

2009

# Annual Report



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**NJI**  
Life

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## Vision

To be Pakistan's leading and most highly reputed life insurance company, enjoying the confidence and trust of its Shareholders, Policyholders, Business Partners and the Communities in which it operates.

## Mission

Shareholders are the backbone of our business. They provide the initial capital which enables the Company to commence the business and to grow the business through retention of profits and by investing additional capital when required. We will strive to achieve above average earnings on their invested capital.

Our Policyholders are our most valuable assets. We will strive to provide them with a full range of life insurance and other products, security of their investment, a satisfactory return on their investments and efficient personal service.

Employees are our Partners enabling us to fulfil our vision and mission. We will endeavour to provide them a fair reward based on their performances and achievements, a good working environment, adequate training and opportunities for self development to empower them to grow and prosper with the company.

The Community in which we exist along with our Shareholders, Policyholders, Employees, etc also deserves our consideration. We will participate and contribute to the uplift and welfare of the community, and the improvement of the environment.

# Company Information

## BOARD COMMITTEES

### AUDIT

Aly Noor Mahomed Rattansey	Chairman
John Joseph Metcalf	Member
Shahid Mahmood Loan	Member

### FINANCE & INVESTMENT

Masood Noorani	Chairman
Javed Ahmed	Member
John Joseph Metcalf	Member
Shahid Mehmood Loan	Member
Nurallah Merchant	Member
Manzoor Ahmed	Member/Secretary

### HUMAN RESOURCE

Towfiq H. Chinoy	Chairman
Masood Noorani	Member
John Joseph Metcalf	Member

### TECHNICAL

John Joseph Metcalf	Chairman
Javed Ahmed	Member
Nurallah Merchant	Member

### COMPANY SECRETARY

Manzoor Ahmed

### APPOINTED ACTUARY

Nauman A. Cheema  
Nauman Associates, 7-B, Block F, Gulberg III, Lahore  
Ph:(0092)(42)35760204, 35754036  
Fax:(0092)(42)35757867  
E-mail: info@naumanassociates.com

### AUDITORS

A. F. Ferguson & Co.  
Chartered Accountants  
State Life Building No. 1-C,  
I. I. Chundrigar Road, P. O. Box 4716  
Karachi - 74000, Pakistan.  
Ph: (0092) (21) 32426682-6 / 32426711-5  
Fax: (0092) (21) 32415007 / 32427938  
Website: www.pwc.com/pk

### LEGAL ADVISORS

Kabraji & Talibuddin  
Advocate & Legal Counsellors  
64-A/I, Gulshan-e-Faisal, Bath Island,  
Karachi-75530  
Ph: (0092) (21) 35838874, 35838876  
Fax: (0092) (21) 35838871  
E-mail:kandt@kandtllaw.com

## REGISTERED OFFICE

26-D, 3rd Floor, Kashmir Plaza,  
Jinnah Avenue, Blue Area,  
Islamabad  
Tel: (0092)(51) 2206930-6  
Fax: (0092)(51) 2825372  
Web: www.njllife.com  
E-mail: info@njllife.com

## HEAD OFFICE

74/1-A, Lalazar, M. T. Khan Road, Karachi -74000  
Ph:(0092)(21) 35611071-75, 35611802-08  
Fax:(0092)(21) 35610959  
Web: www.njllife.com  
E-mail: info@njllife.com

## REGISTRAR & SHARE TRANSFER OFFICE

THK Associates (Pvt) Ltd.  
Ground floor, State Life Building No. 3  
Dr. Ziauddin Ahmed Road, Karachi- 75530  
Ph:(0092)(021)111000322  
Fax:(0092)(21)35655595

## BANKERS

Habib Bank Limited  
Standard Chartered Bank (Pakistan) Limited

## MANAGEMENT COMMITTEES

### CLAIMS

Javed Ahmed	Chairman
Nurallah Merchant	Member
Manzoor Ahmed	Member
Zahid Barki	Member/Secretary

### REINSURANCE

Javed Ahmed	Chairman
Nurallah Merchant	Member
Zahid Barki	Member
Sana Hussain	Member/Secretary

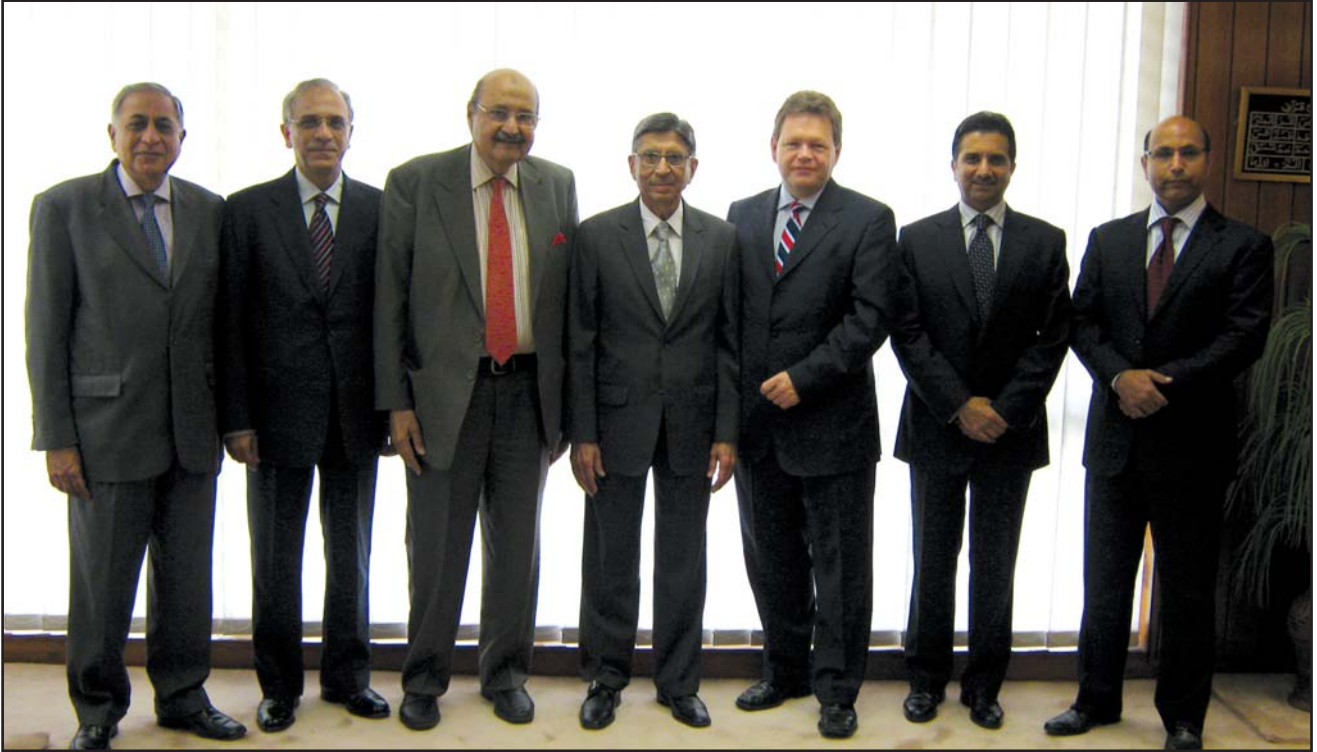
### UNDERWRITING

Javed Ahmed	Chairman
Nurallah Merchant	Member
Zahid Barki	Member/Secretary

### PROCUREMENT AND DISPOSAL

Nurallah Merchant	Chairman
Manzoor Ahmed	Member
Faisal Qasim	Member
Munawar Khalil	Member

## Board of Directors



Left to Right:

Aly Noor Mahomed Rattansey  
Director

Shahid Mahmood Loan  
Director

Towfiq H. Chinoy  
Director

Masood Noorani  
Chairman

John Joseph Metcalf  
Director

Sultan Allana  
Director

Javed Ahmed  
Chief Executive Officer

# Directors' Report to the Shareholders

The Directors are pleased to present the Annual Report and the Audited Financial Statements of the Company for the year ended December 31, 2009 together with Auditors' Report thereon.

## Business Performance

### 1. Premium Income

The overall performance of the company in 2009 is very encouraging in view of the economic, political and the security situation which prevailed in the country during the year. Gross written premium of the Company increased by 27% to Rs. 4,363 million (2008 Rs 3,435 million). The highest product-wise growth was achieved in Individual Life new business which increased to Rs. 1,581 million (2008: Rs 918 million) depicting an impressive growth of 72%. This was due to the success of the company in promoting sales through the Direct Sales Force and the Bancassurance Channel.

Individual Life renewal premium also increased by 48% to Rs. 1,541 million (2008: Rs. 1,040 million) due to the focus on persistency as one of the core business objectives.

In view of the volatility of the Karachi Stock Exchange since 2008 and the Company's policy to discourage the sale of single premium product, the premium has declined to Rs 158 million in 2009 from Rs 454 million in 2008.

Due to the prevailing economic conditions and increased competition particularly from the new entrants, Group Life premium remained stagnant at Rs. 800 million (2008: Rs 794 million). Group Health business also faced increased competition but increased by 28% with a premium of Rs. 281 million (2008: Rs 220 million).

### 2. Claims

Claims experience has remained satisfactory. Total amount of claims amounted to Rs 1,710 million as compared to Rs 1,757 million in 2008.

Individual Life gross claims inclusive of surrender were Rs. 827 million (2008: Rs. 866 million).

Group Life and miscellaneous claims amounted to Rs. 671 million (2008: Rs. 593 million) an increase of 13%.

Accident & Health claims amounted to Rs. 213 million (2008: Rs. 145 million) an increase of 47%.

### 3. Expenses

Administrative expenses and commission are Rs. 1,710 million in 2009 (2008: 1,127 million) an increase of 52% mainly due to the extra ordinary growth of 72% in Individual Life new business, the high rate of inflation prevailing in the country and the impact of the cost of the certain strategic initiatives which are expected to ensure continued growth of business, better service to policyholders and development of the company's manpower resource.

### 4. Investment Income

The company follows a prudent policy for managing its investment. The investment income of the company from fixed income securities, dividend and other sources amounted to Rs. 686 million and the unrealized net gain on investments amounted to Rs 617 million, resulting in a total income of Rs 1,303 million in 2009 as against a loss of Rs 701 million in 2008 due to the free fall of share prices on the Karachi Stock Exchange.

The bid price of the units of the policyholders' fund also increased significantly as shown below:

Sr. No.	Fund name	Bid price (PKR) per unit effective 31.12.2009	Bid price (PKR) per unit effective 31.12.2008
1	Managed Fund	459	351
2	Sarmaya Fund	216	160
3	Meesaq Fund	472	441
4	Yaqeen Growth Fund	503	475 (launched on 01.06.2009)

## 5. Revenue Account Results

The profit of Life Insurance Business (statutory funds) increased by 100% to Rs 318 million in 2009 from Rs 159 million in 2008. Shareholders will be pleased to know that the company's individual life business is now regularly generating profits. Group Life and Group Health also continued to contribute to the profits of the company.

## 6. Profit & Loss Account

This account shows a pre-tax profit of Rs 161 million including the surplus of Rs 100 million transferred from the revenue account. The profit after-tax is Rs. 130 million as against the loss after-tax of Rs 55 million recorded in 2008.

## 7. Earning per Share

The Earnings per share for the year was Rs 2.07 (2008: loss of Rs 0.88).

## 8. Dividend

The Directors are pleased to propose a final cash dividend of Rs 1.00 per share for the year ended 31 December 2009 (2008: Nil) subject to the approval of the members at the Annual General Meeting to be held on 28 April 2010.

## 9. Strategic Initiatives and Significant Developments

### 9.1. Bancassurance

The sale of insurance products through banks is becoming an increasingly important channel of distribution. The company established a dedicated Bancassurance Department in 2007 to specifically focus on this area. The initiative has proved to be a success and the company now operates the largest Bancassurance distribution network in the country. The company currently has Bancassurance relationships with Nine (9) leading banks and plans to expand this important distribution channel further.

### 9.2. Advancement in IT

The company has acquired an Asset Management Software Program which besides maintaining comprehensive record of investments also enables the company to calculate the unit price of each fund on a daily basis to ensure that the policyholders are treated equitably.

The company has also implemented an internationally recognized Actuarial Software Program which has enhanced company's actuarial capabilities.

The company has fully decentralized offices working in Lahore and Rawalpindi. These offices have real time online connectivity with the Head Office. New policies are underwritten, issued and all customer services activities are also performed at these offices.

The Company is also working on a Business Continuity Plan to ensure uninterrupted operations and supply of service to the policyholders in the event of any natural disaster or any other unfortunate event.

### 9.3. Human Resource

Human Resource development is the key to the continued growth and success of any organization and the Company has made significant progress in this direction. The Company is committed to the training and development of all management and other staff including the sales force with the objective of increasing the productivity and quality of the business written by them and also ensuring high quality of service to the policyholders.

### 9.4. Expansion of Branch Network

The company's branch network has now increased to 64. In the current year, the company plans to focus on increasing the productivity of its sales force and optimizing the utilization of the existing branches.

## 10. Board of Directors

Mr. Xavier Gwenaël Lucas resigned on 25 March 2009 and Mr. Aly Noor Mahomed Rattansey, nominee of AKFED was co-opted by the Board of Directors with effect from 25 March 2009.

The Board of Directors wishes to record its appreciation for the valuable services rendered by Mr. Xavier Gwenaël Lucas during his tenure as Director.

During the year 2009, four (4) meetings of the Board of Directors were held. The number of meetings attended by each Director is as follows:

Name of Directors	No. of meetings attended
Masood Noorani	4
Javed Ahmed	4
Towfiq H. Chinoy	3
Sultan Allana	1
Shahid Mahmood Loan	4
John Joseph Metcalf	4
Aly Noor Mahomed Rattansey (Appointed on 25 March 2009)	3

## 11. Audit Committee

The following non-executive Directors served on the Committee during the year 2009:

Aly Noor Mahomed Rattansey (w.e.f. 25 March 2009)	Chairman
John Joseph Metcalf	Member
Shahid Mahmood Loan	Member

Consequent upon resignation of Mr. Xavier Gwenaël Lucas w.e.f. 25 March 2009, Mr. Aly Noor Mahomed Rattansey was appointed as Chairman Audit Committee by the Board of Directors.

The Audit Committee held four (4) meetings during the financial year 2009. The Committee's terms of reference has been determined by the Board in accordance with the guidelines provided in the Code of Corporate Governance. The Audit Committee reviewed the quarterly, half yearly and the annual Financial Statements for the year 2009, besides reviewing the internal control system, the internal audit plan, material audit findings and recommendations of the Chief Internal Auditor. The Board appreciates the contribution made by the Audit Committee.

## 12. Internal Audit Function

With a view to further strengthen the internal audit function and introduce a full fledged Risk Based Audit, the Directors appointed Messrs Ernst & Young Ford Rhodes Sidat Hyder & Co. Chartered Accountants as Internal Auditors from 2008. This appointment is in addition to the in-house Chief Internal Auditor and his team. The Board appreciates the services of Messrs Ernst & Young Ford Rhodes Sidat Hyder & Co. Chartered Accountants.

## 13. Compliance with Listing Regulations

The Statement of Compliance with the best corporate practices is annexed on page 19 of this report.

The Directors are pleased to confirm the following:

- The Financial Statements prepared by the management of the Company present a true and fair view of the state of its affairs, operational results, cash flows and changes in equity.
- Proper books of accounts of the company have been maintained.



- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, Insurance Ordinance and Rules have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is in place and is being continuously reviewed by internal audit. The process of review will continue and weakness in controls, if any, will be removed.
- There are no doubts about 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 of the stock exchange of Pakistan.
- Information regarding outstanding taxes is given in the notes to the audited financial statements.
- The pattern of shareholding and the information regarding trading in the shares of the company by Directors, CEO, CFO, Company Secretary, Appointed Actuary, Executives and their spouses and minor children is shown on page 71 of this report.

#### **14. The Key Operating and Financial Information**

A summary of the Key operating and financial information of the last six years is shown on page 10 of this report.

#### **15. Statement of Ethics and Business Practices**

The Statement of Ethics and Business Practices adopted by the Board has been signed by all the Directors, Executives and the employees of the Company.

#### **16. Retirement Benefits**

The value of investments made by the staff retirement funds, operated by the Company, as per their respective unaudited financial statements as at 31 December, 2009 are as follows:

Provident Fund	Rs. 54 million
Gratuity Fund	Rs. 49 million

#### **17. Material Changes**

There have been no material changes since December 31, 2009 to the date of this report and the Company has not entered into any commitment during this period, which would have an adverse affect on the financial position of the Company.

#### **18. External Auditors**

The present external auditors, A. F. Ferguson & Co. Chartered Accountants, retire and being eligible, offer themselves for appointment.

The external auditors have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP). The external auditors have confirmed that their firm is in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP. The external auditors have not been appointed to provide other services except in accordance with the listing regulations and they have confirmed that they have observed IFAC guidelines in this respect.

The Audit Committee has recommended their appointment at a remuneration to be decided by the Board of Directors for the year ending 31 December 2010 and the Board endorses this recommendation.

## 19. Holding Company

The Company is a subsidiary of the Aga Khan Fund for Economic Development S.A. Switzerland, who holds 57.87% shares of the Company.

## 20. Future Outlook

While the global and domestic economic outlook for 2010 is uncertain, we are optimistic that the expanding base of customers in Pakistan and the low penetration of life assurance offers a unique opportunity for the growth of the business.

New Jubilee Life plans to capitalize on this opportunity by strengthening distribution channels, introducing new products, improving the quality and productivity of its human resource and taking further measures to contain costs and improve profitability.

We hope that with the stable portfolio of business which has now been developed, the various initiatives which have been taken and the continued commitment and efforts of all cadres of the management and the officers, the Company will be able to achieve good results going forward.

## 21. Acknowledgment

We thank our valued policyholders for their confidence and patronage and reiterate our commitment to serve them in the best possible manner.

We record our appreciation of the positive regulatory role adopted by the Securities & Exchange Commission of Pakistan for promoting the growth and functioning of the Life Insurance business on a sound basis.

We also thank all Executives, Officers, Field and Office Staff of the company and business partners for their dedicated efforts which have contributed to the continued growth of the Company.

On behalf of the Board of Directors



(MASOOD NOORANI)  
Chairman



(JAVED AHMED)  
Chief Executive

Karachi, 25 March, 2010

## Key Operating and Financial Data

(Rupees in thousand)

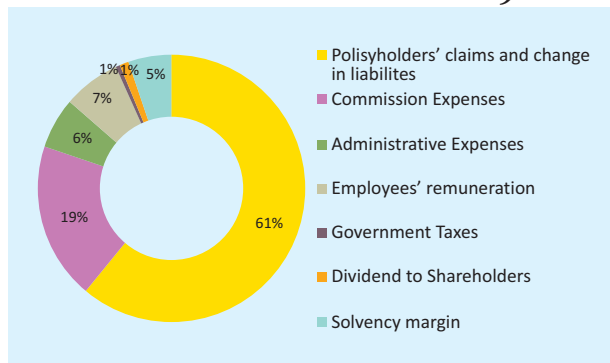
Six Years Summary	2009	2008	2007	2006	2005	2004
Gross Premium	4,363,155	3,435,119	2,978,851	2,291,224	1,379,371	1,091,297
<b>Revenue and P&amp;L Account</b>						
Premium - net of reinsurance	4,054,739	3,127,200	2,777,076	2,077,593	1,202,432	962,199
Net Investment income / (loss)	1,302,883	(700,714)	697,987	282,182	336,401	93,721
Total inflow	5,357,622	2,426,486	3,475,063	2,359,775	1,538,833	1,055,920
Total outgo	5,040,102	2,267,786	3,348,463	2,298,310	1,497,794	1,072,260
Surplus in Revenue Account	317,520	158,700	126,600	61,465	41,039	(16,340)
Surplus transfer to P&L	100,000	66,633	106,000	40,000	40,000	40,000
Profit before tax per P&L Account	160,744	(49,972)	150,028	94,798	56,828	36,668
Income Tax (expense) / credit	(30,801)	(5,000)	(24,572)	(12,143)	(14,755)	12,480
Profit / (loss) after tax per P&L Account	129,943	(54,972)	125,456	82,655	42,073	49,148
<b>Balance Sheet</b>						
Investments including deposits	7,279,564	5,031,512	5,238,067	3,552,733	2,410,559	1,511,055
Other assets	926,301	516,786	531,719	415,207	235,395	256,194
Fixed assets	118,115	94,579	82,029	73,780	81,170	82,090
Total assets	8,323,980	5,642,877	5,851,815	4,041,720	2,727,124	1,849,339
Issued, subscribed and Paid up capital	627,120	627,120	627,120	627,120	627,120	627,120
Accumulated surplus /(deficit)	(80,615)	(210,558)	(145,892)	(270,348)	(326,407)	(373,480)
Statutory funds	6,788,311	4,629,457	4,967,990	3,318,280	2,103,778	1,362,920
Other liabilities	989,164	596,858	402,597	366,668	322,633	232,779
Total equity & liabilities	8,323,980	5,642,877	5,851,815	4,041,720	2,727,124	1,849,339
<b>Investors Information</b>						
Earning per share (Rs)	2.07	(0.88)	2.00	1.32	0.67	0.78
Break-up value per share (Rs)	8.71	6.64	7.67	5.69	4.80	4.04
Market value per share (Rs) per 31.12.	44.21	45.13	70.55	18.50	27.30	24.80
Cash dividend per share	1.00	-	0.50	0.50	-	-

# Statement of Value Additions

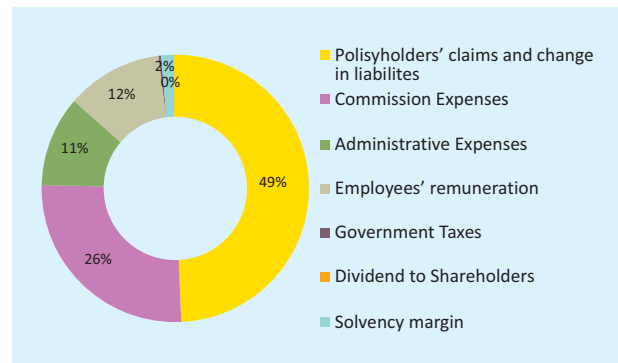
For The Year Ended December 31, 2009

Description	2009		2008	
	Amount	%	Amount	%
<b>WEALTH GENERATED</b>				
Net premium	4,054,739	74.57	3,127,200	134.75
Investment income	1,378,696	25.35	(812,774)	(35.02)
Other income	4,300	0.08	6,394	0.28
	<b>5,437,735</b>	<b>100.00</b>	<b>2,320,820</b>	<b>100.00</b>
<b>DISTRIBUTION OF WEALTH</b>				
Policyholders' claims and change in liabilities	3,330,090	61.24	1,140,960	49.16
Commission Expenses	1,020,748	18.77	605,432	26.09
Administrative Expenses	331,839	6.10	260,971	11.24
Employees' remuneration	376,794	6.93	271,362	11.69
Government Taxes	30,801	0.57	5,000	0.22
Dividend to Shareholders	62,712	1.15	-	-
Solvency margin	284,751	5.24	37,095	1.60
	<b>5,437,735</b>	<b>100.00</b>	<b>2,320,820</b>	<b>100.00</b>

**Distribution of Wealth 2009**



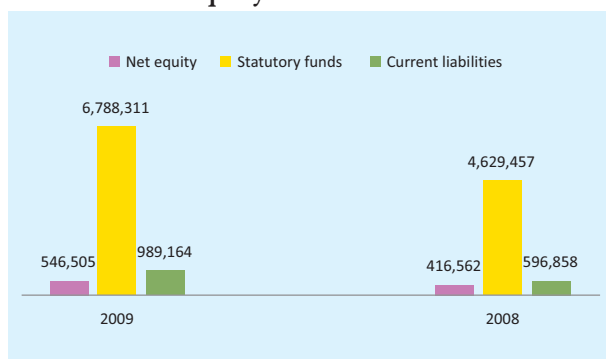
**Distribution of Wealth 2008**



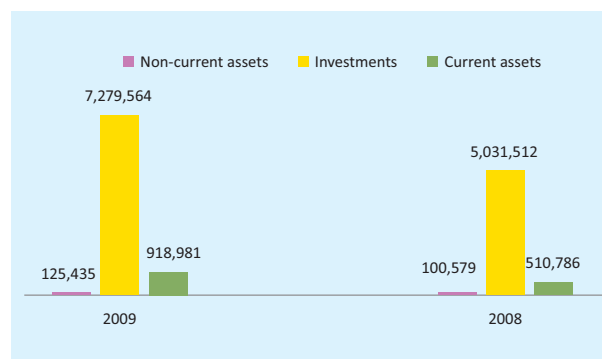
# Vertical Analysis

	2009		2008	
	(Rupees in '000)	%	(Rupees in '000)	%
<b>Balance Sheet</b>				
Net equity	546,505	6.57	416,562	7.38
Statutory funds	6,788,311	81.55	4,629,457	82.04
Current liabilities	989,164	11.88	596,858	10.58
<b>Total equity and Liabilities</b>	<b>8,323,980</b>	<b>100.00</b>	<b>5,642,877</b>	<b>100.00</b>
Non-current assets	125,435	1.51	100,579	1.78
Investments	7,279,564	87.45	5,031,512	89.17
Current assets	918,981	11.04	510,786	9.05
<b>Total assets</b>	<b>8,323,980</b>	<b>100.00</b>	<b>5,642,877</b>	<b>100.00</b>
<b>Revenue and Profit &amp; Loss Account</b>				
Net Income	5,437,735	100.00	2,320,820	100.00
Claims, Expenditures and change in policyholders' liability	(5,059,471)	(93.04)	(2,278,725)	(98.19)
Solvency margin	(217,520)	(4.00)	(92,067)	(3.97)
Profit / (loss) before tax	160,744	2.96	(49,972)	(2.15)
Income tax expense	(30,801)	(0.57)	(5,000)	(0.22)
Profit / (loss) for the year	129,943	2.39	(54,972)	(2.37)

### Equity and Liabilities



### Assets



# Vertical Analysis

2007		2006		2005		2004	
(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
481,228	8.22	356,772	8.83	300,713	11.03	253,640	13.72
4,967,990	84.90	3,318,280	82.10	2,103,778	77.14	1,362,920	73.70
402,597	6.88	366,668	9.07	322,633	11.83	232,779	12.59
5,851,815	100.00	4,041,720	100.00	2,727,124	100.00	1,849,339	100.00
82,029	1.40	73,780	1.83	81,170	2.98	100,047	5.41
5,238,067	89.51	3,552,733	87.90	2,410,559	88.39	1,511,055	81.71
531,719	9.09	415,207	10.27	235,395	8.63	238,237	12.88
5,851,815	100.00	4,041,720	100.00	2,727,124	100.00	1,849,339	100.00
3,526,239	100.00	2,419,550	100.00	1,559,436	100.00	1,063,200	100.00
(3,355,611)	(95.16)	(2,303,287)	(95.19)	(1,501,569)	(96.29)	(1,082,872)	(101.85)
(20,600)	(0.58)	(21,465)	(0.89)	(1,039)	(0.07)	56,340	5.30
150,028	4.25	94,798	3.92	56,828	3.64	36,668	3.45
(24,572)	(0.70)	(12,143)	(0.50)	(14,755)	(0.95)	12,480	1.17
125,456	3.56	82,655	3.42	42,073	2.70	49,148	4.62

# Horizontal Analysis

	2009 (Rupees in '000)	2008 (Rupees in '000)	2007 (Rupees in '000)	2006 (Rupees in '000)
<b>Balance Sheet</b>				
Net equity	546,505	416,562	481,228	356,772
Statutory funds	6,788,311	4,629,457	4,967,990	3,318,280
Current liabilities	989,164	596,858	402,597	366,668
<b>Total equity and Liabilities</b>	<b>8,323,980</b>	<b>5,642,877</b>	<b>5,851,815</b>	<b>4,041,720</b>
Non-current assets	125,435	100,579	82,029	73,780
Investments	7,279,564	5,031,512	5,238,067	3,552,733
Current assets	918,981	510,786	531,719	415,207
<b>Total assets</b>	<b>8,323,980</b>	<b>5,642,877</b>	<b>5,851,815</b>	<b>4,041,720</b>
<b>Revenue and Profit &amp; Loss Account</b>				
Net Income	5,437,735	2,320,820	3,526,239	2,419,550
Claims, Expenditures and change in policyholders' liability	(5,059,471)	(2,278,725)	(3,355,611)	(2,303,287)
Solvency margin	(217,520)	(92,067)	(20,600)	(21,465)
Profit / (loss) before tax	160,744	(49,972)	150,028	94,798
Income tax expense	(30,801)	(5,000)	(24,572)	(12,143)
Profit / (loss) for the year	129,943	(54,972)	125,456	82,655

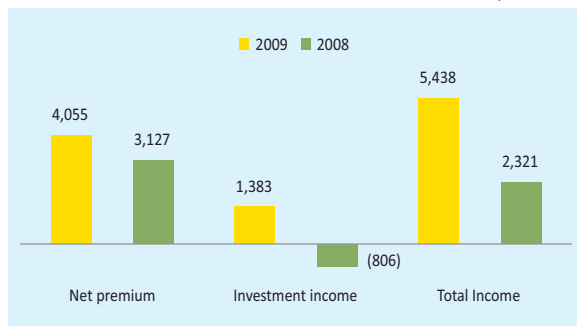
## Horizontal Analysis

2005 (Rupees in '000)	2004 (Rupees in '000)	% increase / (decrease) over preceeding year					
		2009	2008	2007	2006	2005	2004
300,713	253,640	<b>31.19</b>	(13.44)	34.88	18.64	18.56	18.25
2,103,778	1,362,920	<b>46.63</b>	(6.81)	49.72	57.73	54.36	48.12
322,633	232,779	<b>65.73</b>	48.25	9.80	13.65	38.60	58.01
2,727,124	1,849,339	<b>47.51</b>	(3.57)	44.79	48.20	47.46	44.26
81,170	100,047	<b>24.71</b>	22.61	11.18	(9.10)	(18.87)	253.57
2,410,559	1,511,055	<b>44.68</b>	(3.94)	47.44	47.38	59.53	54.19
235,395	238,237	<b>79.92</b>	(3.94)	28.06	76.39	(1.19)	(12.94)
2,727,124	1,849,339	<b>47.51</b>	(3.57)	44.79	48.20	47.46	44.26
1,559,436	1,063,200	<b>134.30</b>	(34.18)	45.74	55.16	46.67	38.12
(1,501,569)	(1,082,872)	<b>122.03</b>	(32.09)	45.69	53.39	38.67	38.99
(1,039)	56,340	<b>136.26</b>	346.93	(4.03)	1,965.93	(101.84)	5.28
56,828	36,668	<b>(421.67)</b>	(133.31)	58.26	66.82	54.98	(16.91)
(14,755)	12,480	<b>516.02</b>	(79.65)	102.36	(17.70)	(218.23)	(464.06)
42,073	49,148	<b>(336.38)</b>	(143.82)	51.78	96.46	(14.40)	20.75



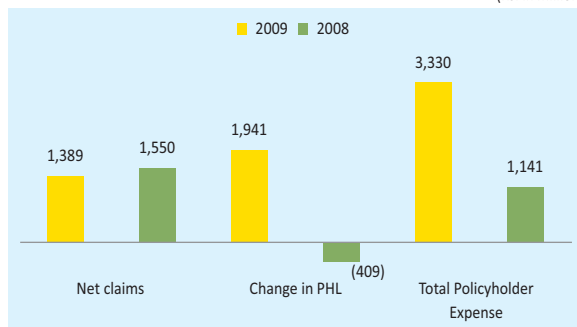
**Net Premium + Investment Income  
= Total Income**

(Rs. in million)



**Claims + Change in Policyholders' Liability  
= Policyholders' Expenses**

(Rs. in million)



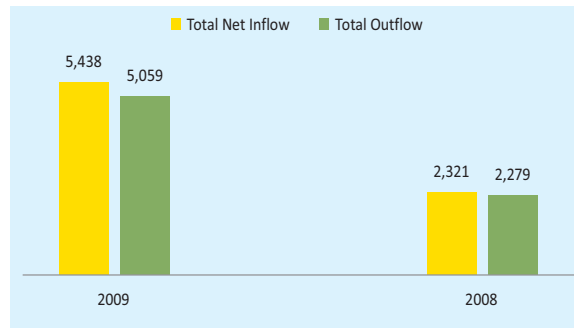
**Commission + Administration Expenses  
= Management Expenses**

(Rs. in million)

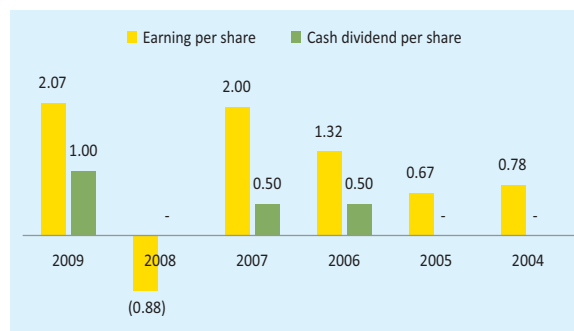


### Total Inflow and Outflow

(Rs. in million)

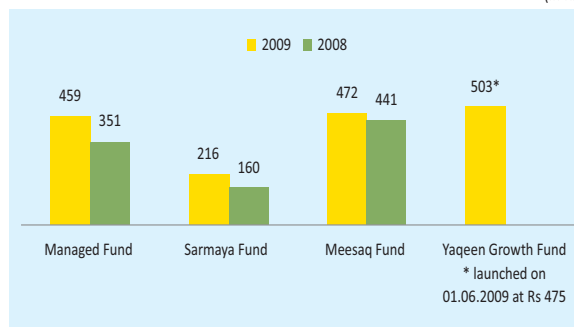


### Earning per share and Dividend in Rs.



### Unit Bid Prices

(In Rs.)



# Review Report to the Members

## on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **New Jubilee Life Insurance Company Limited** to comply with the Listing Regulations of the Karachi Stock Exchange where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code. As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal controls covers all controls and the effectiveness of such internal controls.

Further, Listing Regulations of the Karachi Stock Exchange require the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended December 31, 2009.



Chartered Accountants

Karachi

Dated: March 30, 2010

# Statement of Compliance with the Code of Corporate Governance

For The Year Ended December 31, 2009

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of the Listing Regulations of Karachi Stock Exchange and Code of Corporate Governance applicable to listed insurance companies as issued by the SECP, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes six non-executive Directors.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident Directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs.
4. None of the Directors or their spouses is engaged in business of stock brokerage.
5. A casual vacancy occurring in the Board on March 25, 2009 was filled up by the Directors within 30 days thereof.
6. The company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and employees of the company.
7. The Board has developed a vision and 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.
8. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
9. The meetings of the Board were presided over by the Chairman and in his absence by a director elected by the Board for this purpose and the Board meets at-least once in every quarter. Written notice of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. Directors are well conversant with the listing regulations, legal requirements and operational imperatives of the company and as such are fully aware of their duties and responsibilities. Regular update on corporate requirements is also taken care of.
11. The Board has approved appointment of CFO, Company Secretary, and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
12. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
14. The Directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

15. The company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an Audit Committee. It comprises of three members; all of whom are non-executive Directors including the Chairman of the committee.
17. The meetings of the Audit Committee were held at least once every quarter, prior to the approval of the interim and final results of the company, as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The company has an internal audit function in place. The internal auditor is suitably qualified and experienced for the purpose. With a view to further strengthen this function and introduce full fledged Risk Based Audit, the Directors have appointed Messrs. Ernst & Young Ford Rhodes Sidat Hyder & Co. Chartered Accountants as Internal Auditor.
19. The related party transactions have been placed before the audit committee and approved by the Board of Directors along with pricing methods for transactions carried out on terms equivalent to those that prevail in the arm's length transactions.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The company has established Underwriting Committee, Claims Settlement Committee and Reinsurance Committee in line with the Code of Corporate Governance for Insurance Companies.
23. The actuary appointed by the company has confirmed that neither he nor his spouse and minor children hold shares of the company.
24. The Board ensures that the appointed actuary complies with the requirements set for him in the Code.

We confirm that all other material principles contained in the Code have been complied with.

**On behalf of the Board**



**Masood Noorani**  
(Chairman)



**Javed Ahmed**  
(Managing Director & CEO)

Date: 25 March, 2010

# Auditors' Report To The Members

We have audited the annexed financial statements comprising of:

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

of New Jubilee Life Insurance Company limited as at December 31, 2009 together with the notes forming part thereof for the year then ended.

It is the responsibility of the company's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved International Accounting Standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

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

As more fully explained in note 36 to the financial statements, due to a fire at company's premises on August 22, 2009, physical records pertaining to policyholders' policy and claims paid files of group life and group accident & health funds upto the said date have been destroyed. Accordingly, alternative procedures were performed to verify such transactions recorded in respect of the current year.

We believe that our audit provides a reasonable basis for our opinion. In our opinion:

- (a) except for the matter referred to in the preceding paragraph, proper books of account have been kept by the company as required by the Insurance Ordinance, 2000;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the company and are further in accordance with accounting policies consistently applied;
- (c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the company's affairs as at December 31, 2009 in accordance with the approved accounting standards applicable in Pakistan and the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (d) the apportionment of assets, liabilities, revenue and expenses between two or more funds has been performed in accordance with the advice of the appointed actuary; and
- (e) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the company for the year ended December 31, 2008 were audited by another firms of auditors whose report dated March 25, 2009 expressed unqualified opinion thereon.



Chartered Accountants  
Karachi

Dated: March 30, 2010

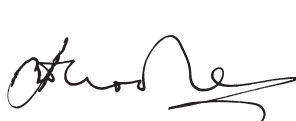
Name of the engagement partner: Farrukh Rehman

# Balance Sheet

as at 31 December 2009

	Note	Share holders' Fund	Statutory Funds			Aggregate		
			Individual Life Unit Linked	Conventional business	Accident & Health	2009	2008	
							(Rupees in '000)	
<b>Share capital and reserves</b>								
Authorised share capital 100,000,000 ordinary shares of Rs. 10 each		<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>	
Issued, subscribed and paid-up share capital								
62,712,000 ordinary shares of Rs. 10 each	6	627,120	-	-	-	627,120	627,120	
Accumulated deficit	7	(80,615)	-	-	-	(80,615)	(210,558)	
<b>Net shareholders' equity</b>		<u>546,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>546,505</u>	<u>416,562</u>	
<b>Balance of statutory fund [including policyholders' liabilities Rs. 6,416.74 million (2008: Rs. 4,475.40 million)]</b>								
	8	-	6,379,630	257,390	151,291	6,788,311	4,629,457	
<b>Creditors and accruals</b>								
Outstanding claims	10	-	101,724	293,804	40,568	436,096	237,881	
Premiums received in advance		-	134,968	9,147	12,826	156,941	148,944	
Amounts due to insurers / reinsurers		-	10,632	27,693	-	38,325	24,714	
Amounts due to agents		-	115,644	1,799	2,364	119,807	64,920	
Accrued expenses		27,908	81,191	13,441	2,695	125,235	60,490	
Other creditors and accruals	12	3,524	11,381	1,527	790	17,222	53,511	
Inter-fund payable		77,564	-	17,223	-	94,787	5,630	
		108,996	455,540	364,634	59,243	988,413	596,090	
<b>Other liabilities</b>								
Unclaimed dividend		751	-	-	-	751	768	
<b>Total liabilities</b>		<u>109,747</u>	<u>6,835,170</u>	<u>622,024</u>	<u>210,534</u>	<u>7,777,475</u>	<u>5,226,315</u>	
<b>Commitments</b>								
	13							
<b>Total equity and liabilities</b>		<u>656,252</u>	<u>6,835,170</u>	<u>622,024</u>	<u>210,534</u>	<u>8,323,980</u>	<u>5,642,877</u>	

The annexed notes 1 to 39 form an integral part of these financial statements.



Masood Noorani  
Chairman



Towfiq H. Chinoy  
Director



Shahid M. Loan  
Director



Javed Ahmed  
Managing Director &  
Chief Executive Officer

# Balance Sheet

as at 31 December 2009

	Note	Share holders' Fund	Statutory Funds			Aggregate		
			Individual Life Unit Linked	Conventional business	Accident & Health	2009	2008	
							(Rupees in '000)	
<b>Cash and bank deposits</b>								
Cash and others		185	2,033	175	3	2,396	2,992	
Current and other accounts		85,706	270,101	36,207	28,617	420,631	255,005	
Deposits maturing within 12 months		50,000	1,590,000	60,000	-	1,700,000	3,000,000	
		135,891	1,862,134	96,382	28,620	2,123,027	3,257,997	
<b>Unsecured advances to employees</b>		3,876	-	-	-	3,876	4,266	
<b>Investments</b>	14							
Government securities		187,551	2,695,108	422,031	123,209	3,427,899	811,145	
Other fixed income securities		-	391,402	-	-	391,402	504,117	
Listed equities and closed-end mutual funds		101,382	1,594,218	-	-	1,695,600	714,801	
Open-end mutual funds		-	64,663	-	-	64,663	1,449	
		288,933	4,745,391	422,031	123,209	5,579,564	2,031,512	
<b>Deferred taxation</b>	15	7,320	-	-	-	7,320	6,000	
<b>Other assets - current</b>								
Premiums due but unpaid	16	-	-	51,271	30,444	81,715	95,895	
Investment income due but outstanding		259	8,229	175	-	8,663	1,948	
Investment income accrued		6,783	84,778	6,293	3,067	100,921	53,179	
Amounts due from other insurers / reinsurers	17	-	36,081	43,993	11,600	91,674	17,757	
Taxation - payments less provision		72,261	-	-	-	72,261	39,061	
Prepayments		10,807	10,666	335	171	21,979	19,517	
Sundry receivable		12,007	2,881	1,544	3,646	20,078	15,536	
Inter-fund receivable		-	85,010	-	9,777	94,787	5,630	
		102,117	227,645	103,611	58,705	492,078	248,523	
<b>Fixed assets</b>	18							
<b>Tangible assets</b>								
Capital work-in-progress		22,988	-	-	-	22,988	10,175	
Furniture, fixtures, office equipments, computers and vehicles		86,067	-	-	-	86,067	72,570	
<b>Intangible assets</b>								
Computer softwares		9,060	-	-	-	9,060	11,834	
		118,115	-	-	-	118,115	94,579	
<b>Total assets</b>		<b>656,252</b>	<b>6,835,170</b>	<b>622,024</b>	<b>210,534</b>	<b>8,323,980</b>	<b>5,642,877</b>	

The annexed notes 1 to 39 form an integral part of these financial statements.



Masood Noorani  
Chairman



Towfiq H. Chinoy  
Director



Shahid M. Loan  
Director



Javed Ahmed  
Managing Director &  
Chief Executive Officer

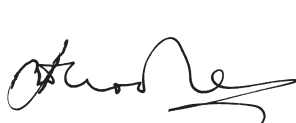


# Profit and Loss Account

For the year ended 31 December 2009

	Note	2009 (Rupees in '000)	2008
<b>Investment income not attributable to statutory funds</b>			
Return on Government securities		20,191	13,173
Return on other fixed income securities		4,845	5,236
Amortisation of discount relative to par		26	68
Dividend income		5,227	3,480
		<u>30,289</u>	<u>21,957</u>
<b>(Loss) / gain on disposal of investments</b>		<b>(26,733)</b>	<b>7,656</b>
<b>Reversal / (provision) for impairment in value of investment</b>			
Government securities		4,344	(1,428)
Listed equities		70,114	(138,496)
		<u>74,458</u>	<u>(139,924)</u>
<b>Total investment income</b>		<b>78,014</b>	<b>(110,311)</b>
Investment related expenses		(86)	(53)
<b>Net investment income</b>		<b>77,928</b>	<b>(110,364)</b>
<b>Other revenues</b>			
Gain on disposal of fixed assets		1,699	4,585
Others		486	113
		<u>2,185</u>	<u>4,698</u>
<b>Total investment income and other revenues</b>		<b>80,113</b>	<b>(105,666)</b>
Expenses not attributable to statutory funds	19	(19,369)	(10,939)
Profit before appropriation of surplus to shareholders' fund		60,744	(116,605)
Surplus appropriated to shareholders' fund from ledger account D	8	100,000	66,633
		<u>160,744</u>	<u>(49,972)</u>
<b>Profit / (loss) before tax</b>		<b>160,744</b>	<b>(49,972)</b>
<b>Taxation</b>	20	<b>(30,801)</b>	<b>(5,000)</b>
		<u>129,943</u>	<u>(54,972)</u>
		<b>(Rupees)</b>	
<b>Earnings / (loss) per share</b>	21	<b>2.07</b>	<b>(0.88)</b>


The annexed notes 1 to 39 form an integral part of these financial statements.



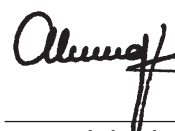
Masood Noorani  
Chairman



Towfiq H. Chinoy  
Director



Shahid M. Loan  
Director



Javed Ahmed  
Managing Director &  
Chief Executive Officer

# Statement of Changes in Equity

For the year ended 31 December 2009

	Share Capital	Net accumulated deficit		Total	
		Accumulated surplus	Capital contribution to statutory funds		Net accumulated deficit
(Rupees in '000)					
Balance as at January 1, 2008	627,120	395,098	(540,990)	(145,892)	481,228
Loss for the year ended December 31, 2008	-	(54,972)	-	(54,972)	(54,972)
Dividend for the year ended December 31, 2007 (Rs. 0.5 per share)	-	(31,356)	-	(31,356)	(31,356)
Capital contributed to statutory funds	-	-	(11,000)	(11,000)	(11,000)
Capital withdrawn from statutory funds	-	-	32,662	32,662	32,662
Balance as at December 31, 2008	627,120	308,770	(519,328)	(210,558)	416,562
Profit for the year ended December 31, 2009	-	129,943	-	129,943	129,943
<b>Balance as at December 31, 2009</b>	<b>627,120</b>	<b>438,713</b>	<b>(519,328)</b>	<b>(80,615)</b>	<b>546,505</b>


The annexed notes 1 to 39 form an integral part of these financial statements.



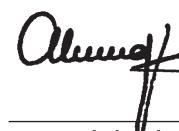
Masood Noorani  
Chairman



Towfiq H. Chinoy  
Director



Shahid M. Loan  
Director



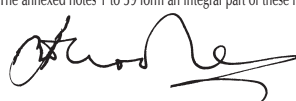
Javed Ahmed  
Managing Director &  
Chief Executive Officer

# Cash Flow Statement

For the year ended 31 December 2009

Note	Share holders' Fund	Statutory Funds			Aggregate	
		Individual Life Unit Linked	Conventional business	Accident & Health	2009	2008
(Rupees in '000)						
<b>Operating cash flows</b>						
a) Underwriting activities						
Premiums received	-	3,280,151	803,162	300,801	4,384,114	3,457,103
Reinsurance premiums paid	-	(66,263)	(228,370)	(172)	(294,805)	(285,961)
Claims paid	-	(59,761)	(549,403)	(204,873)	(814,037)	(760,675)
Surrenders paid	-	(698,187)	-	-	(698,187)	(959,096)
Reinsurance and other recoveries received	-	36,784	210,788	194	247,766	213,103
Commissions paid	-	(909,763)	(46,355)	(9,743)	(965,861)	(564,924)
Commissions received	-	19,223	(37)	-	19,186	12,829
Net cash flow from underwriting activities	-	1,602,184	189,785	86,207	1,878,176	1,112,379
b) Other operating activities						
Income tax paid	(65,321)	-	-	-	(65,321)	(16,377)
General management expenses paid	(9,057)	(511,202)	(62,747)	(38,974)	(621,980)	(508,589)
Other operating payments	(44,981)	(2,423)	-	(249)	(47,653)	(10,678)
Other operating receipts	-	2,465	857	3,622	6,944	15,084
Loans advanced	390	-	-	-	390	(548)
Inter-fund transactions	24,226	(26,586)	13,657	(11,297)	-	-
Net cash outflow from other operating activities	(94,743)	(537,746)	(48,233)	(46,898)	(727,620)	(521,108)
<b>Total cash flow from all operating activities</b>	<b>(94,743)</b>	<b>1,064,438</b>	<b>141,552</b>	<b>39,309</b>	<b>1,150,556</b>	<b>591,271</b>
<b>Investment activities</b>						
Profit / return received	23,647	489,194	51,279	14,084	578,204	348,488
Dividends received	4,994	80,273	516	-	85,783	80,198
Payments for investments	(210,171)	(3,861,253)	(328,572)	(100,486)	(4,500,482)	(2,215,608)
Proceeds from disposal of investments	345,825	1,029,533	122,880	29,444	1,527,682	2,390,495
Fixed capital expenditure	(64,249)	-	-	-	(64,249)	(58,130)
Proceeds from disposal of fixed assets	2,536	-	-	-	2,536	12,218
<b>Total cash flow from investing activities</b>	<b>102,582</b>	<b>(2,262,253)</b>	<b>(153,897)</b>	<b>(56,958)</b>	<b>(2,370,526)</b>	<b>557,661</b>
<b>Financing activities</b>						
Surplus appropriated to shareholders' fund	100,000	-	(80,000)	(20,000)	-	-
<b>Total cash flow from financing activities</b>	<b>100,000</b>	<b>-</b>	<b>(80,000)</b>	<b>(20,000)</b>	<b>-</b>	<b>-</b>
<b>Net cash inflow / (outflow) from all activities</b>	<b>107,839</b>	<b>(1,197,815)</b>	<b>(92,345)</b>	<b>(37,649)</b>	<b>(1,219,970)</b>	<b>1,148,932</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>28,052</b>	<b>2,974,949</b>	<b>188,727</b>	<b>66,269</b>	<b>3,257,997</b>	<b>2,109,065</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>22</b>	<b>1,777,134</b>	<b>96,382</b>	<b>28,620</b>	<b>2,038,027</b>	<b>3,257,997</b>
<b>Reconciliation to profit and loss account</b>						
Operating cash flows					1,150,556	591,271
Depreciation expense					(34,350)	(33,489)
Amortisation expense					(5,526)	(4,045)
Profit on disposal of fixed assets					1,699	4,585
Increase in assets other than cash					241,884	73,135
Increase in liabilities other than running finance					(2,968,680)	(14,430)
Revaluation gain / (loss) on investments					689,250	(1,249,314)
Investment income					634,989	350,173
Other income					2,601	1,809
Surplus of statutory funds					317,520	158,700
Surplus appropriated to shareholders' fund					100,000	66,633
<b>Profit / (loss) after taxation</b>					<b>129,943</b>	<b>(54,972)</b>

The annexed notes 1 to 39 form an integral part of these financial statements.



Masood Noorani  
Chairman



Fowfiq H. Chinoy  
Director



Shahid M. Loan  
Director



Javed Ahmad  
Managing Director &  
Chief Executive Officer

# Revenue Account

For the year ended 31 December 2009

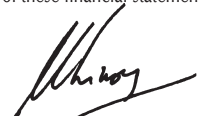
Note	Statutory Funds			Aggregate	
	Individual Life Unit Linked	Conventional business	Accident & Health	2009	2008
(Rupees in '000)					
<b>Income</b>					
Premiums less reinsurances	3,206,028	566,946	281,765	4,054,739	3,127,200
Net investment income / (loss)	1,219,643	63,197	20,043	1,302,883	(700,714)
<b>Total net income</b>	<b>4,425,671</b>	<b>630,143</b>	<b>301,808</b>	<b>5,357,622</b>	<b>2,426,486</b>
<b>Claims and expenditures</b>					
Claims net of reinsurance recoveries	759,948	427,691	201,117	1,388,756	1,549,898
Management expenses less recoveries	1,535,449	118,758	55,805	1,710,012	1,126,826
<b>Total claims and expenditures</b>	<b>2,295,397</b>	<b>546,449</b>	<b>256,922</b>	<b>3,098,768</b>	<b>2,676,724</b>
Excess of income over claims and expenditures	2,130,274	83,694	44,886	2,258,854	(250,238)
Add : Policyholders' liabilities at beginning of the year	4,189,511	197,104	88,786	4,475,401	4,884,339
Less : Policyholders' liabilities at end of the year	6,149,989	156,119	110,627	6,416,735	4,475,401
<b>Surplus</b>	<b>169,796</b>	<b>124,679</b>	<b>23,045</b>	<b>317,520</b>	<b>158,700</b>
<b>Movement in policyholders' liabilities</b>	<b>1,960,478</b>	<b>(40,985)</b>	<b>21,841</b>	<b>1,941,334</b>	<b>(408,938)</b>
<b>Transfers (to) / from shareholders' fund</b>					
- Surplus appropriated to shareholders' fund	-	(80,000)	(20,000)	(100,000)	(66,633)
- Capital returned to shareholders' fund	-	-	-	-	(32,662)
- Capital contributions from shareholders' fund	-	-	-	-	11,000
<b>Net transfer to shareholders' fund</b>	<b>-</b>	<b>(80,000)</b>	<b>(20,000)</b>	<b>(100,000)</b>	<b>(88,295)</b>
<b>Balance of statutory funds at beginning of the year</b>	<b>4,249,356</b>	<b>253,696</b>	<b>126,405</b>	<b>4,629,457</b>	<b>4,967,990</b>
<b>Balance of statutory funds at end of the year</b>	<b>6,379,630</b>	<b>257,390</b>	<b>151,291</b>	<b>6,788,311</b>	<b>4,629,457</b>
<b>Represented by:</b>					
Capital contributed by shareholders' fund	519,328	-	-	519,328	519,328
Policyholders' liabilities	6,149,989	156,119	110,627	6,416,735	4,475,401
Retained earnings on other than participating business	(289,687)	101,271	40,664	(147,752)	(365,272)
<b>Balance of statutory funds</b>	<b>6,379,630</b>	<b>257,390</b>	<b>151,291</b>	<b>6,788,311</b>	<b>4,629,457</b>

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The annexed notes 1 to 39 form an integral part of these financial statements.



Masood Noorani  
Chairman



Towfiq H. Chinoy  
Director



Shahid M. Loan  
Director



Javed Ahmed  
Managing Director &  
Chief Executive Officer

# Statement of Premiums

For the year ended 31 December 2009

Note	Statutory Funds			Aggregate	
	Individual Life Unit Linked	Conven- tional business	Accident & Health	2009	2008
(Rupees in '000)					
<b>Gross premiums</b>					
Regular premium individual policies *					
First year	1,580,902	597	1,170	<b>1,582,669</b>	920,753
Second year renewal	640,148	327	123	<b>640,598</b>	318,420
Subsequent years renewal	900,640	1,441	64	<b>902,145</b>	723,531
Single premium individual policies	157,761	2	-	<b>157,763</b>	453,893
Group policies with cash values	-	-	-	-	4,025
Group policies without cash values	-	799,479	280,501	<b>1,079,980</b>	1,014,497
<b>Total gross premiums</b>	<b>3,279,451</b>	<b>801,846</b>	<b>281,858</b>	<b>4,363,155</b>	3,435,119
<b>Less: reinsurance premiums ceded</b>					
On individual life first year business	(22,221)	(192)	(13)	<b>(22,426)</b>	(15,324)
On individual life second year business	(12,374)	779	(14)	<b>(11,609)</b>	(9,095)
On individual life renewal business	(38,828)	(599)	(18)	<b>(39,445)</b>	(37,016)
On single premium individual policies	-	(1)	(48)	<b>(49)</b>	(141)
On group policies	-	(234,887)	-	<b>(234,887)</b>	(246,343)
	<b>(73,423)</b>	<b>(234,900)</b>	<b>(93)</b>	<b>(308,416)</b>	(307,919)
<b>Net premiums</b>	<b>3,206,028</b>	<b>566,946</b>	<b>281,765</b>	<b>4,054,739</b>	3,127,200

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


The annexed notes 1 to 39 form an integral part of these financial statements.



Masood Noorani  
Chairman



Towfiq H. Chinoy  
Director



Shahid M. Loan  
Director



Javed Ahmed  
Managing Director &  
Chief Executive Officer

# Statement of Claims

For the year ended 31 December 2009

Note	Statutory Funds			Aggregate	
	Individual Life Unit Linked	Conventional business	Accident & Health	2009	2008
(Rupees in '000)					
<b>Gross claims</b>					
Claims under individual policies					
by death	128,749	1,100	1,275	131,124	58,210
by insured event other than death	191	-	35	226	(72)
by surrender	698,187	-	-	698,187	807,004
<b>Total gross individual policy claims</b>	<b>827,127</b>	<b>1,100</b>	<b>1,310</b>	<b>829,537</b>	<b>865,142</b>
Claims under group policies					
by death	-	550,605	-	550,605	511,728
by insured event other than death	-	26,977	211,022	237,999	153,426
by maturity	-	-	-	-	1,636
by surrender	-	-	-	-	152,092
experience refund	-	92,115	183	92,298	72,860
<b>Total gross group policy claims</b>	<b>-</b>	<b>669,697</b>	<b>211,205</b>	<b>880,902</b>	<b>891,742</b>
<b>Total gross claims</b>	<b>827,127</b>	<b>670,797</b>	<b>212,515</b>	<b>1,710,439</b>	<b>1,756,884</b>
<b>Less: reinsurance recoveries</b>					
On individual life first year business claims	(9,004)	-	(500)	(9,504)	(1,046)
On individual life second year business claims	(536)	(450)	-	(986)	(7,425)
On individual life renewal business claims	(57,639)	(50)	-	(57,689)	(9,683)
On group life claims	-	(211,870)	-	(211,870)	(165,375)
On experience refund of premiums	-	(30,736)	(10,898)	(41,634)	(23,457)
	(67,179)	(243,106)	(11,398)	(321,683)	(206,986)
<b>Net claims</b>	<b>759,948</b>	<b>427,691</b>	<b>201,117</b>	<b>1,388,756</b>	<b>1,549,898</b>

The annexed notes 1 to 39 form an integral part of these financial statements.



Masood Noorani  
Chairman



Towfiq H. Chinoy  
Director



Shahid M. Loan  
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Managing Director &  
Chief Executive Officer

# Statement of Expenses

For the year ended 31 December 2009

Note	Statutory Funds			Aggregate	
	Individual Life Unit Linked	Conven- tional business	Accident & Health	2009	2008
(Rupees in '000)					
<b>Acquisition costs</b>					
Remuneration to insurance intermediaries on individual policies:					
	844,958	304	233	845,495	487,989
- Commission on first year premiums	48,526	33	25	48,584	28,919
- Commission on second year premiums	22,591	36	13	22,640	18,015
- Commission on subsequent renewal premiums	2,121	-	-	2,121	7,055
- Commission on single premiums	918,196	373	271	918,840	541,978
Remuneration to insurance intermediaries on group policies:					
- Commission	-	44,398	11,836	56,234	21,894
Branch overheads	23	343,724	20,338	12,364	376,426
Other acquisition costs:					
- Policy stamps	29,503	42	32	29,577	15,713
	1,291,423	65,151	24,503	1,381,077	842,658
<b>Administration expenses</b>					
Salaries, allowances and other benefits	118,528	29,611	16,720	164,859	138,344
Charge for defined benefit plan	4,977	1,096	601	6,674	9,200
Contribution to defined contribution plan	3,965	1,094	599	5,658	3,994
Travelling expenses	7,775	937	688	9,400	6,806
Auditors' remuneration	1,410	282	113	1,805	1,342
Actuary's fees	2,961	908	679	4,548	3,506
Medical fees	1,681	573	323	2,577	3,243
Advertisements	3,940	52	57	4,049	5,892
Printing and stationery	13,331	2,419	3,212	18,962	14,750
Depreciation	12,431	2,707	1,155	16,293	16,269
Amortisation	3,746	697	301	4,744	3,364
Rental	17,233	2,686	907	20,826	16,302
Legal and professional charges	12,875	1,147	621	14,643	11,045
Supervision fees	7,543	2,006	895	10,444	3,414
Utilities	10,484	1,739	599	12,822	8,985
Entertainment	1,927	259	124	2,310	1,206
Vehicle running	4,145	1,048	412	5,605	5,688
Repairs and maintenance	9,238	1,922	817	11,977	8,915
Bank charges and brokerage	4,599	311	174	5,084	6,611
Training expenses	306	124	105	535	5,190
Postages, telegrams and telephone	12,493	1,662	900	15,055	10,913
Staff welfare	2,211	385	127	2,723	2,149
General insurance	3,685	693	231	4,609	2,945
Doubtful debts	1,216	(880)	882	1,218	3,195
Miscellaneous expenses	549	92	60	701	3,729
	263,249	53,570	31,302	348,121	296,997
Gross management expenses	1,554,672	118,721	55,805	1,729,198	1,139,655
Commission from reinsurers	(19,223)	37	-	(19,186)	(12,829)
Net management expenses	1,535,449	118,758	55,805	1,710,012	1,126,826

The annexed notes 1 to 39 form an integral part of these financial statements.



Masood Noorani  
Chairman



Towfiq H. Chinoy  
Director



Shahid M. Loan  
Director



Javed Ahmed  
Managing Director &  
Chief Executive Officer

# Statement of Investment Income

For the year ended 31 December 2009

Note	Statutory Funds			Aggregate	
	Individual Life Unit Linked	Conventional business	Accident & Health	2009	2008
	(Rupees in '000)				
<b>Investment income</b>					
- Government securities	105,932	25,844	8,729	140,505	42,912
- Other fixed income securities and deposits	427,575	26,781	7,062	461,418	326,381
- Dividends	86,580	691	-	87,271	76,718
- (Loss) / gain on sale of investments	(4,156)	1,086	73	(2,997)	118,193
- Amortisation of premium	-	(824)	(443)	(1,267)	(1,183)
- Unrealized gain / (loss) on investments	603,842	-	-	603,842	(1,248,199)
- Other income	-	-	2,115	2,115	1,696
<b>Total</b>	1,219,773	53,578	17,536	1,290,887	(683,482)
<b>Reversal / (provision) for impairment in value of investments</b>					
- Government securities	-	7,136	2,527	9,663	(14,250)
- Listed equities	-	2,528	-	2,528	(2,528)
<b>Less: Investment related expenses</b>	(130)	(45)	(20)	(195)	(454)
<b>Net investment income / (loss)</b>	<u>1,219,643</u>	<u>63,197</u>	<u>20,043</u>	<u>1,302,883</u>	<u>(700,714)</u>


The annexed notes 1 to 39 form an integral part of these financial statements.



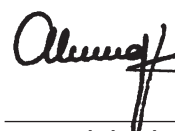
Masood Noorani  
Chairman



Tawfiq H. Chinoy  
Director



Shahid M. Loan  
Director



Javed Ahmed  
Managing Director &  
Chief Executive Officer



# Notes to the Financial Statements

## For the year ended 31 December 2009

### 1. STATUS AND NATURE OF BUSINESS

- 1.1 New Jubilee Life Insurance Company Limited (the company) was incorporated in Pakistan on June 29, 1995 as a public limited company under the Companies Ordinance, 1984. Its shares are quoted on the Karachi Stock Exchange. The company started its business on June 20, 1996. The addresses of its registered and principal office are 26-D 3rd floor, Kashmir Plaza, Jinnah Avenue, Blue Area, Islamabad and NJI Life Building, 74/1-A, Lalazar, M.T Khan Road, Karachi, respectively.

The company is engaged in life insurance, carrying on non-participating business. In accordance with the requirements of the Insurance Ordinance, 2000 the company has established a shareholders' fund and following statutory funds in respect of its each class of life insurance business:

- Individual life unit linked
- Conventional business
- Accident & health

- 1.2 The company is a subsidiary of Aga Khan Fund For Economic Development, S.A, Switzerland.

### 2. BASIS OF PRESENTATION

These financial statements have been prepared on the format of financial statements issued by the Securities and Exchange Commission of Pakistan (SECP) through the Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002] vide S.R.O. 938 (1)/2002 dated December 12, 2002 and Circular 4, of 2010 dated January 23, 2010.

### 3. STATEMENT OF COMPLIANCE

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

#### 3.1 Recent accounting developments

- **New standards, amendments to published standards effective in 2009 - relevant**

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after January 1, 2009:

- IAS 1 (Revised) - Presentation of financial statements (effective for annual periods beginning on or after January 1, 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The change has no effect on the company in view of the prescribed format of financial statements under Insurance Ordinance, 2000.
- IFRS 4 - Insurance Contracts, requires to assess at each reporting date adequacy of its insurance liabilities through liability adequacy test. Further, it required additional disclosure relating to identification and explanation of the amount in the financial statements arising from insurance contracts and the amount, timing and uncertainty of future cash flows from insurance contracts. The application of the standard requires additional disclosures in the company's financial statements and have no impact on earnings per share.
- IFRS 7 - 'Financial instruments: Disclosures', introduces new disclosures relating to financial instruments. The new disclosures are accordingly been included in these financial statements. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.
- IFRS 8 - 'Operating segments' replaces IAS 14 and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this IFRS has only impacted presentation aspects and there is no impact on earnings per share.

However, certain disclosures as required under IFRS 8 have been included in these financial statements.

- **Amendments to published standards, new standards and interpretations effective in 2009 but not relevant**

There are other accounting standards, new interpretations that are mandatory for accounting periods beginning on or after January 1, 2009 but are considered not to be relevant or have any significant effect to the company's operations and are therefore not detailed in these financial statements.

- **Amendments to published standards, new standards and interpretations not yet effective but relevant**

The following standards and amendments to existing standards have been published and are mandatory for the company's accounting periods beginning on or after January 1, 2010:

	<b>Effective date for periods beginning</b>
- IAS 1 (Amendment) - Presentation of financial statements	April 1, 2009
- IAS 38 (Amendment) - Intangible assets	April 1, 2009
- IFRS 9 - Financial Instruments	January 1, 2013
- IFRIC 17 - Distribution of non-cash assets to owners	July 1, 2009

The application of these standards will only effect the disclosures in the financial statements.

#### **4. BASIS OF MEASUREMENT**

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

The preparation of financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 35 to the financial statements.

##### **4.1 Functional and presentation currency**

These financial statements have been presented in Pak Rupee, which is the company's functional and presentation currency. Amounts presented have been rounded off to the nearest thousand.

#### **5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

## 5.1 Insurance contracts

### a) Individual life unit linked

Individual life contracts are mainly regular premium unit linked policies, where policy value is determined as per the underlying assets' value. Various types of riders (Accidental Death, Family Income Benefit, etc.) are also sold along with the basic policies. Some of these riders are charged through deductions from policyholders' fund value, while others are conventional i.e., additional premium is charged thereagainst. Policies are sold to a wide cross-section of population with different income levels. The risk underwritten is mainly death and sometimes disability and/or critical illness. This business is written through two distribution channels, namely, the direct sales force and bancassurance.

Individual life single premium policies are also issued and their value is determined as per underlying assets value of the fund.

Revenue recognition

Premium received are recognised as follows:

- First year premiums are recognised once the related policies are issued against receipt / realisation of premium.
- Renewal premiums are recognised once the related policies are renewed against receipt / realisation of premium.
- Single premiums are recognised once the related policies are issued against the receipt / realisation of premium.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on appointed actuary's valuation conducted as at the balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expense

Claim expenses are recognised earlier of the date, the policy ceases to participate in the earnings of the fund or the date insured event is intimated.

Liability for outstanding claims is recognised in respect of all claims intimated up to the balance sheet date. Claims liability includes amounts in relation to unpaid reported claims.

Liability for claims "Incurred But Not Reported" (IBNR) is included in policyholders' liabilities.

### b) Conventional business

#### i) Individual life conventional business

Individual life conventional contracts are mainly protection policies and may include the cover for critical illness. Policies are sold to a wide cross-section of population with different income levels. The risk underwritten is mainly death and sometimes critical illness. This business is written through direct sales force.

Revenue recognition

Individual life conventional first year and renewal premiums are recognised once the related policies are issued / renewed against receipt / realisation of premium.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on appointed actuary's valuation conducted as at the balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expense

Claim expenses are recognised on the date the insured event occurs is intimated.

Liability for outstanding claims is recognised in respect of all claims incurred up to the balance sheet date. Claims liability includes amounts in relation to unpaid reported claims.

Liability for claims "Incurred But Not Reported" (IBNR) is included in policyholders' liabilities.

## ii) **Group life**

Group life contracts are mainly issued to employers to insure their commitments to their employees as required under The West Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance, 1968. The company also writes business for Consumer Banking Related Schemes and Micro-Insurance Schemes. The risk underwritten is mainly death and sometimes disability. This business is written through direct sales by head office and branches, as well as through bancassurance.

Revenue recognition

Group life premiums are recognised as and when due. In respect of certain group policies the company continues to provide insurance cover even if the premium is received after the grace period.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on appointed actuary's valuation conducted as at the balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expense

Claim expenses are recognised on the date the insured event is intimated.

Liability for outstanding claims is recognised in respect of all claims incurred up to the balance sheet date. Claims liability includes amounts in relation to unpaid reported claims.

Liability for claims "Incurred But Not Reported" (IBNR) is included in policyholders' liabilities.

Experience refund of premium

Experience refund of premium payable to policyholders is included in outstanding claims.

## c) **Accident & health**

Group health contracts are mainly issued to employers to insure their commitments to their employees. The company also writes business for Micro-Insurance Schemes in northern areas of Pakistan. The risk underwritten is medical expenses related to hospitalisation. This business is written through direct sales by the head office and branches.

Revenue recognition

Health premiums are recognised as and when due. In respect of certain group policies the company continues to provide cover even if the premium is received after the grace period.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on appointed actuary's valuation conducted as at the balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expense

Claim expenses are recognised on the date the insured event is intimated.

Liability for outstanding claims is recognised in respect of all claims incurred up to the balance sheet date. Claims liability includes amounts in relation to unpaid reported claims.

Liability for claims "Incurred But Not Reported" (IBNR) is included in policyholders' liabilities.

Experience refund of premium

Experience refund of premium payable to policyholders is included in outstanding claims.

## 5.2 Policyholders' liabilities

### a) Individual life unit linked

Policyholders' liabilities constitute the fund value of unit linked contracts as well as non-unit reserves of these linked contracts. Non-linked reserves constitute liability kept to account for risks such as death, disability, critical illness, etc., Incurred But Not Reported (IBNR) claims and non-linked riders (Accidental Death and Disability, Waiver of Premium, etc.).

Reserves for risks such as death, disability, etc. are kept on the basis of risk charges deducted for these risks. Profit testing is conducted on an annual basis to ensure that there is no requirement to hold non-unit reserves using a discounted cash flow approach.

#### - Incurred But Not Reported (IBNR) claims

For IBNR the company uses statistical methods to incorporate assumptions made in order to estimate the ultimate cost of claims. The claims experience for this line of business has not developed sufficiently to attach full credibility to the experience. Hence, IBNR reserves are being kept as a percentage of risk charges. A lag study has been conducted at various points of time to attach part greater credibility to the experience in order to determine the amount of IBNR claims.

The method involves the analysis of historical claims and the lags are estimated based on this historical pattern. Actual IBNR experience at various points of time is compared to the IBNR reserves kept at these time periods, to determine the adequacy of IBNR reserves. This validates the factor that is applied to risk charges in order to arrive at IBNR reserves. Adequate margins are also built-in to compensate for any adverse deviations in claims experience. In view of grossly insufficient claims experience, IBNRs for non-linked riders have been held in proportion to the premium earned in the valuation year.

#### - Unearned premium and premium deficiency reserve

Unearned premium reserve is not applicable to main policies. The rider premium proportionate to the unexpired duration of the period for which the respective premiums have been received are held as unearned premium reserves. Liabilities for claims in course of payment for Family Income Benefit rider and Waiver of Premium rider are held as per minimum regulatory requirements.

The company also holds a reserve for held to maturity securities underlying its linked funds, to remove the mismatch between accounting asset values and the fair value of securities used in determining linked policy holder liabilities.

The Premium Deficiency Reserve (PDR) is not applicable to these policies. For riders, there is no need to hold a PDR since these maintain very reasonable claim ratios.

### b) Conventional business

#### i) Individual life conventional

Policyholders' liabilities constitute the reserves for base plans, riders attached to the base plans and reserves for IBNR claims.

For base plans policyholders' liabilities are determined as per the minimum criteria given in Insurance Rules, 2002. Discount rate used in this calculation is 3.75% and the mortality rates assumed are those according to EFU (61-66) table. For critical illness policies the future incidence of critical illness will be according to a percentage of reinsurer's risk premium rates for this coverage.

#### - Incurred But Not Reported (IBNR) claims

IBNR is held as a percentage of premium earned in the valuation year in view of grossly insufficient claims experience.

- Unearned premium and premium deficiency reserve

Unearned premium reserves (UPR) methodology is applied to rider premium to arrive at the rider's reserves. The rider premium proportionate to the unexpired duration of the period for which the respective premiums have been received are held as unearned premium reserves.

Tests are conducted periodically on the basis of gross premium valuation to confirm the adequacy of reserves kept on modified net premium basis. For riders, there is no requirement to hold premium deficiency reserves since they maintain very reasonable claims ratios.

## ii) **Group life**

Policyholders' liabilities comprise of Unearned Premium Reserves (UPR), reserves for Incurred But Not Reported (IBNR) claims and pay-continuation reserves.

- Incurred But Not Reported (IBNR) claims

For purposes of estimation, the business has been split into two categories, namely, normal and other than normal schemes (including Consumer Banking Schemes, Large Groups and Micro-Insurance). IBNR is calculated on separate basis for these two categories. IBNR is based upon reported claims for normal schemes and on earned premium for other than normal schemes due to lack of fully credible experience. For IBNR based on reported claims, the company uses statistical method to estimate the ultimate cost of claims. The method used is the chain-ladder method.

Chain-ladder method involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not yet fully developed to produce an estimated ultimate claims cost for each accident year. Study of claim lag patterns is conducted annually to account for any changes in experience. The development factors are based on these studies and are updated accordingly. Adequate margins are also built-in to compensate for any adverse deviations in claims experience.

- Unearned premium and premium deficiency reserve

Gross premium proportionate to the unexpired duration of the period for which the respective premiums have been billed are held as unearned premium reserves.

The unearned premium reserve can deem to become insufficient if either there is gross deterioration in mortality, there is an occurrence of a catastrophic event, or there is a reduction in asset value on potential encashment of assets. No requirement for holding premium deficiency reserve was found since the company has a good combined ratio and it is unlikely that there will be a sudden, significant worsening of mortality due to good dispersion of risk across various geographical and income stratas. Also, the company holds a catastrophic reinsurance cover which reduces its exposure to large number of claims arising from any one incident.

Liabilities for claims in course of payment (pay continuation reserves) are held as per minimum regulatory requirements.

## c) **Accident & health**

Policy holder liability comprises of Unearned Premium Reserves (UPR) and reserves for Incurred But Not Reported (IBNR) claims.

- IBNR claims

For purposes of estimation, the business has been split into two categories, namely, normal and micro-insurance schemes. IBNR is calculated on separate basis for these two categories. IBNR is based upon reported claims for normal schemes and in proportion to the premium earned in the valuation year for micro-insurance schemes due to lack of fully credible experience in these schemes. For IBNR based on reported claims, the company uses statistical method to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The method used is the "Chain-ladder" method.

Chain-ladder method involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not yet fully developed to produce an estimated ultimate claims cost for each accident year. Study of claim lag patterns is conducted annually to account for any change in experience. The development factors are based on these studies and are updated accordingly. Adequate margins are also built in to compensate for any adverse deviations in claims experience.

- Unearned premium and premium deficiency reserve

Gross premium proportionate to the unexpired duration of the period for which the respective premiums have been billed are held as unearned premium reserves.

The unearned premium reserve can deem to become insufficient if either there is sudden worsening of morbidity or inflationary increase in claims. No requirement for holding premium deficiency reserve was found at present since the portfolio has a combined ratio of less than 100% and the average claims have been low in spite of overall inflation. The company generally writes business for high quality groups where employees are more health conscious which reduces the risk of spread of an epidemic amongst the insured population.

### **5.3 Reinsurance contracts held**

#### **Reinsurance premiums**

Reinsurance premiums are recognised at the same time when the premium income is recognised. It is measured in line with the terms and conditions of the reinsurance treaty.

#### **Claim recoveries**

Claim recoveries from reinsurers are recognised at the same time as the claims are intimated and recorded in the books of accounts of the company.

#### **Experience refund of premium**

Experience refund receivable from reinsurers is included in the reinsurance recoveries of claims.

Individual life unit linked and conventional policies are reinsured under an individual life reinsurance agreement whereas group life policies are reinsured under a group life reinsurance agreement.

All receivables (reinsurer's share in claims, inward commission and experience refund) and payables (reinsurance premium) under reinsurance agreements are recognised appropriately in the company's financial statements. Furthermore, credit is taken on account of reinsurer's share in policyholders' liabilities as advised by the Appointed Actuary.

The company assesses its reinsurance assets for impairment on a quarterly basis. If there is an objective evidence that the reinsurance asset is impaired, the company reduces the carrying value of the reinsurance asset to its recoverable amount and recognises that impairment loss in the revenue account. The company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method for these financial assets.

### **5.4 Receivables and payables related to insurance contracts**

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

If there is an objective evidence that the insurance receivables are impaired, the company reduces the carrying amount of the insurance receivables accordingly and recognises that impairment loss in the revenue account. The company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables including analysis of receivables as per their aging and accordingly provision is maintained on a systematic basis.

### **5.5 Staff retirement benefits**

#### **Defined benefit plan**

The company operates an approved funded gratuity scheme for all permanent employees who have completed minimum qualifying eligible service of 5 years. Contribution to the fund is made and expense is recognised on the basis of actuarial valuation carried out as at each year end using the projected unit credit method. Actuarial gains or losses in excess of 10% of the actuarial liability or plan assets are recognised over the average life of the employees.

Defined contribution plan

The company operates an approved contributory provident fund for all its permanent employees. Equal monthly contributions are made by both the company and the employees to the fund at the rate of 10% of basic salary. Contributions made by the company are recognised as expense.

#### **5.6 Accumulated compensated absences**

The company makes provision in the financial statements for its liabilities towards vested compensated absences accumulated by its employees on the basis of anticipated utilisation of such leaves based on past trends.

#### **5.7 Statutory funds**

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

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

#### **5.8 Taxation**

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

##### **Current**

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income. The charge for the current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date. The charge for current tax also includes adjustments, where considered necessary relating to prior years.

##### **Deferred**

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

#### **5.9 Investments**

##### **Classification**

Investments with fixed or determinable payments and fixed maturity, where the company has positive intent and ability to hold to maturity, are classified as Held-to-Maturity. Investments which are intended to be held for an indefinite period but may be sold in response to the need for liquidity or change in mark-up / interest rates are classified as available-for-sale.

##### **Initial recognition**

All investments, classified as above, are initially recognised at fair value including acquisition charges associated with the investment.

##### **Subsequent measurement**

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



Investments classified as available-for-sale are subsequently measured at lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002 and is recognised as a provision for impairment in value of investment. Any change in the provision for impairment in value of the investment is recognised in the profit and loss account or revenue account of the respective non-linked fund. However, investments classified as available-for-sale, which are linked to the units of the unit linked fund, are marked to their market values. Any gain or loss on such available-for-sale investments is recognised in revenue account of the respective linked fund.

#### **Fair / market value measurements**

For investments in Government securities, fair / market value is determined by reference to quotations obtained from Reuters page (PKRV). For investments in quoted marketable securities, other than term finance certificates, fair / market value is determined by reference to Stock Exchange quoted market price at the close of the business on balance sheet date. The fair / market value of the term finance certificates are applied which are issued by the Mutual Funds Association of Pakistan (MUFAP).

### **5.10 Fixed assets**

#### **Tangible assets**

These are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged using the straight line method at the rates specified in note 18.2 Full month depreciation on additions during the year is charged from the month of addition and no depreciation is charged in the month of disposal. When parts of an item of asset have different useful lives, they are accounted for as separate fixed assets items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other expenses are charged to income during the year in which they are incurred.

The assets' residual value and useful lives are reviewed at each balance sheet date and adjusted if appropriate.

Gains and losses on disposal of fixed assets are taken to profit and loss account.

Capital work-in-progress is stated at cost.

#### **Intangible assets**

These represent assets with finite life and are stated at cost less accumulated amortisation and impairment losses (if any). Amortisation is charged over the estimated useful life of the asset applying the straight line method at the rates specified in note 18.4 to the financial statements.

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

### **5.11 Other revenue recognition**

#### **Mark-up / Interest**

- Mark-up / interest income on bank deposits is recognised on time proportion basis.
- Interest on fixed income securities is recognised on time proportion basis using effective interest rate method.

#### **Dividends**

- Dividend income is recognised when company's right to receive dividend is established.

### **5.12 Acquisition cost**

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

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

### 5.13 Foreign currencies

Monetary assets and liabilities in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date. Foreign currency transactions are recorded using the rates of exchange prevailing at the date of transaction. Exchange gains and losses on translation are included in income currently.

### 5.14 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include the following:

- Cash at bank in current and saving accounts
- Cash and stamps in hand
- Term deposits with original maturity within three months

### 5.15 Impairment

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account / revenue account, as appropriate.

### 5.16 Provisions

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

### 5.17 Segment reporting

Operating segments are reported in a manner consistent with that provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

The company has three operating segments for reporting purposes namely; Individual life unit linked, Conventional business and Accident & health.

- The Individual life - unit linked segment provides life insurance coverage to individuals under unit based policies issued by the company.
- The Conventional business segment includes 'Individual life - conventional' and 'Group life'. The Individual Life - conventional business segment provides life insurance coverage to individuals under conventional policies issued by the company. The group life business segment provides life insurance coverage to members of business enterprises, corporate entities in common interest groups under group life insurance schemes issued by the company.
- Accident & health business segment provides personal accident coverage to individuals and inpatient / outpatient health coverage to member enterprises, corporate entities and common interest groups under group health insurance schemes issued by the company.

### 5.18 Off-setting

Assets and liabilities are offset and the net amount is reported in the financial statements only when there is 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 settle the liabilities simultaneously.

### 5.19 Financial assets and liabilities

All financial assets and liabilities (except, investments refer note 5.9) are initially measured at fair value. These financial assets and liabilities are subsequently measured at fair / market value or amortised cost as the case may be.

### 5.20 Dividend and appropriation to reserves

Dividend and appropriation to reserves except appropriations required by the law or determined by the Appointed Actuary or allowed by the Insurance Ordinance, 2000 are recognised in the year in which these are declared / approved.

## 6. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2009 (Number of shares in '000)	2008		2009 (Rupees in '000)	2008 (Rupees in '000)
<u>62,712</u>	<u>62,712</u>	Ordinary shares of Rs. 10 each fully paid in cash	<u>627,120</u>	<u>627,120</u>

6.1 As at December 31, 2009 Aga Khan Fund for Economic Development S.A Switzerland and its nominees held 36,294,894 (2008: 36,294,894) ordinary shares of Rs. 10 each.

## 7. ANALYSIS OF ACCUMULATED SURPLUS / (DEFICIT) AS SHOWN IN BALANCE SHEET

	2009 (Rupees in '000)	2008 (Rupees in '000)
Accumulated surplus in statement of changes in equity ignoring effect of capital transfers at start of the year	308,770	395,098
Add: Surplus / (deficit) in profit and loss account for the year	129,943	(54,972)
Dividend	-	(31,356)
Accumulated surplus in statement of changes in equity ignoring effect of capital transfers at end of the year	<u>438,713</u>	<u>308,770</u>
Accumulated net capital transfers to statutory funds	(519,328)	(519,328)
Accumulated deficit	<u>(80,615)</u>	<u>(210,558)</u>

## 8. MOVEMENT IN EQUITY OF STATUTORY FUND

Note	Statutory Funds			Aggregate	
	Individual Life Unit Linked	Conventional business	Accident & Health	2009	2008
	(Rupees in '000)				
<b>Policyholders' liabilities</b>					
Balance at beginning of the year	4,189,511	197,104	88,786	4,475,401	4,884,339
Increase / (decrease) during the year	1,960,478	(40,985)	21,841	1,941,334	(408,938)
Balance at end of the year	<u>6,149,989</u>	<u>156,119</u>	<u>110,627</u>	<u>6,416,735</u>	<u>4,475,401</u>
<b>Retained earnings on other than participating business</b>					
Balance at beginning of the year	(459,483)	56,592	37,619	(365,272)	(457,339)
Surplus allocated in respect of the year	169,796	124,679	23,045	317,520	158,700
Surplus appropriated to shareholders' fund	-	(80,000)	(20,000)	(100,000)	(66,633)
Balance at end of the year	<u>(289,687)</u>	<u>101,271</u>	<u>40,664</u>	<u>(147,752)</u>	<u>(365,272)</u>
<b>Capital contributed by shareholders' fund</b>					
Balance at beginning of the year	519,328	-	-	519,328	540,990
Capital contributed during the year	-	-	-	-	11,000
Capital withdrawn on closure of Group Pension Fund	-	-	-	-	(32,662)
Balance at end of the year	<u>519,328</u>	<u>-</u>	<u>-</u>	<u>519,328</u>	<u>519,328</u>
Balance of statutory fund at year end	<u>6,379,630</u>	<u>257,390</u>	<u>151,291</u>	<u>6,788,311</u>	<u>4,629,457</u>

## 9. POLICYHOLDERS' LIABILITIES

Note	Statutory Funds			Aggregate	
	Individual Life Unit Linked	Conventional business	Accident & Health	2009	2008
(Rupees in '000)					
<b>Gross of reinsurance</b>					
Actuarial liability relating to future events	6,107,566	168,826	76,913	<b>6,353,305</b>	4,408,471
Provision for outstanding reported claims payable over a period exceeding twelve months	25,955	4,771	-	<b>30,726</b>	20,345
Provision for incurred but not reported claims	45,295	75,474	33,777	<b>154,546</b>	162,942
	<b>6,178,816</b>	<b>249,071</b>	<b>110,690</b>	<b>6,538,577</b>	4,591,758
<b>Net of reinsurance</b>					
Actuarial liability relating to future events	6,098,021	99,751	76,858	<b>6,274,630</b>	4,328,152
Provision for outstanding reported claims payable over a period exceeding twelve months	25,955	4,771	-	<b>30,726</b>	20,345
Provision for incurred but not reported claims	26,013	51,597	33,769	<b>111,379</b>	126,904
	<b>6,149,989</b>	<b>156,119</b>	<b>110,627</b>	<b>6,416,735</b>	4,475,401

## 10. OUTSTANDING CLAIMS

	2009			2008		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
(Rupees in '000)						
<b>Individual life unit linked</b>						
Notified claims at beginning of the year	32,545	(5,686)	26,859	19,851	(10,584)	9,267
Cash paid for claims settled in the year	(757,948)	36,784	(721,164)	(852,863)	32,202	(820,661)
Increase in liabilities:						
Arising from current year claims	840,635	(72,878)	767,757	868,557	(28,524)	840,033
Arising from prior year claims	(13,508)	5,699	(7,809)	(3,000)	1,220	(1,780)
Notified claims at end of the year	<b>101,724</b>	<b>(36,081)</b>	<b>65,643</b>	32,545	(5,686)	26,859
<b>Conventional business</b>						
Notified claims at beginning of the year	172,410	(11,675)	160,735	155,610	(13,290)	142,320
Cash paid for claims settled in the year	(549,403)	210,788	(338,615)	(576,255)	181,297	(394,958)
Increase in liabilities:						
Arising from current year claims	671,297	(243,376)	427,921	593,415	(180,283)	413,132
Arising from prior year claims	(500)	270	(230)	(360)	601	241
Notified claims at end of the year	<b>293,804</b>	<b>(43,993)</b>	<b>249,811</b>	172,410	(11,675)	160,735

	2009			2008		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	(Rupees in '000)			(Rupees in '000)		
<b>Accident &amp; health</b>						
Notified claims at beginning of the year	32,926	(396)	32,530	25,307	-	25,307
Cash paid for claims settled in the year	(204,873)	194	(204,679)	(136,925)	(396)	(137,321)
Increase in liabilities:						
Arising from current year claims	212,788	(11,398)	201,390	145,199	-	145,199
Arising from prior year claims	(273)	-	(273)	(655)	-	(655)
<b>Notified claims at end of the year</b>	<b>40,568</b>	<b>(11,600)</b>	<b>28,968</b>	<b>32,926</b>	<b>(396)</b>	<b>32,530</b>

10.1 As the company settles its claim obligations within a year therefore, the claim development table has not been presented.

## 11. STATUTORY DEPOSITS

The company has deposited 10 & 20 years Pakistan Investment Bonds amounting to Rs. 63 million (2008: Rs. 63 million) with the State Bank of Pakistan under section 29 of the Insurance Ordinance, 2000.

## 12. OTHER CREDITORS AND ACCRUALS

	Share holders' Fund	Statutory Funds			Aggregate	
		Individual Life Unit Linked	Conventional business	Accident & Health	2009	2008
	(Rupees in '000)					
Sundry creditors	1,912	10,442	-	25	12,379	44,696
Payable to associated undertaking - New Jubilee Insurance Company Limited	-	84	247	148	479	1,045
Withholding tax payable	1,612	793	1,280	617	4,302	7,721
Zakat payable	-	62	-	-	62	49
	<b>3,524</b>	<b>11,381</b>	<b>1,527</b>	<b>790</b>	<b>17,222</b>	<b>53,511</b>

### 12.1 Defined benefit plan

The latest actuarial valuation of the defined benefit plan based on Projected Unit Credit Method was carried out as at December 31, 2009. Following are the significant assumptions used in the valuation:

	2009	2008
Discount factor used (% per annum)	12	16
Expected long term rate of return on plan assets (% per annum)	12	10
Expected rate of increase in salary (% per annum)	12	16
Normal retirement age (years)	58	58
Average remaining working life of employees (years)	14	14

#### 12.1.1 Balance sheet reconciliation

	2009	2008
	(Rupees in '000)	
Present value of defined benefit obligation - note 12.1.2	49,718	40,313
Fair value of plan assets - note 12.1.3	(45,892)	(32,560)
Unrecognised net actuarial loss	(3,826)	(7,753)
	<b>-</b>	<b>-</b>

### 12.1.2 Movement in present value of defined benefit obligation

	2009	2008
	(Rupees in '000)	
Opening balance	40,313	20,715
Current service cost	9,233	7,350
Interest cost	6,450	2,072
Vested past service cost	-	10,461
Non-vested past service cost	-	375
Actuarial (gain) / loss on defined benefit obligation	(2,599)	680
Actual benefit paid during the year	(3,679)	(1,340)
Closing balance	49,718	40,313

### 12.1.3 Movement in fair value of plan assets

Opening balance	32,560	17,313
Expected return on plan assets	3,908	1,731
Contributions made	12,041	18,433
Benefit paid by the fund	(3,679)	(1,340)
Actuarial gain / (loss) on plan assets	1,062	(3,577)
Closing balance - note 12.1.5	45,892	32,560

### 12.1.4 Actual return / (loss) on plan assets

4,970	(1,846)
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### 12.1.5 Plan assets comprise of the following:

	2009		2008	
	(Rupees in '000)	%	(Rupees in '000)	%
Bonds	26,198	57%	1,965	6%
Mutual Funds	16,587	36%	-	-
Others	3,107	7%	30,595	94%
	45,892	100%	32,560	100%

### 12.1.6 Charge for the year

	2009	2008
	(Rupees in '000)	
Current service cost	9,233	7,350
Interest cost	6,450	2,072
Expected return on plan assets	(3,908)	(1,731)
Past service cost - Vested	-	10,461
Past service cost - Non vested	-	187
Actuarial loss recognised during the year	266	94
	12,041	18,433

### 12.1.7 Historical information

	2009	2008	2007	2006	2005
	(Rupees in '000)				
Defined benefit obligation	49,718	40,313	20,715	15,883	11,987
Fair value of plan assets	(45,892)	(32,560)	(17,313)	(14,812)	(11,769)
Deficit	(3,826)	(7,753)	(3,402)	(1,071)	(218)
Experience adjustment on plan liabilities	(2,599)	680	2,963	853	(15)
Experience adjustment on plan assets	1,062	(3,577)	632	-	33

### 13. COMMITMENTS

#### In respect of :

#### - Leased assets

Not later than one year

Later than one year

#### - Capital expenditure

Not later than one year

	2009	2008
	(Rupees in '000)	
Not later than one year	95	142
Later than one year	-	95
Capital expenditure	3,135	-
	3,230	237

### 14. INVESTMENTS

#### 14.1 Government securities

	Share holders' Fund	Statutory Funds			Aggregate	
		Individual Life Unit Linked	Conventional business	Accident & Health	2009	2008
(Rupees in '000)						
<b>Held-to-maturity</b>						
10 years Defence Saving Certificates	-	6,012	-	-	6,012	45,600
20 years Pakistan Investment Bonds	-	-	50,208	9,944	60,152	60,156
15 years Pakistan Investment Bonds	9,943	-	-	-	9,943	9,939
10 years Pakistan Investment Bonds	-	-	21,808	10,904	32,712	34,047
5 years Pakistan Investment Bonds	-	-	24,881	-	24,881	24,809
3 years Pakistan Investment Bonds	-	-	-	-	-	24,977
	9,943	6,012	96,897	20,848	133,700	199,528
<b>Available-for-sale</b>						
20 years Pakistan Investment Bonds	-	40,756	-	-	40,756	31,166
10 years Pakistan Investment Bonds	22,597	-	75,152	21,121	118,870	118,872
5 years Pakistan Investment Bonds	47,570	-	14,571	9,714	71,855	24,875
3 years Pakistan Investment Bonds	24,483	935,083	43,396	27,999	1,030,961	67,937
1 year Treasury Bills	88,980	89,034	-	-	178,014	22,835
6 months Treasury Bills	-	1,624,223	212,580	47,093	1,883,896	-
3 months Treasury Bills	-	-	-	-	-	390,092
	183,630	2,689,096	345,699	105,927	3,324,352	655,777
Provision for impairment in value of investments - note 14.1.1	193,573	2,695,108	442,596	126,775	3,458,052	855,305
	(6,022)	-	(20,565)	(3,566)	(30,153)	(44,160)
	187,551	2,695,108	422,031	123,209	3,427,899	811,145





### 14.3 Listed equities and closed-end mutual funds

Share holders' Fund	Statutory Funds			Aggregate	
	Individual Life Unit Linked	Conventional business	Accident & Health	2009	2008
(Rupees in '000)					
<b>Available-for-sale</b>					
Ordinary shares and units of closed-end mutual funds - note 14.3.2	169,764	1,594,218	-	1,763,982	855,825
Less : Provision for impairment in value of investments - note 14.3.1	(68,382)	-	-	(68,382)	(141,024)
	<b>101,382</b>	<b>1,594,218</b>	<b>-</b>	<b>1,695,600</b>	<b>714,801</b>

#### 14.3.1 Reconciliation of provision

Balance at the beginning of the year	138,496	-	2,528	-	141,024	-
(Reversal) / provision for impairment in value of investments	(70,114)	-	(2,528)	-	(72,642)	141,024
Balance at the end of the year	<b>68,382</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68,382</b>	<b>141,024</b>

#### 14.3.2 Particulars of listed equities and closed-end mutual funds

The face value of ordinary shares are between Rs. 5 to Rs. 50 per share.

	31 December, 2009			31 December, 2008		
	Number of shares	Cost	Market Value	Number of shares	Cost	Market Value
	(Rupees in '000)			(Rupees in '000)		
<b>Shareholders' fund</b>						
Fauji Fertilizer Company Limited.	200,000	21,024	20,586	59,697	6,460	3,506
Habib Bank Limited	489,636	109,703	60,440	408,030	109,702	30,545
International Industries Limited	175,560	14,106	10,302	175,560	14,106	8,070
Kot Addu Power Company Limited	-	-	-	145,000	6,366	4,576
National Bank of Pakistan	-	-	-	50,600	8,808	2,546
New Jubilee Insurance Company Limited	172,636	24,931	10,054	116,880	21,942	11,473
NIB Bank Limited	-	-	-	1,099,500	26,393	5,135
Oil and Gas Development Company Limited	-	-	-	13,000	1,472	650
Pakistan State Oil Limited	-	-	-	10,000	4,161	1,446
Southern Electric Power Company Limited	-	-	-	22,000	283	64
The Bank of Punjab	-	-	-	116,093	8,346	1,532
	<b>169,764</b>	<b>101,382</b>		<b>208,039</b>	<b>69,543</b>	
<b>Individual life unit linked</b>						
Allied Bank Limited	121,000	9,532	7,106	110,000	9,532	3,446
Askari Bank Limited	2,862,598	103,626	78,149	2,290,079	103,626	33,367
Bank Alfalah Limited	177,103	3,466	2,439	104,950	2,941	1,756
Bank Al-Habib Limited	1,098,046	29,496	35,972	861,213	29,496	21,418
Century Paper & Board Mills Limited	200,000	16,019	2,648	200,000	16,019	5,770
Cherat Cement Company Limited	558,475	27,333	7,009	558,475	27,333	6,372
D.G. Khan Cement Company Limited	195,000	14,523	6,349	162,500	13,873	3,456
Fauji Fertilizer Bin Qasim Limited	550,000	11,719	14,371	150,000	4,435	1,935
Fauji Fertilizer Company Limited	2,366,730	186,227	243,608	1,105,977	102,000	64,954
Faysal Bank Limited	2,454,804	84,631	43,033	2,134,614	84,631	24,569
First Habib Modaraba Limited	1,194,000	9,875	6,961	1,194,000	9,875	6,770
Glaxo SmithKline Pakistan Limited	156,250	16,526	17,073	156,250	16,526	11,866
Hinopak Motors Limited	33,300	19,801	6,631	33,300	19,801	20,313

	31 December 2009			31 December 2008		
	Number of shares	Cost	Market Value	Number of shares	Cost	Market Value
	(Rupees in '000)			(Rupees in '000)		
Honda Atlas Cars Company Limited	52,500	1,314	1,004	52,500	1,314	605
Hub Power Company Limited	3,611,000	111,894	112,230	2,137,500	67,218	30,117
ICI Pakistan Limited	50,000	2,903	8,424	-	-	-
Indus Motor Company Limited	300,839	50,028	59,121	300,839	50,028	36,967
International Industries Limited	1,164,525	96,880	68,334	1,000,497	88,473	45,993
JS Growth Fund	796,117	11,831	3,933	796,117	11,831	2,372
Kot Addu Power Company Limited	1,561,500	62,487	71,626	861,500	37,821	27,189
Lucky Cement Company Limited	125,000	14,182	8,280	125,000	14,182	3,909
MCB Bank Limited	11,638	503	2,557	10,580	503	1,331
Meezan Bank Limited	718,432	5,629	11,308	532,173	3,766	11,431
Millat Tractors Limited	308,062	36,097	117,002	246,450	36,097	33,002
National Bank of Pakistan	1,239,409	111,064	92,175	674,508	81,545	33,941
NIB Bank Limited	2,716,500	58,526	13,039	2,716,500	58,526	12,686
Nishat Mills Limited	637,525	29,063	44,563	358,350	21,005	8,099
Oil and Gas Development Company Limited	1,312,291	117,279	145,152	657,291	75,640	32,858
Orix Investment Bank Limited	-	-	-	318,000	4,453	531
Orix Leasing Company Limited	530,127	17,738	4,055	522,733	13,285	7,919
Packages Limited	99,401	12,051	14,314	99,401	12,051	8,070
Pak Suzuki Motors Company Limited	228,125	43,541	20,294	228,125	43,541	18,161
Pakistan Oilfields Limited	384,000	99,383	88,616	324,000	90,173	33,207
Pakistan Petroleum Limited	541,182	79,621	102,603	146,550	23,848	14,746
Pakistan Refinery Limited	87,383	16,198	10,547	87,383	16,198	8,598
Pakistan Strategic Allocation Fund	1,000,000	10,000	4,440	1,000,000	10,000	2,280
Pakistan Telecommunication Company Limited	1,155,000	20,628	20,386	50,000	2,222	845
Pakistan Tobacco Company Limited	156,700	19,948	16,453	156,700	19,948	16,657
PICIC Growth Fund	284,000	10,288	4,050	284,000	10,288	1,588
PICIC Investment Fund	150,500	2,663	876	150,500	2,663	306
Soneri Bank Limited	292,800	10,587	3,241	240,000	10,587	2,640
Standard Chartered Modaraba Limited	45,477	1,439	410	45,477	1,439	310
Thal Limited	264,919	21,861	22,484	220,766	21,861	18,061
The Bank of Punjab	432,414	28,775	8,432	432,414	28,775	5,708
Unilever Pakistan Limited	6,000	8,995	13,800	6,000	8,995	10,846
United Bank Limited	419,500	21,004	24,520	95,000	8,879	3,506
JS Large Capital Fund	1,000,000	10,000	4,600	1,000,000	10,000	2,300
		<u>1,677,174</u>	<u>1,594,218</u>		<u>1,327,243</u>	<u>642,771</u>
<b>Conventional business</b>						
Fauji Fertilizer Company Limited	-	-	-	42,350	5,015	2,487

#### 14.4 Open-end mutual funds

Share holders' Fund	Statutory Funds			Aggregate	
	Individual Life Unit Linked	Conventional business	Accident & Health	2009	2008
(Rupees in '000)					
<b>Available-for-sale</b>					
Units of open-end mutual funds - note 14.4.1	-	64,663	-	64,663	1,449

#### 14.4.1 Individual life unit linked

ABL Income Fund  
KASB Liquid Fund  
United Islamic Growth Fund

	2009 (Rupees in '000)	2008
	54,705	-
	-	1,449
	9,958	-
	<u>64,663</u>	<u>1,449</u>

The aggregate cost of the above mutual funds as at December 31, 2009 was Rs. 60.34 million (2008: Rs. 1.46 million).

14.5 International Accounting Standard IAS-39 "Financial Instruments - Recognition and Measurement" has been revised effective from January 1, 2005. In the revised IAS-39 the option of taking the revaluation gain / (loss) on the available-for-sale securities to income / revenue account has been deleted and all such gain / (loss) is to be taken directly into equity. However, the Securities and Exchange Commission of Pakistan (SECP) through Insurance Rules, 2002 had prescribed the format of presentation and disclosure of financial statements, according to which the statutory funds have no equity accounts, resultantly the changes in IAS-39 were not implemented.

#### 14.6 Movement in investments

	Shareholders' fund		Individual life unit linked		Statutory funds		Accident & health		Total
	Held to maturity	Available for sale	Held to maturity	Available for sale	Held to maturity	Available for sale	Held to maturity	Available for sale	
	(Rupees in '000)								
As at January 01, 2008	34,849	201,640	59,346	2,786,219	98,492	143,296	21,702	53,624	3,399,168
Movement during the year									
Additions	-	274,671	-	1,507,388	-	322,619	-	85,664	2,190,342
Disposals (sale and redemptions)	-	(88,488)	(13,746)	(1,600,773)	-	(344,089)	-	(106,925)	(2,154,021)
Amortisation of premium	68	-	-	-	(771)	-	(411)	-	(1,114)
Impairment (losses) / reversal	-	(139,924)	-	-	-	(13,134)	-	(3,644)	(156,702)
Unrealised gain / (loss)	-	-	-	(1,246,161)	-	-	-	-	(1,246,161)
As at December 31, 2008	34,917	247,899	45,600	1,446,673	97,721	108,692	21,291	28,719	2,031,512
Movement during the year									
Additions	-	304,191	-	3,682,233	-	328,572	-	100,486	4,415,482
Disposals (sale and redemptions)	(25,000)	(347,558)	(39,588)	(993,369)	-	(121,794)	-	(29,371)	(1,556,680)
Amortisation of premium	26	-	-	-	(824)	-	(443)	-	(1,241)
Impairment (losses) / reversal	-	74,458	-	-	-	9,664	-	2,527	86,649
Unrealised gain / (loss)	-	-	-	603,842	-	-	-	-	603,842
As at December 31, 2009	<u>9,943</u>	<u>278,990</u>	<u>6,012</u>	<u>4,739,379</u>	<u>96,897</u>	<u>325,134</u>	<u>20,848</u>	<u>102,361</u>	<u>5,579,564</u>

#### 15. DEFERRED TAXATION

Debit balances arising in respect of accelerated tax depreciation allowance

	2009 (Rupees in '000)	2008
	7,320	6,000

## 16. PREMIUM DUE BUT UNPAID

	2009			2008		
	Conventional Business	Accident & health	Total	Conventional Business	Accident & health	Total
	(Rupees in '000)			(Rupees in '000)		
Considered good						
Due from related parties - associates	506	-	506	122	-	122
Due from others	50,765	30,444	81,209	54,188	41,585	95,773
Considered doubtful	2,624	3,714	6,338	3,504	2,832	6,336
	<u>53,895</u>	<u>34,158</u>	<u>88,053</u>	<u>57,814</u>	<u>44,417</u>	<u>102,231</u>
Provision for bad & doubtful receivables - note 16.1	(2,624)	(3,714)	(6,338)	(3,504)	(2,832)	(6,336)
Net premium due but unpaid	<u>51,271</u>	<u>30,444</u>	<u>81,715</u>	<u>54,310</u>	<u>41,585</u>	<u>95,895</u>
<b>16.1 Reconciliation of provision</b>						
Balance at the beginning of the year (Reversal) / provision for bad & doubtful receivables	3,504	2,832	6,336	1,421	1,721	3,142
	(880)	882	2	2,083	1,111	3,194
Balance at the end of the year	<u>2,624</u>	<u>3,714</u>	<u>6,338</u>	<u>3,504</u>	<u>2,832</u>	<u>6,336</u>

## 17. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS

Rating	Reinsurance recoveries against outstanding claims		Other reinsurance assets	2009	2008
	(Rupees in '000)				
Aa3	77,486	2,894	80,380	17,757	
A-1	-	11,294	11,294	-	
	<u>77,486</u>	<u>14,188</u>	<u>91,674</u>	<u>17,757</u>	

## 18. FIXED ASSETS

### 18.1 Capital work-in-progress

	2009	2008
	(Rupees in '000)	
Opening balance	10,175	5,973
Additions	52,505	13,771
Transfer to tangible assets	(39,692)	(9,569)
Closing balance	<u>22,988</u>	<u>10,175</u>

### 18.2 Tangible assets

	Leasehold Improvements	Furniture, fixture and fittings	Office equipments	Computers	Motor Vehicles	Total
	(Rupees in '000)					
<b>Net carrying value basis</b>						
<b>Year ended December 31, 2009</b>						
Opening net book value (NBV)	-	11,061	14,090	15,433	31,986	72,570
Additions	-	7,952	8,239	5,192	27,301	48,684
Disposals at NBV - note 18.3	-	(59)	(96)	-	(682)	(837)
Depreciation charge	-	(6,909)	(6,195)	(7,334)	(13,912)	(34,350)
Closing NBV	-	<u>12,045</u>	<u>16,038</u>	<u>13,291</u>	<u>44,693</u>	<u>86,067</u>

	Leasehold Improvements	Furniture, fixture and fittings	Office equipments	Computers	Motor Vehicles	Total
(Rupees in '000)						
<b>Gross carrying value basis</b>						
At December 31, 2009						
Cost	10,972	56,489	48,985	41,335	87,776	245,557
Accumulated depreciation	(10,972)	(44,444)	(32,947)	(28,044)	(43,083)	(159,490)
NBV	<u>-</u>	<u>12,045</u>	<u>16,038</u>	<u>13,291</u>	<u>44,693</u>	<u>86,067</u>
Net carrying value basis						
Year ended December 31, 2008						
Opening net book value (NBV)	-	11,895	13,643	6,067	39,139	70,744
Additions	-	6,510	6,240	16,165	14,403	43,318
Transfers at NBV	-	12	(12)	-	-	-
Disposals at NBV	-	(621)	(466)	(140)	(6,776)	(8,003)
Depreciation charge	-	(6,735)	(5,315)	(6,659)	(14,780)	(33,489)
Closing NBV	<u>-</u>	<u>11,061</u>	<u>14,090</u>	<u>15,433</u>	<u>31,986</u>	<u>72,570</u>
Gross carrying value basis						
At December 31, 2008						
Cost	10,972	50,245	41,330	37,542	72,317	212,406
Accumulated depreciation	(10,972)	(39,184)	(27,240)	(22,109)	(40,331)	(139,836)
NBV	<u>-</u>	<u>11,061</u>	<u>14,090</u>	<u>15,433</u>	<u>31,986</u>	<u>72,570</u>
Depreciation rate % per annum	<u>20</u>	<u>20</u>	<u>20</u>	<u>30</u>	<u>20</u>	

### 18.3 Details of disposals of fixed assets

Disposal of fixed assets during the year having net book value (NBV) of Rs. 50,000 and above are as follows:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyers
(Rupees in '000)						
Motor vehicles	590	374	216	256	Company policy	Mr Farhan Akhter Faridi B-2/3, Maymar Heights Block-14 Gulshan-e-Iqbal Karachi
	600	390	210	260	Sale	Mr Asim Riaz House # A233 Block 12 Federal B Area Karachi
	395	236	159	158	Insurance Claim	New Jubilee Insurance Company Limited
<b>Net book value not exceeding Rs. 50,000 each</b>	<b>1,585</b>	<b>1,000</b>	<b>585</b>	<b>674</b>		
Motor Vehicles	10,257	10,160	97	1,689		
Office equipment	584	488	96	44		
Furniture and Fixture	1,708	1,649	59	129		
Computer Hardware	1,399	1,399	-	-		
Computer Software	430	430	-	-		
	<u>15,963</u>	<u>15,126</u>	<u>837</u>	<u>2,536</u>		

	2009	2008
	(Rupees in '000)	
<b>18.4 Intangible assets - computer software</b>		
<b>Net carrying value basis</b>		
<b>Year ended December 31, 2009</b>		
Opening net book value (NBV)	11,834	5,312
Additions	2,752	10,610
Amortisation charge	(5,526)	(4,045)
Disposals at NBV	-	(43)
Closing NBV	<u>9,060</u>	<u>11,834</u>
<b>Gross carrying value basis</b>		
<b>At December 31, 2009</b>		
Cost	22,457	20,135
Accumulated amortisation	(13,397)	(8,301)
Closing NBV	<u>9,060</u>	<u>11,834</u>
Amortisation rate per annum	30%	30%
<b>19. EXPENSES NOT ATTRIBUTABLE TO STATUTORY FUNDS</b>	<b>2009</b>	<b>2008</b>
	(Rupees in '000)	
Salaries, allowances and other benefits	7,965	3,276
Travelling expenses	1,203	1,549
Legal and professional	3,387	873
Workers Welfare Fund	3,281	1,800
Miscellaneous	3,533	3,441
	<u>19,369</u>	<u>10,939</u>

The above expenses represent allocation in accordance with the advice of appointed actuary as approved by the Board of Directors.

	2009	2008
	(Rupees in '000)	
<b>20. TAXATION</b>		
Current		
- for the year	40,017	29,000
- prior years	(7,896)	(18,000)
Deferred	(1,320)	(6,000)
	<u>30,801</u>	<u>5,000</u>
<b>20.1 Relationship between tax expense and accounting profit</b>		
Profit / (loss) before tax	<u>160,744</u>	<u>(49,972)</u>
Tax at the applicable rate of 35% (2008: 35%)	56,260	(17,490)
Tax effect of dividend income being taxable at lower rate	(1,307)	(870)
Prior years adjustment	(7,896)	(18,000)
Tax effect of capital gain / (loss) being exempt	(15,183)	45,794
Others	(1,073)	(4,434)
Tax expense for the year	<u>30,801</u>	<u>5,000</u>

## 21. EARNINGS / (LOSS) PER SHARE

There is no dilutive effect on the basic earnings per share of the company, which is based on:

	2009	2008
	(Rupees in '000)	
Profit / (loss) after tax	129,943	(54,972)
	(Number of shares in '000)	
Weighted average number of ordinary shares outstanding as at year end	62,712	62,712
	(Rupees)	
Earnings / (loss) per share - basic and diluted	2.07	(0.88)

## 22. CASH AND CASH EQUIVALENTS

	Statutory Funds			Aggregate		
	Share holders' Fund	Individual Life Unit Linked	Conventional business	Accident & Health	2009	2008
	(Rupees in '000)					
Cash at banks						
- in current accounts	751	83,597	1,512	-	85,860	15,288
- in savings accounts	84,955	186,504	34,695	28,617	334,771	239,717
	85,706	270,101	36,207	28,617	420,631	255,005
Term deposits maturing within three months - note 22.1	50,000	1,505,000	60,000	-	1,615,000	3,000,000
Cash and stamps in hand	185	2,033	175	3	2,396	2,992
	135,891	1,777,134	96,382	28,620	2,038,027	3,257,997

22.1 These carry mark-up ranging from 10.00% to 12.50% (2008: 10.5% to 18.5%) per annum.

## 23. BRANCH OVERHEADS

	Statutory Funds			Aggregate	
	Individual Life Unit Linked	Conventional business	Accident & Health	2009	2008
	(Rupees in '000)				
Salaries, allowances and other benefits	160,481	13,338	7,833	181,652	103,170
Charge for defined benefit plan	4,175	549	325	5,049	8,938
Contribution to defined contribution plan	4,107	522	309	4,938	4,440
Overriding commission	45,674	-	-	45,674	41,560
Travelling expenses	4,336	414	247	4,997	5,443
Advertisements	8,586	479	690	9,755	2,343
Printing and stationery	6,991	203	297	7,491	4,874
Depreciation	15,363	1,381	871	17,615	16,619
Amortisation	594	91	51	736	559
Rental	30,048	255	27	30,330	20,668
Legal and professional charges	1,213	-	16	1,229	-
Utilities	9,215	423	73	9,711	8,500
Entertainment	2,236	87	29	2,352	1,113
Vehicle running	15,917	1,577	976	18,470	15,812
Repairs and maintenance	9,501	147	78	9,726	6,578
Postage, telegram and telephone	21,353	797	502	22,652	19,098
Staff welfare	3,739	43	27	3,809	3,358
Miscellaneous expenses	195	32	13	240	-
	343,724	20,338	12,364	376,426	263,073

## 24. AUDITORS' REMUNERATION

	2009	2008
	(Rupees in '000)	
Audit fee	1,000	957
Fee for review of half yearly financial information, provident and gratuity funds and other certifications - note 24.1	770	310
Out of pocket expenses - note 24.1	110	75
	<u>1,880</u>	<u>1,342</u>

24.1 This includes Rs. 270 thousand and Rs. 44 thousand paid to the outgoing auditors of the company against audit fee and out of pocket expense respectively.

## 25. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

25.1 The aggregate amount charged in the financial statements for remuneration including all benefits to the Chief Executive, Directors and Executives of the company are as follows:

	2009		2008	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees in '000)			
Managerial remuneration	6,503	58,521	5,806	46,575
Performance bonus	3,000	20,410	1,800	15,656
Retirement benefits	1,344	12,084	1,266	18,291
House rent allowance	2,926	26,194	2,613	20,959
Utilities	650	6,045	581	4,658
Medical	19	894	6	1,692
Leave passage	500	-	500	-
Others	-	1,102	-	856
	<u>14,942</u>	<u>125,250</u>	<u>12,572</u>	<u>108,687</u>
Number of persons	<u>1</u>	<u>36</u>	<u>1</u>	<u>29</u>

In addition to the above, fee paid to four non-executive directors during the year amounted to Rs. 620 thousand (2008: Nil).

The Chief Executive and executives are provided with company maintained cars in accordance with company policy.

## 26. INFORMATION ABOUT MAJOR CUSTOMERS

The company considers its external customers to be individuals and group policyholders and is as such not reliant to any individual or group customer. However, premium against individual life unit linked policies from one of the bancassurance arrangements constitutes 40% of the company's premium from such policies.

## 27. TRANSACTIONS WITH RELATED PARTIES

The company is controlled by Aga Khan Fund for Economic Development, S.A Switzerland, which owns 57.87% of the company's shares. Associated undertakings include New Jubilee Insurance Company Limited and Habib Bank Limited being under control of the parent company. Other associated undertakings are classified due to common directorship.

The related parties comprise of related group companies, local associated companies, directors of the company, companies where directors also hold directorship, key management employees, staff retirement funds and statutory funds.



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

Relationship with the Company	Nature of transaction	2009 (Rupees in '000)	2008
i. Associated companies	Group insurance premium	65,810	130,235
	Incurred claims against insurance cover	85,800	142,087
	Rent of building	16,957	14,380
	Payment for premium against general insurance	4,610	2,946
	Claims lodged	302	421
	Investment advisory services	3,000	3,000
	Purchase of goods	81	812
	Agency commission	411,164	110,274
	Interest income on term deposits	65,824	18,758
	Dividend received	5,065	2,520
	ii. Staff retirement funds	Expense charged for retirement benefit plans	22,951
Payments to retirement benefit plans		22,951	27,115
iii. Key management personnel	Salaries and other short-term employee benefits	54,632	45,689
	Post-employment benefits	5,370	6,722
	Consideration received for vehicle sold	403	934
<b>Relationship with the Company</b>	<b>Receivable / (Payable)</b>		
i. Associated companies	Bank account balance	338,037	91,690
	Short term deposits	800,000	685,000
	Investment in shares	163,446	104,151
	Interest accrued on term deposits	141	10,571
	Agency commission	52,548	31,263
	Claims against general policy	391	735
	Group life premium	506	122
	Premium received in advance	(1,118)	-
	Claims lodged & outstanding	(34,892)	(16,294)
	General insurance premium	(479)	(1,046)
ii. Staff retirement funds	Amount receivable against final settlement of an employee	4,500	-

These are settled in the ordinary course of business. The receivables and payables are mainly unsecured in nature and bear no interest.

## 28. MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

### 28.1 Insurance Risk

#### 28.1.1 Individual life unit linked

The risk underwritten is mainly death and sometimes disability and/or critical illness. The risk of death and disability will vary from region to region. The company may get exposed to poor risks due to unexpected experience in terms of claim severity or frequency. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on monies invested in the fund. The company faces the risk of under-pricing particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency may result in the company being unable to recover expenses incurred at policy acquisition.

The company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The company has a well defined medical under-writing policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. Profit testing is conducted on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the company to limit the maximum exposure on any one policyholder. The company has a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the company applies quality controls on the standard of service provided to policyholders and has placed checks to curb mis-selling and improvement in standard of service provided to the policyholders. For this, a regular branch wise monitoring of lapsation rates is conducted. On the claims handling side, the company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committees with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The company maintains adequate liquidity in each unit fund to cater for potentially sudden and high cash requirement. The company reserves the right to review the charges deductible under the contracts, thus limiting the risk of underpricing.

**a) Frequency and severity of claims**

The company measures concentration of risk by geographical area. Concentration of risk is not a factor of concern due to spread of risks across various parts of the country.

However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The company charges for mortality risk on a monthly basis for all insurance contracts without a fixed term. It has the right to alter these charges based on its mortality experience and hence minimises its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect. The company manages these risks through its underwriting strategy and reinsurance arrangements.

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

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

**Benefits assured per life**

Rupees	Assured at the end of 2009			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in '000)	%	(Rupees in '000)	%
0 - 200,000	415,506	0.43%	394,737	0.65%
200,001 - 400,000	1,936,126	1.99%	1,877,983	3.09%
400,001 - 800,000	6,977,815	7.18%	6,341,112	10.44%
800,001 - 1,000,000	4,931,928	5.07%	4,298,404	7.08%
More than 1,000,000	82,957,549	85.33%	47,816,131	78.74%
Total	97,218,924	100.00%	60,728,367	100.00%

Rupees	Assured at the end of 2008			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in '000)	%	(Rupees in '000)	%
0 - 200,000	409,329	0.57%	386,881	0.88%
200,001 - 400,000	1,580,921	2.19%	1,556,395	3.52%
400,001 - 800,000	6,533,684	9.06%	6,242,461	14.14%
800,001 - 1,000,000	4,408,818	6.12%	4,013,722	9.09%
More than 1,000,000	59,145,645	82.06%	31,952,047	72.37%
Total	72,078,397	100.00%	44,151,506	100.00%

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

Uncertainty in the estimation of future benefit payments and premium receipts for long – term unit linked insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and variability in policyholder’s behaviour.

Factors impacting future benefit payments and premium receipts are as follows:

- Mortality: The company assumes the expected mortality at 95% of LIC (94-96) since the current experience for this line of business is not credible.
- Persistency: The company conducts a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

**c) Process used to decide on assumptions**

For long-term unit linked insurance contracts, assumptions are made in two stages. At inception of the contract, the company determines assumptions on future mortality, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

- Mortality: The expected mortality is assumed at 95% of LIC (94-96) since the current experience for this line of business is not credible.
- Persistency: A periodic analysis on the company’s recent and historic experience is performed and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.
- Expense levels and inflation: A periodic study is conducted on the company’s current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.
- Investment returns: The investment returns are based on the historic performance of the fund.

**d) Changes in assumptions**

The valuation conducted as at December 31, 2009, contains change in the reserving basis for the reserves maintained for individual life unit linked Incurred But Not Reported (IBNR) claims.

Gross IBNR is changed to 1.5 times the monthly premium / charges for mortality cover and other risks compared to the earlier basis of 2.0 times. Net IBNR is changed to so that the ensuing IBNR was 50% compared to earlier basis.

The changed basis still has significant margin to cater to adverse deviations and also reflects the fact the past experience can only be attached part credibility due to relatively few claims.

The above change in valuation base has resulted in decrease in policyholders' liability by Rs. 26.03 million with corresponding impact in the revenue account of the respective statutory fund.

**e) Sensitivity analysis**

The table below indicates the level of the respective variable that will trigger an adjustment and then indicates the liability adjustment required as a result of a further deterioration in the variable:

Variables	Trigger level	Change in variable	Increase in liability 2009 Rupees '000	Increase in liability 2008
Worsening of mortality rates for risk policies	195%	+ 10% p.a.	25,000	17,000
Worsening of persistency rates for long term individual policies *	-	-	-	-
Increase in expense levels and inflation	185%	+ 10% p.a.	9,000	6,000
Decrease in investment returns *	-	-	-	-

\* Due to sufficient margins, liability adequacy test does not trigger at any value.

The above analyses 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 – for example, change in interest rate and change in market values; and change in lapses and future mortality.

## 28.1.2 Conventional business

### 28.1.2.1 Individual life conventional business

The risk underwritten, i.e. the risk of death and critical illness will vary from region to region. The company may be exposed to the risk of unexpected claim severity or frequency. This can be as a result of anti-selection and fraudulent claims. The company also faces a risk of under-pricing due to long-term nature of the contract.

The company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The company has a well defined medical under-writing policy and avoids selling policies to high risk individuals, while critical illness policies are rarely offered with effective screening of pre-existing conditions. This puts a check on anti-selection. Profit testing is conducted on an annual basis to ensure adequacy of premiums charged. Reinsurance contracts have been purchased by the company to limit the maximum of any one policyholder. The company has a good spread of business throughout the country thereby ensuring diversification of geographical risks. On the claims handling side, the company ensures that payment of any fraudulent claims is avoided. For this, a claims committee reviews all large claims for verification and conduct detailed investigation of all apparently doubtful claims.

#### a) Frequency and severity of claims

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

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

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

#### Benefits assured per life

Rupees	Assured at the end of 2009			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in '000)	%	(Rupees in '000)	%
0 - 200,000	7,683	2.75%	2,738	3.08%
200,001 - 400,000	49,149	17.61%	17,298	19.47%
400,001 - 800,000	78,091	27.98%	28,969	32.60%
800,001 - 1,000,000	25,132	9.00%	9,411	10.59%
More than 1,000,000	119,063	42.66%	30,445	34.26%
Total	279,118	100.00%	88,861	100.00%

Rupees	Assured at the end of 2008			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in '000)	%	(Rupees in '000)	%
0 - 200,000	7,081	2.52%	2,604	2.81%
200,001 - 400,000	54,536	19.38%	21,239	22.89%
400,001 - 800,000	84,360	29.98%	33,247	35.83%
800,001 - 1,000,000	30,022	10.67%	10,977	11.83%
More than 1,000,000	105,387	37.45%	24,715	26.64%
Total	281,386	100.00%	92,782	100.00%

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

Uncertainty in the estimation of future benefit payments and premium receipts for long – term conventional insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and critical illness incidence rates.

Mortality rates are assumed as EFU (61-66). Critical Illness (CI) incidence rates are taken as a percentage of reinsurer's risk premium rate.

**c) Process used to decide on assumptions**

For long-term conventional insurance contracts, the company determines assumptions on future mortality and morbidity. At regular intervals, tests are conducted on main policies. Assumptions used to profit test the main policies are as follows:

Mortality rates are assumed as EFU (61-66). Critical Illness (CI) incidence rates are taken as a percentage of reinsurer's risk premium rate.

**d) Changes in assumptions**

There has been no change in assumptions.

**e) Sensitivity analysis**

The overall liability for this business stands at less than 2% of the total policyholder liability held in the fund. Due to its immateriality, sensitivity analysis has not been conducted.

**28.1.2.2 Group life**

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

The company manages these risks through underwriting, reinsurance, effective claims handling and other related controls. The company has a well defined medical under-writing policy and avoids writing business for groups with overly hazardous exposure. Pricing is done in line with the actual experience of the company. The premium charged takes into account the actual experience of the client and the nature of mortality exposure the group faces. The rates are certified by the Appointed Actuary for large groups. The company also maintains an MIS to track the adequacy of the premium charged. Reinsurance contracts have been purchased by the company to limit the maximum exposure of any one life. The company also has a catastrophic excess of loss of cover with respect to group life. The intent of the cover is to limit the liability of the company in a single happening that results in multiple claims. At the same time, due caution is applied in writing business in areas of high probability of terrorism. The company ensures writing business with good geographical spread and tries to maintain a controlled exposure to large groups which generally have poor exposure. Writing business of known hazardous groups is also avoided. On the claims handling side, the company ensures that payment of any fraudulent claims is avoided. For this, a claims committee reviews all large claims for verification. Strict monitoring is in place at the Board of Directors level in order to keep the outstanding balances of premium at a minimum, especially the ones that are due for more than 90 days. The bulk of the assets held against liabilities of this line of business have a short duration, thus mitigating the risk of asset value deterioration.

**a) Frequency and severity of claims**

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

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

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

**Benefits assured per life**

Rupees	Assured at the end of 2009			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in '000)	%	(Rupees in '000)	%
0 - 200,000	136,179,938	31.69%	99,249,400	42.82%
200,001 - 400,000	67,957,947	15.82%	36,515,364	15.75%
400,001 - 800,000	48,811,265	11.36%	26,112,713	11.27%
800,001 - 1,000,000	20,242,443	4.71%	10,199,646	4.40%
More than 1,000,000	156,467,703	36.42%	59,696,396	25.76%
Total	429,659,296	100.00%	231,773,519	100.00%

Rupees	Assured at the end of 2008			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in '000)	%	(Rupees in '000)	%
0 - 200,000	116,453,288	33.95%	86,077,788	40.33%
200,001 - 400,000	56,957,802	16.60%	31,156,559	14.60%
400,001 - 800,000	33,988,066	9.91%	19,837,426	9.30%
800,001 - 1,000,000	15,363,167	4.48%	7,923,842	3.71%
More than 1,000,000	120,259,346	35.06%	68,421,981	32.06%
Total	343,021,669	100.00%	213,417,596	100.00%

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

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

**c) Process used to decide on assumptions**

An investigation into group's experience over the last ten years was performed, and statistical methods are used to adjust the rates to a best estimate of mortality. For this purpose, the crude rates were adjusted to reflect the slope in mortality as per India's mortality table of LIC (94-96). Where data is sufficient to be statistically credible, the statistics generated by the data is assigned appropriate credibility factors to account for the group's experience.

**d) Changes in assumptions**

There has been no change in assumptions.

**e) Sensitivity analysis**

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

Variables	Change in variable	Increase in liability 2009 Rupees '000	Increase in liability 2008
Worsening of mortality rates for risk policies	+ 10% p.a.	1,300	2,400
Increase in reporting lag	+ 10% p.a.	1,300	2,400

The above analyses are based on a change in an assumption while holding all other assumptions constant.

### 28.1.3 Accident & Health

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

The company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The company has a well defined medical under-writing policy and avoids writing business for groups with potentially high health related risk exposure such as Government Schemes. Any pre-existing conditions are screened at this stage. Pricing is done as per actual experience of the company's portfolio. The premium charged takes into account the actual experience of the client and an MIS is maintained to track the adequacy of the premium charged. The company has pre-determined charges for certain illnesses with its panel hospitals, and to keep a check on medical inflation, it continues to negotiate these rates. The portfolio has a spread across various geographical regions and to mitigate the concentration of Micro-Insurance policies in northern areas, a stop loss reinsurance cover is in place. On the claims handling side, the company ensures that payment of any fraudulent claims is avoided. For this, the claims are reviewed and managed by technical staff and doctors while an on-site monitoring and checking is performed. Strict monitoring is in place at the Board of Directors level in order to keep the outstanding balances of premium at a minimum, especially the ones that due for more than 90 days.

#### a) Frequency and severity of claims

Company measures risk accumulation in terms of potentially high exposure concentration in a particular geographical area (such as micro insurance policy in northern areas). For this purpose, it has a stop-loss reinsurance policy of micro-insurance policies which covers all claims (subject to a limit) in excess of a pre-defined aggregate claims ratio.

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

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

#### Benefits assured per life

Rupees	Assured at the end of 2009			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in '000)	%	(Rupees in '000)	%
0 - 200,000	7,383,438	28.63%	7,383,438	28.63%
200,001 - 400,000	10,735,647	41.63%	10,735,647	41.63%
400,001 - 800,000	5,854,041	22.70%	5,854,041	22.70%
800,001 - 1,000,000	69,000	0.27%	69,000	0.27%
More than 1,000,000	1,747,930	6.77%	1,747,930	6.77%
Total	25,790,056	100.00%	25,790,056	100.00%

Rupees	Assured at the end of 2008			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in '000)	%	(Rupees in '000)	%
0 - 200,000	6,077,474	30.87%	6,077,474	30.87%
200,001 - 400,000	9,541,083	48.47%	9,541,083	48.47%
400,001 - 800,000	2,618,615	13.30%	2,618,615	13.30%
800,001 - 1,000,000	37,500	0.19%	37,500	0.19%
More than 1,000,000	1,410,455	7.17%	1,410,455	7.17%
Total	19,685,127	100.00%	19,685,127	100.00%

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

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

**c) Process used to decide on assumptions**

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

**d) Changes in assumptions**

The valuation conducted as at December 31, 2009, contains change in the reserving basis for the reserves maintained for group health's Incurred But Not Reported (IBNR) claims.

The reserve for IBNR claims for health schemes has previously been calculated using a claim based approach for both normal and micro-insurance scheme.

A study was conducted to test the adequacy of IBNR held as at December 31, 2008 for normal schemes. The IBNR was significantly in excess of the claims reported subsequently. This is because the delay in claims reporting has reduced substantially over the last 2-3 years. As such, the claims lag factors were appropriately reduced with a reasonable margin for adverse deviation in the basis of IBNR for normal schemes as at December 31, 2009.

For micro-insurance schemes, it is difficult to come up with tangible basis at December 31, 2009 due to very irregular claims reporting pattern for this business segment and the fact that these schemes are relatively new. The IBNR basis at December 31, 2009 has been taken as the hospitals bills payable against services provided till December 31, 2009 plus an adequate margin. A more defined IBNR basis for micro insurance line will be developed over time as experience develops and claims reporting lags tends to stabilize.

The above change in valuation base has resulted in decrease in policyholders' liability by Rs. 13.63 million with corresponding impact in the revenue account of the respective statutory fund.

**e) Sensitivity analysis**

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

Variables	Change in variable	Increase in liability 2009 Rupees '000	Increase in liability 2008
Worsening of morbidity rates for risk policies	+ 10% p.a.	3,800	2,200
Increase in reporting lag	+ 10% p.a.	3,800	2,200
Increase in average claim amount	+ 10% p.a.	3,800	2,200

**28.2 Financial risk**

**Liquidity risk**

Liquidity risk is the risk that the company will be unable to meet its funding requirements. To guard against the risk, the company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure that adequate liquidity is maintained.

**Interest rate risk**

The company invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the company is the risk of changes in market interest rates reducing the overall return on its interest bearing securities. The company limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated. The company's interest rate sensitivity and liquidity positions based on maturities is given in note 28.2.1



## 28.2.1 Mismatch of interest rate sensitive assets and liabilities / yield / interest rate risk

		2009										
		Exposed to Yield/ Interest rate risk									Non-interest bearing financial instruments	
Effective Yield/ Interest rate %	Total	Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years		
(Rupees in '000)												
<b>On-balance sheet financial instruments</b>												
<b>Financial assets</b>												
		2,396	-	-	-	-	-	-	-	-	2,396	
	5	420,631	334,771	-	-	-	-	-	-	-	85,860	
	10-12.5	1,700,000	40,000	1,575,000	85,000	-	-	-	-	-	-	
		3,876	-	-	-	-	-	-	-	-	3,876	
	8-15.26	5,579,564	6,012	94,100	1,789,796	225,005	1,102,817	50,659	334,353	115,648	100,907	
		81,715	-	-	-	-	-	-	-	-	81,715	
		8,663	-	-	-	-	-	-	-	-	8,663	
		100,921	-	-	-	-	-	-	-	-	100,921	
		91,674	-	-	-	-	-	-	-	-	91,674	
		94,787	-	-	-	-	-	-	-	-	94,787	
		20,078	-	-	-	-	-	-	-	-	20,078	
		8,104,305	380,783	1,669,100	1,874,796	225,005	1,102,817	50,659	334,353	115,648	100,907	2,250,237
<b>Financial liabilities</b>												
		436,096	-	-	-	-	-	-	-	-	436,096	
		38,325	-	-	-	-	-	-	-	-	38,325	
		119,807	-	-	-	-	-	-	-	-	119,807	
		125,235	-	-	-	-	-	-	-	-	125,235	
		17,222	-	-	-	-	-	-	-	-	17,222	
		751	-	-	-	-	-	-	-	-	751	
		94,787	-	-	-	-	-	-	-	-	94,787	
		832,223	-	-	-	-	-	-	-	-	832,223	
	<b>On-balance sheet gap</b>	<b>7,272,082</b>	<b>380,783</b>	<b>1,669,100</b>	<b>1,874,796</b>	<b>225,005</b>	<b>1,102,817</b>	<b>50,659</b>	<b>334,353</b>	<b>115,648</b>	<b>100,907</b>	<b>1,418,014</b>
<b>Off-balance sheet financial instruments</b>												
	Commitments	(3,230)	(12)	(24)	(36)	(23)	-	-	-	-	(3,135)	
	<b>Off-balance sheet gap</b>	<b>(3,230)</b>	<b>(12)</b>	<b>(24)</b>	<b>(36)</b>	<b>(23)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,135)</b>
	<b>Total yield / interest rate risk sensitivity gap</b>		<b>380,771</b>	<b>1,669,076</b>	<b>1,874,760</b>	<b>224,982</b>	<b>1,102,817</b>	<b>50,659</b>	<b>334,353</b>	<b>115,648</b>	<b>100,907</b>	<b>1,414,879</b>
	<b>Cumulative yield / interest rate risk sensitivity gap</b>		<b>380,771</b>	<b>2,049,847</b>	<b>3,924,607</b>	<b>4,149,589</b>	<b>5,252,406</b>	<b>5,303,065</b>	<b>5,637,418</b>	<b>5,753,066</b>	<b>5,853,973</b>	<b>1,414,879</b>

2008

Effective Yield/ Interest rate %	Total	Exposed to Yield/ Interest rate risk								Non-interest bearing financial instruments	
		Upto one month	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years		Over ten years
(Rupees in '000)											
<b>On-balance sheet financial instruments</b>											
<b>Financial assets</b>											
		2,992	-	-	-	-	-	-	-	-	2,992
	5.4	255,005	255,005	-	-	-	-	-	-	-	-
	8-10.75	3,000,000	320,000	2,680,000	-	-	-	-	-	-	-
		4,266	-	-	-	-	-	-	-	-	4,266
	6.1 - 18	2,031,512	390,093	22,835	131,770	-	86,912	221,465	90,929	269,996	101,261
		95,895	-	-	-	-	-	-	-	-	95,895
		1,948	-	-	-	-	-	-	-	-	1,948
		53,179	-	-	-	-	-	-	-	-	53,179
		17,757	-	-	-	-	-	-	-	-	17,757
		5,630	-	-	-	-	-	-	-	-	5,630
		15,536	-	-	-	-	-	-	-	-	15,536
		5,483,720	965,098	2,702,835	131,770	-	86,912	221,465	90,929	269,996	101,261
<b>Financial liabilities</b>											
		237,881	-	-	-	-	-	-	-	-	237,881
		24,714	-	-	-	-	-	-	-	-	24,714
		64,920	-	-	-	-	-	-	-	-	64,920
		60,490	-	-	-	-	-	-	-	-	60,490
		53,511	-	-	-	-	-	-	-	-	53,511
		768	-	-	-	-	-	-	-	-	768
		5,630	-	-	-	-	-	-	-	-	5,630
		447,914	-	-	-	-	-	-	-	-	447,914
<b>On-balance sheet gap</b>		<u>5,035,806</u>	<u>965,098</u>	<u>2,702,835</u>	<u>131,770</u>	<u>-</u>	<u>86,912</u>	<u>221,465</u>	<u>90,929</u>	<u>269,996</u>	<u>101,261</u>
<b>Off-balance sheet financial instruments</b>											
		(237)	(12)	(24)	(36)	(71)	(94)	-	-	-	-
<b>Off-balance sheet gap</b>		<u>(237)</u>	<u>(12)</u>	<u>(24)</u>	<u>(36)</u>	<u>(71)</u>	<u>(94)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total yield / interest rate risk sensitivity gap</b>		<u>965,086</u>	<u>2,702,811</u>	<u>131,734</u>	<u>(71)</u>	<u>86,818</u>	<u>221,465</u>	<u>90,929</u>	<u>269,996</u>	<u>101,261</u>	<u>465,540</u>
<b>Cumulative yield / interest rate risk sensitivity gap</b>		<u>965,086</u>	<u>3,667,897</u>	<u>3,799,631</u>	<u>3,799,560</u>	<u>3,886,378</u>	<u>4,107,843</u>	<u>4,198,772</u>	<u>4,468,768</u>	<u>4,570,029</u>	<u>465,540</u>

#### a) Sensitivity analysis - interest rate risk

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

Debt securities held to maturity are accounted for at amortised cost and their carrying amounts are not sensitive to changes in the level of interest rates.

Management monitors the sensitivity of reported interest rate movements periodically by assessing the expected changes in the different portfolios due to parallel movements of 100 basis points in all yield curves.

An increase in 100 basis points in interest yields would result in a loss of Rs. 20.13 million (2008: Rs. 5.38 million). The portion of this loss that would be recognised directly in equity is Rs. 1.06 million (2008: Rs.1.02 million).

A decrease in 100 basis points in interest yields would result in a gain of Rs. 19.88 million (2008: Rs. 5.70 million). The portion of this gain that would be recognised directly in equity is Rs. 0.85 million (2008: Rs.1.05 million).

b) **Sensitivity analysis - currency risk**

The company underwrites insurance contracts in Pak Rupees and invests in assets denominated in the same currency, which eliminates the foreign currency exchange rate risk for these operations.

**29. FOREIGN CURRENCY RISK**

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

**30. MARKET RISK**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The company is exposed to market risk with respect to its investments.

The company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in Government securities, equity, open-end and closed-end mutual funds and term finance certificates markets. In addition, the company actively monitors the key factors that affect the underlying value of these securities.

**31. CREDIT RISK AND CONCENTRATION OF CREDIT RISK**

Credit risk is the risk, which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in a similar manner.

Major credit risk is in premiums receivable, reinsurance receivables, bank balances and investments. The management monitors exposure to credit risk through regular review of credit exposure and assessing credit worthiness of counter parties.

	AAA	AA+	AA	AA-	A+	A	A-	BBB+	Not rated	Total
	(Rupees in '000)									
<b>December 31, 2009</b>										
Debt securities	-	71,075	218,026	102,300	-	-	-	-	3,427,900	3,819,301
Loans and receivables	-	-	-	-	-	-	-	-	215,253	215,253
Cash and cash equivalents	150,050	866,353	212,615	175,759	368,212	60,332	100,798	1,512	102,396	2,038,027
	<b>150,050</b>	<b>937,428</b>	<b>430,641</b>	<b>278,059</b>	<b>368,212</b>	<b>60,332</b>	<b>100,798</b>	<b>1,512</b>	<b>3,745,549</b>	<b>6,072,581</b>
<b>December 31, 2008</b>										
Debt securities	-	79,139	201,694	105,577	-	-	-	-	928,852	1,315,262
Loans and receivables	-	-	-	-	-	-	-	-	170,824	170,824
Cash and cash equivalents	151,616	1,386,723	915,520	475,673	94,413	30,000	200,000	1,060	2,992	3,257,997
	<b>151,616</b>	<b>1,465,862</b>	<b>1,117,214</b>	<b>581,250</b>	<b>94,413</b>	<b>30,000</b>	<b>200,000</b>	<b>1,060</b>	<b>1,102,668</b>	<b>4,744,083</b>

Due to the nature of its business the company is not exposed to concentration of credit risk.

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

	2009	2008
	(Rupees in '000)	
Cash and bank deposits	2,123,027	3,257,997
Unsecured advances to employees	3,876	4,266
Premiums due but unpaid	51,089	56,682
Investment income due but outstanding	8,663	1,948
Investment income accrued	100,921	53,179
Sundry receivable	20,078	15,536

	2009 (Rupees in '000)	2008
The carrying values of financial assets which are past due but not impaired are as under:		
Premiums due but unpaid	24,328	28,681
The carrying values of financial assets which are past due and impaired are as under:		
Premiums due but unpaid	6,298	10,532

### 32. REINSURANCE RISK

In order to minimise the financial exposure arising from large claims, the company, in the normal course of business, enters into agreement with other reinsurers.

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

In order to manage this risk, the company obtains reinsurance cover only from companies with sound financial health.

### 33. CAPITAL MANAGEMENT

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

- to comply with the minimum paid-up capital requirements as prescribed by SECP which in respect of the current and next year is Rs. 450 million and Rs. 500 million respectively (2008: Rs 400 million);
- to safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders';
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;
- maintain strong ratings and to protect the company against unexpected events / losses; and
- to ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

As prescribed by SECP, company is required to maintain the minimum capital and to comply with the solvency requirements both for shareholders' and statutory funds in accordance with the Insurance Ordinance, 2000, which the company is in compliance.

### 34. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

As at December 31, 2009, the carrying value of all financial instruments is estimated to approximate their fair value, except for investments referable to non-linked funds, the market value of which exceeded the cost by Rs. 4.07 million (2008: Nil) on an aggregate portfolio basis.

### 35. ACCOUNTING ESTIMATES AND JUDGMENTS

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates relating to the insurance contracts are based on the advice of the appointed actuary. Some of the critical accounting estimates and judgments are as follows:

## **35.1 Policyholders' liabilities**

### **35.1.1 Valuation discount rate**

The valuation of policyholders' liabilities has been based on a discount rate of 3.75%, which is in line with the requirements under the repealed Insurance Act, 1938 and is considerably lower than the actual investment return the company is managing on its conventional portfolio. The difference each year between the above and the actual investment return is intended to be available to the company for meeting administration expense and provide margins for adverse deviation.

### **35.1.2 Mortality assumption**

For the purpose of valuing the insurance contracts, the mortality assumption used is based on EFU (61-66) table. This table is constructed on the basis of EFU (61-66) table, adjusted to reflect the mortality expectation in Pakistan. In the opinion of appointed actuary the adjusted table gives the closest match to the underlying mortality of the covered population.

### **35.1.3 Claims provision**

The calculation of Incurred But Not Reported Claims Reserve for both Group Life under Conventional Business and Accident and Health lines has been based on the assumption that the claims lag pattern would follow the trend experienced over the past 3 years.

The reserving basis has been formulated on the recent claims lag pattern and experience of the company for each line of business separately. Appropriate margins have been added to ensure that the reserve set aside is resilient to changes in the experience.

### **35.1.4 Surrenders**

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

## **35.2 Income taxes**

In making the estimates for income taxes currently payable by the company, the management looks at the current income tax law and the decisions of appellate authorities on disputed issues in the past. However, the company has made adequate provision in this respect. Therefore, no amount is shown as a contingent liability of the company.

## **35.3 Impairment in respect of listed securities**

The company determines that listed available-for-sale securities are impaired when there has been a significant or prolonged decline in fair value below its cost. In making this judgment, the company evaluates among other factors volatility in share prices in normal course.

## **36. Fire at Company's premises**

On August 22, 2009 a fire broke out in the record room of the company situated in head office building resulting in loss of physical record in respect of policyholders of Conventional business and Accident & health business funds. The company had however, maintained parallel record of the said policyholders in electronic form and physical record in support of the payments made to the policyholders. This physical record comprised claims processing sheets containing complete information regarding claim, the policyholders and the related approval of the claims committee members after due verification by them in relation to support documents and policy contracts' terms and conditions.

### 37. CORRESPONDING FIGURES

Prior year's figures have been reclassified for the purpose of better presentation and comparison. Changes made during the year are as follows:

<u>Reclassification from component</u>	<u>Reclassification to component</u>	<u>Amount (Rupees in '000)</u>
Administration expenses Travelling expenses	Branch overheads Travelling expenses	5,443
Advertisements	Advertisements	2,343
Printing and stationery	Printing and stationery	4,874
Depreciation	Depreciation	16,619
Amortisation	Amortisation	559
Staff welfare	Staff welfare	3,358
<b>Branch overheads</b>	<b>Administration expenses</b>	
Salaries, allowances and other benefits	Salaries, allowances and other benefits	50,852
Charge for defined benefit plan	Charge for defined benefit plan	4,211

### 38. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on March 25, 2010 proposed a final cash dividend of Rs. 1 per share for the year ended December 31, 2009 amounting to Rs. 62.71 million for approval of the members at the Annual General Meeting to be held on April 28, 2010. These financial statements do not recognise this appropriation which will be accounted for in the financial statements for the year ending December 31, 2010.

### 39. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 25 March 2010 by the Board of Directors of the company.



Masood Noorani  
Chairman



Towfiq H. Chinoy  
Director



Shahid M. Loan  
Director



Javed Ahmed  
Managing Director &  
Chief Executive Officer

# Statement of Directors

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

## Section 46(6)

- (a) In our opinion the annual statutory accounts of the New Jubilee Life Insurance Company Limited set out in the forms attached to the statement have been drawn up in accordance with the Ordinance and any rules made there under;
- (b) New Jubilee Life Insurance Company Limited has at all times in the year complied with the provisions of the Ordinance and the rules made there under relating to paid-up capital, solvency and reinsurance arrangements; and
- (c) As at December 31, 2009 New Jubilee Life Insurance Company Limited continues to be in compliance with the provisions of the Ordinance and the rules made there under relating to paid-up capital, solvency and reinsurance arrangements.

## Section 52(2)(c)

- (d) In our opinion each statutory fund of New Jubilee Life Insurance Company Limited complies with the solvency requirements of the Insurance Ordinance, 2000, and the Insurance Rules, 2002.



Masood Noorani  
Chairman



Towfiq H. Chinoy  
Director



Shahid M. Loan  
Director



Javed Ahmed  
Managing Director &  
Chief Executive Officer

# Statement of Appointed Actuary

(required under section 52(2) (a) & (b) of the Insurance Ordinance, 2000.

In my Opinion:

- (a) the policyholder liabilities in the balance sheet of New Jubilee Life Insurance Company Limited as at 31.12.2009 have been determined in accordance with the provisions of the Insurance Ordinance, 2000; and
- (b) each statutory fund of the New Jubilee Life Insurance Company Limited complies with the solvency requirements of the Insurance Ordinance, 2000.



NAUMAN A. CHEEMA

Appointed Actuary of the Company  
Fellow of the Society of Actuaries (USA)  
Fellow of the Pakistan Society of Actuaries

Date: March 18, 2010

# Pattern of Shareholding

As at 31 December 2009

Number of Shareholders	Shareholding		Total Shares held	Percentage
	From	To		
86	1	100	3,539	0.0056
668	101	500	288,706	0.4604
268	501	1000	235,079	0.3749
414	1001	5000	1,178,299	1.8789
117	5001	10000	899,851	1.4349
32	10001	15000	406,997	0.6490
23	15001	20000	402,380	0.6416
18	20001	25000	421,220	0.6717
8	25001	30000	226,040	0.3604
7	30001	35000	225,660	0.3598
1	35001	40000	40,000	0.0638
4	40001	45000	164,360	0.2621
5	45001	50000	243,000	0.3875
3	50001	55000	158,500	0.2527
2	55001	60000	120,000	0.1914
3	60001	65000	186,823	0.2979
2	65001	70000	140,000	0.2232
2	75001	80000	155,900	0.2486
1	95001	100000	100,000	0.1595
1	100001	105000	102,700	0.1638
1	105001	110000	108,000	0.1722
1	120001	125000	122,500	0.1953
1	135001	140000	139,500	0.2224
1	145001	150000	150,000	0.2392
1	155001	160000	156,000	0.2488
2	160001	165000	322,500	0.5143
1	165001	170000	167,500	0.2671
1	185001	190000	186,500	0.2974
1	195001	200000	200,000	0.3189
1	245001	250000	248,000	0.3955
1	295001	300000	297,500	0.4744
1	310001	315000	310,959	0.4959
1	400001	405000	401,290	0.6399
1	435001	440000	440,000	0.7016
1	700001	705000	705,000	1.1242
1	895001	900000	900,000	1.4351
1	1890001	1895000	1,890,500	3.0146
1	2160001	2165000	2,163,970	3.4506
1	2185001	2190000	2,189,567	3.4915
1	4030001	4035000	4,032,766	6.4306
1	5585001	5590000	5,590,000	8.9138
1	36290001	36295000	36,290,894	57.8691
<b>1688</b>	<b>Company Total</b>		<b>62,712,000</b>	<b>100.0000</b>



# Pattern of Share Holding

Additional Information as at 31 December 2009

Categories of Shareholders	Number of Shareholders	Shares held	Percentage of Total
<b>Associated Companies, Undertakings and Related Parties:</b>	<b>3</b>	<b>10,062,766</b>	<b>16.0460</b>
New Jubilee Insurance Co. Ltd.		4,032,766	
Habib Bank Ltd. –Treasury Division		5,590,000	
The Aga Khan University Foundation		440,000	
<b>NIT and ICP</b>	<b>1</b>	<b>500</b>	<b>0.0008</b>
Investment Corporation of Pakistan			
<b>Directors, CEO &amp; their spouse and minor children</b>	<b>8</b>	<b>6,060</b>	<b>0.0097</b>
Mr. Masood Noorani		780	
Mr. Javed Ahmed		780	
Mr. Towfiq H. Chinoy		500	
Mr. Sultan Allana		500	
Mr. Shahid Mahmood Loan		500	
Mr. John Joseph Metcalf		500	
Mr. Aly Noor Mahomed Rattansey		500	
Mrs. Hina Javed		2,000	
<b>Executives</b>	<b>4</b>	<b>2,640</b>	<b>0.0042</b>
Mr. Manzoor Ahmed		1,000	
Mr. Mohammad Sohail Fakhra		780	
Mr. Faisal Qasim		500	
Mr. Farooq Sharif		360	
<b>Public Sectors Companies &amp; Others</b>		-	
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and ICP Mutual Funds	15	6,141,237	9.7927
<b>Shareholders holding 10 percent or more share in the Company ( other than those reported above )</b>	<b>1</b>	<b>*36,292,394</b>	<b>57.8715</b>
<b>Individuals</b>	<b>1,602</b>	<b>7,170,399</b>	<b>11.4339</b>
<b>Others</b>	<b>54</b>	<b>3,036,004</b>	<b>4.8412</b>
<b>TOTAL</b>	<b>1,688</b>	<b>62,712,000</b>	<b>100.0000</b>

\*Excluding shareholding of Nominee Directors.

No trading in shares by Directors, CEO, CFO & Company Secretary during the year 2009.

# Categories of Shareholders

As At 31 December 2009

PARTICULES	NUMBER OF SHAREHOLDERS	SHAREHOLDING	PERCENTAGE
Individual	1,602	7,151,139	11.4032
Insurance Companies	3	4,933,266	7.8665
Joint Stock Companies	47	1,019,504	1.6257
Financial Institutions	11	7,599,200	12.1177
Modarabas & Mutual Funds	7	5,197,537	8.2879
Non Residential Shareholders	13	36,320,354	57.9161
*Others	5	491,000	0.7829
<b>COMPANY TOTAL</b>	<b>1,688</b>	<b>62,712,000</b>	<b>100.0000</b>

\*

The Aga Khan University Foundation  
Trustee Kandawala Trust  
Trustee Artal Restaurants Int'l Employees' Provident Fund  
Trustee Army Welfare Trust  
J.P.Morgan Clearing Corp. Clearing A/c

# Notice of Annual General Meeting

Notice is hereby given that the 15th Annual General Meeting of the Shareholders of New Jubilee Life Insurance Company Limited will be held as per below mentioned schedule:

Day, date and time: Wednesday, 28th April, 2010 at 11.00 a.m.  
Venue Auditorium, Habib Bank Tower, Jinnah Avenue, Islamabad

## Agenda

### Ordinary Business

1. To receive, consider and adopt the audited financial statements of the Company for the year ended December 31, 2009 and reports of the Directors and the Auditors thereon.
2. To consider the appointment of Auditors for the year ending 31 December 2010 and to fix their remuneration. The retiring Auditors Messrs. A.F. Ferguson & Co. Chartered Accountants being eligible, offer themselves for re-appointment.
3. To approve payment of Cash Dividend of Rs. One (1) per share i.e. 10% to those shareholders entitled at close of business on 20 April 2010.
4. To transact any other ordinary business as may be placed before the meeting with the permission of the Chairmen.

### Special Business

#### Investment in associated companies:

As required under the SRO No. 865(1)/2000 dated 6 December, 2000, the status of the following investments in associated companies against approvals held by the Company in Annual General Meeting of 26 April 2007 is as under:

#### a) International Industries Limited

As regards the approval granted by the shareholders in respect of investment of PKR 150 million, the Company has to date invested PKR 111 million (2008: Rs. 102.6 million) in the purchase of ordinary shares of the company. Further investment will be made on availability of shares at a suitable price after taking into consideration the latest financial position of the investee company.

#### b) Habib Bank Limited

As regards the approval granted by the shareholders in respect of investment of PKR 150 million, the Company has to date invested PKR 109.7 million (2008: Rs. 109.7 million) in purchase of ordinary shares of the company. Further investment will be made on availability of shares at suitable prices after taking into consideration the latest financial position of the investee company.

#### c) New Jubilee Insurance Company Limited

As regards the approval granted by the shareholders in respect of investment of PKR 150 million, the Company has to date invested PKR 24.9 million (2008: Rs. 21.9 million) in purchase of ordinary shares of the company. Further investment will be made on availability of shares at a suitable price after taking into consideration the latest financial position of the investee company.

Up to date financial position of the respective investee company are as under:

Name of the investee company	Average market price of the shares intended to be purchased during preceeding six months (Oct. 2009 to March 2010)	Break up value of shares intended to be purchased on the basis of last published financial statements	Earning (Loss) per share of investee company in the last three years.
International Industries Limited	Rs. 61.36	Rs. 42.40	Basic earning per share 2007 Rs. 10.80 2008 Rs. 8.50 2009 Rs. 3.75 2010 H1 Rs. 4.23
Habib Bank Limited	Rs. 122.99	Rs. 86.84	Basic earning per share 2007 Rs. 11.65 2008 Rs. 13.18 2009 Rs. 13.50
New Jubilee Insurance Company Limited	Rs. 66.83	Rs. 39.76	Basic earning per share 2007 Rs. 10.71 2008 Rs. (4.05) 2009 Rs. 9.96

By order of the Board



**Manzoor Ahmed**  
Company Secretary

March 25, 2010  
Karachi

Notes:

1. The Share transfer books of the Company shall remain closed from April 21, 2010 to April 28, 2010 (both days inclusive). Transfers received in order by our registrar, M/s THK Associates (Pvt) Limited, Ground floor, State Life Building 3, Dr. Ziauddin Ahmed Road, Karachi-75530 at the close of business on April 20, 2010 will be treated in time for the purpose of attending the meeting.
2. A Member of the company entitled to attend and vote at this Meeting shall be entitled to appoint another member, as his/her proxy to attend, speak and vote instead of him/her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the Meeting as are available to a member.
3. A Member shall not be entitled to appoint more than one proxy to attend any one meeting. If any Member appoints more than one proxy for any one meeting and more than one instruments of proxy are deposited with the Company, all such instruments of proxy shall be rendered invalid.
4. Proxies, in order to be effective, must be received by / lodged with the Company at its Registered Office 26-D, 3rd floor, Kashmir Plaza, Jinnah Avenue, Blue Area, Islamabad not less than 48 hours before the Meeting.
5. Members are requested to immediately notify any change in their addresses.
6. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

**FOR ATTENDING THE MEETING**

- i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his / her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

The shareholders registered on CDC are also requested to bring their particulars, I.D. numbers and account numbers in CDS.

- ii) In case of corporate entity the Board of Directors' resolution/power of Attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

**FOR APPOINTMENT OF PROXIES**

- i) In case of individual, the account holder or sub account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per requirement notified by the company.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his / her original CNIC or original passport at the time of the meeting.
- v) In case of corporate entity being a Member, the Board of Directors' resolution / power of attorney with specimen signature of the nominee / attorney shall have to be submitted (unless it has been provided earlier) along with the proxy form to the Company.

# Proxy Form

I/We \_\_\_\_\_ of \_\_\_\_\_ (full address)

being member(s) of New Jubilee Life Insurance Company Limited and holder of \_\_\_\_\_

ordinary shares as per shares register folio No. \_\_\_\_\_ CDC Participant ID \_\_\_\_\_

CDC Account No. \_\_\_\_\_ hereby appoint Mr./Mrs./Miss \_\_\_\_\_

of \_\_\_\_\_ (full address)

or failing him/her \_\_\_\_\_ of \_\_\_\_\_ or failing him / her \_\_\_\_\_

of \_\_\_\_\_ as my proxy to attend, speak and vote for me and on my behalf at the

Annual General Meeting of the Company to be held on 28 April 2010 (Wednesday) at 11.00 a.m. at Auditorium, Habib Bank tower, Jinnah Avenue Islamabad and at any adjournment thereof.

In witness whereof, I have placed my/our hand(s) this \_\_\_\_\_ day of April 2010.

Signed by \_\_\_\_\_

In presence of \_\_\_\_\_

\_\_\_\_\_  
Signature  
Name:  
Addressee:  
Passport / NIC No.

Please affix  
Revenue Stamp

\_\_\_\_\_  
Signature of Member(s)

A member entitled to attend and vote at the Annual General Meeting may appoint another member as proxy to attend, speak and vote instead of him.

The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing, if the appointer is a corporation, under its common seal or the hand of an officer or attorney duly authorized.

The instrument appointing a proxy, together with the power of attorney if any under which it is signed or a notarial certified copy thereof, should be deposited at the Registered Office not less than 48 hours before the time of holding the meeting.

AFFIX  
CORRECT  
POSTAGE

The Company Secretary

**New Jubilee Life Insurance Company Limited**

26-D, 3rd Floor, Kashmir Plaza,  
Jinnah Avenue, Blue Area, Islamabad

Tel : 051-2206930-6 Fax : 051-2825372

Fold : Here

Fold : Here

Fold : Here

Fold : Here

# New Jubilee life Insurance Company Limited

## Head Office

74/1-A, Lalazar, M.T. Khan Road, Karachi-74000,  
Tel: (021) 35611071-5, 35611802-8 Fax:(021) 35610959

### BRANCH NETWORK SOUTHERN REGION

#### BADIN

##### Badin Branch

Shop No 33-34 Naseem City Center Badin  
Tel: (0297) 861200, 861620

#### GHOTKI

##### Station Road-Ghotki

Green Hotel Building, Main Chowk,  
Station Road, Ghotki. Tel: (0723) 600612-3

#### HYDERABAD

##### Hyderabad Cantt Br

1st Floor, CC-1 Block, Civic Centre, Thandi Sarak,  
Hyderabad  
Tel: (022) 2785907, 2786193-4, 2729112  
Fax: (022) 2786191

##### Hyderabad Central Branch

1st Floor, CC-1 Block, Civic Centre, Thandi Sarak,  
Hyderabad  
Tel: (022) 2785907, 2786193-4, 2729112  
Fax: (022) 2786191

##### Hyderabad City Branch

Shop No. 1 & 2, Ground Floor Sambara Tower, Behind  
KFC Near State Life Building Thandi Sarak Hyderabad  
Tel: (022) 2730145-47

##### Thandi Sarak Branch

1st Floor, CC-1 Block, Civic Centre, Thandi Sarak,  
Hyderabad  
Tel: (022) 2785907, 2786193-4, 2729112  
Fax: (022) 2786191

##### Hyderabad Indus Branch

1st Floor, CC-1 Block, Civic Centre, Thandi Sarak,  
Hyderabad  
Tel: (022) 2785907, 2786193-4, 2729112  
Fax: (022) 2786191

##### Hyderabad Mehran Branch

Building #97, Mazanine floor, Opposite Bank Al-Habib,  
Doctors' line, Sadar bazar Hyderabad  
Tel: (022) 2786085-86

#### JACOBABAD

##### Quaid-i-Azam Road Branch

NJLI Compnay Ltd. Opposite Old Municipal Committy,  
Quaid-e-Azam Road, Jaccobabad  
Tel: (0722) 655085, 651237

#### KARACHI

##### Civic Branch

Office # 109, Asia Pacific Centre, Sub plot # 250/1/9,  
Block-19, Gulistan-e-Jauhar, Karachi.  
Tel: (021) 34392853-5, 34322168

##### Falcon Branch

Office # 601, 6th Floor Progressive Centre  
Block -6 P.E.C.H.S Main Shahra-e-Faisal Karachi.  
Tel: (021) 34392853-55 Fax: (021) 34322170

##### Federal Branch

4th Floor, Duty Free Shop Center,  
Jinnah Co operative Housing Society,  
Block-7/8, Main Shahrah-e-Faisal, Karachi.  
Tel : (021) 34225421, 34325387 Fax : (021) 34310451

##### Gulshan-e-Hadeed

A-1501, phase-1, Opposite Pir Bazar,  
Gulshan-e-Hadeed, Bin Qasim, Karachi  
Tel: (021) 34718680, 34721599

##### Garden Branch

4th Floor, Duty Free Shop Center,  
Jinnah Co operative Housing Society,  
Block-7/8, Main Shahrah-e-Faisal, Karachi.  
Tel : (021) 34225421, 34325387  
Fax : (021) 34310451

##### Royal Branch

Flat # 09 Afzal Apartment,  
KDA Scheme # 1-A Stadium Road Karachi  
Tel: (021) 34131346-8

##### Karsaz Branch

Duty Free Shop Centre, Jinnah Cooperative Housing  
Society, 4th Floor, Plot No.6, Block 7/8,  
Main Shahra-e-Faisal, Karachi  
Tel: (021) 34325424, 34325426, 34625422

##### Liberty Branch

1st Floor, Office No. 105-A & 106, Asia Pacific Trade  
Centre, Opposite Drive-In-Cinema,  
Main Rashid Minhas Road, Karachi  
Tel: (021) 34017412, 34017414-5

##### Nursery Branch

Duty Free Shop Centre, Jinnah Cooperative Housing  
Society, 4th Floor, Plot No.6, Block 7/8,  
Main Shahra-e-Faisal, Karachi  
Tel: (021) 34325424, 34325426, 34625422

##### P.E.C.H.S Branch

Office #601, 6th Floor Progressive Centre  
Block -6 P.E.C.H.S Mian Shahra-e-Faisal Karachi.  
Tel: (021) 34392853-55  
Fax: (021) 34322170

##### Pioneer Branch

1st Floor, Office No. 105-A & 106, Asia Pacific Trade  
Centre, Opposite Drive-In-Cinema, Main Rashid Minhas  
Road, Karachi  
Tel: (021) 34017412, 34017414-5

##### Progressive Branch

Duty Free Shop Centre, Jinnah Cooperative Housing  
Society, 4th Floor, Plot No.6, Block 7/8,  
Main Shahra-e-Faisal, Karachi  
Tel: (021) 34325396,34325426

##### Rashid Minhas Rd Branch

1st Floor, Office No. 105-A & 106, Asia Pacific Trade  
Centre, Opposite Drive-In-Cinema,  
Main Rashid Minhas Road, Karachi  
Tel: (021) 34017412, 34017414-5

##### Shahra-e-Faisal Branch

Duty Free Shop Centre, Jinnah Cooperative Housing  
Society, 4th Floor, Plot No.6, Block 7/8,  
Main Shahra-e-Faisal, Karachi  
Tel: (021) 34325421

##### Shaheen Branch

Office #601, 6th Floor Progressive Centre  
Block -6 P.E.C.H.S Mian Shahra-e-Faisal Karachi.  
Tel: (021) 34392853-55 Fax: (021) 34322170

##### Shaheen Branch - 3

Office # M-2, Farhan Tower, Survey # 118/2, Gulshan-  
e-Iqbal, Rashid Menhas Road, Karachi.  
Tel: (021) 34663270-79

##### Shaheed-e-Millat Road

Duty Free Shop Centre, Jinnah Cooperative Housing  
Society, 4th Floor, Plot No.6, Block 7/8, Main Shahra-  
e-Faisal, Karachi  
Tel: (021) 34325396,34325426

##### KHAIRPUR

Khairpur City Branch  
Opposite Session Court, Katchery Road, Khairpur  
Tel: (0243) 714872

##### LARKANA

Station Road Branch  
1st Floor Asad Shopping Centre, Station Road, Larkana  
Tel: (074) 4057486,4057487  
Fax: (074) 4057482

##### City Branch

1st Floor Asad Shopping Centre, Station Road, Larkana  
Tel: (074) 4057486,4057487  
Fax: (074) 4057482

##### MEHAR (District Dadu)

Sub Office (SR Larkana)  
1st Floor, UBL Building,  
College Road, Mehar,  
Distt. Dadu. Tel: (0254) 730406

##### Mirpurkhas City Branch

Umer Kot Road, Mirpurkhas, Sindh  
Tel: (0233) 873106

##### Nawabshah (Sub-Off)

2nd Floor, Zainab Centre, Near Al-Karim Hotel, Katchary  
Road, Nawabshah.  
Tel: (0242) 448424

##### Noshero City Branch

Near Habib Bank Ltd.Main Road,  
Naushero Feroz.  
Tel: (0242) 448424

##### Panu Akil Branch

Opposite Caltex Petrol Pump Baiji Chawk, National  
Highway Panu Akil.  
Tel: (071) 5691717-8  
Fax: (071) 5690303

##### QUETTA

##### Quetta Shaheen Branch

Suit #. 11-12, Institute of Engineering, Zarghoon Road,  
Quetta.  
Tel: (081) 2829822, 2823913

##### Zarghoon Road Branch

Main Jinnah Road opp. Indus Bank, 1st Floor, Optics  
World Corner Building, Quetta.  
Tel: (081) 2840877

##### SUKKUR

##### Sukkur City Branch

1st Floor, Lala Azam Plaza, Opposite Excise Office,  
Station Road, Sukkur  
Tel: (071) 5612056, 5614515, 5614261  
Fax: (071) 5612556

### EMPLOYEES BENEFIT SERVICES

Karachi : NJI Life Building, 74/1-A, Lalazar, M.T. Khan Road, Karachi-74000 Tel: (021) 35611071-5, Ext. 2263 Fax: (021) 35612314  
Lahore : 2-1-L, Gulberg III, Main Ferozepur Road, Lahore. Tel : (042) 5841915, Fax : (042) 5841913  
Faisalabad : Satiانا Road Branch, 1st Floor-721, Batala Colony, Satiانا Road, Faisalabad. Tel: (041) 8712008, 8733179, 8717337, 8720984, 8714256, 8720487 Fax: (041) 8710101  
Rawalpindi : Murree Road Branch, B-DD-83, 1st Floor, Minhas Shopping Plaza, Shamsabad, Murree Road, Rawalpindi. Tel: (051) 4575210 Fax: (051) 4575209



# New Jubilee life Insurance Company Limited

Head Office

74/1-A, Lalazar, M.T. Khan Road, Karachi-74000,  
Tel: (021) 35611071-5, 35611802-8 Fax:(021) 35610959

## BRANCH NETWORK NORTHERN REGION

### ABBOTABAD

Mansehra Road Branch  
Civic Shopping Centre, near Muqadas Tower  
Mandian, Mansehra Road Abbottabad  
Tel: (0992) 383257

### BAHAWALPUR

Bhawalpur Branch  
1st Floor, Adil Complex,  
Opp: Circuit House Ahmed Pur Road Bahawalpur  
Tel: (062) 2877326

### FAISALABAD

Satiana Road Branch  
721/B, 1st Floor, Batala Colony,  
Satiana Road, Faisalabad.  
Tel: (041) 8733179, 8714256  
Fax: (041) 8710101

### GUJRAWALA

G.T.Road Branch-1  
3rd Floor Zaheer Plaza, GT Road Gujranwala  
Tel: (055) 3824731, 32, 34, 35

### G.T.Road Branch-2

Chughtai Center, G.T. Road, Shaheenabad,  
Gujranwala.  
Tel: (055) 3736611-13

### GUJRAT

Chanab Branch  
Ground Floor, Ittefaq Plaza, Jinnah Road, Gujrat.  
Tel: (0533) 525115

### ISLAMABAD

Jinnah Avenue Branch  
D-26, 3rd Floor, Kashmir Plaza,  
Jinnah Avenue, Islamabad  
Tel: (051) 2206930-6  
Fax: (051) 2825372

### Margalla Hills Br.

D-26, 3rd Floor, Kashmir Plaza,  
Jinnah Avenue, Islamabad  
Tel: (051) 2206930-6  
Fax: (051) 2825372

### KOTLI

Pindi Road Branch  
2nd Floor, Gulistan Plaza,  
Pindi Road, Kotli, Azad Kashmir.  
Tel: (058660) 44475, 48006  
Fax: (058660) 48006

### KOHAT

Sub Office Peshawar University Road  
Al-Madina Plaza, Penzati Chikarkot,  
Bannu Road, Kohat.  
Tel: (092) 2519789

### LAHORE

Davis Road Branch 1  
16/2, 2nd Floor, KSB Pumps Building,  
Sir Agha Khan Road, Lahore.  
Tel: (042) 6308957-59  
Fax: (042) 6308963

### Ravi Branch

16/2, 2nd Floor, KSB Pumps Building,  
Sir Agha Khan Road, Lahore.  
Tel: (042) 6308957-59  
Fax: (042) 6308963

### Corporate Office Lahore

21-L, Gulberg III, Ferozepur Road, Lahore  
Tel: (042) 5843612-619

### Gulberg Branch

175, Gen. Sarfraz Khan Road,  
Shadman Colony 2, Lahore  
Tel: (042) 7562705-7  
Fax: (042) 7532246

### Shadman Branch

175, Gen. Sarfraz Khan Road,  
Shadman Colony 2, Lahore  
Tel: (042) 7562705-7  
Fax: (042) 7532246

### Canal View Br.

175, Gen. Sarfraz Khan Road,  
Shadman Colony 2, Lahore  
Tel: (042) 7562705-7  
Fax: (042) 7532246

### MIRPUR (AZAD KASHMIR)

Mirpur Branch Azad Kashmir  
Plot No.629, 1st Floor, Sector B-1, Bank Square, Allama  
Iqbal Road, Mirpur AJK  
Tel: (05827) 45802-5

### MULTAN

Abdali Road Branch-1  
63-A NIPCO House (Nawai-e-Waqt Building)  
Abdali Road Multan  
Tel: (061) 4573301, 4573302, 4573354  
Fax: (061) 4573397

### Abdali Road Branch-2

63-A NIPCO House (Nawai-e-Waqt Building)  
Abdali Road Multan  
Tel: (061) 4573301, 4573302, 4573354  
Fax: (061) 4573397

### Shah Rukn-e-Alam Br.

63-A NIPCO House (Nawai-e-Waqt Building)  
Abdali Road Multan  
Tel: (061) 4573301, 4573302, 4573354  
Fax: (061) 4573397

### MUZAFFARABAD

Sub Office (Kotli) 7 to 11 Building 2nd Floor Mir Waaize  
Kashmir Road Opp: CMH Muzaffarabad  
Tel: (058810) 45041

### PESHAWAR

Cannt Branch -1  
1st Floor, Upper Ground Deans Trade Centre, Islamia  
Road, Peshawar Cannt, Peshawar.  
Tel: (091) 5270388, 5270599  
Fax: (091) 5273656

### Cannt Branch -2

1st Floor, Upper Ground Deans Trade Centre, Islamia  
Road, Peshawar Cannt, Peshawar.  
Tel: (091) 5270388, 5270599  
Fax: (091) 5273656

### Cannt Branch -3

1st Floor, Upper Ground Deans Trade Centre, Islamia  
Road, Peshawar Cannt, Peshawar.  
Tel: (091) 5270388, 5270599  
Fax: (091) 5273656

### Chitral (Sub Office)

Terichmir View Hotel, Shahi Qila Road,  
Chitral.

### University Road Branch-1

B - 501 - 502, City Tower, University Road, Peshawar  
Tel: (091) 5850520-22

### University Road Branch-2

B - 501 - 502, City Tower, University Road, Peshawar  
Tel: (091) 5850520-22

### RAHIM YAR KHAN

Shahi Road Branch  
White palace Hotel 1st Floor,  
City Centre, Shahi Road, Rahim Yar Khan.  
Tel: (068) 5887601

### City Center Branch

White palace Hotel 1st Floor,  
City Centre, Shahi Road, Rahim Yar Khan.  
Tel: (068) 5887601

### RAWALPINDI

Haider Road Branch  
Bilal Plaza, 2nd Floor, Haider Road,  
Rawalpindi Cannt.  
Tel: (051) 5112584-85, 5111335-36

### Haider Road Branch

Bilal Plaza, 2nd Floor, Haider Road,  
Rawalpindi Cannt.  
Tel: (051) 5112584-85, 5111335-36

### Shamsabad Branch

DD-83, 1st Floor, Minhas Shopping  
Plaza, Shamsabad, Murree Road, Rawalpindi  
Tel: (051) 4575201-4  
Fax: (051) 4575209

### Shamsabad - 2 Br.

DD-83, 1st Floor, Minhas Shopping  
Plaza, Shamsabad, Murree Road, Rawalpindi  
Tel: (051) 4575201-4  
Fax: (051) 4575209

### SARGODHA

Club Road Branch  
405, Club Road Opp. Cantonment board Sargodha  
Tel: 3725467, 3768468-69

### SIALKOT

Paris Road Branch  
2nd Floor, Al Ameen Centre, Opposite, Sialkot Chamber  
of Commerce and Industry, B Paris Road, Sialkot  
Tel: (052) 264687  
Fax: (052) 4265041

### Chakwal (Sub Office)

Office # C-7 & C-8, City Trade Centre, Tehsil Chakwal,  
Chakwal

### Shikarpur (Sub Office)

Near Modern Public School, Station Road, Old Saddar,  
Shikarpur.

## EMPLOYEES BENEFIT SERVICES

Karachi : NJI Life Building, 74/1-A, Lalazar, M.T. Khan Road, Karachi-74000 Tel: (021) 35611071-5, Ext. 2263 Fax: (021) 35612314  
Lahore : 21-L, Gulberg III, Main Ferozepur Road, Lahore. Tel : (042) 5841915, Fax : (042) 5841913  
Faisalabad : Satiana Road Branch, 1st Floor-721, Batala Colony, Satiana Road, Faisalabad. Tel: (041) 8712008, 8733179, 8717337, 8720984, 8714256, 8720487 Fax: (041) 8710101  
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