 35% for the year) by treating such income as business income of the company under Fourth Schedule to the Ordinance. Further, the ACIR has also disallowed provision of IBNR amounting to Rs. 33 million in the amended assessment order. As a result of the amended assessment, demand of Rs. 106.563 million was created. The company has obtained stay from the Honorable Sindh High court in respect of the above tax demand. Further, against the aforesaid order, the Company also filed an appeal before CIR(A) which is pending adjudication. The stay from the Honorable Sindh High Court has been disposed off subsequently with the directions that no coercive measures taken by the Tax Authorities till the decision of the CIR(A) on the appeal filed. The learned CIR(A) has passed the appellate order wherein both the aforesaid issues have been decided in favor of the Company.

The department has filed an appeal before Appellate Tribunal, Inland Revenue (ATIR) against the order passed by the CIR(A) which is pending adjudication.

30.2.9 In case of tax year 2013, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend and property income has been charged at corporate tax rate (i.e. 35% for the year) by treating such income as business income of the company under Fourth Schedule to the Ordinance. Further, the ACIR has also disallowed provision of IBNR, claim of brought forward loss for the tax year 2012 and has also made an addition on account of disposal of fixed assets at less than fair market value(FMV) in the amended assessment order. As a result of the amended assessment, demand of Rs. 95.008 million was created. Against the aforesaid order, the company has filed an appeal before CIR(A). Pursuant to the appeal, the learned CIR(A) vide appellate order No. 10/A-1 dated 05 October 2016 has decided the following issues in favor of the Company:

- (a) Chargeability of tax on dividend income and property income at corporate tax rate;
- (b) Provision for IBNR amounting to Rs. 33 million;
- (c) Addition on account of disposal of fixed assets.

Further the CIR(A) has remanded back the issues in respect of adjustment of brought forward loss for the tax year 2012 and credit of workers' welfare fund paid with the return of income. The tax department has filed further appeal before the Appellate Tribunal Inland Revenue(ATIR) in respect of the issues on which relief was allowed by the CIR(A) which is pending adjudication.

30.2.10 In case of tax year 2014, case of the Company was selected for audit under section 177 of the ordinance and subsequently, the Deputy Commissioner Inland Revenue (DCIR) has passed an amended assessment order under section 122(1) of the Ordinance wherein tax on dividend income has been charged at corporate tax rate (i.e. 34% for the year) by treating such income as business income of the company under Fourth Schedule to the Ordinance. Further, the ACIR has also disallowed provision of IBNR and has also made an addition on account of disposal of fixed assets at less than Fair Market Value(FMV) and motor car expenses paid in cash under section 21(l) in the amended assessment order. As a result of the amended assessment, demand of Rs. 148.444 million was created. The Company has obtained stay from the honorable Sindh High court in respect of the above tax demand. Further, against the aforesaid order, the Company has also filed an appeal before CIR(A). The stay from the Honorable Sindh High Court has been disposed off subsequently with the directions that no coercive measures taken by the Tax Authorities till the decision of the CIR(A) on the appeal filed.

Pursuant to the appeal before CIR(A), the CIR(A) has passed the appellate order whereby issues in respect of levy of tax on dividend income at corporate tax rates, disposal of vehicles at less than FMV and levy of WWF have been decided in favor of the Company. However, issues in respect of levy of minimum tax under section 113, provision for IBNR and motor car expenses in cash has been decided against the Company. The Company has filed further appeal before the ATIR in respect of the issues decided against the Company except issue of motor car expenses paid in cash, which is pending adjudication.

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- 30.2.11** In case of tax year 2015, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend and property income has been charged at corporate tax rate (i.e. 33% for the year) by treating such income as business income of the Company under Fourth Schedule to the Ordinance. Further, the ACIR has levied Super tax under section 4B of the ordinance amounting to Rs. 27.743 million and Workers' Welfare Fund for the year. As a result of the amended assessment, demand of Rest. 234.287 million was created. The Company has obtained stay from the honorable Sindh High court in respect of the above tax demand. Further, against the aforesaid order, the Company has also filed an appeal before CIR(A). The stay from the Honorable Sindh High Court has been disposed off subsequently with the directions that no coercive measures taken by the Tax Authorities till the decision of the CIR(A) on the appeal filed which is pending adjudication.

Pursuant to the appeal before CIR(A), the CIR(A) has passed the appellate order whereby issue of levy of tax on dividend income at corporate tax rates has been decided in favor of the company whereas the issue of levy of Super tax under section 4B has been decided against the company. Furthermore, the CIR(A) has remanded back the issue of levy of WWF. The company has filed further appeal before the ATIR in respect of the issue of levy of Super tax, which is pending adjudication.

The ACIR also passed an appeal effect order whereby a tax demand of Rs.2.776 million was created. While passing the aforesaid order, the ACIR did not consider the impact of payment of WWF for the year amounting to Rs.3.635 million. Accordingly, a rectification application was duly filed pursuant to which the ACIR has now passed a rectified order whereby a refund of Rs.0.859 million has been created.

The ACIR also passed an order under section 221 of the Ordinance charging Super tax under section 4B amounting to Rs 27.912 million. Without prejudice to the stance in appeal, the Company made payment of Rs 20.000 million in respect of the Super tax liability under section 4B whereas the remaining Super tax demand of Rs 7.913 million was adjusted against the refund of tax year 2008. The company filed an application with the ACIR requesting to annul the order based on various legal grounds, however, no order was passed in this regard. Moreover, the Company also filed an appeal before the CIR(A) in respect of the order passed under section 221 of the Ordinance. Pursuant to the above appeal, the CIR(A) passed the appellate order wherein the action of the ACIR in charging super tax under section 221 of the Ordinance was annulled. The Company has written a letter to the concerned taxation officer for passing appeal effect order in line with the appellate order passed by the CIR(A), which is pending. The tax department has also filed further appeal before the ATIR against the order passed by the CIR(A), which is pending adjudication.

- 30.2.12** The case for tax year 2015 was further selected for audit under section 177 of the Ordinance. The company submitted all the information requested through the Information and Document Request (IDR) pursuant to which a show-cause notice was issued in December 2017. The Company has submitted its response in respect of the issues raised in the show-cause notice, however, no assessment order has yet been passed.

In case of tax year 2016, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend income has been charged at corporate tax rate (i.e. 32% for the year) by treating such income as business income of the company under Fourth Schedule to the Ordinance. Further, the ACIR has disallowed the claim of expense on account of health administrative services under section 21(c) of the ordinance and has also made an addition on account of disposal of fixed assets at less than Fair Market Value(FMV) in the amended assessment order. As a result of the amended assessment, demand of Rs. 105.190 million was created. The Company has filed stay application in respect of the above tax demand in the Honorable High Court of Sindh and also filed an appeal against the aforesaid order before the CIR(A).

Pursuant to the appeal before CIR(A), the CIR(A) has passed the appellate order whereby issues in respect of levy of tax on dividend income at corporate tax rates and disposal of vehicles at less than FMV have been decided in favor of the Company whereas the issue of non-deduction of tax on payment for health plan administrative services under section 21(c) of the Ordinance has been decided against the Company. The Company has not filed further appeal before the ATIR in respect of the issue decided against the Company.

The management and tax advisor of the Company are confident that the above matters will be decided in the Company's favor. Accordingly, no provision has been recognised in these financial statements.

31	EARNINGS PER SHARE	2019 ---- (Rupees in '000) ----	2018 ---- (Rupees in '000) ----
	Profit (after tax) for the year	<u>573,157</u>	<u>373,335</u>
		(Number of shares)	
	Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	<u>191,838,400</u>	<u>188,293,495</u>
		(Rupees)	
	Earnings per share	<u>2.99</u>	<u>1.95</u>

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32 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Holding Company, associates, related group companies, directors of the Company, key management personnel, post employment benefit plans and other related parties. The Company in the normal course of business carries out transactions with various related parties at agreed / commercial terms and conditions. Amounts due to / from and other significant transactions, other than those disclosed else where in these financial statements, are as follows:

Holding Company		Post employment benefit plans		Key management personnel (including directors)		Other related parties	
2019	2018	2019	2018	2019	2018	2019	2018

(Rupees in '000)

Transactions

Premium underwritten	-	-	-	-	309	540	344,469	344,681
Premium collected	-	-	-	-	606	599	345,007	348,118
Claims expense	-	-	-	-	192	118	31,799	26,782
Commission expense	-	-	-	-	-	-	1,267	15,507
Commission paid	-	-	-	-	-	-	2,199	17,668
Rental income	-	-	-	-	-	-	30,374	31,766
Dividend paid	513,349	163,063	-	-	-	-	-	-
Key management personnel compensation	-	-	-	-	228,325	203,961	-	-
Charge in respect of gratuity Fund	-	-	15,864	12,120	-	-	-	-
Charge in respect of provident Fund	-	-	15,352	13,251	-	-	-	-
Contribution to gratuity Fund	-	-	10,311	10,311	-	-	-	-
Contribution to provident Fund	-	-	15,352	13,251	-	-	-	-
Insurance premium paid	-	-	-	-	-	-	5,813	4,473
Rent paid	-	-	-	-	-	-	1,442	1,309

Balances

Premium receivable	-	-	-	-	-	297	17,520	18,058
Commission payable	-	-	-	-	-	-	3,423	4,355
Other receivable	5,404	-	-	-	-	-	93,415	137,499
Payable to gratuity fund	-	-	(19,363)	(21,217)	-	-	-	-
Payable to provident fund	-	-	(3,661)	(3,661)	-	-	-	-

33 COMPENSATION FOR DIRECTORS AND EXECUTIVES

Chief Executive		Directors		Executives	
2019	2018	2019	2018	2019	2018

(Rupees in '000)

Fee for attending board meeting	-	-	1,925 *	2,750 *	-	-
Managerial remuneration	14,111	12,270	1,500	1,350	75,264	66,004
Bonus	13,663	13,398	-	-	35,047	29,774
Retirement benefits (including provident fund)	2,448	2,129	-	-	13,058	11,452
Housing and utilities	7,833	6,841	-	-	42,168	37,147
Medical expenses	1,411	1,227	-	-	3,864	3,633
Conveyance allowance	678	446	-	-	8,902	7,286
Others	3,406	3,011	-	-	3,047	5,244
	<u>43,550</u>	<u>39,322</u>	<u>3,425</u>	<u>4,100</u>	<u>181,351</u>	<u>160,539</u>
Number of persons	<u>1</u>	<u>1</u>	<u>6</u>	<u>6</u>	<u>25</u>	<u>25</u>

33.1 Chief Executive and executives of the Company are provided with Company maintained cars and residential telephones.

* This includes fee for attending Board meeting of all the six directors.

34 SEGMENT REPORTING

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

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

Particulars	2019					
	Fire and property damage	Marine, aviation and transport	Motor	Accident and health	Miscellaneous	Total
(Rupees) in '000						
Premium receivable (inclusive of Sindh sales tax, federal insurance fee and administrative surcharge)	2,187,197	739,871	1,800,904	375,595	878,277	5,981,844
Less: Federal Excise Duty	(270,140)	(87,015)	(236,360)	(19,319)	(117,952)	(730,786)
Federal Insurance Fee	(20,076)	(6,272)	(15,452)	(3,527)	(7,672)	(52,999)
Stamp duty	(105)	(17,850)	(1,528)	(5)	(1,466)	(20,954)
Gross written premium (inclusive of administrative surcharge)	1,896,876	628,734	1,547,564	352,744	751,187	5,177,105
Gross direct premium	1,890,719	617,677	1,498,070	352,140	743,581	5,102,187
Administrative surcharge	6,157	11,057	49,494	604	7,606	74,918
	1,896,876	628,734	1,547,564	352,744	751,187	5,177,105
Insurance premium earned	1,591,492	622,360	1,487,015	361,248	757,643	4,819,758
Insurance premium ceded to reinsurers	(1,408,591)	(369,050)	(81,127)	-	(564,197)	(2,422,965)
Net insurance premium	182,901	253,310	1,405,888	361,248	193,446	2,396,793
Commission income	286,877	105,842	15,749	-	88,763	497,231
Net underwriting Income	469,778	359,152	1,421,637	361,248	282,209	2,894,024
Insurance claims	(250,464)	(192,155)	(712,764)	(336,912)	(322,727)	(1,815,022)
Insurance claims recovered from reinsurers	227,748	110,061	32,146	-	241,594	611,549
Net claims	(22,716)	(82,094)	(680,618)	(336,912)	(81,133)	(1,203,473)
Commission expense	(173,222)	(68,031)	(180,344)	(18,384)	(93,648)	(533,629)
Management expenses	(338,254)	(112,117)	(275,964)	(62,902)	(133,954)	(923,191)
Net Insurance claims and expenses	(534,192)	(262,242)	(1,136,926)	(418,198)	(308,735)	(2,660,293)
Premium deficiency	-	-	-	(608)	-	(608)
Underwriting result	(64,414)	96,910	284,711	(57,558)	(26,526)	233,123
Investment income						465,848
Rental income						30,374
Other income						49,964
Other expenses						(29,168)
Result of operating activities						750,141
Finance cost						(14,062)
Profit from window takaful operations						70,818
Profit before tax						806,897
Segment assets	1,686,029	354,835	602,623	103,967	841,032	3,588,486
Unallocated assets	-	-	-	-	-	5,092,574
Assets of Window Takaful Operations						
- Operator's Fund						247,559
						8,928,619
Segment liabilities	1,782,434	458,270	1,300,780	335,926	990,930	4,868,340
Unallocated liabilities	-	-	-	-	-	1,158,717
Total liabilities of Window Takaful Operations						
- Operator's Fund						126,141
						6,153,198

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Particulars	2018					
	Fire and property damage	Marine, aviation and transport	Motor	Accident and health	Miscellaneous	Total
	(Rupees) in '000					
Premium receivable (inclusive of Sindh sales tax, federal insurance fee and administrative surcharge)	1,391,928	621,079	1,628,318	378,075	1,065,361	5,084,761
Less: Federal Excise Duty	(177,313)	(74,986)	(214,835)	(6,061)	(134,460)	(607,655)
Federal Insurance Fee	(11,639)	(5,286)	(13,986)	(3,682)	(9,159)	(43,752)
Stamp duty	(34)	(13,035)	(594)	(2)	(1,759)	(15,424)
Gross written premium (inclusive of Administrative Surcharge)	1,202,942	527,772	1,398,903	368,330	919,983	4,417,930
Gross direct premium	1,196,997	518,245	1,356,605	367,705	910,982	4,350,534
Administrative surcharge	5,945	9,527	42,298	625	9,001	67,396
	1,202,942	527,772	1,398,903	368,330	919,983	4,417,930
Insurance premium earned	1,142,155	518,239	1,232,679	324,680	882,662	4,100,415
Insurance premium ceded to reinsurers	(966,853)	(276,349)	(13,702)	-	(607,114)	(1,864,018)
Net insurance premium	175,302	241,890	1,218,977	324,680	275,548	2,236,397
Commission income	227,954	105,468	955	-	81,792	416,169
Net underwriting income	403,256	347,358	1,219,932	324,680	357,340	2,652,566
Insurance claims	(361,243)	(167,322)	(552,670)	(305,625)	(322,490)	(1,709,350)
Insurance claims recovered from reinsurers	263,676	82,010	1,304	-	219,644	566,634
Net claims	(97,567)	(85,312)	(551,366)	(305,625)	(102,846)	(1,142,716)
Commission expense	(133,054)	(62,963)	(147,714)	(16,066)	(122,617)	(482,415)
Management expenses	(205,571)	(90,191)	(239,059)	(62,944)	(157,576)	(755,341)
Net insurance claims and expenses	(436,192)	(238,466)	(938,139)	(384,635)	(383,040)	(2,380,472)
Premium deficiency	-	-	-	(20,503)	-	(20,503)
Underwriting result	(32,936)	108,892	281,793	(80,458)	(25,700)	251,591
Net investment income						134,816
Rental income						31,766
Other income						136,488
Other expenses						(42,603)
Result of operating activities						512,058
Finance costs						(5,168)
Profit from window takaful operations						23,677
Profit before tax						530,567
Segment assets	1,115,326	278,362	437,384	100,152	790,582	2,721,806
Unallocated assets	-	-	-	-	-	4,148,729
Assets of Window Takaful Operations - Operator's Fund						142,096
						7,012,631
Segment liabilities	1,134,490	324,583	1,032,419	295,812	855,300	3,642,604
Unallocated liabilities	-	-	-	-	-	916,121
Total liabilities of Window Takaful Operations - Operator's Fund						70,959
						4,629,684

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35 MOVEMENT IN INVESTMENTS

As at January 1, 2019

Additions

Disposals (sale and redemptions)

Net fair value gains (excluding net realised gains)

Amortisation of premium / discount

Total

2019		
Held to maturity	Fair value through profit or loss	Total
(Rupees in '000)		
845,665	1,719,298	2,564,963
326,413	6,255,816	6,582,229
(556,002)	(5,627,269)	(6,183,271)
-	76,216	76,216
6,143	105,196	111,339
622,219	2,529,257	3,151,476

As at January 1, 2018

Additions

Disposals (sale and redemptions)

Net fair value gains (excluding net realised gains)

Amortisation of premium / discount

Total

2018		
Held to maturity	Fair value through profit or loss	Total
(Rupees in '000)		
1,281,210	-	1,281,210
-	8,447,271	8,447,271
(435,000)	(6,737,111)	(7,172,111)
-	(54,753)	(54,753)
(545)	63,891	63,346
845,665	1,719,298	2,564,963

36 MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

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

36.1 Insurance risk

The Company accepts the insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts. The Company manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the Company from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis.

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.

Concentration of insurance risk

A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial businesses. The Company minimises its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

To optimise benefits from the principle of average and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risks with reference to the geographical location, the most important of which is risk survey.

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

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Address look-up and decoding is the essential field of the policy data interphase of IT systems. It provides instant location which is dependent on data collection provided under the policy schedule. All critical underwriting information is punched into the IT system / application through which a number of MIS reports can be generated to assess the concentration of risk.

The ability to manage catastrophic risk is tied to managing the density of risk within a particular area. For catastrophic aggregates, the IT system also assigns precise geographic CRESTA (Catastrophe Risk Evaluating and Standardising Target Accumulations) codes with reference to the accumulation of sums insured in force at any particular location against natural perils. A risk management solution is implemented to help assess and plan for risk in catastrophic scenarios. It provides a way to better visualise the risk exposures so the Company determines the appropriate amount of reinsurance coverage to protect the business portfolio.

For Marine risks, complete underwriting details, besides sums insured and premiums, like vessel identification, voyage input (sea / air / inland transit), sailing dates, origin and destination of the shipments, per carry limits, etc. are fed into the IT system. The reinsurance module of the IT system is designed to satisfy the requirements as laid down in the proportional treaty agreement. Shipment declarations are also endorsed on the policies. Respective reinsurance cessions are automatically made upon the posting of policy documents.

The voyage cards so maintained for the particular set of policies for a single vessel voyage are automatically logged into the system showing actual gross, treaty and net exposure, both in terms of sums insured and premiums.

36.1.2 Reinsurance arrangements

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

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

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

	2019		
	Maximum sum insured	Reinsurance cover	Highest net liability
	(Rupees in '000)		
Fire and property damage	132,650,609	132,205,667	444,942
Marine, aviation and transport	19,710,628	11,826,377	7,884,251
Motor	644,690	95,000	549,690
Health	2,503,823	-	2,503,823
Miscellaneous	16,703,812	16,687,108	16,704
Window Takaful Operations	5,869,669	1,493,237	4,376,432
	<u>178,083,231</u>	<u>162,307,389</u>	<u>15,775,842</u>

	2018		
	Maximum sum insured	Reinsurance cover	Highest net liability
	(Rupees in '000)		
Fire and property damage	36,067,249	35,917,249	150,000
Marine, aviation and transport	17,608,304	14,086,643	3,521,661
Motor	74,555	-	74,555
Health	2,740,936	-	2,740,936
Miscellaneous	10,000,000	9,945,000	55,000
Window Takaful Operations	4,933,898	4,719,898	214,000
	<u>71,424,942</u>	<u>64,668,790</u>	<u>6,756,152</u>

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The table below sets out the concentration of insurance contract liabilities by type of contract:

	2019		
	Gross liabilities	Gross assets	Net liabilities / (assets)
	(Rupees in '000)		
Fire and property damage	1,782,434	1,686,029	96,405
Marine, aviation and transport	458,270	354,835	103,435
Motor	1,300,780	602,623	698,157
Health	335,926	103,967	231,959
Miscellaneous	990,930	841,032	149,898
Window Takaful Operations	126,141	247,559	(121,418)
	<u>4,994,481</u>	<u>3,836,045</u>	<u>1,158,436</u>

	2018		
	Gross liabilities	Gross assets	Net liabilities / (assets)
	(Rupees in '000)		
Fire and property damage	1,134,490	1,115,326	19,164
Marine, aviation and transport	324,583	278,362	46,221
Motor	1,032,419	437,384	595,035
Health	295,812	100,152	195,660
Miscellaneous	855,300	790,582	64,718
Window Takaful Operations	70,959	142,096	(71,137)
	<u>3,713,563</u>	<u>2,863,902</u>	<u>849,661</u>

36.1.3 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.

An estimated amount of the claim is recorded immediately on intimation to the Company. The estimation of the amount is based on the amount notified by the policy holder, 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 incurred but not reported (IBNR), the Company uses actuarial advice as more fully explained in note 3.7 to these financial statements.

There are several variable factors which affect the amount and timing of recognised claim liabilities. However, the management considers that uncertainty about the amount and timing of claim payments is generally resolved within a year. 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 recognised amounts.

36.1.4 Key assumptions

The principal assumption underlying the liability estimation of IBNR and premium deficiency reserve 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.

36.1.5 Sensitivities

As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below:

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	Effect of 10% increase in claims		Effect of 10% decrease in claims	
	Total comprehensive	Equity	Total comprehensive income	Equity
	(Rupees in '000)			
Fire and property damage	(1,613)	(1,613)	1,613	1,613
Marine, aviation and transport	(5,829)	(5,829)	5,829	5,829
Motor	(48,324)	(48,324)	48,324	48,324
Health	(23,921)	(23,921)	23,921	23,921
Miscellaneous	(5,760)	(5,760)	5,760	5,760
Window Takaful Operations	(14,637)	(14,637)	14,637	14,637
	<u>(100,084)</u>	<u>(100,084)</u>	<u>100,084</u>	<u>100,084</u>

36.1.6 Statement of age-wise breakup of unclaimed insurance benefits

Particulars	Total amount	Age-wise breakup				
		1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months
		(Rupees in '000)				
Claims not encashed	<u>25,772</u>	<u>3,121</u>	<u>3,295</u>	<u>3,131</u>	<u>2,721</u>	<u>13,504</u>

36.2 Financial risk

(i) 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 market prices.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest / mark-up rate risk in respect of the following:

2019							
Interest rates	Interest / mark-up bearing			Non-Interest / mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	

(Rupees in '000)

Financial assets

Cash and bank	11.25% to 12.5%	117,998	-	117,998	15,112	-	15,112	133,110
Investments	7.32%-10.31%	446,935	1,940,683	2,387,618	763,858	-	763,858	3,151,476
Insurance / reinsurance receivables		-	-	-	1,424,867	-	1,424,867	1,424,867
Reinsurance recoveries against outstanding claims		-	-	-	1,012,984	-	1,012,984	1,012,984
Loans and other receivables		-	-	-	331,949	-	331,949	331,949
Salvage recoveries accrued		-	-	-	59,885	-	59,885	59,885
Window Takaful Operations - total assets		-	-	-	223,803	-	223,803	223,803
		<u>564,933</u>	<u>1,940,683</u>	<u>2,505,616</u>	<u>3,832,458</u>	<u>-</u>	<u>3,832,458</u>	<u>6,338,074</u>

Financial liabilities

Provision for outstanding claims [including IBNR]		-	-	-	1,512,227	-	1,512,227	1,512,227
Insurance / reinsurance payables		-	-	-	1,299,750	-	1,299,750	1,299,750
Other creditors and accruals		-	-	-	741,761	-	741,761	741,761
Borrowings	4.45% - 7.16%	50,597	126,922	177,519	-	-	-	177,519
Window Takaful Operations - total liabilities		-	-	-	83,218	-	83,218	83,218
		<u>50,597</u>	<u>126,922</u>	<u>177,519</u>	<u>3,636,956</u>	<u>-</u>	<u>3,636,956</u>	<u>3,814,475</u>

	<u>514,336</u>	<u>1,813,761</u>	<u>2,328,097</u>	<u>195,502</u>	<u>-</u>	<u>195,502</u>	<u>2,523,599</u>
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2018							
Interest Rates	Interest / mark-up bearing			Non-interest / mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	

(Rupees in '000)

Financial assets

Cash and bank	6.5% - 10%	472,992	-	472,992	3,929	-	3,929	476,921
Investments	7.32%-10.31%	1,150,446	388,870	1,539,316	1,025,647	-	1,025,647	2,564,963
Premium due but unpaid		-	-	-	-	-	-	-
Insurance / reinsurance receivables		-	-	-	1,101,170	-	1,101,170	1,101,170
Reinsurance recoveries against outstanding claims		-	-	-	854,041	-	854,041	854,041
Loans and other receivables		-	-	-	251,542	-	251,542	251,542
Salvage recoveries accrued		-	-	-	46,148	-	46,148	46,148
Window Takaful Operations - total assets		-	-	-	125,207	-	125,207	125,207
		1,623,438	388,870	2,012,308	3,407,684	-	3,407,684	5,419,992

Financial liabilities

Provision for outstanding claims [including IBNR]		-	-	-	1,314,812	-	1,314,812	1,314,812
Amounts due to other insurers / reinsurers		-	-	-	703,314	-	703,314	703,314
Other creditors and accruals		-	-	-	702,778	-	702,778	702,778
Borrowings	4.45% - 7.16%	24,265	94,616	118,881	-	-	-	118,881
Window Takaful Operations - total liabilities		-	-	-	49,301	-	49,301	49,301
		24,265	94,616	118,881	2,770,205	-	2,770,205	2,889,086

		1,599,173	294,254	1,893,427	637,479	-	637,479	2,530,906
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Sensitivity analysis

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. Borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes. The table below summarises Company's interest rate risk as of December 31, 2019 and 2018 and shows the effects of a hypothetical 1% increase and a 1% decrease in interest rates as at the year end.

	Profit and Loss	
	Increase	Decrease
	(Rupees in '000)	
2019		
Cash flow sensitivity - Variable rate financial liabilities	(1,775)	1,775
Cash flow sensitivity - Variable rate financial assets	881	(881)
2018		
Cash flow sensitivity - Variable rate financial liabilities	(1,189)	1,189
Cash flow sensitivity - Variable rate financial assets	454	(454)

(b) Foreign currency risk

Currency risk is the risk that the value of a financial asset or liability will fluctuate due to changes in foreign currency rates. Foreign exchange risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As of the reporting date, the Company does not have material assets or liabilities which are exposed to foreign currency risk.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. To guard against the risk, the Company maintains balance of cash and other equivalents and readily marketable securities. The maturity profile of assets and liabilities are also monitored to ensure adequate liquidity is maintained.

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Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date on an undiscounted cash flow basis.

	2019			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	(Rupees in '000)			
Provision for outstanding claims [including IBNR]	1,512,227	1,512,227	1,512,227	-
Amounts due to other insurers / reinsurers	1,299,750	1,299,750	1,299,750	-
Other creditors and accruals	741,761	741,761	741,761	-
Borrowings	177,519	177,519	50,597	126,922
Window Takaful Operations - total liabilities	83,218	83,218	83,218	-
	<u>3,814,475</u>	<u>3,814,475</u>	<u>3,687,553</u>	<u>126,922</u>

	2018			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	(Rupees in '000)			
Provision for outstanding claims [including IBNR]	1,314,812	1,314,812	1,314,812	-
Amounts due to other insurers / reinsurers	703,314	703,314	703,314	-
Other creditors and accruals	702,778	702,778	702,778	-
Borrowings	118,881	118,881	24,265	94,616
Window Takaful Operations - total liabilities	49,301	49,301	49,301	-
	<u>2,889,086</u>	<u>2,889,086</u>	<u>2,794,470</u>	<u>94,616</u>

36.3 Credit risk

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

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

	2019	2018
	(Rupees in '000)	
Investments		
- Equity	497,577	225,821
- Government securities	2,159,874	1,814,142
- Debt securities	194,025	-
- Term deposits	300,000	525,000
- Loans and other receivables	331,949	251,542
Insurance / reinsurance receivables		
- Insurance / reinsurance receivables	1,424,867	1,101,170
- Reinsurance recoveries against outstanding claims	1,012,984	854,041
- Salvage recoveries accrued	59,885	46,148
- Cash and bank	133,110	477,161
- Window Takaful Accounts - total assets	<u>223,803</u>	<u>125,207</u>
	<u>6,338,074</u>	<u>5,420,232</u>

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The Company did not hold any collateral against the above during the year. The management continuously monitors the credit exposure towards the policyholders and other insurers / reinsurers and makes provision against those balances considered doubtful of recovery. The movement in the provision for doubtful debt account is shown in notes 13.3 and 13.4. The remaining past due balances were not impaired as they relate to a number of policy holders and other insurers / reinsurers for whom there is no recent history of default.

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

	Rating Agency	Rating	
		Short Term	Long Term
Bank deposits and term deposit receipts			
Faysal Bank	PACRA	A1+	AA
JS Bank	PACRA	A1+	AA-
Standard Chartered Bank	PACRA	A1+	AA-
Bank Al-Habib	PACRA	A1+	AA+
MCB Bank Limited	PACRA	A1+	AAA
Habib Metropolitan Bank	PACRA	A1+	AA+
Bank of Punjab	PACRA	A1+	AA
Soneri Bank	PACRA	A1+	AA-
United Bank Limited	VIS	A1+	AAA
Bank Islami	PACRA	A1	A+
National Bank of Pakistan	PACRA	A1+	AAA
Samba Bank Limited	VIS	A1	AA
Moblink MicroFinance Bank Limited	PACRA	A1	A
Khushali Micro Finance Bank Limited	VIS	A1	A+
Telenor Micro Finance Bank	PACRA	A1	A+
Finca Microfinance Bank	PACRA	A1	A
Nrsp Microfinance Bank Limited	PACRA	A1	A
Habib Bank Ltd	VIS	A1+	AAA
Summit Bank Limited	VIS	A-3	BBB-
U Micro Finance Bank Limited	VIS	A1	A

The age analysis of premiums due but unpaid and amounts due from other insurers / reinsurers is as follows:

	2019	2018
	(Rupees in '000)	
Upto 1 year	1,174,179	1,004,389
1-2 years	189,434	64,603
2-3 years	58,699	51,439
Over 3 years	187,377	142,500
	<u>1,609,689</u>	<u>1,262,931</u>
Window Takaful Operations		
Upto 1 year	141,336	60,720
Upto 1 - 2 years	9,740	2,030
	<u>151,076</u>	<u>62,750</u>

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial assets subject to credit risk is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

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	2019	2018
	----- (Rupees in '000) -----	
Sector wise analysis of premiums due but unpaid		
Foods and beverages	25,228	37,198
Financial services	115,707	71,291
Pharmaceuticals	76,227	30,105
Textile and composites	155,041	93,740
Plastic industries	285	-
Engineering	62,642	48,361
Other manufacturing	159,168	37,105
Miscellaneous	241,854	340,266
	<u>836,152</u>	<u>658,066</u>

Window Takaful Operations

Textile	6,577	8,368
Financial services	4,780	205
Engineering	14,106	97
Pharmaceuticals	500	737
Food	11,965	7,404
Other manufacturing	2,961	70
Others	33,633	13,293
	<u>74,522</u>	<u>30,174</u>

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

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	2019	2018
	(Rupees in '000)				
A- or above (including PRCL)	637,867	835,318	794,259	2,267,444	1,509,985
BBB and B+	31,501	41,252	39,224	111,977	168,017
Others	104,169	136,414	138,891	379,474	394,079
Total	<u>773,537</u>	<u>1,012,984</u>	<u>972,374</u>	<u>2,758,895</u>	<u>2,072,081</u>

	Amount due from re-takaful operators	Re-takaful recoveries against outstanding claims	Prepaid re-takaful contribution ceded	2019	2018
	(Rupees in '000)				
A or above	13,763	34,777	35,993	84,533	70,762
BBB	166	419	440	1,025	1,667
Others	122	(6,665)	323	(6,220)	1,543
	<u>14,051</u>	<u>28,531</u>	<u>36,756</u>	<u>79,338</u>	<u>73,972</u>

36.4 Capital management

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

The Company currently meets the paid up capital requirement as required by Securities and Exchange Commission of Pakistan.

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37 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets and financial liabilities

Financial assets

Loans and receivables

Cash and bank	133,110	477,161
Investments-term deposits	300,000	525,000
Insurance / reinsurance receivables	1,424,867	1,101,170
Reinsurance recoveries against outstanding claims	1,012,984	854,041
Loans and other receivables	331,949	251,542
Salvage recoveries accrued	59,885	46,148
Window takaful operations - total assets	223,803	125,207
	3,486,598	3,380,269

Investments - held to maturity

Government securities	322,219	320,665
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Investments - fair value through profit or loss

Equity securities	497,577	225,821
Commercial paper and term finance certificate	194,025	-
Government securities	1,837,655	1,493,477
	2,529,257	1,719,298

Financial liabilities

Amortised cost

Provision for outstanding claims [including IBNR]	1,512,227	1,314,812
Amounts due to other insurers / reinsurers	1,299,750	703,314
Other creditors and accruals	741,761	702,778
Borrowings	177,519	118,881
Window Takaful Operations - total liabilities	83,218	49,301
	3,814,475	2,889,086

38 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Company has no items to report in this level.

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The Company held the following financial instruments measured at fair value:

2019			
Level 1	Level 2	Level 3	
Rupees in '000			
Financial assets - measured at fair value			
Fair value through profit or loss			
Mutual funds	-	497,577	-
Commercial paper and term finance certificate	-	194,025	-
Government securities	-	1,837,655	-
Non - financial assets - measured at fair value			
Property and equipment (Building)	-	-	552,475
Investment properties	-	-	376,995

2018			
Level 1	Level 2	Level 3	
Rupees in '000			
Financial assets - measured at fair value			
Fair value through profit or loss			
Mutual funds	-	225,821	-
Government securities	-	1,493,477	-
Non - financial assets - measured at fair value			
Investment properties	-	-	356,950

Buildings and investment properties are carried at revalued amounts (level 3 measurement) determined by a professional valuer based on their assessment of the market values as disclosed in notes 5 and 7 to these financial statements. The valuation experts use a market based approach to arrive at the fair value of the Company's properties. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a quantitative disclosure of sensitivity has not been presented in these financial statements.

The carrying amounts of all other financial assets and liabilities reflected in these financial statements approximate their fair values.

39 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Company on 05 MAR 2020.

40 EVENTS AFTER REPORTING DATE

The Board of Directors has proposed a final dividend for the year ended December 31, 2019 of Re. 0.782 per share, amounting to Rs 150 million in its meeting held on March 5, 2020. The effect of this distribution will be incorporated in the financial statements of the Company for the year ending December 31, 2020.

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Figures in these financial statements have been rounded off to the nearest thousand of rupees.

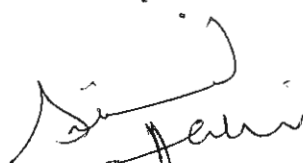
AHCO



Chairman



Director



Director



Chief Executive Officer

**IGI GENERAL INSURANCE LIMITED
WINDOW TAKAFUL OPERATIONS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**



INDEPENDENT AUDITOR'S REPORT

To the members of IGI General Insurance Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **IGI General Insurance Limited – Window Takaful Operations** ("the Operator"), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, the statement of changes in funds and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of comprehensive income, the statement of changes in funds and the cash flow statement together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Operator's affairs as at December 31, 2019 and of the total comprehensive income, the changes in funds and its cash flows for the year then ended.

Basis for Opinion

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

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

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

A.F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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In preparing the financial statements, management is responsible for assessing the Operator's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Operator or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Operator's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Operator as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);

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- b) the statement of financial position, the statement of comprehensive income, the statement of changes in funds and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Operator's business; and;
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Noman Abbas Sheikh**.

A handwritten signature in blue ink that reads 'A.F. Ferguson & Co.'.

A.F. Ferguson & Co.

Chartered Accountants

Karachi

Dated: March 19, 2020

IGI GENERAL INSURANCE LIMITED
WINDOW TAKAFUL OPERATIONS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

Note	2019			2018		
	Operator Fund	Participants' Takaful Fund	Aggregate	Operator Fund	Participants' Takaful Fund	Aggregate
(Rupees in '000)						
5	72	-	72	21	-	21
6	44	44	88	40	40	80
7	20,500	189,375	209,875	46,000	60,500	106,500
8	8,015	86,775	94,790	8,667	78,832	87,499
9	-	151,076	151,076	-	62,750	62,750
20	-	42,468	42,468	-	21,919	21,919
10	187,605	286	187,891	73,181	144	73,325
	437	4,574	5,011	283	431	714
	-	2,611	2,611	-	320	320
18	-	28,531	28,531	-	15,641	15,641
19	15,519	-	15,519	7,976	-	7,976
11	150	36,756	36,906	225	25,755	25,980
12	15,217	90,540	105,757	5,703	46,473	52,176
	247,559	633,036	880,595	142,096	312,805	454,901

Funds and liabilities

Funds attributable to Operator and Participants

Operator's Fund (OPF)

Statutory fund	50,000	-	50,000	50,000	-	50,000
Accumulated profit	71,418	-	71,418	21,137	-	21,137
	121,418	-	121,418	71,137	-	71,137

Waqf / Participants' Takaful Fund (PTF)

Ceded money	-	500	500	-	500	500
Accumulated deficit	-	(21,729)	(21,729)	-	(14,192)	(14,192)
Balance of PTF	-	(21,229)	(21,229)	-	(13,692)	(13,692)

Qard-e-Hasan	10.1	-	60,000	60,000	-	28,000	28,000
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Liabilities

PTF Underwriting Provisions

Outstanding claims including IBNR	18	-	112,475	112,475	-	52,075	52,075
Unearned contribution reserve	17	-	141,879	141,879	-	70,587	70,587
Contribution deficiency reserve		-	9,719	9,719	-	3,954	3,954
Unearned retakaful reward	21	-	8,942	8,942	-	5,460	5,460
Unearned wakala fee	20	42,468	-	42,468	21,919	-	21,919
Contribution received in advance		-	378	378	-	378	378
Takaful / retakaful payables	13	4,604	128,817	133,421	2,278	66,077	68,355
Other creditors and accruals	14	45,443	62,759	108,202	17,886	53,869	71,755
Accrued expenses		1,340	1,691	3,031	732	916	1,648
Payable to OPF / PTF	15	32,286	127,605	159,891	28,144	45,181	73,325
		126,141	594,265	720,406	70,959	298,497	369,456

Total equity and liabilities		247,559	633,036	880,595	142,096	312,805	454,901
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Contingencies and commitments

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The annexed notes 1 to 37 form an integral part of these financial statements.

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Chairman



Director



Director



Chief Executive Officer

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IGI GENERAL INSURANCE LIMITED
WINDOW TAKAFUL OPERATIONS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019 ------(Rupees in '000)-----	2018 ------(Rupees in '000)-----
<u>Participants' Takaful Fund</u>			
Net contribution revenue	17	172,429	51,355
Retakaful rebate earned	21	18,497	10,019
Net underwriting income		<u>190,926</u>	<u>61,374</u>
Net claims - reported / settled	18	(206,154)	(76,313)
Charge of contribution deficiency reserve		(5,765)	(3,954)
		<u>(211,919)</u>	<u>(80,267)</u>
Direct expenses	22	(6,982)	(1,764)
Underwriting result		<u>(27,975)</u>	<u>(20,657)</u>
Investment income	24	16,026	1,101
Profit on bank deposits		9,522	2,527
Less: Modarib's share of investment income	25	(5,110)	(907)
Deficit for the year		<u>(7,537)</u>	<u>(17,936)</u>
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		<u><u>(7,537)</u></u>	<u><u>(17,936)</u></u>
<u>Operators' Fund</u>			
Wakalah fee	20	108,841	44,193
Commission expense	19	(35,730)	(14,894)
General administration and management expenses	23	(10,870)	(8,375)
		<u>62,241</u>	<u>20,924</u>
Modarib's share of PTF investment income	25	5,110	907
Profit on bank deposits		1,069	399
Investment income	24	3,027	2,030
Other charges	26	(629)	(583)
Profit before tax		<u>70,818</u>	<u>23,677</u>
Taxation	27	(20,537)	-
Profit after tax		<u>50,281</u>	<u>23,677</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u><u>50,281</u></u>	<u><u>23,677</u></u>

The annexed notes 1 to 37 form an integral part of these financial statements.

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Chairman

Director

Director

Chief Executive Officer

IGI GENERAL INSURANCE LIMITED
WINDOW TAKAFUL OPERATIONS
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Operator's Fund		
	Statutory fund	Accumulated (deficit) / profit	Total
	(Rupees in '000)		
Balance as at January 1, 2018	50,000	(2,540)	47,460
Profit for the year	-	23,677	23,677
Other comprehensive income for the year	-	-	-
Balance as at December 31, 2018	50,000	21,137	71,137
Profit for the year	-	50,281	50,281
Other comprehensive income for the year	-	-	-
Balance as at December 31, 2019	50,000	71,418	121,418

	Participants' Takaful Fund		
	Ceded money	Accumulated deficit	Total
	(Rupees in '000)		
Balance as at January 1, 2018	500	3,744	4,244
Deficit for the year	-	(17,936)	(17,936)
Other comprehensive income for the year	-	-	-
Balance as at December 31, 2018	500	(14,192)	(13,692)
Deficit for the year	-	(7,537)	(7,537)
Other comprehensive income for the year	-	-	-
Balance as at December 31, 2019	500	(21,729)	(21,229)

The annexed notes 1 to 37 form an integral part of these financial statements.

Chairman

Director

Director

Chief Executive Officer

IGI GENERAL INSURANCE LIMITED
WINDOW TAKAFUL OPERATIONS
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2019

Note	2019			2018
	Operator's Fund	Participants' Takaful Fund	Aggregate	Aggregate
(Rupees in '000)				

OPERATING CASH FLOWS

Takaful activities

Contributions received	-	391,087	391,087	171,162
Retakaful contribution paid	-	(75,112)	(75,112)	(40,768)
Claims paid	-	(171,868)	(171,868)	(44,276)
Re-takaful and other recoveries received	-	13,224	13,224	571
Retakaful reward received	-	21,979	21,979	13,137
Commission paid	(34,237)	-	(34,237)	(11,911)
Wakalah fee received	51,892	-	51,892	28,043
Wakalah fee paid	-	(51,892)	(51,892)	(28,043)
Other takaful (payments) / receipts	-	(1,586)	(1,586)	3,146
Net cash inflow from takaful activities	17,655	125,832	143,487	91,061

Other operating activities

Income tax paid	261	(2,291)	(2,030)	(536)
General and other expenses paid	(9,762)	-	(9,762)	(15,266)
Net cash outflow from other operating activities	(9,501)	(2,291)	(11,792)	(15,802)

Total cash inflow from all operating activities

8,154	123,541	131,695	75,259
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INVESTING ACTIVITIES

Profit received	3,938	21,401	25,339	4,436
Fixed capital expenditure	(78)	-	(78)	-
Qard-e-Hasan paid to PTF	(28,000)	-	(28,000)	-
Payment for investments	-	(121,375)	(121,375)	(80)
Total cash (outflow on) / inflow from investing activities	(24,140)	(99,974)	(124,114)	4,356

FINANCING ACTIVITIES

Qard-e-Hasan received from OPF	-	28,000	28,000	-
Total cash inflow from financing activities	-	28,000	28,000	-

Net cash (outflow on) / inflow from all activities	(15,986)	51,567	35,581	79,615
Cash and cash equivalents at beginning of the year	51,703	106,973	158,676	79,061

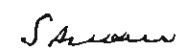
Cash and cash equivalents at end of the year	35,717	158,540	194,257	158,676
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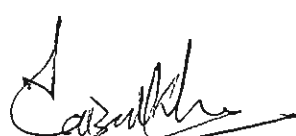
Reconciliation to statement of comprehensive income

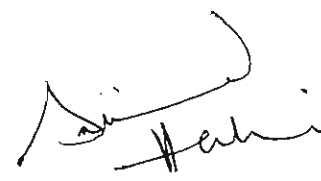
Operating cash flows	8,154	123,541	131,695	75,259
Depreciation expenses	(27)	-	(27)	(25)
Return on bank balances and investment	3,942	21,405	25,347	4,436
Increase in liabilities	(54,921)	(295,768)	(350,689)	(315,792)
Increase in assets other than cash	93,133	143,285	236,418	241,863
Profit / (deficit) for the year	50,281	(7,537)	42,744	5,741


The annexed notes 1 to 37 form an integral part of these financial statements.

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Chairman


Director


Director


Chief Executive Officer

1 LEGAL STATUS AND NATURE OF BUSINESS

IGI General Insurance Limited ("the Operator"), a Packages Group Company, was incorporated as a public limited company on November 18, 2016 under the Companies Ordinance, 1984 (now the Companies Act, 2017). The registered office of the Operator is situated at 7th floor, The Forum, Suite No. 701-713, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi. The objects of the Operator include providing general insurance services (in spheres of Fire, Marine, Motor, Health and Miscellaneous) and general takaful services.

The Operator was granted authorisation on June 20, 2017 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations ("WTO") by the Securities and Exchange Commission of Pakistan ("SECP") under Takaful Rules, 2012 to carry on general takaful in Pakistan.

The Operator transferred statutory fund of Rs. 50 million in a separate bank account for the Window Takaful Operations as per the requirement of circular 8 of 2014. The Operator has formed a Waqf for Participants' Fund by executing the Waqf deed dated February 27, 2017 and deposited a cede money of Rs. 0.5 million. The cede money is required to be invested in Shari'ah compliant remunerative instrument which may be used to acquire immovable Waqf property if Shari'ah and law so warrants. Waqf Deed governs the relationship of Operator and participants for management of takaful operations, investments of participants' funds and investments of the Operator's funds approved by the Shariah advisor of the Operator. The Operator commenced activities of WTO on July 1, 2017.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan, as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017, Insurance Ordinance, 2000, Insurance Rules 2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012.

In case requirements differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and the Takaful Rules, 2012 shall prevail.

2.1.2 These financial statements reflect the financial position and results of operations of both the Operator's Fund (OPF) and Participants' Takaful Fund (PTF) in a manner that the assets, liabilities, income and expenses of the Operator and PTF remain separately identifiable.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for investments in mutual funds which are carried at fair value.

2.3 Functional and presentation currency

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

2.4 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current year:

IFRS 9 'Financial Instruments' and amendment (effective for period ending on or after June 30, 2019). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries the guidance on recognition and derecognition of financial instruments from IAS 39.

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Further, IFRS 4 provides two alternative options in relation to application of IFRS 9 for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from the effective date to remove from the profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The Operator has adopted the temporary exemption which allows the operator to defer the application of IFRS 9 until December 31, 2021. For the companies adopting the temporary exemption, the IFRS 4 requires certain disclosures which have been disclosed as follows:

2.4.1 Temporary exemption from application of IFRS 9

As part of an insurance company, the management has opted temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Additional disclosures, as required by the IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 are given in note 2.4.2.

2.4.2 Fair value of financial assets as at December 31, 2019 and change in the fair values during the year ended December 31, 2019

	OPF	PTF
	----- (Rupees in '000) -----	
Financial assets that do not meet the SPPI criteria		
Mutual funds		
Opening fair value	40	40
Increase / (decrease) in fair value	4	4
Closing fair value	44	44

There are certain amendments to the standards and new interpretations that are mandatory for the Operator's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Operator's operations and are therefore not stated in these financial statements.

2.5 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective:

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

	Effective date (accounting periods beginning on or after)
- IAS 1 - 'Presentation of financial statements' (amendments)	January 01, 2020
- IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendments)	January 01, 2020

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

There are certain other new and amended standards and interpretations that are mandatory for the Operator's accounting periods beginning on or after January 1, 2020 but are not considered to be relevant or will not have any significant effect on the Operator's operations and, therefore, not detailed in these financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property and equipment

Tangible

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

Depreciation on all fixed assets is charged to statement of comprehensive income on the straight line method so as to write-off depreciable amount of an asset over its useful life. Depreciation on additions to fixed assets is charged from the month in which an asset is acquired or capitalised, while no depreciation is charged for the month in which the asset is disposed of.

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The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted, if impact on depreciation is significant. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Operator and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of comprehensive income in the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

3.2 Takaful contracts

The takaful contracts are based on the principles of wakala. The takaful contracts so agreed usually inspire concept of tabarru (to donate for benefit of others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty.

Contracts under which the Participants' Takaful Fund (PTF) accepts significant takaful risk from another party (the participant) by agreeing to compensate the participant if a specified uncertain future event (the takaful event) adversely affects the participant are classified as takaful contracts. Takaful risk is significant if a takaful event could cause the PTF to pay significant benefits due to the happening of the takaful event compared to its non-happening. Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its lifetime, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

The PTF underwrites non-life takaful contracts that can be categorised into following main categories:

3.2.1 Fire and property

Fire and property takaful contracts mainly compensate the participants for damage suffered to their properties or for the value of property lost. Participants who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the takaful covered properties in their business activities. These contracts are generally one year contracts except some contracts that are of three months period.

3.2.2 Marine, aviation and transport

Marine takaful 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. These contracts are generally for three months period.

3.2.3 Motor

Motor takaful provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident. These contracts are generally one year contracts.

3.2.4 Health

Health takaful provides coverage against expenses incurred during the hospitalisation due to sickness, emergency and accidents. These contracts are generally one year contracts.

3.2.5 Miscellaneous

All other various types of Takaful contracts are classified in miscellaneous category. These contracts are normally one year contracts except some engineering contracts that are of more than one year period. Whereas, normally travel contracts expire within one month time.

3.3 Deferred Commission expense

Commission incurred in obtaining and recording takaful are deferred and recognised as an asset. These costs are charged to the statement of comprehensive income based on the pattern of recognition of contribution revenue.

3.4 Reserve for unearned contribution

Contribution written under a policy is recognised as income over the period of takaful from the date of issuance of the policy to which it relates to its expiry. Where the pattern of incidence of risk varies over the period of the policy, contribution is recognised as revenue in PTF in accordance with the pattern of the incidence of risk. The portion of contribution written relating to the unexpired period of coverage is recognised as unearned contribution by the PTF. This liability is calculated by applying 1/24 method as specified in the Insurance Accounting Regulations, 2017.

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3.5 Re-takaful ceded

These are contracts entered into by the Operator with re-takaful operators for compensation of losses suffered on Takaful contracts issued. These re-takaful contracts include both facultative and treaty arrangement contracts and are classified in same categories of Takaful contracts for the purpose of these financial statements. The Operator recognises the entitled benefits under the contracts as various re-takaful assets.

The deferred portion of re-takaful contribution is recognised as a prepayment in PTF. The deferred portion of re-takaful contribution ceded is calculated by using 1/24 method.

3.6 Claims expense

General takaful claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

The Operator recognises liability in respect of all claims incurred upto the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an takaful contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

The provision for Incurred But Not Reported (IBNR) claims is determined by the Operator as required under circular No. 9 of 2016 issued by the SECP. As per the SECP circular No. 9 of 2016 an Operator shall estimate IBNR claims reserve based on the prescribed method provided in the guidelines. Guidelines also allows the use of any other alternative method of determining IBNR, if found more suitable for the risk class, provided that the amount estimated under the alternative method shall not be less than the amount calculated under prescribed method. The prescribed method for estimating IBNR claim reserve is the chain ladder method based on paid claims hereinafter called 'Incurred But Not Paid' or 'IBNP'. The Basic Chain Ladder (BCL) method uses a run off triangle to estimate the development factors for each accident period which are further used to estimate the ultimate paid claims. Data from settlement registers is used in the BCL models. Lags are determined to be the difference between the 'date of loss' and 'date of claim payment'. Monthly lags are used since it reflects the claim development pattern within a given year and the back testing supports the same. Once IBNP has been determined using BCL, the outstanding claims are deducted to arrive at IBNR on paid basis.

Under alternative method IBNR is determined on reported basis. IBNR (reported basis) is much similar to IBNR (paid basis) but is calculated using a different methodology. It does not use either IBNP or outstanding claims to estimate IBNR rather, is determined using BCL method. Development factors are determined for each accident period to estimate the ultimately reported claims directly. Intimation registers are used in the BCL model where lags are calculated as the difference between the 'date of loss' and 'date of intimation'.

The analysis is carried out separately for each class of business and results determined through this alternative method are compared to the results of prescribed method and higher of the two are set as the final reserve.

3.7 Re-takaful recoveries against claims

Re-takaful recoveries against outstanding claims is recognised as an asset and measured at the amount expected to be received.

3.8 Commission, other acquisition costs and re-takaful reward

Commission expense and other acquisition costs are charged to the OPF at the time the policies are accepted. Re-takaful reward from re-takaful operator is recognised at the time of issuance of the underlying takaful policy by the PTF. This income is deferred and brought to statement of comprehensive income as revenue in accordance with the pattern of recognition of the re-takaful contribution to which it relates. Retakaful reward from re-takaful operator is arrived at after taking the impact of opening and closing unearned re-takaful reward. Profit on re-takaful contracts, if any, which the PTF may be entitled to under the terms of re-takaful, is recognised on accrual basis.

3.9 Contribution deficiency reserve

The Operator is required as per the Insurance Accounting Regulations, 2017, to maintain a provision in respect of contribution deficiency for the class of business where the unearned contribution reserve is not adequate to meet the expected future liability, after re-takaful from claims, and other supplementary expenses expected to be incurred after the reporting date in respect of the unexpired takaful contracts in that class of business at the reporting date. The movement in the contribution deficiency reserve is recorded as an expense in the statement of comprehensive income.

The Company has recorded contribution deficiency reserve on the recommendation of actuary for fire and property damage, marine, health and miscellaneous business.

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3.10 Takaful surplus

Takaful surplus attributable to the participants is calculated after charging all direct cost and setting aside various reserves. Allocation to participants, if applicable, is made after adjustment of claims paid to them during the year.

3.11 Wakalah fee

The Operator of Window Takaful manages the general takaful operations for the participants and charge wakala fee to PTF to meet the general and administrative expenses of the Operator including commissions to agents at following rates:

Class	Percentage	
	2019	2018
Fire and property	30.0%	33.5%
Marine, aviation and transport	35.0%	35.0%
Motor	30.0%	30.0%
Health	25.0%	27.5%
Miscellaneous	25.0%	27.5%

The deferred portion of wakala fee is recognised as a prepayment in PTF and unearned wakala fee in OPF. The deferred portion of wakalah fee is calculated by using 1/24 method.

3.12 Mudarib's share - PTF

The Operator also manages the participants' investment as Mudarib and charges 20% (2018: 25%) of the investment income earned by the PTF as Mudarib's share. It is recognised on the same basis on which related revenue is recognised.

3.13 Qard-e-Hasan

If there is a deficit of admissible assets over liabilities in PTF, the Operator provides interest free loan 'Qard-e-Hasan' to PTF from OPF so that PTF may become solvent as per Takaful Rules, 2012.

Qard-e-Hasan from PTF can be recovered by the Operator over any period of time without charging any profit.

3.14 Creditors, accruals and provisions

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

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

3.15 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Operator's profit and loss account, except to the extent that it relates to items recognised directly in equity or in the statement of comprehensive income, in which case it is recognised in equity or in the statement of comprehensive income respectively.

Current tax

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 include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalised during the current period for such years.

Deferred tax

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

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

3.16 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, deposits with banks, stamps in hand and short term finances.

3.17 Investments

3.17.1 The Operator invests in Shariah compliant financial instruments only. All investments are initially recognised at cost, being the fair value of the consideration given and include transaction cost, except for investments classified as fair value through profit or loss in which case transaction costs are charged to the statement of comprehensive income. These are classified into the following categories:

- Fair value through profit or loss
- Held to maturity
- Available for sale

3.17.2 Investments at fair value through profit or loss

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

Subsequent to initial recognition these are measured at fair value by reference to quoted market prices with the resulting gain or loss being included in net profit or loss for the period in which it arises.

3.17.3 Held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost. At subsequent reporting dates, these are measured at amortised cost using the effective yield method.

Any premium paid or discount availed on acquisition of held to maturity investments is deferred and amortised over the term of the investment using the effective yield.

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 statement of comprehensive income account over the term of the investment.

3.17.4 Available for sale

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity. It also includes investments in associated undertakings where the Operator does not have significant influence. The Operator follows trade date accounting for 'regular way purchase and sales' of investments.

Subsequent to initial recognition, these are stated at market value. The Operator uses stock exchange quotation at the reporting date to determine the market value of its quoted investments.

Dividend income and entitlement of bonus shares are recognised when the Operator's right to receive such dividend and bonus shares is established.

Gains / (losses) on sale of available for sale investments are recognised in statement of comprehensive income.

3.17.5 Other receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition these are measured at amortised cost.

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3.17.6 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 Operator commits to purchase or sell the investment.

3.17.7 Sale and repurchase agreements

Securities purchased under an agreement to resell (reverse repo) are not recognised in the financial statements as investments and the amount extended to the counter party is included in other receivables. The difference between the sale and repurchase price is recognised as income and included in other income.

3.18 Offsetting of financial assets and financial liabilities

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

3.19 Segment reporting

A business segment is a distinguishable component of the Operator that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Operator accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017. The reported operating segments are also consistent with the internal reporting provided to Board of Directors who are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

The Operator has five primary business segments for reporting purposes namely fire, marine, motor, health and miscellaneous.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them. Those assets and liabilities which can not be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

3.20 Impairment

The carrying values of the Operator's non-financial assets are reviewed at each financial year end for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The resulting impairment loss is taken to the statement of comprehensive income.

3.21 Foreign currency transactions and translations

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

3.22 Expenses of management

Expenses allocated to the takaful business represent directly attributable expenses. Expenses not directly allocable to takaful business are charged to OPF and allocated on the basis of gross contribution written during the year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates, judgments and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying the Operator's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances.

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The areas where various assumptions and estimates are significant to the Operator's financial statements are as follows:

- i) classification of takaful contracts (note 3.2);
- ii) provision for unearned contribution (notes 3.4 and 17);
- iii) provision for contribution due but unpaid and amount due from other takaful / re-takaful operators (notes 3.4 and 9);
- iv) contribution deficiency reserve (note 3.9);
- v) provision for unearned wakala fee (notes 3.11 and 20);
- vi) classification of investments (notes 3.17, 6 and 7);
- vii) residual values and useful lives of property and equipment (notes 3.1 and 5);
- viii) allocation of management expenses (notes 3.22, 22 and 23);
- ix) taxation (notes 3.15 and 14.1).

	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
5 PROPERTY AND EQUIPMENT			
Operating assets	5.1	<u>72</u>	<u>21</u>

5.1 Following is the movement of operating assets:

OPF							
2019							
Cost			Accumulated Depreciation			Written down value as at December 31	Depreciation rate (% per annum)
As at January 1	Additions / (disposals)	As at December 31	As at January 1	For the year / (disposals)	As at December 31		
(Rupees in '000)							

Computer equipment	55	78	133	34	27	61	72	33.33%
--------------------	----	----	-----	----	----	----	----	--------

OPF							
2018							
Cost			Accumulated Depreciation			Written down value as at December 31	Depreciation rate (% per annum)
As at January 1	Additions / (disposals)	As at December 31	As at January 1	For the year / (disposals)	As at December 31		
(Rupees in '000)							

Computer equipment	55	-	55	9	25	34	21	33.33%
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6 INVESTMENTS IN EQUITY SECURITIES - MUTUAL FUNDS

2019				2018			
Cost	Impair- ment / provision	Net fair value gains (note 31)	Market value	Cost	Impair- ment / provision	Net fair value gains (note 31)	Market value
(Rupees in '000)				(Rupees in '000)			

OPF

At fair value through profit or loss

Alfalah GHP Islamic Income B Growth Units	10	-	1	11	10	-	-	10
Al-Ameen Islamic Cash Fund	10	-	1	11	10	-	-	10
HBL Islamic Money Market Fund	10	-	1	11	10	-	-	10
MCB Al- Hamra Islamic Fund	10	-	1	11	10	-	-	10
	40	-	4	44	40	-	-	40

PTF

At fair value through profit or loss

Alfalah GHP Islamic Income B Growth Units	10	-	1	11	10	-	-	10
Al-Ameen Islamic Cash Fund	10	-	1	11	10	-	-	10
HBL Islamic Money Market Fund	10	-	1	11	10	-	-	10
MCB Al- Hamra Islamic Fund	10	-	1	11	10	-	-	10
	40	-	4	44	40	-	-	40

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7	INVESTMENTS IN TERM DEPOSITS	OPF		PTF	
		2019	2018	2019	2018
		----- (Rupees in '000) -----		----- (Rupees in '000) -----	
	Held to maturity				
	Term deposits	20,500	46,000	189,375	60,500

- 7.1 These term deposits carry expected profit at the rate of 12% to 13.5% (2018: 10%) per annum and are due to mature in June 2020.

8	OTHER RECEIVABLES (INCLUDING QARD-E-HASAN)	Note	OPF		PTF	
			2019	2018	2019	2018
			----- (Rupees in '000) -----		----- (Rupees in '000) -----	
	Receivable from IGI General Insurance Limited (operator)		-	771	-	-
	Qard-e-hasan from Operator's Fund		-	-	32,000	28,000
	Others	8.1	8,015	7,896	54,775	50,832
			8,015	8,667	86,775	78,832

- 8.1 During the year ended December 31, 2018, the Sindh Revenue Board (SRB) raised a demand of tax of Rs 430.412 million under section 23(1) of Sindh Sales Tax on Services Act (SSTA), 2011, in respect of sales tax on reinsurance obtained from foreign re-insurers by the conventional business of Operator. The department has also imposed a penalty of Rs 21.520 million.

The department alleged that the conventional business of Operator has received re-insurance services from foreign re-insurance companies for the period from July 2011 to December 2014 and it is the contention of the department that these services are liable to sales tax under SSTA, 2011. The department attached the bank accounts relating to Window Takaful Operations and directed the Operator's banker to issue pay orders from these bank accounts to SRB. The pay orders of Rs 58.028 million from the Operator's bank accounts (Rs. 50.391 million from PTF's bank account and Rs. 7.637 million from OPF's bank account) were issued by the Operator's banker on December 27, 2018 upon direction of SRB. The Operator had reimbursed the said amount withdrawn from these bank accounts to Window Takaful Operations from its conventional business since the amount withdrawn pertain to conventional business only. Accordingly, a receivable against the amount withdrawn of Rs. 58.028 million and a corresponding liability to conventional business has been recorded in these financial statements.

The Operator filed an appeal before the Commissioner (Appeals) SRB on December 28, 2018 against the above order. The management in hearings held during the year before the Commissioner (Appeals) SRB has submitted that:

- The payments to foreign re-insurance companies are not a service and is merely a re-distribution of the insurance risk and therefore the insurance premium. There is no value addition involved since in essence it is a sharing of the insurance risk between the insurer and re-insurers. The management believes that the gross premium charged by the insurer was already subject to Sales Tax on the gross amount, hence it is illogical to again subject it to sales tax upon its re-distribution keeping in view the fact that neither any service is being provided to the policy holder nor any value addition is being made.
- These risk sharing arrangements have been made by the Operator with the re-insurance companies incorporated outside Pakistan with no legal or physical presence therefore it is the view that the provisions of Sindh Sales Tax laws are not applicable to these type of arrangements and are outside the jurisdiction of Sindh Sales Tax laws.

The management believes that even if it is assumed that Sindh Sales Tax on re-insurance provided to insurer / insurance companies is applicable, the law does not provide any mechanism for calculating the basis on which such tax will be imposed and its related payment and the same would have been claimed as adjustable input tax by the Operator against its output tax liability.

The Operator had also filed a constitutional petition before the Honourable High Court (the Court) of Sindh at Karachi on December 28, 2018 seeking protection from the above mentioned coercive action taken by the tax department. The Court has suspended the above mentioned attachment notice and also instructed the bank that the said pay orders should not be encashed.

Subsequent to the year end, the Court has disposed of the constitutional petition together with the other similar petitions and has ordered SRB not to enforce recovery of impugned demand before expiry of seven days of the receipt of the final decision in appeal or stay application by the Commissioner (Appeals) SRB, whichever is earlier.

The management, based on the advice received from their tax and legal advisors, is confident that this matter is likely to be decided in favour of the Operator. The Operator shall repay the amount withdrawn from Window Takaful Operations to conventional business once the matter is decided in favour of the Operator and the payorders are cancelled accordingly.

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9	TAKAFUL / RETAKAFUL RECEIVABLES - PTF	2019		2018	
		----- (Rupees in '000) -----		----- (Rupees in '000) -----	
	Due from Takaful participant holders		74,522		30,174
	Less: provision for impairment of receivables from takaful participant holders		-		-
	Due from other insurers / retakaful operators		76,554		32,576
	Less: provision for impairment of due from other insurers / retakaful operators		-		-
			<u>151,076</u>		<u>62,750</u>

		Note	OPF		PTF	
			2019	2018	2019	2018
			----- (Rupees in '000) -----		----- (Rupees in '000) -----	
10	RECEIVABLE FROM OPF / PTF INCLUDING QARD-E-HASAN					
	Wakala fee		119,261	41,763	-	-
	Qard-e-hasan to Participant Takaful Fund	10.1	60,000	28,000	-	-
	Mudarib fee		5,110	907	-	-
	Others		3,234	2,511	286	144
			187,605	73,181	286	144

10.1	Qard-e-hasan	Note	2019		2018	
			----- (Rupees in '000) -----		----- (Rupees in '000) -----	
	Opening balance of Qard-e-hasan			28,000		-
	Qard-e-hasan transferred from OPF during the year	10.1.1		32,000		28,000
	Qard-e-hasan returned by PTF during the year			-		-
	Closing balance of Qard-e-hasan			<u>60,000</u>		<u>28,000</u>

10.1.1 The Operator fund has funded the deficit in participant takaful fund by way of an interest free loan (Qard-e-hasan) in accordance with the Takaful Rules, 2012. In the event of future surplus in the Participant Takaful Fund to which a Qard-e-hasan has been made, the Qard-e-Hasan shall be repaid prior to distribution of surplus to participants.

11 PREPAYMENTS

	Note	OPF		PTF	
		2019	2018	2019	2018
		----- (Rupees in '000) -----		----- (Rupees in '000) -----	
Prepaid retakaful contribution ceded	17	-	-	36,756	25,755
Others		150	225	-	-
		<u>150</u>	<u>225</u>	<u>36,756</u>	<u>25,755</u>

12 CASH AND BANK

	Cash and cash equivalent				
	-Policy stamps in hand		-	383	125
	Cash at bank				
	-Savings accounts	12.1	15,217	90,157	46,348
			<u>15,217</u>	<u>90,540</u>	<u>46,473</u>

12.1 These savings accounts carry expected profit rates ranging from 5.5% to 12.5% (2018: 5.05% to 5.25%) per annum.

12.2 Cash and cash equivalents for the purpose of cash flow statement:

OPF		PTF	
2019	2018	2019	2018
----- (Rupees in '000) -----		----- (Rupees in '000) -----	
15,217	5,703	90,540	46,473
20,500	46,000	68,000	60,500
<u>35,717</u>	<u>51,703</u>	<u>158,540</u>	<u>106,973</u>

At 10

Note

OPF		PTF	
2019	2018	2019	2018
----- (Rupees in '000) -----		----- (Rupees in '000) -----	

13 TAKAFUL / RETAKAFUL PAYABLES

Due to takaful participants / retakaful payable re-takaful operators

4,604	2,278	128,817	66,077
-------	-------	---------	--------

14 OTHER CREDITORS AND ACCRUALS

Commission payable

16,456	9,746	-	-
--------	-------	---	---

Federal excise duty and sales tax

455	-	8,394	2,262
-----	---	-------	-------

Federal takaful fee

-	-	235	455
---	---	-----	-----

Payable to IGI General Insurance Limited - operator

8.1 & 14.1

27,808	7,376	52,331	50,391
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Others

724	764	1,799	761
-----	-----	-------	-----

45,443	17,886	62,759	53,869
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14.1 This includes an amount of Rs. 19.882 million representing provision for taxation net off advance tax which will be transferred to operator for the purpose of annual tax return of the Operator

Note

OPF		PTF	
2019	2018	2019	2018
----- (Rupees in '000) -----		----- (Rupees in '000) -----	

15 PAYABLE TO OPF / PTF

Wakala fee

-	-	119,261	41,763
---	---	---------	--------

Qard-e-Hasan to Participants' Takaful Fund

10.1.1

32,000	28,000	-	-
--------	--------	---	---

Mudarib fee

-	-	5,109	907
---	---	-------	-----

Others

286	144	3,235	2,511
-----	-----	-------	-------

32,286	28,144	127,605	45,181
--------	--------	---------	--------

16 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at December 31, 2019 and December 31, 2018.

Note

17 NET CONTRIBUTION REVENUE

2019 2018
--- (Rupees in '000) ---

Written gross contribution

435,435	190,078
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Less: Wakalah fee

(108,841)	(44,193)
-----------	----------

Contribution net off wakalah fee

326,594	145,885
---------	---------

Add: Unearned contribution reserve - opening

70,587	22,030
--------	--------

Less: Unearned contribution reserve - closing

(141,879)	(70,587)
-----------	----------

Contribution earned

255,302	97,328
---------	--------

Less: Re-takaful contribution ceded

(93,874)	(60,981)
----------	----------

Add: Prepaid re-takaful contribution ceded - opening

(25,755)	(10,747)
----------	----------

Less: Prepaid re-takaful contribution ceded - closing

36,756	25,755
--------	--------

Re-takaful expense

(82,873)	(45,973)
----------	----------

Net contribution

172,429	51,355
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18 NET CLAIMS / TAKAFUL BENEFITS

Claims paid

171,868	44,276
---------	--------

Add: Outstanding claims (including IBNR) - closing

112,475	52,075
---------	--------

Less: Outstanding claims (including IBNR) - opening

(52,075)	(3,826)
----------	---------

Claims expense

232,268	92,525
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Less: Re-takaful and other recoveries received

(13,224)	(571)
----------	-------

Add: Re-takaful and other recoveries in respect of outstanding claims - closing

(28,531)	(15,641)
----------	----------

Less: Re-takaful and other recoveries in respect of outstanding claims - opening

15,641	-
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Re-takaful and other recoveries revenue

(26,114)	(16,212)
----------	----------

Net claims expense

206,154	76,313
---------	--------

Net claims expense

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	Note	2019 ---- (Rupees in '000) ----	2018
19 NET COMMISSION EXPENSE			
Commission paid or payable		43,273	19,247
Add: Deferred commission - opening		7,976	3,623
Less: Deferred commission - closing		(15,519)	(7,976)
		<u>35,730</u>	<u>14,894</u>
20 NET WAKALA FEE			
Gross wakala fee		129,390	58,280
Add: Deferred wakala fee - opening		21,919	7,832
Less: Deferred wakala fee - closing		(42,468)	(21,919)
		<u>108,841</u>	<u>44,193</u>
21 RETAKAFUL REBATE			
Reward on re-takaful received		21,979	13,137
Add: Unearned re-takaful reward - opening		5,460	2,342
Less: Unearned re-takaful reward - closing		(8,942)	(5,460)
		<u>18,497</u>	<u>10,019</u>
22 DIRECT EXPENSES			
Tracker cost		6,727	1,723
Bank charges		142	20
Inspection fee		49	-
Other expenses		64	21
		<u>6,982</u>	<u>1,764</u>
23 GENERAL ADMINISTRATIVE AND MANAGEMENT EXPENSES			
Salaries, allowances and other benefits	28	6,233	4,925
Shariah advisor fees		1,260	1,050
Printing and stationery		698	75
Computer running expenses		1,875	2,161
Depreciation		27	25
Legal and professional charges		73	-
Training expenses		523	64
Motor expenses		67	38
Advertisement		1	15
Other		113	22
		<u>10,870</u>	<u>8,375</u>
24 INVESTMENT INCOME	Note	OPF	PTF
		2019 2018	2019 2018
		----- (Rupees in '000) -----	----- (Rupees in '000) -----
Income from equity securities			
Net fair value gains		4 -	4 -
Income from term deposit receipts			
Return on term deposits	24.1	3,023 2,030	16,022 1,101
		<u>3,027</u> <u>2,030</u>	<u>16,026</u> <u>1,101</u>

24.1 This includes Rs. 0.056 million (2018: Rs. 0.026 million) profit earned on placement of cede money in term deposit.

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25 MODARIB'S FEE

The shareholders of the operator manage the participants' investments as a modarib and charge 20% (2018: 25%) modarib share of the investment income earned by PTF.

2019 2018
---- (Rupees in '000) ----

26 OTHER CHARGES

Bank charges	21	12
Auditors' remuneration	608	571
	<u>629</u>	<u>583</u>

27 TAXATION

The current tax charge for the year is Rs. 20.537 million at the tax rate of 29 % and the same has been recorded in these financial statements hence no tax reconciliation has been made.

Executives	
2019	2018
---- (Rupees in '000) ----	

28 COMPENSATION OF DIRECTORS AND EXECUTIVES

Managerial remuneration	3,688	2,546
Bonus	318	289
Contribution to defined benefit plan	300	255
Rent and house maintenance	1,260	1,146
Utilities	280	255
Medical	138	106
Others	249	329
	<u>6,233</u>	<u>4,925</u>
Number of persons	<u>2</u>	<u>2</u>

29 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of related group companies, directors of the Operator, key management personnel, major shareholders, post employment benefit plans and other related parties. The Operator in the normal course of business carries out transactions with various related parties at agreed / commercial terms and conditions. Balances and transactions with the related parties other than those disclosed in the relevant notes to these financial statements are as follows.

OPF		PTF	
2019	2018	2019	2018
----- (Rupees in '000) -----		----- (Rupees in '000) -----	

Transactions with related parties

Contribution underwritten	-	-	812	1,013
Contribution collected	-	-	730	927
Wakalah fee income	108,841	44,193	-	-
Wakalah fee expense	-	-	108,841	44,193
Mudarib's share on investment income - income	5,110	907	-	-
Mudarib's share on investment income - expense	-	-	5,110	907
Commission expense	-	44	-	-
Claims expense	-	-	136	-

Balances with related parties

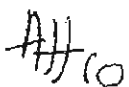
Payable to IGI General Insurance Limited - operator	27,808	7,376	52,331	50,391
Receivable from IGI General Insurance Limited - operator	-	771	-	-
Contribution receivable	-	-	82	86
Commission payable	-	40	-	-

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30 SEGMENT REPORTING

2019 - PTF						
Particulars	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Total
(Rupees in '000)						
Contribution receivable (inclusive of federal excise duty, federal takaful fee and administrative surcharge)	79,179	26,358	238,776	136,955	12,426	493,694
Less: Federal Excise Duty	(10,359)	(4,128)	(30,249)	(7,732)	(1,437)	(53,905)
Federal Takaful Fee	(681)	(220)	(2,065)	(1,279)	(109)	(4,354)
Gross written contribution (inclusive of administrative surcharge)	68,139	22,010	206,462	127,944	10,880	435,435
Gross direct contribution	67,827	21,916	205,847	127,944	10,588	434,122
Administrative surcharge	312	94	615	-	292	1,313
	68,139	22,010	206,462	127,944	10,880	435,435
Takaful contribution earned	39,914	13,628	117,693	77,595	6,472	255,302
Takaful contribution ceded to retakaful	(54,036)	(17,804)	(4,857)	-	(6,176)	(82,873)
Net contribution revenue	(14,122)	(4,176)	112,836	77,595	296	172,429
Retakaful rebate	12,175	4,147	872	-	1,303	18,497
Net underwriting income	(1,947)	(29)	113,708	77,595	1,599	190,926
Takaful claims	(8,135)	(13,834)	(99,581)	(103,213)	(7,505)	(232,268)
Takaful claims recovered from retakaful	8,000	12,460	54	-	5,600	26,114
Net claims	(135)	(1,374)	(99,527)	(103,213)	(1,905)	(206,154)
Contribution deficiency expense	2,520	(35)	-	(7,999)	(251)	(5,765)
Direct expense	(41)	(13)	(6,848)	(75)	(5)	(6,982)
Underwriting result	397	(1,451)	7,333	(33,692)	(562)	(27,975)
Net investment income						25,548
Mudarib share on investment income						(5,110)
Deficit for the year						(7,537)
Corporate segment assets	81,426	16,099	96,668	51,351	13,287	258,831
Corporate unallocated assets	-	-	-	-	-	374,205
Total assets	81,426	16,099	96,668	51,351	13,287	633,036
Corporate segment liabilities	97,500	20,381	252,340	125,506	15,647	511,374
Corporate unallocated liabilities	-	-	-	-	-	82,891
Total liabilities	97,500	20,381	252,340	125,506	15,647	594,265

2019 - OPF						
Particulars	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Total
(Rupees in '000)						
Wakala fee	19,752	7,327	50,197	29,303	2,262	108,841
Commission expense	(8,920)	(2,667)	(19,552)	(3,621)	(971)	(35,730)
Management expenses	(1,697)	(548)	(5,143)	(3,211)	(271)	(10,870)
	9,135	4,112	25,502	22,471	1,020	62,241
Profit on bank deposit						1,069
Investment income - net						3,027
Mudarib's share on investment income						5,110
Other expense						(629)
Profit before tax						70,818
Corporate segment assets						-
Corporate unallocated assets						247,559
Total assets						247,559
Corporate segment liabilities						-
Corporate unallocated liabilities						126,141
Total liabilities						126,141



2018 - PTF						
Particulars	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Total
(Rupees in '000)						
Contribution receivable (inclusive of federal excise duty, federal takaful fee and administrative surcharge)	58,575	13,643	97,448	40,315	5,559	215,540
Less: Federal Excise Duty	(7,596)	(2,067)	(12,886)	(315)	(697)	(23,561)
Federal Takaful Fee	(505)	(115)	(837)	(396)	(48)	(1,901)
Gross written contribution (inclusive of administrative surcharge)	50,474	11,461	83,725	39,604	4,814	190,078
Gross direct contribution	50,427	11,449	83,701	39,604	4,810	189,991
Administrative surcharge	47	12	24	-	4	87
	50,474	11,461	83,725	39,604	4,814	190,078
Takaful contribution earned	23,589	7,051	39,027	25,417	2,244	97,328
Takaful contribution ceded to retakaful	(32,064)	(9,549)	(1,710)	-	(2,650)	(45,973)
Net contribution revenue	(8,475)	(2,498)	37,317	25,417	(406)	51,355
Retakaful rebate	6,847	2,260	339	-	573	10,019
Net underwriting income	(1,628)	(238)	37,656	25,417	167	61,374
Takaful claims	(12,876)	(3,712)	(32,686)	(40,192)	(3,059)	(92,525)
Takaful claims recovered from retakaful	10,344	3,201	44	-	2,623	16,212
Net claims	(2,532)	(511)	(32,642)	(40,192)	(436)	(76,313)
Contribution deficiency	(2,520)	(58)	-	(1,358)	(18)	(3,954)
Direct expense	(12)	(2)	(1,740)	(9)	(1)	(1,764)
Underwriting result	(6,692)	(809)	3,274	(16,142)	(288)	(20,657)
Net investment income						3,628
Mudarib share on investment income						(907)
Deficit transferred to balance of PTF						(17,936)
Corporate segment assets	56,438	7,468	41,229	14,324	6,605	126,064
Corporate unallocated assets	-	-	-	-	-	186,741
Total assets	56,438	7,468	41,229	14,324	6,605	312,805
Corporate segment liabilities	70,730	10,495	106,319	40,441	7,977	235,962
Corporate unallocated liabilities	-	-	-	-	-	62,535
Total liabilities	70,730	10,495	106,319	40,441	7,977	298,497

2018 - OPF						
Particulars	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Total
(Rupees in '000)						
Wakala fee	12,517	3,854	17,322	9,641	859	44,193
Commission expense	(5,882)	(1,485)	(6,021)	(1,126)	(380)	(14,894)
Management expenses	(2,224)	(505)	(3,689)	(1,745)	(212)	(8,375)
	4,411	1,864	7,612	6,770	267	20,924
Profit on bank deposit						399
Investment income - net						2,030
Mudarib's share on investment income						907
Other expense						(583)
Profit before tax						23,677
Corporate segment assets						-
Corporate unallocated assets						142,096
Total assets						142,096
Corporate segment liabilities						-
Corporate unallocated liabilities						70,959
Total liabilities						70,959

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31 MOVEMENT IN INVESTMENTS

As at January 1, 2019
 Additions
 Disposals (sale and redemptions)
 Net fair value gains (excluding net realised gains)
 As at December 31, 2019

At fair value through profit or loss	
OPF	PTF
----- (Rupees in '000) -----	
40	40
-	-
-	-
4	4
<u>44</u>	<u>44</u>

As at January 1, 2018
 Additions
 Disposals (sale and redemptions)
 Net fair value gains (excluding net realised gains)
 As at December 31, 2018

40	40
-	-
-	-
-	-
<u>40</u>	<u>40</u>

32 MANAGEMENT OF TAKAFUL RISK AND FINANCIAL RISK

The Operator issue contracts that transfer takaful risk or financial risk or both. This section summarises the takaful risks and the way the Operator manages them.

32.1 Takaful risk management

32.1.1 Takaful risk

The risk under any one takaful contract is the possibility of the covered event occurring and the uncertainty of the amount of the resulting claim. The Operator is exposed to the uncertainty surrounding the timing, frequency and severity of claims under takaful contracts and there is a risk that actual claims exceed the carrying amount of the takaful liabilities.

Experience shows that the larger the portfolio of similar takaful contracts, the smaller will be the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Operator has developed its takaful underwriting strategy to diversify the type of takaful risks accepted and within each of these categories the Operator's takaful contract are for a maximum period of one year.

Factors that aggravate takaful risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

(a) Frequency and severity of claims

Political, environmental, economical and climatic changes give rise to more frequent and severe extreme events (for example, fire, theft, riot and strike, explosion, earthquake, atmospheric damage, hurricanes, typhoons, river flooding, electric fluctuation, terrorism, war risk, damages occurring in inland transit, burglary, loss of cash in safe and cash in transit, travel and personal accident, money losses, engineering losses and other events) and their consequences (for example, subsidence claims). For certain contracts, the Operator has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy

Takaful contracts which are divided into direct and facultative arrangements are further subdivided into five segments: fire, marine, motor, health and miscellaneous. The takaful risk arising from these contracts is concentrated in the territories in which the Operator operates, and there is a balance between commercial and personal properties / assets in the overall portfolio of covered properties / assets. The Operator underwrites takaful contracts in Pakistan only.

The Operator manages these risks through its underwriting strategy, adequate re-takaful arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. The Operator has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Takaful contracts also entitle the Operator to pursue third parties for payment of some or all costs (for example, subrogation). The claims payments are limited to the extent of sum covered on occurrence of the covered event.

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The Operator has entered into re-takaful cover / arrangements, with local and foreign re-takaful operators having good credit rating by reputable rating agencies, to reduce its exposure to risks and resulting claims. Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional facultative re-takaful arrangements are in place to protect the net account in case of a major catastrophe. The effect of such re-takaful arrangements is that the Operator recovers the share of claims from re-takaful companies thereby reducing its exposure to risk. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional re-takaful arrangements, any loss over and above the said limit would be recovered under non-proportional treaty which is very much in line with the risk management philosophy of the Operator.

In compliance of the regulatory requirement, the re-takaful agreements are duly submitted with the Securities and Exchange Commission of Pakistan (SECP) on an annual basis.

The Operator has claims department dealing with the mitigation of risks surrounding claims incurred whether reported or not. This department investigates and settles all claims based on surveyor's report / assessment. The unsettled claims are reviewed individually at least semi-annually and adjusted to reflect the latest information on the underlying facts, contractual terms and conditions, and other factors. The Operator actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

(b) Sources of uncertainty in the estimation of future claims payment

Claims reported and the development of large losses / catastrophes is analysed separately. The shorter settlement period for claims allows the Operator to achieve a higher degree of certainty about the estimated cost of claims including IBNR. However, the longer time needed to assess the emergence of a subsidence claim makes the estimation process more uncertain for these claims.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value, re-takaful and other recoveries. The Operator's claim are for shorter settlement period generally and Operator takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established. The liability comprises amount in relations to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs and a provision for unexpired risks at the end of the reporting period.

Liability in respect of outstanding claims is based on the best estimate of the claims intimated or assessed. In calculating the estimated cost of unpaid claims (both reported and not), the Operator estimation techniques are a combination of loss-ratio based estimates (where the loss ratio is defined as the ratio between the ultimate cost of takaful claims and takaful contribution earned in prior financial years in relation to such claims) and an estimate based upon actual claims experience using predetermined basis where greater weight is given to actual claims experience as time passes.

In estimating the liability for the cost of reported claims not yet paid, the Operator considers any information available from surveyor's assessment and information on the cost of settling claims with cases having similar characteristics in previous periods. Claims are assessed on a case-by-case basis separately.

(c) Process used to decide on assumptions

The risks associated with takaful contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. This exposure is geographically concentrated in the Pakistan only.

The Operator uses internal data to measure its related estimated claim liabilities. Internal data is derived mostly from the Operator's monthly claims reports, surveyor's report for particular claim and screening of the actual takaful contracts carried out to derive data for the contracts held. The Operator has reviewed the individual contracts and in particular the industries in which the participant companies operate and the actual exposure years of claims. This information is used to develop related provision for outstanding claims (both reported and non-reported).

The principal assumption underlying the liability estimation of IBNR and contribution deficiency reserve is that the Operator'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.

(d) Changes in assumptions

The Operator has not changed its assumptions for the takaful contracts as disclosed in paragraphs (b) and (c) above.

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(e) Sensitivity analysis

The analysis of exposure described in paragraph (c) above is also used to test the sensitivity of the selected assumptions to changes in the key underlying factors. Assumptions of different levels have been used to assess the relative severity of subsidence claims given past experience. The key material factor in the Operator's exposure to subsidence claims is the risk of more permanent changes in geographical location in which Operator is exposed.

The Operator makes various assumptions and techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The Operator considers that the liability for takaful claims recognised in the statement of financial position is adequate. However, actual experience will differ from the expected outcome.

As the Operator enters into short term takaful contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, results of sensitivity testing assuming 10% change in the claim incidence net of recoveries showing effect on underwriting results and balance of waqf is set out below.

	2019		2018	
	Underwriting results	Balance of Waqf	Underwriting results	Balance of Waqf
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
10% increase in average claim cost				
Fire and property damage	(14)	(14)	(253)	(253)
Marine, aviation and transport	(137)	(137)	(51)	(51)
Motor	(9,953)	(9,953)	(3,264)	(3,264)
Health	(10,321)	(10,321)	(4,019)	(4,019)
Miscellaneous	(191)	(191)	(44)	(44)
	<u>(20,615)</u>	<u>(20,615)</u>	<u>(7,631)</u>	<u>(7,631)</u>
10% decrease in average claim cost				
Fire and property damage	14	14	253	253
Marine, aviation and transport	137	137	51	51
Motor	9,953	9,953	3,264	3,264
Health	10,321	10,321	4,019	4,019
Miscellaneous	191	191	44	44
	<u>20,615</u>	<u>20,615</u>	<u>7,631</u>	<u>7,631</u>

Concentration of takaful risk

A concentration of risk may also arise from a single takaful contract issued to a particular type of participant, within a geographical location or to types of commercial business. In order to minimise the financial exposure arising from large claims, the Operator, in the normal course of business, enters into agreement with other re-takaful operators, who are dispersed over several geographical regions.

The Operator has certain single takaful contracts which it considers as risk of high severity but very low frequency. The Operator cedes substantial part of these risks to the re-takaful companies on its panel and its maximum exposure on any single policy is limited to the amount of Rs. 2,285 million.

The maximum class wise risk exposure (in a single policy) is as follows:

	2019			2018		
	Gross sum covered	Retakaful cover	Highest net liability	Gross sum covered	Retakaful cover	Highest net liability
	----- (Rupees in'000) -----			----- (Rupees in'000) -----		
Fire and property damage	3,473,908	1,189,237	2,284,671	3,395,066	3,370,066	25,000
Marine, aviation and transport	1,800,000	90,000	1,710,000	1,400,000	1,260,000	140,000
Motor	44,000	39,000	5,000	44,000	39,000	44,000
Health	1,888,810	-	1,888,810	940,270	-	940,270
Miscellaneous	551,761	175,000	376,761	94,832	89,832	5,000
	<u>7,758,479</u>	<u>1,493,237</u>	<u>6,265,242</u>	<u>5,874,168</u>	<u>4,758,898</u>	<u>1,154,270</u>

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33 FINANCIAL RISK MANAGEMENT

The Operator has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Operator's risk management framework. The Board is also responsible for developing and monitoring the Operator's risk management policies.

Risk management framework

Every takaful operator is exposed to a wide range of risks, some discrete and some interdependent; integrated risk management entail strong governance processes; ensuring greater accountability, transparency and risk awareness in underwriting, investment and strategic decisions. The Board of Directors take ultimate responsibility for supervising the Operator's risk management framework. Risk management framework covers the need to review the strategy of a Operator and to assess the risk associated with it.

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

33.1 Credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Operator attempts to control credit risk by mitigating 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.

33.1.1 Exposure to credit risk

Credit risk of the Operator arises principally from the deposit and placement with banks, investments, contribution due but unpaid, amount due from other takaful / re-takaful operators, retakaful and other recoveries against outstanding claims, accrued investment income and other receivables. To reduce the credit risk, Operator's management monitors exposure to credit risk through its regular review, assessing credit worthiness of counter parties and prudent estimates of provision for doubtful debts.

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

	Note	2019 ----- (Rupees in '000) -----	2018
Cash and bank	12	105,374	52,176
Investments-term deposits	7	209,875	106,500
Investments-equity securities	6	88	80
Takaful / retakaful receivables	9	151,076	62,750
Accrued investment income		5,011	714
Retakaful recoveries against outstanding claims	18	28,531	15,641
		<u>499,955</u>	<u>237,861</u>

The Operator did not hold any collateral against the above during the year.

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

	2019			2018		
	Short term	Long term	Agency	Short term	Long term	Agency
MCB Limited	A1+	AAA	PACRA	A1+	AAA	PACRA
Meezan Bank Limited	A1+	AA+	VIS	A1+	AA+	VIS
Bank Al Habib Limited	A1+	AA+	PACRA	A1+	AA+	PACRA
Dubai Islamic Bank	A1+	AA	VIS	A1+	AA	VIS
Standard Chartered Bank	A1+	AA-	PACRA	A1+	AA-	PACRA

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Contribution due but unpaid

Contribution due but unpaid is mostly recoverable from corporate customers.

Concentration of credit risk

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

	2019		2018	
	(Rupees in '000)	%	(Rupees in '000)	%
Textile	6,577	9%	8,368	28%
Financial services	4,780	6%	205	1%
Engineering	14,106	19%	97	0%
Pharmaceuticals	500	1%	737	2%
Food	11,965	16%	7,404	25%
Other manufacturing	2,961	4%	70	0%
Others	33,633	45%	13,293	44%
	<u>74,522</u>	<u>100%</u>	<u>30,174</u>	<u>100%</u>

Age analysis of "contribution due but unpaid" at the reporting date was:

	2019		2018	
	Gross (Rupees in '000)	Impairment	Gross (Rupees in '000)	Impairment
Upto 1 year	72,257	-	29,010	-
Upto 1 - 2 years	2,265	-	1,164	-
	<u>74,522</u>	<u>-</u>	<u>30,174</u>	<u>-</u>

Re-takaful ceded does not relieve the Operator from its obligation to participants and as a result the Operator remains liable for the portion of outstanding claims covered by re-takaful to the extent that re-takaful fails to meet the obligation under the re-takaful agreements.

In common with other takaful companies, in order to minimise the financial exposure arising from large claims, the Operator, in the normal course of business, enters into agreement with other re-takaful companies.

The Operator enters into re-takaful arrangements with re-takaful companies having sound credit ratings accorded by reputed credit rating agencies. The Operator is required to comply with the requirements of circular no. 32 / 2009 dated 27 October 2009 issued by SECP which requires a takaful operator to place at least 80% of their outward treaty cessions with re-takaful companies rated 'A' or above by Standard & Poor's or equivalent rating by any other reputed international rating agency, with the balance (20%) being placed with entities rated at least 'BBB' by Standard & Poor's or equivalent rating by any other reputed international rating agency. An analysis of all re-takaful assets relating to outward treaty cessions recognised by the rating of the entity from which it is due is as follows:

	2019			
	Amount due from re-takaful operators	Re-takaful recoveries against outstanding claims	Prepaid re-takaful contribution ceded	Total
	(Rupees in '000)			
A or above	13,763	34,777	35,993	84,533
BBB	166	419	440	1,025
Others	122	(6,665)	323	(6,220)
	<u>14,051</u>	<u>28,531</u>	<u>36,756</u>	<u>79,338</u>

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2018			
Amount due from re-takaful operators	Re-takaful recoveries against outstanding claims	Prepaid re-takaful contribution ceded	Total
(Rupees in '000)			

A or above	31,025	15,014	24,723	70,762
BBB	731	354	582	1,667
Others	820	273	450	1,543
	<u>32,576</u>	<u>15,641</u>	<u>25,755</u>	<u>73,972</u>

Age analysis of "Amount due from other takaful companies" at the reporting date was:

	2019		2018	
	Gross	Impairment	Gross	Impairment
(Rupees in '000)				
Upto 1 year	69,079	-	31,710	-
Upto 1 - 2 years	7,214	-	866	-
Upto 2 - 3 years	261	-	-	-
	<u>76,554</u>	<u>-</u>	<u>32,576</u>	<u>-</u>

In respect of the aforementioned takaful and re-takaful assets, the Operator takes into account its track record of recoveries and financial position of the counterparties while creating provision for impairment. Further, re-takaful recoveries are made when corresponding liabilities are settled.

33.2 Liquidity risk

Liquidity risk is the risk that the Operator will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Operator could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Operator's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Operator's reputation. The diversified funding sources and assets of the Operator are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities.

The table below analyses the Operator's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date on an undiscounted cash flow basis.

	2019				2018			
	Carrying amount	Contractual cash flows	Up to 6 months	Over 6 months to 1 year	Carrying amount	Contractual cash flows	Up to 6 months	Over 6 months to 1 year
(Rupees in '000)								
Financial liabilities-OPF								
Takaful / retakaful payable	4,604	4,604	4,604	-	2,278	2,278	2,278	-
Other creditors and accruals	44,988	44,988	44,988	-	17,886	17,886	17,886	-
Accrued expenses	1,340	1,340	1,340	-	732	732	732	-
Payable to PTF	32,286	32,286	32,286	-	28,144	28,144	28,144	-
	<u>83,218</u>	<u>83,218</u>	<u>83,218</u>	<u>-</u>	<u>49,040</u>	<u>49,040</u>	<u>49,040</u>	<u>-</u>
Financial liabilities-PTF								
Provision for outstanding claims unearned re-takaful reward	112,475	112,475	112,475	-	52,075	52,075	52,075	-
Takaful / retakaful payable	128,817	128,817	128,817	-	66,077	66,077	66,077	-
Other creditors and accruals	54,130	54,130	54,130	-	51,152	51,152	51,152	-
Accrued expenses	1,691	1,691	1,691	-	916	916	916	-
Payable to OPF	127,605	127,605	127,605	-	45,181	45,181	45,181	-
	<u>424,718</u>	<u>424,718</u>	<u>424,718</u>	<u>-</u>	<u>215,401</u>	<u>215,401</u>	<u>215,401</u>	<u>-</u>
	<u>507,936</u>	<u>507,936</u>	<u>507,936</u>	<u>-</u>	<u>264,441</u>	<u>264,441</u>	<u>264,441</u>	<u>-</u>

44/16

33.3 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 profit rates, foreign exchange rates and market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As at reporting date there are no financial instruments denominated in foreign currencies. Therefore, the Operator is not exposed to risk from foreign currency exchange rate fluctuations.

33.3.1 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. Majority of the profit rate exposure arises from balances held in term deposits and banks with reputable banks.

At the reporting date, the profit rate profile of the Operator's significant profit-bearing financial instrument is:

2019					
Profit rate	Profit bearing			Non-profit bearing	Total
	Maturity upto one year	Maturity after one year	Sub total		
(Rupees in '000)					

Financial assets

OPF

Cash and bank	5.5% - 12.5%	15,217	-	15,217	-	15,217
Investments-term deposits	12% - 13.5%	20,500	-	20,500	-	20,500
Investments in equity securities - mutual funds		-	-	-	44	44
Receivable from PTF		-	-	-	187,605	187,605
Accrued investment income		-	-	-	437	437
		35,717	-	35,717	188,086	223,803

PTF

Cash and bank	5.5% - 12.5%	90,157	-	90,157	-	90,157
Investments-term deposits	12% - 13.5%	189,375	-	189,375	-	189,375
Investments in equity securities - mutual funds		-	-	-	44	44
Takaful / retakaful receivables		-	-	-	151,076	151,076
Retakaful recoveries against outstanding claims		-	-	-	28,531	28,531
Receivable from OPF		-	-	-	286	286
Accrued investment income		-	-	-	4,574	4,574
		279,532	-	279,532	184,511	464,043

Financial liabilities

OPF

Takaful / retakaful payable	-	-	-	4,604	4,604
Other creditors and accruals	-	-	-	44,988	44,988
Accrued expenses	-	-	-	1,340	1,340
Payable to PTF	-	-	-	32,286	32,286
	-	-	-	83,218	83,218

PTF

Provision for outstanding claims (including IBNR)	-	-	-	112,475	112,475
Takaful / retakaful payable	-	-	-	128,817	128,817
Other creditors and accruals	-	-	-	54,130	54,130
Accrued expenses	-	-	-	1,691	1,691
Payable to OPF	-	-	-	127,605	127,605
	-	-	-	424,718	424,718

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2018					
Profit Rate	Profit bearing			Non-profit bearing	Total
	Maturity upto one year	Maturity after one year	Sub total		
(Rupees in '000)					

Financial assets

OPF

Cash and bank	5.50% - 5.75%	5,703	-	5,703	-	5,703
Investments-term deposits	10%	46,000	-	46,000	-	46,000
Investments in equity securities - mutual funds		-	-	-	40	40
Receivable from PTF		-	-	-	73,181	73,181
Accrued investment income		-	-	-	283	283
		51,703	-	51,703	73,504	125,207

PTF

Cash and bank	5.50% - 5.75%	46,348	-	46,348	125	46,473
Investments-term deposits	10%	60,500	-	60,500	-	60,500
Investments in equity securities - mutual funds		-	-	-	40	40
Takaful / retakaful receivables		-	-	-	62,750	62,750
Retakaful recoveries against outstanding claims		-	-	-	15,641	15,641
Receivable from OPF		-	-	-	144	144
Accrued investment income		-	-	-	431	431
		106,848	-	106,848	79,131	185,979

Financial liabilities

OPF

Takaful / retakaful payable	-	-	-	2,278	2,278
Other creditors and accruals	-	-	-	17,886	17,886
Accrued expenses	-	-	-	1,648	1,648
Payable to PTF	-	-	-	73,325	73,325
	-	-	-	49,301	49,301

PTF

Provision for outstanding claims (including IBNR)	-	-	-	52,075	52,075
Takaful / retakaful payable	-	-	-	66,077	66,077
Other creditors and accruals	-	-	-	51,152	51,152
Accrued expenses	-	-	-	916	916
Payable to OPF	-	-	-	45,181	45,181
	-	-	-	215,401	215,401

Cash flow sensitivity analysis for variable rate instruments

The Operator is exposed to cash flow profit rate risk in respect of its term deposits receipts. In case of 100 basis points (bp) increase / decrease in profit rates at period end, assuming that all other variables remain constant, the net income and accumulated profit would have been higher / lower approximately by Rs 4,370 (2018: Rs 2,830) in Operators' fund. Similarly, in case of Participants' Takaful Fund the net income and balance of Waqf / PTF would have been higher / lower approximately by Rs 45,740 (2018: Rs. 4,310).

33.3.2 Price risk

Price risk is the risk of changes in the fair value of investments. The Operator is not exposed to price risk since it has no investments in equity securities.

33.4 Capital Management

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

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

At C6

34 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets and financial liabilities

Financial assets

Loans and receivables - amortised cost

Cash and bank

Investments-term deposits

Receivable from OPF / PTF

Takaful / retakaful receivables

Accrued investment income

Retakaful recoveries against outstanding claims

105,374	52,176
209,875	106,500
187,891	73,325
151,076	62,750
5,011	714
28,531	15,641
687,758	311,106

Investments - fair value through profit or loss

Investments in equity securities - mutual funds

88

80

Financial Liabilities

Amortised cost

Provision for outstanding claims (including IBNR)

Takaful / retakaful payable

Other creditors and accruals

Accrued expenses

Payable to OPF

112,475	52,075
133,421	68,355
99,118	97,299
3,031	1,648
159,891	73,325
507,936	292,702

35 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Operator has no items to report in this level.

The Company held the following financial instruments measured at fair value:

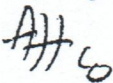
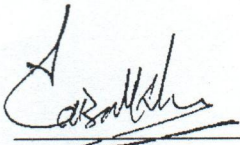
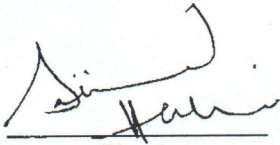
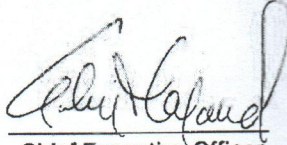
	2019			2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
----- (Rupees in '000) -----						
Assets carried at fair value						
Investment in equity securities						
mutual funds	-	88	-	-	80	-

36 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Operator on 10 5 MAR 2020, 2020.

37 GENERAL

Figures in these financial statements have been rounded off to the nearest thousand of rupees.

Chairman Director Director Chief Executive Officer



A.F. FERGUSON & CO.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of IGI General Insurance Limited

Review Report on the Statement of Compliance contained in the Code of Corporate Governance for Insurers, 2016

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 (the Code) prepared by the Board of Directors of **IGI General Insurance Limited** ('the Company') for the year ended December 31, 2019 in accordance with the requirements of Code of Corporate Governance for Insurers, 2016 applicable to insurance companies as issued by the Securities and Exchange Commission of Pakistan (SECP).

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Code as applicable to the Company for the year ended December 31, 2019.

A. Ferguson & Co.

Chartered Accountants

Dated: March 19, 2020

Karachi

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**STATEMENT OF COMPLIANCE WITH THE CODE
OF CORPORATE GOVERNANCE FOR INSURERS, 2016**

**IGI GENERAL INSURANCE LIMITED
for the year ended 31st December 2019**

This statement is being presented in compliance with the Code of Corporate Governance for Insurers, 2016 for the purpose of establishing a framework of good governance, whereby an insurer is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Director	None
Executive Directors	Mr. Chaudhry Tahir Masaud Mr. Faisal Khan
Non-Executive Directors	Mr. Shamim Ahmad Khan Mr. Syed Hyder Ali Mr. Sajjad Iftikhar Mr. Syed Hasnain Ali

*As per clause (iii) of the Code of Corporate Governance for Insurers, 2016, the appointment of an independent director on the Board is preferred but is not mandatory. Hence, no independent director has been appointed on the Board of Directors of the Company.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies in which each one of them is a director)
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI, or being a member of stock exchange, has been declared as a defaulter by a stock exchange.
4. During the year no casual vacancy occurred on the Board.
5. The Company has prepared a Code of Conduct, which has been disseminated among all the directors and employees of the Company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive directors and the key officers, have been taken by the Board.
8. The meetings of the Board were presided over the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (7) days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all the necessary aspects of internal controls given in the Code.
10. The Board was not required to arrange an orientation course during the year since there was no appointment of new director.
11. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms & conditions of employment.
12. The Directors' Report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for Insurers, 2016 and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
14. The directors, Chief Executive Officer and other executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.

15. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance for Insurers, 2016.

16. The Board has formed the following Management Committees:

UNDERWRITING, RE-INSURANCE & CO-INSURANCE COMMITTEE	
Name of the Member	Category
Syed Hyder Ali	Chairman
Tahir Masaud	Member
Faisal Khan	Member
Syed Hasnain Ali	Member
Sajjad Iftikhar	Member
Jamshaid Hussain	Member
Noman Bashir	Member
Fawad Sarwar	Member

CLAIM SETTLEMENT COMMITTEE	
Name of the Member	Category
Shamim Ahmad khan	Chairman
Tahir Masaud	Member
Syed Awais Amjad	Member
Kashif Qayyum	Member
Zahid Mehmood	Member

RISK MANAGEMENT & COMPLIANCE COMMITTEE	
Name of the Member	Category
Shamim Ahmad khan	Chairman
Tahir Masaud	Member
Sajjad Iftikhar	Member
Faisal Khan	Member
Syed Awais Amjad	Member
Saira Sheikh	Member

17. The Board has formed the following Board Committees:

ETHICS, HUMAN RESOURCE & REMUNERATION COMMITTEE	
Name of the Member	Category
Syed Hyder Ali	Chairman
Syed Hasnain Ali	Member
Tahir Masaud	Member

INVESTMENT COMMITTEE	
Name of the Member	Category
Syed Hasnain Ali	Chairman
Syed Hyder Ali	Member
Tahir Masaud	Member
Sajjad Iftikhar	Member
Syed Awais Amjad	Member

18. The Board has formed an Audit Committee. It comprises of three (3) members, all of them are non-executive directors. The chairman of the Committee is a non-executive director. The composition of the Audit Committee is as follows:

AUDIT COMMITTEE	
Name of the Member	Category
Syed Hasnain Ali	Chairman
Syed Hyder Ali	Member
Sajjad Iftikhar	Member

19. The meetings of the Committees except Ethics, Human Resource and Remuneration Committee, were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code of Corporate Governance for Insurers, 2016. The terms of references of the Committees have been formed and advised to the Committees for compliance.

20. The Board has set up an effective internal audit function. They are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a regular basis.

21. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code of Corporate Governance for Insurers, 2016. The Appointed Actuary of the Company also meets the conditions as laid down in the said Code. Moreover, the

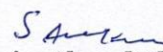
persons heading the underwriting, claim, reinsurance, risk management and grievance departments possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000):

Name of the Person	Designation
Tahir Masaud	Chief Executive Officer
Syed Awais Amjad	Chief Financial Officer
Saira Shaikh	Compliance Officer & Head of Grievance Department
Syed Muhammad Taha Naqvi	Company Secretary*
Shahzeb Haider	Head of Internal Audit
Jamshaid Hussain	Head of Underwriting
Kashif Qayyum	Head of Claims
Faisal Khan	Head of Risk Management & Reinsurance

*Mr. Yasir Ali Quraishi, Company Secretary, resigned on November 27, 2019 and Syed Muhammad Taha Naqvi has been appointed as Acting Company Secretary in his place subsequent to the year end.

22. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
23. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
24. The Appointed Actuary of the Company has confirmed that he or his spouse and minor children do not hold shares of the Company.
25. The Board ensures that the Appointed Actuary complies with the requirements set out for him in the Code of Corporate Governance for Insurers, 2016.
26. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016.
27. The Board ensures that the risk management system of the Company is in place as per the requirement of the Code of Corporate Governance for Insurers, 2016.
28. The Company has set up a risk management function, which carries out its tasks as covered under the Code of Corporate Governance for Insurers, 2016.
29. The Board ensures that as part of the risk management system, the Company gets itself rated from JCR-VIS and PACRA which is being used by its risk management function and the respective Committee as a risk monitoring tool. The rating assigned by the said rating agencies on August 29, 2019 and December 6, 2019 are "AA" & "AA" respectively.
30. The Board has set up a grievance department / function, which fully complies with the requirements of the Code of Corporate Governance for insurers, 2016.
31. We confirm that all other material principles contained in the Code of Corporate Governance for Insurers, 2016 have been complied with.

By Order of the Board


Shamim Ahmad Khan
Date: March 05, 2020