

2009

ANNUAL REPORT



EAST WEST LIFE
ASSURANCE COMPANY LIMITED

In Memory of Our Founder Chairman



LATE MR. UNUS KHAN
Founder Chairman,
East West Group of Companies

Founder Chairman of our group, late Mr. Unus Khan, was born on December 27, 1927 in a respectable and cultured family. He received his basic education in Quetta and after graduation in Aeronautics and Meteorology in Great Britain, he adopted the field of Civil Aviation as his profession and

remained associated with it for over 20 years. Subsequently, he took up the field of commerce/business in 1965 and a few years thereafter proceeded to the United States of America along with his family.

In the 70s, besides other ventures, he was associated with the field of insurance in the Middle East. He returned to Pakistan in 1982 and founded East West Insurance Company Limited, our sister concern, in 1983. Throughout the remaining years of his life, he remained dedicated to development of East West. He organized and strengthened the company on modern lines and, at the same time, encouraged the executives, field and office personnel of the company to face the challenges of the market with courage, sincerity and hard work. It was for his determined leadership, untiring efforts, honesty and sincerity of purpose that Almighty Allah gifted him with such an outstanding success that the company became one of the largest insurance companies of Pakistan during his lifetime.

After taking East West Insurance Company Limited to such heights, it was his desire to develop an insurance company for the life assurance sector so that East West Group of Companies could cater to all insurance related needs of every Pakistani.

Unfortunately, private life insurance companies were not allowed to operate in the country during his lifetime. However, when the government permitted operation of life insurance companies in the private sector, the sponsors of East West Insurance Company Limited immediately applied for a license and commenced operations of The Metropolitan Life Assurance Company of Pakistan Limited in March of 1993. In 2008, the company changed its name to East West Life Assurance Company Limited in order to give a unified look of a group with a substantial financial base and to service the best interest of policyholders as well as shareholders. Today, by the Grace of Allah, East West Group of Companies have become symbols of security for thousands of their policyholders and livelihood for their hundreds of hard-working personnel.

Mr. Unus Khan was endowed with piety, simplicity, sincerity, diligence and affection. He will always be remembered for his selfless devotion to the cause of combining profound cultural values of the EAST with the modern technological developments of the WEST. In order to give perpetuity to the late Chairman of our group, all of us have pledged to adopt his practices as guidelines for the future. Our beloved Chairman left us to join his heavenly abode on July 27, 1988. May Allah rest his soul in eternal peace.

Ameen!

Rising future

All of us dream the same dreams and start making plans accordingly but life is never short of surprises.

Let **East West Life** take the worry out of your savings and insurance needs. Our comprehensive range of **life insurance, health insurance and investment solutions** let you protect your family while giving you real peace of mind.



EAST WEST LIFE
ASSURANCE COMPANY LIMITED

A Member of East West Group of Companies

Registered and Supervised by the Securities and Exchange Commission of Pakistan

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Company Introduction

East West Life Assurance Company Limited was established in the year 1992 at Quetta under the name of The Metropolitan Life Assurance Company of Pakistan Limited after the Federal Government's decision to allow privately owned life insurance companies to operate in the country. This was done to enable more and more Pakistani families to benefit from the protection and savings value of life insurance. The company commenced underwriting life insurance business in March of 1993 and made successful progress in the field of life and health insurance businesses both on the front of individual and corporate clients alike.

The authorized capital of our company is Rs. 500 million, out of which Rs. 454.96 million is currently paid-up and will be increased to at least Rs. 500 million by the end of 2010. The large paid-up capital base allows us to better position ourselves to provide top-notch benefit and services to our individual and corporate clients.

The company's individual and corporate product-line offers security, flexibility and liquidity to the policyholders with higher investment returns. The company is also in the process of developing new individual and corporate products commensurate with the current investment, protection and other needs of the insured. Moreover, with increase in health insurance market potential, the company has established a separate health division to cater the needs of its growing clientage.

East West Life is a member of a large financial group, which includes our sister concern specializing in

general insurance business with over 80 branches throughout the country, M/s East West Insurance Company Limited. With joint paid-up capital of approximately Rs. 683.5 million (increasing to at least Rs. 800 million) and worth in billions, the group, as a whole, has substantial resources to meet its financial requirements and obligations effectively. The group has a combined insurance business experience of more than 40 years. Thus, we are fully aware of the service needs of insurance clients. We are making endeavors to make our group a one-stop solution for all insurance needs of an individual or corporate entity with a special focus on being the best service provider.

East West Life's Registered Office is in Quetta, while the operational Head Office is in Karachi. With a wide network of additional regional and branch offices throughout the country, East West Life is equipped to render prompt and efficient service to its policy holders and to the field force. It should also be noted that we are a member of the Insurance Association of Pakistan (IAP) and our share is publicly traded at the Karachi Stock Exchange (KSE).

The company has group and individual life/health re-insurance arrangements with the world's leading re-insurers. The risk assumed by the company is reinsured with these financially sound reinsurers of international repute. Furthermore, all of our reinsurers are in the AA rating category indicating "very strong" capability to meet their financial commitments and comfortably fall within the secure range.

MEHFOOZ SARMAYA

Life takes you in many directions.

- Marriage
- Business ventures
- Grandchildren
- Retirement

And with each new pathway, your life insurance policy should accompany you at every step. Mehfooz Sarmaya Plan is specifically designed to respond to changing needs. In addition to flexible death benefits and premiums, the policy offers cash value growth potential. You can set the amount of each premium payment based on your policy's death benefit and financial objectives.

If the policy matures or you withdraw 100% of your cash value at an earlier age, you may choose one of the following options to receive your accumulated amount:

- Single Lump Sum
- Life Long Pension
- Combination of Lump Sum Payment and Life Long Pension

After two policy years have been completed and provided at least two full premiums have been paid, you can make withdrawals from your account value to meet your cash needs.

Benefits Payable on Death of Life Insured

On the death of the life insured (God forbid), provided the policy has not lapsed, the benefit payable will be either (i) or (ii), whichever is the higher amount:

- The sum insured in respect of the policy year in which the death took place
- The Account Value in the policy year in which the death took place

Outstanding amounts due to us (if any) against loans given shall be deducted from any death benefit.

Sum Insured and Premium Amount Escalation

Starting from the beginning of the second policy year, the yearly premium (excluding premiums for supplementary contracts) and sum insured will automatically increase each year by 5%. This can be thought of as a cushion against inflation. The policyholder can opt not to increase the premium and sum insured in the beginning of any given policy year. If the policyholder exercises this right more than three times, then medical evidence would be necessary.

Account Value

The premium paid each year less any related expenses will be credited to your account. Cost of insurance, charges for management expenses and premium for any rider attached to your basic policy

will be deducted. The amount in your account will be invested in secured investments. Your account will be credited with your share of investment income earned on the invested assets.

It should be noted here that the rate of increase in your account value is subject to the amount and timing of your premium payment and the investment income earned by the Company on the invested assets. Both of these variables are unpredictable in the long range.

Supplementary Riders

The following supplementary riders can be attached to the policy:

- Accidental Death Benefit (ADB)
- Accidental Indemnity Benefit (AIB)
- Family Income Benefit (FIB)
- Term Insurance Rider (TIR)
- Major Surgical Benefit Rider (MSB)

Policy Loans

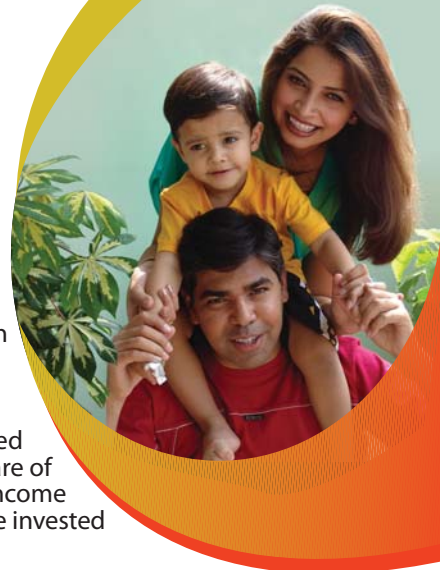
After two policy years have been completed and provided at least two full premiums have been paid, you can take out a loan against the Net Cash Value of the policy. The amount of the loan will not be more than 90% of the said Net Cash Value.

Partial Termination

In this plan, it is possible to terminate a portion of the policy. The reduced policy will continue for the remaining term, all benefits and premiums being proportionately reduced.

Pension From an Age of Your Choice

If the policy matures or you withdraw 100% at an earlier age, you will have the option to take a pension from an age of your choice in lieu of the lump sum money. The rate of pension will be decided at the time of maturity according to the financial and other conditions ruling at that time. At the chosen maturity date, you can elect to take a portion of your net cash surrender value in lump sum and apply the rest towards pension.



SARMAYA GOLD

Sarmaya Gold is a single premium universal life product of choice when lump sum cash from a regular savings, business profits, an inheritance, an insurance payout, a gift or even a lottery windfall is to be invested together with life insurance coverage.

Sarmaya Gold is specifically designed to offer highest cash-value growth potential together with life insurance. In this policy, there is no ongoing premium commitment required i.e. only one premium is enough for your policy to sustain and produce high cash values (more investment potential) for the full term of the policy.

You can set the amount of premium payment based on your policy's death benefit and financial objectives subject to a minimum premium depending on your age and choice of sum assured. The amount of single premium cannot be less than Rs 100,000. You can choose a sum assured from 5% to 100% of the amount of single premium.

After two policy years have been completed, you can make withdrawals from your account value to meet your cash needs. The policy will result in much higher cash values if no amount is taken out of the policy as withdrawal. Hence, it is in your best interest not to make withdrawal from your policy unless there is really a genuine need.

Benefits Payable on Natural Death of Life Insured
On natural death of the life insured (God forbid), provided the policy has not terminated, the benefit payable will be sum of (i) and (ii)

- (i) The sum insured in respect of the policy year in which death (God forbid) took place
- (ii) The Account Value in the policy year in which the death (God forbid) took place

Lump Sum Additional Premium

At any time during the term of the policy, you can pay additional lump sum premium in your account, which will increase the cash value. This additional premium can also be used to increase your sum assured, if you wish, after certain medical evidence.

Account Value

The premium paid less any related expenses will be credited to your account in the first year of the policy. Cost of insurance will be deducted each year. Any lump sum additional premium will be credited to your account. The amount in your account will be invested in secured investments. Your account will be credited each year with your share of investment income earned on the invested assets.

It should be noted here that the rate of increase in your account value is subject to the investment income earned by the Company on the invested assets, which cannot be predicted in the long range.

Partial Withdrawals

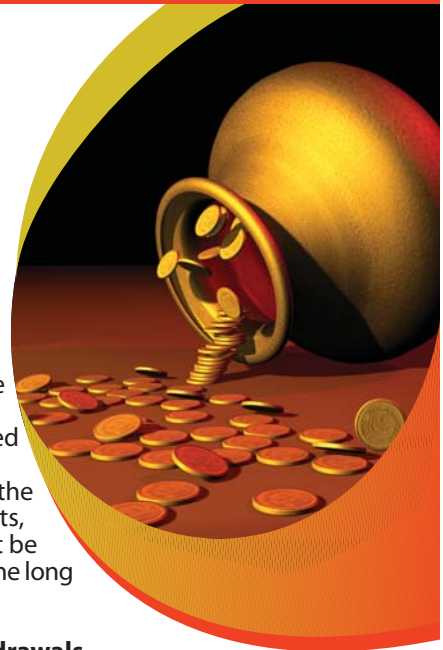
After two policy years have been completed and provided the policy has not terminated, you can make partial withdrawals, by providing a written request, against the Net Cash Value of the policy. The amount of the withdrawal can be such that there should be a minimum residual balance in the account to continue the policy. The minimum residual balance criteria are as follows:

- (a) Minimum residual balance of a policy with initial premium between Rs. 100,000 and Rs. 299,999, should be equal to the initial single premium amount.
- (b) Minimum residual balance of a policy with initial premium of Rs. 300,000 or above, should be at least Rs. 300,000.

The policy will result in much higher cash values if no amount is withdrawn from the policy. Hence, it is in your best interest not to make withdrawal from your policy unless there is really a genuine need.

Pension From an Age of Your Choice

If the policy matures or you withdraw 100% of your cash value at an earlier age, you will have the option to take a pension from an age of your choice in lieu of lump sum payment. The rate of pension will be decided at the time of maturity according to the financial and other conditions ruling at that time. At the chosen maturity date, you can elect to take a portion of your net cash surrender value in lump sum and apply the rest towards pension.





SCHOLAR'S PLAN

As a parent, your child's future and ability to fulfill your child's dreams and aspirations is always your prime concern.

Today, providing a good education, establishing a professional career or even a modest wedding is expensive. Costs are increasing rapidly. Just imagine how much you will need when your child takes these important steps in life!

East West Life's Scholar's Plan gives :

- (i) Invaluable financial support to your child.
- (ii) A choice to customize an ideal plan for your child.
- (iii) Multiple options for multiple benefits.

Our Scholar's Plan is designed to secure your child's future by giving your child (the beneficiary) a lump sum amount on maturity or in case of the payer's unfortunate demise early in the policy term. The premiums paid by you (less expenses and mortality charges) are invested by the company to provide excellent long-term returns.

Life has innumerable surprises in store for us. Parenthood is wonderful and it is such a stage, when you experience various emotions never thought possible. At the same time, parenthood also brings its own set of apprehensions and worries. What will your child grow up to be in the future? Will his/her future be as secure as you want it to be? Or more importantly, what can you do to make certain that his/her future is hassle-free and secure? Don't Worry! Now, by planning ahead, you have the ability to answer these questions to your satisfaction.

East West Life's Scholar's Plan is especially designed to enable you to provide for higher education of your child and take care of your future needs in these times of spiraling costs.

This universal life child protection policy can be purchased on the life of the father or mother (i.e. the "Payer" of the policy), to provide for marriage and/or education of their child. The payer can also be a grandparent, brother, sister, real uncle or aunt of the child. This plan provides for the financial well-being of the child while offering cash value growth potential.

Policy Maturity or Earlier Withdrawal

If the policy matures or 100% of the cash value is withdrawn at an earlier age, the policyholder will have to choose one of the following options to receive their accumulated amount:

- Single Lump Sum
- Life Long Pension
- Combination of Lump Sum Payment and Life Long Pension

Benefits Payable on Maturity of the Policy

On survival of the both lives insured, i.e. the Payer and the child, up to the maturity date, the Net Cash Value shall be payable. The Net Cash Value will be the calculated Mathematical Reserve of the policy LESS outstanding amounts due to us for loans given (if any).

Benefits Payable on Death

God Forbid, if the Payer dies before the maturity date, the premiums shall cease and the following benefits shall be payable:

- (i) The Sum Insured or the Net Cash Value (whichever is higher) shall be payable on the maturity date of the policy. Sum Insured here means the sum insured at the time of death of the payer (God forbid).
- (ii) 10% of initial sum insured (i.e. sum insured at policy issue) will be paid per year to the child from the date of death of adult life (God forbid) to the maturity date in monthly installments.

The first monthly payment shall fall due on the first day of the calendar month immediately after the date of death. The last monthly payment shall fall due on the first day of the calendar month immediately before the maturity date or when the Payer would have turned 70.

Certain benefits are also payable in case of the child's death (God Forbid) during the Policy Period.





PERSONAL ACCIDENT

Accidents are the leading cause of death for people under the age of 40 and the 5th leading cause for people of all ages. Most people may not think about additional insurance in the event of an accident. Accident insurance can help pay family expenses in the event of serious injury, disability, hospitalization or death as a result of an accident (God forbid).

Personal Accident insurance is an affordable supplement to life insurance. Accident insurance is important because it can help close the coverage gaps left by other insurance coverage programs, which usually has Accident insurance limitations.

With East West Life's Personal Accident Policy, a small premium can protect you from major financial crisis in case of accident. Together with Accidental Death Benefit, our product also offers Accidental Dismemberment & Disability Coverage and Reimbursement of Accidental In-Hospital Expenses. Our unique three-tier policy provides financial protection from the following most unfortunate consequences of an accident:

- Death (God forbid),
- Hospital Expenses, and
- Disability.

The description of benefits under each tier is given below:

Accidental Death

In case of one's Accidental Death (God forbid), we will pay a lump sum amount to the designated nominee(s). This amount can be useful for the family's financial well-being.

In-Hospital Accident Medical Expense

One of the major reasons for mental distress in case of hospitalization is heavy medical expenses. These expenses are increasing everyday and good medical services are becoming unreachable for normal middle class or even wealthy people. The medical expenses in case of hospitalization due to an accident are sudden and most of us are not prepared for such an expense. In case of an unfortunate event, you can always look towards East West Life. We can provide you with financial assistance when it is needed the most. By paying part of your accidental hospitalization expenses, we can share some of your distress. Total payment under this tier can be up to 20% of the principal sum assured.

Accidental Disability

Suffering a disabling accident can take a heavy toll on every aspect of your life. Our Accidental Disability Insurance will help you and your family financially with lump sum or monthly payment depending upon the nature of the accidental disability.



It provides coverage for dismemberment, loss of sight, hearing, speech, etc., along with permanent and temporary, total and partial disability caused by an accidental injury.

The benefits are as follows:

Loss or Disability	Indemnity Benefit
Loss of Life	The Full Sum Insured
Loss of two or more Limbs	The Full Sum Insured
Total and irrecoverable loss of all sight in both Eyes	The Full Sum Insured
Total and irrecoverable loss of all sight in one Eye and loss of one Limb by amputation at or above Wrist or Ankle	The Full Sum Insured
Loss of one Limb by amputation at or above Wrist or Ankle	One-Half of the Sum Insured
Total and irrecoverable loss of sight in one Eye	One-Third of the Sum Insured
Loss of Thumb and Index finger of either hand by amputation at or above the metacarpophalangeal joints	One-Fourth of the Sum Insured
Temporary Total Disability (unable to perform duties of occupation)	Weekly Indemnity
Partial Disability (unable to perform major part of duties of occupation)	One-Fourth of the Weekly Indemnity
Permanent, total and continuous disability (unable to do employment for wage or engage in any occupation)	Annual payment of 10% of sum Insured payable monthly

By Paying A Small Premium, You Can Secure Your Life From Major Aspects of Accidental Losses!

GUARANTEED INCOME POLICY

Life insurance provides a degree of financial protection against the certainty of death and can help survivors achieve specified financial objectives.

Accidents are sudden and can lead to financial crisis if you are not prepared. Accidents can cause sudden death or disability of the main earning member of the family, which can cause serious financial consequences for the family because of the great level of dependence on his or her earnings.

Need for Regular Income

Life assurance is needed to provide for long and short term income needs. In particular, these would include the need to pay installments of outstanding loans and/or mortgages; there would also be the need to provide a long term income for the surviving spouse and short term income for children or other dependants.

You can rely on our Guaranteed Income Policy to provide regular monthly income to you and your family to meet the basic necessities of life in case one dies (God Forbid) or becomes disabled by an accident. In addition to basic need of food, clothing and shelter, the income can also be used for education of your children and ever growing medical needs.

Providing a Regular Monthly Income

East West Life's Guaranteed Income Policy pays a guaranteed monthly income for 20 years in case of death (God forbid) or disablement due to accident while the policy is in force. The monthly income will continue at the level specified in the policy for 20 years following the accident. Rather than providing a lump sum payment, our Guaranteed Income Policy provides a regular monthly income for you and your dependants for 20 years following the claim.

This product is particularly attractive to those who like to know they have a regular monthly income and would rather not have to worry about complex investment decisions to make the most of a lump sum payout.

Triggering a Claim

This product can secure regular monthly income for you and your family in case of accidental losses. This policy will pay a guaranteed specified monthly income for 20 years in case of the following events:

- Loss of Life
- Loss of one or more limbs by amputation at or above wrist or ankle
- Total and irrecoverable loss of sight in both Eyes.
- Loss of Speech
- Loss of Hearing in both ears
- Permanent, total and continuous disability preventing from engaging in any occupation.

You can choose at policy issue from a variety of monthly payments to be made at the time of claim according to your financial needs.





GROUP INSURANCE

We are providing group life insurance coverage for

the employees of all types of organizations. We have a separate division for management of group life insurance schemes. This division is supervised by some of the most experienced professionals in this business. Some major highlights of our Group Life Insurance Schemes are given below:

We are providing the following benefits under the group life insurance policy:

(a) Death Benefit

Single life sum assured is paid under this benefit in case of death by any cause.

(b) Accidental Death Benefit (ADB)

Under this benefit, an additional life sum assured is paid in case of accidental death.

(c) Accidental Total and Permanent Disability (TPD) Benefit

Under this benefit, certain portion of the life sum assured is paid in case of accidental injuries.

(d) Accidental Temporary Disability Benefit

Under this benefit, fortnightly income payments are made for temporary accidental disablement.

(e) Natural Total and Permanent Disability Benefit

Under this benefit, certain portion of the life sum assured is paid in case of complete natural disability.

(f) Natural Partial Disability Benefit

Under this benefit, certain portion of the life sum assured is payable in case of partial natural disability.

(g) Diagnosis of Terminal Illness Coverage

Within this coverage, 50% of sum assured is payable at the time of diagnosis of terminal illness. Remaining 50% of sum assured will be payable at the time of death provided that our group policy remains in force with the policyholder.

(h) Post Retirement Benefit

Under this benefit, the group life coverage is extended to retiring employees provided that the policy stays in force with us on a continuous basis.

(i) Bereaved Family Benefit

Under this benefit, in case of death of any employee, we will pay a certain amount and/or percentage of the basic sum assured for miscellaneous expenses related to a person's death and / or burial.

These benefits are provided to all types of establishments at **extremely competitive premium rates**. Moreover, **free sum assured**, i.e. Sum Assured without medical examination, is allowed quite generously and **profit sharing** for group life contracts of 3 years or more is provided.

Group Life Insurance of Finance Scheme Borrowers

- We are also providing **death coverage to borrowers** of all types of finance schemes, including:
 - Consumer-Related Finance Schemes,
 - Home Finance Schemes,
 - Agricultural Finance Schemes, etc, etc...
- **Flexible age limits** are usually provided to the borrowers according to the criteria of the finance scheme(s).
- **High Sum Assured** amounts are provided as per the requirement of the finance scheme(s).
- The following benefits are available for the borrowers as an add-on to the main policy:
 - Accidental Total and Permanent Disability Benefit, and
 - Natural Total and Permanent Disability Benefit.

Claim settlement is very prompt and polite (within 24 hours in most cases) in both our normal group life insurance scheme and group life coverage for finance scheme borrowers.





HEALTH INSURANCE

Our company is an active member in the healthcare insurance sector. We have an independent division for management of the group health insurance business. This division is supervised by some of the most well-trained and experienced healthcare professionals in the industry. Some major highlights of our group health insurance scheme are given below:

The group health insurance policy is broken-up into the following three major sections:

(a) Hospitalization Insurance:

This section provides coverage for hospital stays due to sickness or accidental injuries. Eligible hospitalization expenses include:

- Daily room & board charges.
- Medicines & drugs.
- Consultant's fees.
- Surgeon's fees.
- Blood & Oxygen supplies.
- Anesthetist fees.
- Diagnostic tests.
- Daycare surgeries/procedures.
- Specialized investigations.
- Operation Theater charges.
- Miscellaneous charges (ambulance charges, plaster casts, physiotherapy, etc.)

Besides this, we also provide coverage for the following expenses:

- i. Charges for **pre-hospitalization diagnostic services**, which includes specialized investigations (such as Endoscopy, Angiography, Lithotripsy, Hernia, MRT, CT Scan, etc.), specialist's fees for consultation, diagnostic x-ray and laboratory tests.
- ii. Charges for **post-hospitalization treatment** incurred after discharge from hospital.
- iii. Hospitalization **charges for pre-existing conditions**.

(b) Maternity Insurance:

This section provides coverage to female employees or spouse of male employees for hospital stay as a result of pregnancy, which includes normal birth, caesarean surgery or multiple births.

Eligible maternity expenses are identical to those listed in the hospitalization insurance section along with miscarriage (on doctor's advice or accidental) and baby's nursing care.

Beside this, charges for **pre hospitalization diagnostic services** and **post-hospitalization treatment** are also covered within maternity

insurance along with circumcision expenses for baby boys. Further, separate hospitalization coverage for newborn babies is allowed from the date of birth.

(c) Major Medical Expense Insurance:

This coverage is provided under the Hospitalization Insurance section, which will be used in case the hospitalization limit is fully utilized and funds are remaining in the annual major medical benefit limit.

Besides the benefits listed above, the following highlights of the health insurance scheme are important to note:

- **Benefits** included in the Group health policy are very **generous and customizable** to meet the needs of our corporate client. Coverage is provided to all employees of the client, their spouses, parents and children.
- Our **Group Health policy** does not restrict the covered individual to visit only panel listed hospitals or laboratories. **The patient is free to visit ANY hospital and laboratory.** Moreover, we have several hospitals on our panel throughout the country, which allows our clients to get treatment without payment. We are continuously in the process of enlisting additional hospitals and laboratories on our panel in all major cities of the country.
- **OPD Treatment** under the company's optional "**Stay-Healthy**" plan is also available, under which employees and their dependents can obtain healthcare services from hundreds of panel consultants, laboratories and pharmacies on credit basis.
- We offer optional **Electronic Funds Transfer (EFT)** service for reimbursement claim payments and **SMS alerts** during hospitalization and claim processing.
- Most importantly, we offer **prompt and polite** claim payment service.



Board of Directors and Company Information

Chairman

Chief Justice (R) Mian Mahboob Ahmad

Managing Director and Chief Executive

Maheen Yunus, CPCU

Directors

A. K. M. Sayeed
Javed Yunus
Pervez Yunus
Naved Yunus
Omar P. Yunus

Company Secretary

Sohail Nazeer

Appointed Actuary

Shujat Siddiqui, MA, FIA, FPSA

Consulting Actuaries

Akhtar & Hasan (Private) Limited

Legal Advisor

Mirza Hafeez-ur-Rehman

Auditor

Anjum Asim Shahid Rahman
Chartered Accountants

Share Registrar

Bema Associates (Private) Limited
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Karachi, Pakistan.
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Fax: (92-21) 32316187

Registered Office

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Phone: (081) 2822913, 2821397
Fax: (92-81) 2821460

Head Office

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Karachi, Pakistan.
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Universal Access Number (UAN)

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Management and Bankers

Managing Director and Chief Executive

Maheen Yunus, CPCU

**Chief Financial Officer (CFO) and
Company Secretary**

Sohail Nazeer

General Managers

Muhammad Javed
Usman A. Hashmey

Head of Marketing (Individual Life)

Sohail Sarosh

Zonal Heads

Raja Gustasab Khan
Sheikh Khalid Mehmood

Chief Medical Officer (CMO)

Dr. Muhammad Aslam, MBBS,
MD (USA), FCCPS (Part 1)

Medical Officers

Dr. Tahir Iqbal, MBBS
Dr. Syed Kashif Hamid, MBBS
Dr. Khawar Ali, MBBS
Dr. M. Ajmal Arain, MBBS

Deputy General Managers

Nadeem Akhtar
Nauman Mughal
S. M. Hassan

Assistant General Managers

Tanveer Iqbal
Naveed Ashraf
Anjum Ghazali
Kashif Naeem
Muhammad Arab Soomro
Sana-ul-Haq Hashmi

Bankers

Allied Bank Limited
Atlas Bank Limited
MCB Bank Limited
The Bank of Punjab
Habib Bank Limited
The Royal Bank of Scotland Limited
Askari Bank Limited
NIB Bank Limited
Bank Al-Habib Limited
JS Bank Limited
Standard Chartered Bank (Pakistan) Ltd.
Mybank Limited
Barclays Bank PLC, Pakistan
Network Microfinance Bank Limited
Citibank N. A. Pakistan

Committees

Executive Committee

Pervez Yunus
Maheen Yunus, CPCU
Naved Yunus
Javed Yunus
Sohail Nazeer, Secretary

Audit Committee

Chief Justice (R) Mian Mahboob Ahmad
Naved Yunus
Pervez Yunus
A. K. M. Sayeed
Nadeem Akhtar, Secretary

Underwriting Committee

Pervez Yunus
A. K. M. Sayeed
Javed Yunus
Shahnaz Perveen, Secretary

Claim Committee

Javed Yunus
Naved Yunus
A. K. M. Sayeed
Kashif Naeem, Co-Secretary
Saleha Usman, Co-Secretary

Reinsurance Committee

Naved Yunus
Maheen Yunus, CPCU
A. K. M. Sayeed
Sana-ul-Haq Hashmi, Secretary

Our Mission, Vision and Principal Values

Our Vision

Our vision is to be the number one provider of wide-ranging insurance solutions to all of Pakistan, a goal we will attain while observing the principal values that have served us well since inception.

Our Mission

To provide high quality, competitive insurance products and services through qualified, professional and committed salespersons.

To maintain financial strength for the benefit of our corporate and individual insurers, shareholders, agents/salespersons and employees.

To earn and protect public trust of the communities where we live and work by supporting good works and contributing to charities.

To create a challenging environment and develop a sense of accomplishment for our employees through tools and training to achieve personal growth and contribute to our organization.

To serve the nation by increasing the rate of literacy through our East West Life Educational Security Schemes for children and their parents.

To provide the right solutions that are in tune with our customer's needs, while facing up to the emerging challenges in the industry.

To help individuals and families financially realize their hopes and dreams and be there when they need us most.

To develop awareness of insurance need, build confidence in the insurance industry and also to develop the concept of saving.

To innovate and develop ideas to design new products for our valued corporate and individual clients to effectively meet their ever-changing needs.

Our Principal Values

Safety and Security through expansion, development and profitability.

Exceptional and flexible product-line to meet the needs of our clients.

Respect and consideration for our policyholders, agents and employees.

Vision as well as action to achieve our mission.

Integrity and honesty in every aspects of our organization.

Community improvement through participation.

Excellent service.

Chairman's Review

It is my distinct pleasure to place before you, on behalf of the Board of Directors of East West Life Assurance Company Limited, the 17th Annual Report together with the audited financial statements of the company for the year ended December 31st, 2009.

THE ECONOMY

During 2009, Pakistan's economic situation remained gravely stagnant. A year earlier, Pakistan had tried to arrange aid to the tune of \$100 billion, which did not materialize, and, resultantly, the country had to approach the International Monetary Fund (IMF) and arrange loans in the amount of \$7.6 billion to avoid bankruptcy. In mid-2009, this loan regime had to be increased to more than \$11.3 billion to prevent a balance of payment predicament. Pressure of such high amount of loans, excessive inflation rate, low savings rate and other negative economic factors have made it almost impossible to achieve a respectable growth rate within the country. Besides this, problems related to lack of security and continuing role in the War on Terror has resulted in severe reduction of foreign investment in Pakistan. Furthermore, the collapse in Pakistan's currency value has added to the economic troubles being faced in the country.

In view of the economic woes that have been continuing for at least the past two years, Pakistan's main stock exchange, namely Karachi Stock Exchange, crashed during the first half of 2008 wiping out a major portion of worth for its investors. Your company, exercising on an option given by the Securities and Exchange Commission of Pakistan (SECP), choose to book the impairment and, in certain scrip, realize the loss resulting from the said stock market crash during the year 2009. As a result, the negative impact of Rs. 221 million led to a loss in the company's investment income in the amount of Rs. 191.9 million. However, the company's management is positive and feels that the ensuing liquidity from disposal of unprofitable equities will allow East West Life to invest in profitable instruments resulting in favorable investment income in the near future.

COMPANY'S FINANCIAL PERFORMANCE

In 2009, your company has reached some important targets in its financial results, including:

- Paid-Up Capital reached Rs. 454.96 million,
- Gross Corporate Premium Income crosses Rs. 176.3 million,
- Gross Total Premium Income increased by more than 21% in 2009 to reach Rs. 235.8 million,

- Balance of Statutory Fund crosses Rs. 162 million,
- Total Individual Life Premium Revenue exceeds Rs. 57 million, and
- The company's first year premium has continued to grow by an impressive 96% from Rs. 18.3 million in the previous year to Rs. 35.8 million in 2009 due to the excellent performance of the expanded field force marketing the company's new investment-linked product-line.

As a result of the dismal performance within the company's investment portfolio, all fresh capital inductions and liquidity realized through normal operations is now being invested in secure government securities, treasury bills, "A"-rated TFCs and term deposits offering reasonable and, in some cases, attractive returns. Moreover, the company is not closing the door on future investments in the equity markets as our professional fund managers are continuously on the lookout for under-valued scrip where company can achieve attractive returns for the benefit of the company's shareholders as well as policyholders. In the adverse investment income scenario, it is important to note that the company continues to give decent returns to its policyholders being one of the few life insurance companies in the industry to do so during the economic crisis of the past two (2) years. Furthermore, the solvency position of your company is good, despite the low value of investments, as the minimum requirement of our Regulator, Securities and Exchange Commission of Pakistan (SECP), has been easily met during 2009.

With regard to the overall loss being declared by the company during 2009, the reasons for the same are two-fold. Firstly, as stated above, main portion of the negative results can be attributed to realization of the loss amounting to Rs. 221 million due to disinvestment/impairment of equity-related investments resulting directly from the crash of the Karachi Stock Exchange in mid-2008. Secondly, the company's underwriting results, unfortunately, have suffered during the year under review as a result of high ratio of group/corporate claims and management expenses.

The company has taken serious notice of this loss and immediate actions are being taken in this regard, such as commencement of the process of gradually switching all equity-related investments into interest-based/secure investments and institution of rigid steps to improve claim performance and control management expenses, including closure of non-viable branches of the company, where necessary.

Chairman's Review

We realize that it is crucial to attain operational / underwriting profits instead of relying on erratic investment income to achieve positive results.

FUTURE PROSPECTS OF THE COMPANY

Year 2010 and at least the next few years will be vital for the company's marketing efforts, especially on the front of Individual Life business. The company has established a sizable base within this portfolio and, now, achievement of requisite persistency in a cost effective manner is essential for growth of this business and the company. In this regard, it is heartening to notice that, in view of the high management expenses of the individual life business portfolio during the past year, the management is, without delay, analyzing the reasons for the high expense and assessing the viability of the company's branches. Accordingly, necessary steps are being taken, including closure of branches or move to smaller branches, to reduce expenses on an immediate basis. Moreover, to curtail the lapsation ratio, individual life field force compensation and structure has been modified with emphasis on persistency and business target achievement.

The focus for the future will be on the following areas by the company's management:

- Information Technology (IT) improvement has again become important with a task to develop a comprehensive Management Information System (MIS) reporting structure for timely information distribution to management, committee and board personnel.
- The company is working on expanding its group/corporate field marketing staff with a target to improve business volume in order to achieve economies of scale and enhance overall results of this portfolio.
- The management will also develop a detailed Human Resources Management (HRM) manual to improve the quality, enhance management skills, upgrade management's HR assessment capabilities and standardize criteria related to HR tasks.
- The company's management will continue and further emphasize their efforts regarding the very important task of controlling expenses as this has become essential in view of the high management expenses. In this regard, the internal management reporting standards are being upgraded to attain a month-by-month achievement/profitability report so that quick and in-time action can be taken by the internal committees and management of the company to improve overall results on a timely basis.

The company's primary task is to improve its overall financial performance in 2010 and the near future. When the steps already initiated by the company (some detailed above) are followed without deviation for frivolous reasons, it can be said with confidence that this improvement will definitely occur despite the dismal overall economic situation prevailing in the country at the current time.

ACKNOWLEDGEMENT

I would like to take this opportunity to express my sincere thanks to The Ministry of Commerce, Government of Pakistan, and the Securities and Exchange Commission of Pakistan (SECP) for their continued direction and support given in managing the affairs of the company in a prudent manner.

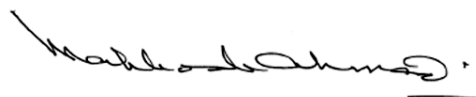
The directors wish to record their appreciation for the tremendous contribution made by the able and eminent officers, staff and sales force of the company towards its development and growth. Their continuous commitment to high ethical standards, client service and hard work has helped your company emerge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

Moreover, we also wish to thank the Insurance Association of Pakistan (IAP) for their assistance and valued representation of our industry. We would also like to sincerely express our gratitude to the company's loyal policyholders and corporate clients for their continued support and confidence in our company.

Lastly, my thanks and appreciation to the thousands of our shareholders, whose enthusiasm for the company is a source of confidence for us to make East West Life a sound and reliable financial organization and a symbol of security for the marketplace.

May Almighty Allah bless us all (Ameen).

On behalf of the Board of Directors,



CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD
Chairman

Karachi, March 9th, 2010

Directors' Report to the Shareholders

The Directors of your company are pleased to present their report along with the Accounts and Auditors' Report for the year ended December 31st, 2009.

PRINCIPAL ACTIVITY

The Company is actively engaged in life and health insurance business. We extend individual life insurance and group/corporate life, accidental and health insurance to companies all over Pakistan.

OPERATING RESULTS

By the grace of Almighty Allah, your company has continued to reach new heights during 2009 with regards to premium income. This was primarily achieved as a result of the field development conducted by the company all of over the past two (2) years, which has resulted in total premium increase of over 21% as compared to the previous year. The recognition for this remarkable premium increase in our organization's history definitely goes to the commitment of the company's management and field personnel in achieving the expansion strategy implemented by the capable and professional team of officers, development staff and employees.

However, during 2009, the company recognized, in its entirety, the impairment on equity investment amounting to Rs. 79 million. Moreover, it was decided by the management to disinvest certain equity-related investments, which resulted in a loss of

Rs. 142 million. This negative impact of Rs. 221 million led to a loss in the company's investment income to the tune of Rs. 191.9 million. Nevertheless, on the positive side, the company's management is confident that resulting liquidity from sale of loss-making investments will allow the organization to invest in profitable instruments resulting in favorable investment income in the immediate future.

The primary reasons for the company's decrease in net profit during 2009 are two-fold. Firstly, the disinvestment/impairment of equity-related investments resulted in loss exceeding Rs. 221 million (as explained above) leading directly from the crash of the Karachi Stock Exchange in mid-2008. Secondly, the company's underwriting results have suffered during the year under review due to the high ratio of group/corporate claims and management expenses. The management of the company has taken serious actions in this regard and has commenced the process of gradually switching all equity-related investments into interest-based/secure investments. Moreover, steps are being taken to improve group / corporate underwriting in order to reduce claims and control management expenses with the view that it is imperative to achieve operational/underwriting profits rather than relying on unpredictable investment income to improve results.

Below you will find a financial comparison of several key figures between the year 2009 and 2008:

All Amounts in Rupees	2009	2008
Net Premium Income	154,488,668	107,753,058
Investment Income	(191,904,242)	84,419,832
Total Net Income	(37,415,574)	192,172,890
Net Claims Expense	94,895,323	78,077,944
Net Management Expense	131,351,382	88,792,420
Total Claims and Expenditures	226,246,705	166,870,364
Excess of Income Over Claims and Expenditures	(263,662,279)	25,302,526
Movement in Policyholders' Liability	(37,742,264)	(10,527,788)
Tax Expense	(1,236,232)	(812,697)
Net Profit for the Year	(302,640,775)	13,962,041
Earning Per Share	(6.65)	0.34

Directors' Report to the Shareholders

FINANCIAL PERFORMANCE

The results of our company's primary accomplishments are evident in a comparison of the following key figures for 2009 versus 2008, which are indicative of its performance for the year under review:

	2009	2008	% Inc.
Paid-Up Capital	Rs. 454,960,000	Rs. 413,600,000	10.0%
Total Statutory Fund Income	Rs. 161,807,373	Rs. 130,051,017	24.4%
Total 1st Year Individual Life Premium	Rs. 35,827,997	Rs. 18,281,843	96.0%
Total Individual Life Renewal Premium	Rs. 21,103,667	Rs. 10,287,366	105.1%
Total Gross Premiums	Rs. 235,769,465	Rs. 194,537,680	21.2%
Total Group Health-Related Premium	Rs. 68,790,610	Rs. 43,200,549	59.2%
Total Group Gross Premiums	Rs. 176,374,551	Rs. 161,458,471	9.2%
Balance of Statutory Fund	Rs. 162,256,110	Rs. 119,822,086	35.4%

- The paid-up capital of the company was increased by 10% during the year under review from Rs. 413.6 million to Rs. 454.96 million exceeding the minimum requirement of our regulator, Securities and Exchange Commission of Pakistan (SECP).
- The statutory fund income of the company continues to increase in 2009 from Rs. 130.1 million to over Rs. 161.8 million, which is an increase of over Rs. 31.7 million equivalent to more than 24%. This income growth is imperative in striving for profitability within the company's statutory funds.
- The company has achieved growth of 96% in its 1st year individual life premium as a result of the performance of the expanded field force marketing the company's new investment-linked product-line.
- The company's total individual life renewal premium has increased by more than 105% from nearly Rs. 10.3 million to Rs. 21.1 million, which shows the excellent growth of our portfolio.
- Significant growth in the company's gross premiums have been achieved in 2009 from Rs.194 million to over Rs. 235 million, which is remarkable increase of more than 21% over the previous year. The gain is primarily due to remarkable increases in the company's group health/individual life premium.
- The company continued its noteworthy growth of corporate/group health insurance premium during 2009 by attaining level of Rs. 68.7 million as compared to Rs. 43.2 million in the previous year, which is an outstanding increase exceeding 59% over the previous year. We have maintained this growth as a result of untiring efforts of our marketing personnel and sustained breakthroughs of large clientage.
- The total corporate/group gross premiums have achieved a reasonable increase exceeding 9% from nearly Rs. 161.5 million to Rs. 176.4 million. This growth has been achieved primarily due to the excellent grow within the group/corporate health portfolio.
- The company's balance of statutory fund continues to increase in 2009 from Rs. 119.8 million to over Rs. 162.2 million, which is an increase of over Rs. 42.4 million equivalent to more than 35%. The growth in this fund indicates the growth of our portfolio and corresponding investments.

We are proud to highlight the several "firsts" that your company has achieved in its financial results during 2009, which are given below:

- Total Individual Life Premium Income goes above Rs. 57 million,
- Gross Corporate Premium Income crosses Rs. 176 million,
- Gross Premium Income crosses Rs. 235 million, and
- Balance of Statutory Fund exceeds Rs. 162 million.

The management of the company would like to thank the Securities and Exchange Commission of Pakistan (SECP) for the part that the commission is playing in lifting the image of the life insurance industry along with their constant efforts to enhance corporate governance.

Directors' Report to the Shareholders

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Board is mindful of its responsibilities as established by the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan (SECP). Accordingly, the following statements are given:

- The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- 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, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. The Board is ultimately responsible for the Company's system of internal control and reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and by its nature can provide only reasonable and not absolute assurance against material misstatement or loss. The process used by the Board to review the effectiveness of system of internal control include, inter-alia, the following:
 - An audit committee has been formed. The audit committee has written terms of reference and reports to the Board. It reviews the approach adopted by the company's internal audit department and the scope of and the relationship with, the external auditors. It also receives reports from the internal audit department and the external auditors on the system of internal control and any material control weaknesses that have been identified. Further, the committee discusses the actions to be taken in areas of concern with the relevant executive directors.
- An organization structure has been established, which supports clear lines of communication and tiered levels of authority with delegation of responsibility and accountability.
- Business strategies agreed to divisional level are approved by the Board. In addition, there is an annual budgeting and strategic planning process. Financial forecast are prepared quarterly and these strategies are reviewed during the year to reflect significant changes in the business environment.

The principal features of control framework include:

- Evaluation and approval procedures for major capital expenditure and other transactions.
- Regular reporting and monitoring of financial performance of the divisions, and the group as a whole, using operating statistics and monthly management accounts, which highlight key performance indicators and variance from budgets and quarterly forecasts.
- Review of the group's health, safety, environment contingency management processes and other significant policies.
- There are no doubts upon 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 Karachi Stock Exchange (Guarantee) Limited.
- The value of investment in the Provident Fund based on the audited accounts as at December 31st, 2009 is Rs. 5,816,428.
- There has been no trading during the year in the shares of the Company carried out by the directors, CEO, CFO, Company Secretary and their spouses and minor children.

Directors' Report to the Shareholders

BOARD MEETINGS

- During the year, four (4) meetings of the Board of Directors were held and attendance position was as under:

Serial No.	Name of Director	Number of Meetings Attended
01.	Chief Justice (R) Mian Mahboob Ahmad	04 out of 04
02.	Mr. Maheen Yunus, CPCU	04 out of 04
03.	Mr. A. K. M. Sayeed	04 out of 04
04.	Mr. Naved Yunus	04 out of 04
05.	Mr. Pervez Yunus	03 out of 04
06.	Mr. Javed Yunus	03 out of 04
07.	Mr. Omar P. Yunus	03 out of 04

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

FUTURE OUTLOOK

It is clear to the company's management that 2010, in fact the next three to four years, will be vital for the long-term future of the company with regards to its individual life insurance business, which showed a reasonable growth in the current year. The company's management is taking significant steps, including the following, to reposition the company strategically in the year 2010:

- In view of the high management expenses experienced within the individual life business during the past year, the management is urgently reassessing the current high expenses as well as non-viable branches and taking necessary steps, including closure or move of branches, to reduce expenses on a war-footing basis.
- The individual life field force compensation and structure will be modified with emphasis on persistency and business target achievement.
- Further expansion of sales force structure and monitoring strategy will be enhanced for the marketing and follow-up of the company's new individual life plans.
- A new program will be instituted to open small branches all over Pakistan with branch expenses directly linked to business/target achievement.

- High standards with regards to educational qualification and training are being created for the company's sales force personnel at all levels. In this regard, additional training centers will be established at several cities throughout the country.
- Further enhancements in the working of underwriting, policyholder services and agency / commission departments will take place in 2010 to meet the latest requirements with regards to highly professional underwriting and customer services for policyholders, proposers and agents/sales consultants.
- The company will also engage services of a professional and experienced fund manager to reassess the company's investment strategy in line with the latest scenarios being experienced in the business environment.
- In consultation with the actuary, the company will further refine and develop the individual product-line to better meet the latest needs and requirements of the prospective policyholders. In this regard, the company will develop products with regards to commencing further relations with our large corporate clients to market our individual life insurance products to their employees to further improve their protection and investment planning for the future.

Besides taking these concrete steps in 2010, the company will continue its focus on further expanding its corporate portfolio with regards to both group life and health insurance. The management of the company also takes on the challenge to turn-around the disappointing financial performance achieved during 2009. In order to achieve this aim, the company will continue its focus on further growth of its premium base within all business areas, drastic improvement in persistency figures, reduction in operating expenses and added improvements in customer-oriented services. In this regard, certain areas where the management will focus their attention in the future are given below:

- Further enhancement of the software systems already developed by the company's Information Technology (IT) department to improve client services, productivity and preparation of management information reports.

Directors' Report to the Shareholders

- Development of Enterprise Resource Planning (ERP) software, which is an integrated computer-based system used to manage internal and external resources including tangible assets, financial resources, materials, and human resources. The software architecture will facilitate the flow of information between all business functions inside the boundaries of the organization and manage the connections to outside stakeholders.
- Development of a more refined and detailed expense budget for the company's overall expenses, which is required to further the goal of expense control and improved profitability of the company.

In view of the current competitive scenario within the life insurance industry, your company's management has taken on the task of improving the financial performance by concentrating on the targets given above. We are certain that our renewed focus and new direction will surely be mutually beneficial for the policyholders and shareholders of the company in the ever-changing environment of the country.

AUDIT COMMITTEE

The Boards' Audit Committee comprises of the following members:

1. Chief Justice (R) Mian Mahboob Ahmad
2. Naved Yunus
3. Pervez Yunus
4. A. K. M. Sayeed
5. Nadeem Akhtar, Secretary

STATEMENT OF ETHICS AND BUSINESS PRACTICES

The Board has adopted the statement of Ethics and Business Practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to business and regulations.

MATERIAL CHANGES

There have been no material changes since December 31, 2009 and the Company has not entered into any commitment, which would affect its financial position at that date.

DIVIDEND

In the light of the environment in the economic sector of the country, especially on account of negatives of investment income, the Directors feel that no dividend can be declared for the year ended December 31, 2009.

PATTERN OF SHAREHOLDING

The pattern of shareholding, as required by section 236 of the Companies Ordinance 1984 and Code of Corporate Governance is enclosed.

AUDITORS

The retiring auditors, M/s Anjum Asim Shahid Rahman (Chartered Accountants), being eligible, have offered themselves for reappointment. The Audit Committee has recommended their reappointment.

ACKNOWLEDGEMENT

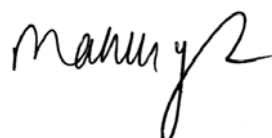
The directors would like to take this opportunity to express their sincere gratitude to The Ministry of Commerce, Government of Pakistan and Securities and Exchange Commission of Pakistan (SECP) for their continued guidance and support.

The directors also wish to record their appreciation for the remarkable efforts of the able officers, staff and field force of the company towards its development and growth. Their continuous dedication to high ethical standards, client service and hard work has helped your company emerge and maintain its position as an important member among the private sector life insurers.

Further, we also wish to record our appreciation for the Insurance Association of Pakistan (IAP) for their support and valued representation of our industry. We would also like to sincerely thank the company's loyal policyholders and corporate clients for their continued encouragement and confidence in our organization.

Finally, we would like to give thanks and appreciation to the thousands of our shareholders, whose loyalty and dedication for the company is a source of encouragement for us to make East West Life a strong and dependable financial organization and a symbol of security for the marketplace.

For and on behalf of the Board of Directors,



Maheen Yunus, CPCU

Managing Director and Chief Executive

Key Financial Data for the Last Six Years

All Amounts in Rupees	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
REVENUE ACCOUNT						
Premium - Net of Reinsurance	154,488,668	107,753,058	90,298,899	69,249,291	52,468,839	35,222,788
Interest and Other Income	(191,904,242)	84,419,832	110,087,312	38,095,855	9,028,903	15,128,296
	<u>(37,415,574)</u>	<u>192,172,890</u>	<u>200,386,211</u>	<u>107,345,146</u>	<u>61,497,742</u>	<u>50,351,084</u>
Claims Less Reinsurance	94,895,323	78,077,944	67,192,925	35,863,541	19,962,543	20,908,359
Net Commission and Acquisition Cost	66,544,967	31,370,922	4,606,722	4,138,179	8,713,122	8,420,003
Other Administrative Cost	64,806,415	57,421,498	38,605,582	32,727,824	29,815,578	25,997,770
Movement in Policyholders' Liabilities	37,742,264	10,527,788	9,437,814	19,271,905	20,478,524	18,848,606
Profit/(Loss) Before Tax	<u>(301,404,543)</u>	<u>14,774,738</u>	<u>80,543,168</u>	<u>15,343,697</u>	<u>(17,472,025)</u>	<u>(23,823,654)</u>
Provision for Taxation	(1,236,232)	(812,697)	(903,444)	(881,995)	(295,320)	(246,741)
Profit/(Loss) After Tax	<u>(302,640,775)</u>	<u>13,962,041</u>	<u>79,639,724</u>	<u>14,461,702</u>	<u>(17,767,345)</u>	<u>(24,070,395)</u>
BALANCE SHEET						
Investments	197,559,818	376,890,401	198,874,547	159,430,672	87,230,942	142,763,844
Other Assets	100,490,640	139,663,343	276,034,339	106,663,512	139,033,778	74,896,102
Fixed Assets	50,265,366	46,610,645	26,386,792	7,725,734	7,092,083	6,865,976
	<u>348,315,824</u>	<u>563,164,389</u>	<u>501,295,678</u>	<u>273,819,918</u>	<u>233,356,803</u>	<u>224,525,922</u>
Issued, Subscribed and Paid-Up Capital	454,960,000	413,600,000	352,000,000	200,000,000	200,000,000	200,000,000
Advance Against Equity	-	-	-	16,000,000	-	-
Accumulated Surplus/(Deficit)	<u>(305,591,480)</u>	<u>1,741,055</u>	<u>20,333,028</u>	<u>(60,529,376)</u>	<u>(76,498,427)</u>	<u>(61,063,848)</u>
Balance of Statutory Fund	162,256,110	119,822,086	111,940,284	103,725,150	85,960,593	67,814,835
Other Liabilities	36,691,194	28,001,248	17,022,366	14,624,144	23,894,637	17,774,935
	<u>348,315,824</u>	<u>563,164,389</u>	<u>501,295,678</u>	<u>273,819,918</u>	<u>233,356,803</u>	<u>224,525,922</u>

Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of the shareholders of **East West Life Assurance Company Limited** will be held on Wednesday, March 31st, 2010 at 11:30 am at Pasni Hall of Sarena Hotel, Zarghoon Road, Quetta, to transact the following business:

1. To confirm the minutes of the Extraordinary General Meeting (EOGM) held on September 25th, 2009.
2. To receive, consider and adopt the Audited Accounts for the year ended December 31st, 2009 alongwith Directors' and Auditors' Report thereon.
3. To appoint Auditors for the year 2010 and fix their remuneration, retiring Auditor M/s Anjum Asim Shahid Rahman Chartered Accountants being eligible, offered themselves for reappointment.

SPECIAL BUSINESS:

4. To consider and pass the following Special Resolution:
RESOLVED that the Authorized Capital of the Company be increased from Rs. 500,000,000 (Rupees Five Hundred Million) to Rs. 600,000,000 (Rupees Six Hundred Million) and divided into 60,000,000 ordinary shares of Rs. 10/- each. That respective clause of Memorandum and Articles of Association of the company be amended to the extent of increased Authorized Capital and division thereof to become effective immediately.
5. To transact any other business that may be placed before the meeting with the permission of the Chairman.

Karachi
March 9th, 2010

By Order of the Board


Sohail Nazeer
Company Secretary

NOTES:

- (a) The Share Transfer Books of the Company will remain closed from March 31st, 2010 to April 5th, 2010 (both days inclusive). No application for transfer of shares will be entertained during this period.
- (b) A member eligible to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received in the office of the Company's Share Registrar not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed. A member shall not be entitled to appoint more than one proxy.
- (c) CDC shareholders are requested to bring their original Computerized National Identity Cards, Accounts/Sub-Account Number and Participant's ID Number in the Central Depository Company (CDC) for identification purpose when attending the meeting. In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
- (d) Shareholders are requested to promptly notify the office of the Company's Share Registrar, in case of any change in their addresses.

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 listing regulations of The Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby an insurance company is managed in compliance with the best practices of Corporate Governance.

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

1. The company encourages representation of independent non-executive directors. At present, the Board includes six independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board of Directors during the period under review.
5. The company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the company.
6. The Board has developed a vision/mission statement and overall corporate strategy of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and 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.
8. The meeting 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 met at least once in every quarter during the year. Written notices of the Board meetings alongwith agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged one orientation course for its directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment as determined by the CEO.
11. The Director's Report for this year has been prepared in compliance with the requirement of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the Code.

Statement of Compliance with the Code of Corporate Governance for the Year Ended December 31, 2009

15. The Board has formed an executive committee. It comprises of five members of whom three are non-executive members including Chairman of the committee.
16. The Board has formed an underwriting committee. It comprises of four members of whom three are non-executive directors including Chairman of the committee.
17. The Board has formed a claim settlement committee. It comprises of five members of whom three are non-executive directors including Chairman of the committee.
18. The Board has formed a re-insurance committee. It comprises of four members of whom two are non-executive directors including Chairman of the committee.
19. The Board has formed an audit committee. It comprises of five members of whom four are non-executive directors including the Chairman of the committee.
20. The meeting of the audit committee were held once in every quarter prior to approval of 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.
21. The Board has set up an effective internal audit function who are considered suitable qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they are involved in the internal audit function on a full time basis.
22. Detail of related party transactions are placed before the Board and Audit Committee on compliances of the sub-regulation (xiii-a) of Listing Regulations 35 of The Karachi Stock Exchange (Guarantee) Limited.
23. 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 the shares of the company and that the firm and all its partners are in compliance with International Federation of Accountant Guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
24. 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 International Federation of Accountant guidelines in this regard.
25. We confirm that all other material principles contained in the Code have been complied with.



Maheen Yunus, CPCU
Managing Director and Chief Executive

Statement of Compliance with the Best Practices On Transfer Pricing

The Company has fully complied with the best practices on Transfer Pricing as contained in the Listing Regulations of the respective Stock Exchange.

On behalf of the Board of Directors



Maheen Yunus, CPCU
Managing Director and Chief Executive

Karachi: March 9th, 2010

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

We have reviewed the Statement of Compliance with best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **East West Life Assurance Company Limited** ('the Company') to comply with the Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange and Code of Corporate Governance applicable to listed insurance companies, issued by the Securities and Exchange Commission of Pakistan.

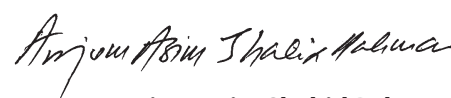
The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance 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's personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, Sub-Regulation (xiii-a) of The Listing Regulation 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires 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.

Karachi
Date: March 9th, 2010



Anjum Asim Shahid Rahman
Chartered Accountants
Muhammad Shaukat Naseeb

Independent Auditors' Report to the Members of East West Life Assurance Company Limited

We have audited the annexed financial statements comprising:

- | | |
|---------------------------------------|--------------------------------------|
| (i) Balance Sheet; | (vi) Statement of Premium; |
| (ii) Profit and Loss Account; | (vii) Statement of Claims; |
| (iii) Statement of Changes in Equity; | (viii) Statement of Expenses; and |
| (iv) Statement of Cash Flows; | (ix) Statement of Investment Income. |
| (v) Revenue Account; | |

of **East West Life Assurance Company Limited** ('the Company') as at December 31, 2009 together with the notes forming part thereof, (here-in-after referred to as the 'financial statements') for the year then ended.

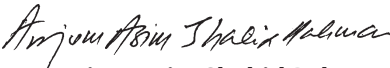
It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of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

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

In our opinion:

- (a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the changes resulted on initial application of standards, amendments or an interpretation to existing standards, as stated in note 3.1, with which we concur;
 - (i) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (ii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (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 and of the profit, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (d) the apportionment of assets, liabilities, revenues 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.

Karachi
Date: March 9th, 2010


Anjum Asim Shahid Rahman
Chartered Accountants
Muhammad Shaukat Naseeb

Balance Sheet

As At December 31, 2009

Figures in Rupees

Notes	Shareholders' Fund	Statutory Funds			Aggregate December 31, 2009	Aggregate December 31, 2008
		Ordinary Life	Universal Life	Accident & Health		
Share Capital and Reserves						
Authorized Share Capital						
	50,000,000 (2008: 50,000,000)					
	Ordinary Shares of Rs.10 Each					
	500,000,000	—	—	—	500,000,000	500,000,000
Issued, Subscribed and Paid-Up Share Capital	6	454,960,000	—	—	454,960,000	413,600,000
Accumulated (Deficit) / Surplus	7	(305,591,480)	—	—	(305,591,480)	1,741,055
Net Shareholders' Equity		149,368,520	—	—	149,368,520	415,341,055
Balance of Statutory Fund [Including Policyholders' Liabilities 2009: Rs. 156.9 Million (2008: 119.2 Million)]						
		—	33,364,426	110,119,424	18,772,260	162,256,110
Deferred Liabilities						
Outstanding Gratuity	8	9,055	81,495	—	—	90,550
Creditors and Accruals						
Outstanding Claims	9	—	3,220,890	2,024,200	1,548,452	6,793,542
Premiums Received in Advance	10	—	—	6,744,282	30,000	6,774,282
Amount Due to Other Insurers / Reinsurers	11	—	4,982,460	844,150	—	5,826,610
Accrued Expenses	12	1,606,207	5,463,490	4,959,834	456,574	12,486,105
Agent's Balances	13	—	—	3,659,263	—	3,659,263
Other Creditors and Accruals	15	156,695	508,493	129,483	152,746	947,417
		1,762,902	14,175,333	18,361,212	2,187,772	36,487,219
Other Liabilities						
Dividend Payable		113,425	—	—	—	113,425
TOTAL LIABILITIES		1,885,382	47,621,254	128,480,636	20,960,032	198,947,304
TOTAL EQUITY AND LIABILITIES		151,253,902	47,621,254	128,480,636	20,960,032	563,164,389
CONTINGENCIES AND COMMITMENT						
	16					

The annexed notes 1 to 34 form an integral part of these financial statements.

Figures in Rupees

Notes	Shareholders' Fund	Statutory Funds			Aggregate December 31, 2009	Aggregate December 31, 2008	
		Ordinary Life	Universal Life	Accident & Health			
Cash and Bank Deposits							
	Cash in Hand	—	6,689	16,791	1,512	24,992	29,777
	Current and Other Accounts	4,743,562	1,484,869	19,337,263	4,179,333	29,745,027	54,866,298
17	Deposits Maturing Within 12 Months	—	—	20,000,000	10,000,000	30,000,000	41,000,000
		4,743,562	1,491,558	39,354,054	14,180,845	59,770,019	95,896,075
	Loans Secured Against Life Insurance Policies	—	6,283,271	2,141,542	—	8,424,813	10,386,126
	Unsecured Advances to Employees	208,160	727,161	—	103,480	1,038,801	547,082
Investment							
18	Government Securities	48,442,808	20,151,140	77,682,614	2,051,603	148,328,165	80,831,205
	Other Fixed Income Securities	—	—	5,356,827	—	5,356,827	5,377,925
	Listed Equities and Mutual Funds	32,368,841	—	—	—	32,368,841	276,015,764
	Investment in Associate	11,505,985	—	—	—	11,505,985	14,665,507
		92,317,634	20,151,140	83,039,441	2,051,603	197,559,818	376,890,401
Current Assets - Other							
	Premiums Due But Unpaid	—	17,631,678	—	4,030,573	21,662,251	25,660,951
	Amount Due from Other Insurer and Reinsurer	—	—	—	—	—	134,323
	Taxation-Net	212,040	—	—	—	212,040	453,881
	Prepayments	675,000	—	774,847	—	1,449,847	935,470
19	Sundry Receivables	—	926,583	1,469,068	456,828	2,852,479	3,646,452
	Investment Income Accrued	2,445,508	409,863	1,701,684	136,703	4,693,758	1,708,629
	Stationery	386,632	—	—	—	386,632	294,354
		3,719,180	18,968,124	3,945,599	4,624,104	31,257,007	32,834,060
Fixed Assets							
Tangible							
	Furniture, Fixtures, Office Equipment and Vehicles	50,265,366	—	—	—	50,265,366	46,570,420
Intangible							
	Software	—	—	—	—	—	40,225
		50,265,366	—	—	—	50,265,366	46,610,645
TOTAL ASSETS		151,253,902	47,621,254	128,480,636	20,960,032	348,315,824	563,164,389

The annexed notes 1 to 34 form an integral part of these financial statements.



CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD
Chairman



MAHEEN YUNUS, CPCU
Managing Director &
Chief Executive



A. K. M. SAYEED
Director



JAVED YUNUS
Director

Profit and Loss Account

For The Year Ended December 31, 2009

Figures in Rupees

	Notes	December 31, 2009	December 31, 2008
Investment Income Not Attributable to Statutory Funds			
Return on Government Securities		4,820,776	2,226,096
Return on Other Fixed Income Securities and Deposits		327,803	1,224,699
Amortization of Discount/Premium Relative to Par		985,702	310,856
Dividend Income		1,632,744	3,924,995
		7,767,025	7,686,646
(Loss) / Gain on Sale of Investments		(125,580,434)	53,245,594
Provision for Impairment in the Value of Available for Sale Investments	18.5	(79,222,070)	—
Net Investment Income		(197,035,479)	60,932,240
Other Revenue:			
Gain / (Loss) on Sale of Fixed Asset		14,232	(5,195)
Total Investment (Loss) / Income and Other Revenue		(197,021,247)	60,927,045
Expenses Not Attributable to Statutory Funds	22	(23,373,356)	(16,601,149)
Share of (Loss) / Profit in Associate	18.4	(2,201,700)	1,194,828
(Loss) / Profit Before Tax		(222,596,303)	45,520,274
Tax Expense	23	(1,236,232)	(812,697)
(Loss) / Profit After Tax		(223,832,535)	44,708,027
(Loss) / Earnings Per Share - Basic and Diluted	24	(5.40)	1.27

The annexed notes 1 to 34 form an integral part of these financial statements.



CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD
Chairman



MAHEEN YUNUS, CPCU
Managing Director &
Chief Executive



A. K. M. SAYEED
Director



JAVED YUNUS
Director

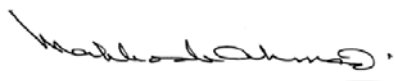
Statement of Changes in Equity

For The Year Ended December 31, 2009

Figures in Rupees

	Share Capital	Share Deposit Money	Net Accumulated Surplus			Total
			Accumulated Surplus	Capital Contributed to Statutory Funds	Net Accumulated Surplus / (Deficit)	
Balance as at January 01, 2008	352,000,000	—	108,353,454	(88,020,426)	20,333,028	372,333,028
Total Comprehensive Income for the Year Ended December 31, 2008						
Net Profit for the Year	—	—	44,708,027	—	44,708,027	44,708,027
Transactions with Owners Recorded Directly in Equity						
Capital Contributed to Statutory Funds	—	—	—	(28,100,000)	(28,100,000)	(28,100,000)
Dividend for the Year @ Re.1 Per Share	—	—	(35,200,000)	—	(35,200,000)	(35,200,000)
Share Deposit Money Received	—	61,600,000	—	—	—	61,600,000
Right Shares Issued During the Year	61,600,000	(61,600,000)	—	—	—	—
Balance as at December 31, 2008	413,600,000	—	117,861,481	(116,120,426)	1,741,055	415,341,055
Total Comprehensive Income for the Year Ended December 31, 2009						
Net (Loss) for the Year	—	—	(223,832,535)	—	(223,832,535)	(223,832,535)
Transactions with Owners Recorded Directly in Equity						
Capital Contributed to Statutory Fund	—	—	—	(83,500,000)	(83,500,000)	(83,500,000)
Share Deposit Money Received	—	41,360,000	—	—	—	41,360,000
Right Share Issued During the Year	41,360,000	(41,360,000)	—	—	—	—
Balance as at December 31, 2009	<u>454,960,000</u>	<u>—</u>	<u>(105,971,054)</u>	<u>(199,620,426)</u>	<u>(305,591,480)</u>	<u>149,368,520</u>

The annexed notes 1 to 34 form an integral part of these financial statements.



CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD
Chairman



MAHEEN YUNUS, CPCU
Managing Director &
Chief Executive



A. K. M. SAYEED
Director



JAVED YUNUS
Director

Statement of Cash Flows

For The Year Ended December 31, 2009

Figures in Rupees

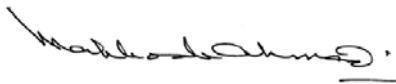
	Statutory Funds			Aggregate December 31, 2009	Aggregate December 31, 2008	
	Shareholders' Fund	Ordinary Life	Universal Life			Accident & Health
Operating Cash Flows						
a) Underwriting Activities						
Premium Received	—	107,351,527	61,832,755	72,710,252	241,894,534	194,066,522
Reinsurance Premiums Paid	—	(2,943,426)	(271,814)	—	(3,215,240)	(4,521,810)
Reinsurance Premium Received	—	1,490,110	—	—	1,490,110	2,980,219
Claims Paid	—	(99,811,436)	(3,446,248)	(60,228,478)	(163,486,162)	(154,318,389)
Surrenders Paid	—	—	(1,418,420)	—	(1,418,420)	(1,829,928)
Commissions Paid	—	(2,374,721)	(18,721,662)	(5,715,803)	(26,812,186)	(11,877,853)
Net Cash From Underwriting Activities	—	3,712,054	37,974,611	6,765,971	48,452,636	24,498,761
b) Other Operating Activities						
Income Tax Paid	(994,391)	—	—	—	(994,391)	(1,336,116)
General Management Expenses Paid	(15,310,255)	(17,523,780)	(55,473,840)	(10,020,171)	(98,328,046)	(74,034,947)
Net Cash (Used In) Other Operating Activities	(16,304,646)	(17,523,780)	(55,473,840)	(10,020,171)	(99,322,437)	(75,371,063)
Total Cash (Used In) All Operating Activities	(16,304,646)	(13,811,726)	(17,499,229)	(3,254,200)	(50,869,801)	(50,872,302)
Investment Activities						
Profit/Return Received	22,237,320	607,390	3,451,432	376,512	26,672,654	76,720,951
Dividend Received	232,110	—	—	—	232,110	5,459,029
Payments for Investments	(38,022,279)	(14,000,000)	(63,658,634)	—	(115,680,913)	(607,508,413)
Proceeds From Disposal of Investments	59,242,739	—	13,909,892	—	73,152,631	430,925,218
Fixed Capital Expenditure	(10,992,737)	—	—	—	(10,992,737)	(25,514,512)
Total Cash From/(Used In) Investing Activities	32,697,153	(13,392,610)	(46,297,310)	376,512	(26,616,255)	(119,917,727)
Financing Activities						
Share Capital Issued	41,360,000	—	—	—	41,360,000	61,600,000
Capital Contribution From Shareholders' Fund	(82,200,000)	20,000,000	45,200,000	17,000,000	—	—
Transfer of Reserve Due to Conversion	—	(3,812,306)	3,812,306	—	—	—
Dividend Paid	—	—	—	—	—	(35,064,435)
Total Cash From/(Used In) Financing Activities	(40,840,000)	16,187,694	49,012,306	17,000,000	41,360,000	26,535,565
Net Cash Inflow/Outflow From All Activities	(24,447,493)	(11,016,642)	(14,784,233)	14,122,312	(36,126,056)	(144,254,464)
Cash at the Beginning of the Period	29,191,055	12,508,200	54,138,287	58,533	95,896,075	240,150,539
Cash at the End of the Period	4,743,562	1,491,558	39,354,054	14,180,845	59,770,019	95,896,075

Figures in Rupees

Reconciliation to Profit and Loss Account

	Aggregate December 31, 2009	Aggregate December 31, 2008
Operating Cash Flows	(50,869,801)	(50,872,302)
Depreciation Expense	(7,380,605)	(5,235,464)
Share of (Loss) / Gain in Associate	(2,201,700)	1,194,828
Investment Income	(110,712,583)	77,765,975
Dividend Received	232,110	5,459,028
Provision for Impairment in the Value of Available for Sale Investments	(79,222,070)	—
Increase/(Decrease) in Assets Other Than Cash	(5,857,444)	7,021,081
(Increase)/Decrease in Liabilities Other Than Running Finance	(45,151,878)	(21,371,105)
Surplus/(Deficit) of Statutory Funds	77,331,436	30,745,986
(Loss)/Profit After Taxation	<u>(223,832,535)</u>	<u>44,708,027</u>

The annexed notes 1 to 34 form an integral part of these financial statements.



CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD
Chairman



MAHEEN YUNUS, CPCU
Managing Director &
Chief Executive



A. K. M. SAYEED
Director



JAVED YUNUS
Director

Revenue Account

For The Year Ended December 31, 2009

Figures in Rupees

Notes	Statutory Funds			Aggregate December 31, 2009	Aggregate December 31, 2008
	Ordinary Life	Universal Life	Accident & Health		
Income					
Premiums Less Reinsurances	27,469,489	56,183,694	70,835,485	154,488,668	107,753,058
Net Investment Income	1,049,996	5,705,084	563,625	7,318,705	22,297,959
Total Net Income	28,519,485	61,888,778	71,399,110	161,807,373	130,051,017
Claims And Expenditures					
Claims, Including Bonuses, Net of Reinsurance Recoveries	28,415,052	6,111,738	60,368,533	94,895,323	78,077,944
Management Expenses Less Recoveries	16,932,990	74,813,432	16,231,604	107,978,026	72,191,271
Total Claims and Expenditures	45,348,042	80,925,170	76,600,137	202,873,349	150,269,215
(Deficit) of Income Over Claims and Expenditures	(16,828,557)	(19,036,392)	(5,201,027)	(41,065,976)	(20,218,198)
Add: Policyholder Liabilities At Beginning of the Year	33,544,570	78,736,511	6,918,967	119,200,048	108,672,260
Policyholders' Liabilities Transfer to Other Statutory Fund	(3,812,306)	3,812,306	—	—	—
Less: Policyholders' Liabilities At End of the Year	14 30,648,143	110,085,106	16,209,063	156,942,312	119,200,048
Deficit	(17,744,436)	(46,572,681)	(14,491,123)	(78,808,240)	(30,745,986)
Movement in Policyholders' Liabilities	915,879	27,536,289	9,290,096	37,742,264	10,527,788
Transfer From Shareholders' Fund					
Capital Contribution From Shareholders' Fund	20,000,000	46,500,000	17,000,000	83,500,000	28,100,000
Balance of Statutory Fund At Beginning of the Year	34,005,289	78,843,510	6,973,287	119,822,086	111,940,284
Balance of Statutory Fund Transfer Due to Conversion	(3,812,306)	3,812,306	—	—	—
Balance of Statutory Fund at End of Year	<u>33,364,426</u>	<u>110,119,424</u>	<u>18,772,260</u>	<u>162,256,110</u>	<u>119,822,086</u>
Represented By:					
Capital Contributed by Shareholders' Fund	116,220,426	64,900,000	18,500,000	199,620,426	116,120,426
Accumulated Deficit	(113,504,143)	(64,865,682)	(15,936,803)	(194,306,628)	(115,498,388)
	2,716,283	34,318	2,563,197	5,313,798	622,038
Policyholders' Liabilities	14 30,648,143	110,085,106	16,209,063	156,942,312	119,200,048
Balance of Statutory Fund	<u>33,364,426</u>	<u>110,119,424</u>	<u>18,772,260</u>	<u>162,256,110</u>	<u>119,822,086</u>

The annexed notes 1 to 34 form an integral part of these financial statements.


CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD
Chairman


MAHEEN YUNUS, CPCU
Managing Director &
Chief Executive


A. K. M. SAYEED
Director


JAVED YUNUS
Director

Statement of Premiums

For The Year Ended December 31, 2009

	Statutory Funds			Figures in Rupees	
	Ordinary Life	Universal Life	Accident & Health	Aggregate December 31, 2009	Aggregate December 31, 2008
Gross Premiums					
Regular Premium Individual Policies*					
First Year	—	33,783,122	2,044,875	35,827,997	18,281,843
Second Year Renewal	—	7,979,972	—	7,979,972	1,195,665
Subsequent Year Renewal	—	13,123,695	—	13,123,695	9,091,701
Single Premium Individual Policies	—	2,463,250	—	2,463,250	4,510,000
Group Policies	107,583,941	—	68,790,610	176,374,551	161,458,471
Total Gross Premiums	107,583,941	57,350,039	70,835,485	235,769,465	194,537,680
Less: Reinsurance Premiums Ceded					
On Individual Life First Year Business	—	(632,457)	—	(632,457)	(1,624,455)
On Individual Life Second Year Business	—	(244,425)	—	(244,425)	(37,175)
On Individual Life Renewal Business	—	(289,463)	—	(289,463)	(223,113)
On Group Policies	(80,114,452)	—	—	(80,114,452)	(84,899,879)
Total Reinsurance Premium Ceded	(80,114,452)	(1,166,345)	—	(81,280,797)	(86,784,622)
Net Premiums	<u>27,469,489</u>	<u>56,183,694</u>	<u>70,835,485</u>	<u>154,488,668</u>	<u>107,753,058</u>

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

The annexed notes 1 to 34 form an integral part of these financial statements.



CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD
Chairman



MAHEEN YUNUS, CPCU
Managing Director &
Chief Executive



A. K. M. SAYEED
Director



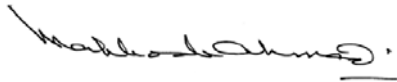
JAVED YUNUS
Director

Statement of Claims

For The Year Ended December 31, 2009

	Statutory Funds			Figures in Rupees	
	Ordinary Life	Universal Life	Accident & Health	Aggregate December 31, 2009	Aggregate December 31, 2008
Gross Claims					
Claims Under Individual Policies					
By Death	—	1,594,094	—	1,594,094	2,370,038
By Insured Event Other Than Death	—	19,500	—	19,500	113,267
By Maturity	—	3,065,699	—	3,065,699	2,401,910
By Surrender	—	1,418,420	—	1,418,420	54,960
Bonus in Cash	—	14,025	—	14,025	1,829,928
Total Gross Individual Policy Claims	—	6,111,738	—	6,111,738	6,770,103
Claims Under Group Policies					
By Death	97,399,728	—	—	97,399,728	108,242,793
By Insured Event Other Than Death	1,262,668	—	60,368,533	61,631,201	42,000,407
Total Gross Group Policy Claims	98,662,396	—	60,368,533	159,030,929	150,243,200
Total Gross Claims	98,662,396	6,111,738	60,368,533	165,142,667	157,013,303
Less: Reinsurance Recoveries					
On Group Life Claims	(70,247,344)	—	—	(70,247,344)	(78,935,359)
Net Claims	28,415,052	6,111,738	60,368,533	94,895,323	78,077,944

The annexed notes 1 to 34 form an integral part of these financial statements.



CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD
Chairman



MAHEEN YUNUS, CPCU
Managing Director &
Chief Executive



A. K. M. SAYEED
Director



JAVED YUNUS
Director

Statement of Expenses

For The Year Ended December 31, 2009

	Statutory Funds			Aggregate	
	Ordinary Life	Universal Life	Accident & Health	December 31, 2009	Aggregate December 31, 2008
Figures in Rupees					
Acquisition Costs					
Remuneration to Insurance Intermediaries on Individual Policies:					
Commission on First Year Premiums	—	17,244,964	495,270	17,740,234	7,968,829
Commission on Second Year Premiums	—	773,604	—	773,604	321,514
Commission on Subsequent Renewal Premiums	—	776,370	—	776,370	932,636
Other Benefits to Insurance Intermediaries	—	128,318	—	128,318	360,250
Group Policies:					
Commission	2,374,721	—	5,199,533	7,574,254	5,483,710
	2,374,721	18,923,256	5,694,803	26,992,780	15,066,939
Branch Overhead:					
Salaries, Allowances and Other Benefits	—	18,896,838	3,936,194	22,833,032	9,276,446
Other Operational Costs	—	21,692,758	1,140,388	22,833,146	14,149,560
	—	40,589,596	5,076,582	45,666,178	23,426,006
Other Acquisition Cost					
Policy Stamps	15,250	179,585	21,950	216,785	66,180
Total Acquisition Cost	2,389,971	59,692,437	10,793,335	72,875,743	38,559,125
Administration Expenses					
Salaries and Other Benefits	8,710,718	8,788,009	678,950	18,177,677	18,889,182
Travelling Expenses	393,239	408,248	135,802	937,289	1,650,458
Auditor's Remuneration	166,476	66,591	99,886	332,953	273,233
Actuary's Fees	400,000	400,000	400,000	1,200,000	1,200,000
Medical Fees	877,608	585,072	—	1,462,680	1,223,279
Advertisements	2,077,947	678,171	904,228	3,660,346	2,169,089
Printing and Stationary	1,281,929	939,065	342,999	2,563,993	1,927,150
Operating Lease Rental	296,726	182,803	280,400	759,929	1,045,222
Staff Welfare	2,195,479	1,556,498	228,183	3,980,160	4,543,595
Postage, Telegram and Telephone	383,372	202,893	786,114	1,372,379	1,451,871
Electricity and Gas	566,990	156,171	455,944	1,179,105	854,316
Newspaper and Periodicals	7,217	4,200	3,500	14,917	11,014
Entertainment Expense	502,450	331,240	208,176	1,041,866	1,202,085
Repair and Maintenance	201,594	146,614	9,326	357,534	378,129
Insurance	138,453	—	442,500	580,953	718,016
Stamps	14,766	—	—	14,766	—
Consultancy Charges	342,825	213,840	106,920	663,585	1,464,644
Bank Charges	416,034	265,853	85,288	767,175	473,700
Miscellaneous Expense	1,577,779	517,920	270,053	2,365,752	1,345,366
	20,551,602	15,443,188	5,438,269	41,433,059	40,820,349
Gross Management Expenses	22,941,573	75,135,625	16,231,604	114,308,802	79,379,474
Commission From Reinsurers	(6,008,583)	(322,193)	—	(6,330,776)	(7,188,203)
Net Management Expenses	16,932,990	74,813,432	16,231,604	107,978,026	72,191,271

The annexed notes 1 to 34 form an integral part of these financial statements.


CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD
 Chairman


MAHEEM YUNUS, CPCU
 Managing Director &
 Chief Executive


A. K. M. SAYEED
 Director


JAVED YUNUS
 Director

Statement of Investment Income

For The Year Ended December 31, 2009

Figures in Rupees

	Statutory Funds			Aggregate December 31, 2009	Aggregate December 31, 2008
	Ordinary Life	Universal Life	Accident & Health		
Investment Income					
On Government Securities	715,653	2,968,068	238,694	3,922,415	288,000
On Other Fixed Income Securities and Deposits	183,203	1,199,800	274,521	1,657,524	6,932,973
Dividend Income	—	—	—	—	1,475,534
Amortization of Premium	—	(18,978)	—	(18,978)	(19,116)
Amortization of Discount	151,140	570,946	50,410	772,496	4,592
Other Miscellaneous Income	—	—	—	—	12,280
	1,049,996	4,719,836	563,625	6,333,457	8,694,263
Gain on Sale of Investments	—	985,248	—	985,248	13,603,696
Net Investment Income	1,049,996	5,705,084	563,625	7,318,705	22,297,959

The annexed notes 1 to 34 form an integral part of these financial statements.


CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD
 Chairman


MAHEEN YUNUS, CPCU
 Managing Director &
 Chief Executive


A. K. M. SAYEED
 Director


JAVED YUNUS
 Director

Notes to the Financial Statements

For The Year Ended December 31, 2009

1 STATUS AND NATURE OF BUSINESS

East West Life Assurance Company Limited (the company) was incorporated in Pakistan on August 18, 1992 as a public limited company under the Companies Ordinance, 1984. Its shares are quoted on Karachi Stock Exchange. The company commenced life insurance operations on February 22, 1993 after registration with Controller of Insurance on February 14, 1993. The address of its registered and principal office is 28 Regal Plaza, M.A. Jinnah Road, Quetta and 310 EFU House, M.A. Jinnah Road Karachi, respectively. The company is engaged in life insurance carrying on participatory and non-participatory business. In accordance with the requirements of Insurance Ordinance, 2000, the company has established shareholders' fund and following statutory funds in respect of its each class of life insurance business:

- ◆ Ordinary Life;
- ◆ Universal Life; and
- ◆ Accident and Health.

2 BASIS OF PRESENTATION

These financial statements have been prepared on the format of financial statements issued by Securities and Exchange Commission of Pakistan (SECP) through Securities and Exchange Commission (Insurance) Rules, 2002 (the Rules).

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 (IFRSs) issued by the International Accounting Standards Boards as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, Insurance Ordinance, 2000 and the Rules. In case the requirements differ, the provisions or directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000 and the Rules, shall prevail.

SECP through notification vide SRO 15091/2009 dated February 13, 2009 allowed insurance companies to differ from the application of International Accounting Standard-39 (IAS 39) Financial Instruments: Recognition and Measurement in respect of valuation subsequent to initial recognition of investments available for sale. Accordingly, the requirements of IAS 39, to the extent allowed by SECP, as aforesaid, have not been considered for the preparation of these financial statements.

3.1 Standards, Amendments and Interpretations to Published Approved Accounting Standards Effective in Current Year

IAS-1 (Revised) 'Presentation of financial statements' (effective from January 01, 2009), was issued in September 2007. According to new standard, the items of income and expenses that are not recognized in the profit and loss and non-owners changes in equity should be recognized through statements of comprehensive income. The revised standard requires an entity to opt for presenting such items of income and expenses either in (a) single statement (a statement of comprehensive income) or (b) two statements (a separate income statement and a statement of comprehensive income). The company has adopted IAS 1 (Revised) with effect from January 01, 2009 and adopted to presents two separate statements. However, company does not have any items of comprehensive income to report for the year ended December 31, 2009 and comparative period.

IFRS-4 'Insurance Contracts' (effective from January 01, 2005). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The required information has been disclosed in notes to these financial statements.

IFRS-7 'Financial Instrument: Disclosures' (effective from April 28, 2008) supersedes IAS 30 - Disclosure in the Financial Statements of Banks and Similar Financial Institutions and disclosure requirements of IAS 32 - Financial Instruments: Disclosure and Presentation. The application of the standard did not have significant impact on the company's financial statements other than increased disclosures.

IFRS-8 'Operating Segments' (effective from January 1, 2009) has replaced IAS 14 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes and introduces disclosure regarding the reportable segments and products. There is no impact of the new standard on the company's financial statements other than the additional disclosures.

There are other new standards and interpretations to published approved accounting standards that are mandatory for accounting periods beginning on or after January 01, 2009, some which are changes in terminology only, and some of which are substantive but are considered not to be relevant but and have had no material effect on the company's financial statements.

3.2 Standards, Amendments And Interpretations to Published Approved Accounting Standards that are Relevant But Not Yet Effective

The following standards, amendments and interpretations to published approved accounting standards are mandatory for the company's accounting periods beginning on or after January 01, 2010:

Certain amendments in IAS 1 "Presentation of Financial Statements" effective for annual periods beginning on or after January 01, 2010 resulting from April 2009 Annual Improvements to IAFRSs. Adoption of the above standard will only effect the presentation of financial statements.

IAS 7 "Statement of Cash Flows" effective for annual periods beginning on or after January 01, 2010. The application of the standard is not expected to have significant impact on the company's financial statements.

IAS 24 "Related Party Disclosures" amended definition of related parties and effective for the annual periods beginning on or after January 01, 2011. The application of the standard is not expected to have significant impact on the company's financial statements except for certain increase in disclosures.

There are other amendments resulting from annual improvement project initiated by International Accounting Standards Board in April 2009 and November 2009, Specifically in IAS 17, "Leases", IAS 28 "Investment in Associates", IAS 36 "Impairment of Assets" and IAS 38 "Intangible Assets" that are considered relevant to the company's financial statements. The management is in the process of evaluating the impact of these changes on the company's financial statements.

3.3 Standards, Amendments and Interpretations To Published Approved Accounting Standards that are Not Relevant and Not Yet Effective

Standard, Amendments or Interpretation	Effective Date (Accounting Periods Beginning on or After)
IFRS 1 "First time Adoption of International Financial Reporting Standards"	January 01, 2010
IFRS 2 "Share-based Payments"	January 01, 2010

IFRS 3 "Business Combinations"	July 01, 2009
IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"	January 01, 2010
IFRS 9 "Financial Instruments - Classification and Measurement"	January 01, 2013
IAS 28 "Investment in Associates"	July 01, 2009
IAS 31 "Interests in Joint Ventures"	July 01, 2009
IAS 32 "Financial Instruments: Presentation"	February 01, 2010
IAS 39 "Financial Instruments-Recognition and Measurement"	January 01, 2010
IFRIC 17 "Distributions of Non-cash Assets to Owners"	July 01, 2009
IFRIC 18 "Transfer of Assets from Customers"	July 01, 2009

4 BASIS OF MEASUREMENT

The financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities which are stated at fair value or amortized cost as applicable.

The financial statements have been prepared following the accrual basis of accounting except for the cash flow information.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Use of Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000, the Securities and Exchange Commission the Rules and the Companies Ordinance, 1984, requires management the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continuously evaluated and are based on historical experience including expectation of future events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised. The areas where required assumptions and estimates are significant to the company's financial statements or where judgment was exercised in application of accounting policies are as follows:

1. Provision for Compensated Absences	(Note 5.3)
2. Claims (IBNR)	(Note 5.4)
3. Policyholders' Liabilities	(Note 5.5)
4. Taxation	(Note 5.6)
5. Useful Life of Depreciable / Amortizable Assets	(Note 5.9)
6. Impairment of Assets	(Note 5.11)
7. Reinsurance recoveries against outstanding claims	(Note 5.17)

However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

5.2 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 fund, wherever, 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 fair and equitable basis and in accordance with the written advice of the appointed actuary.

Policyholders' liabilities have been included in statutory funds on the basis of the actuarial valuation carried out by the appointed actuary of the company on the balance sheet date as required by section 50 of the Insurance Ordinance, 2000.

5.3 Staff Retirement Benefits

Defined Contribution Plan

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

Accumulated Compensated Absences

The company make provision in the financial statements for its liabilities towards vested compensated absences accumulated by its employees, estimated on the basis of actuarial valuation carried out by the company's actuary. Latest actuarial valuation was carried out as at December 31, 2009. For detail of basis of assumptions taken by the actuary refer note 12.

5.4 Claims

A liability for outstanding claims is recognized in respect of all claims incurred up to the balance sheet date and includes amounts in relation to unpaid reported claims, claims incurred but not reported and expected claims settlement cost. Claims where intimation of the event giving rise to the claim is received are reported as claims in the revenue account. The liability for claims incurred but not reported at the year end is determined by the appointed actuary and are included in the policyholders' liabilities.

Experience refund of premium calculated by appointed actuary is included in outstanding claims. Experience refund of premium receivable from reinsurers is included in the reinsurance recoveries of claim.

Claim recoveries receivable from the reinsurers are recognized at the same time as the claim which give rise to the right of recovery and are measured at the amount expected to be recovered.

5.5 Policyholders' Liabilities

Policyholders' liabilities are stated at a value determined by the appointed actuary through an actuarial valuation carried out as at each balance sheet date. In determining the value both acquired policy values (which forms the bulk of policyholders' liabilities) as well as estimated values which will be payable against risks which the company underwrites.

5.6 Income Tax Expense

Current

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing laws of taxation on income. The charge for the current tax is calculated using the rate enacted or substantively enacted at the balance sheet date.

Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amount used for the taxation purposes. A deferred tax asset is recognized only to the extent that is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent

that it is no longer probable that the related tax benefits will be realized. The company's deferred tax computation gives rise to deferred tax asset of Rs. 10.2 million which has not been recognised in these financial statements.

5.7 Investments

Classification

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rate are classified as available for sale. Investments acquired principally for the purpose of generating a profit from short-term fluctuation in price are classified as held for trading. 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.

Initial Recognition

All investments are initially recognized at fair value including the transaction costs except held for trading investments which are recognized at fair value. All purchases and sales of investments which require delivery within time frame established by the regulations or market convention are accounted for at the settlement date. Settlement date is the date that an asset is delivered to or by the company.

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.

Available for sale investments are measured at lower of cost or market value (market value being taken as lower if the fall is other than temporary) in accordance with Securities and Exchange Commission (Insurance) Rules, 2002 and is recognized as provision due to impairment in the value of investment. Any change in the provision for impairment in the value of investment held for sale is recognized in profit and loss/revenue account in which it arises.

Investments held for trading are subsequently measured at their fair values and the difference is taken to respective profit and loss/ revenue accounts in which it arises.

Fair / Market Value Measurement

For investments in government securities fair/market value is determined by reference to quotation obtained from Reuters page (PKRV). For investments in quoted marketable securities, fair/market value is determined by reference to stock exchange quoted market price at the close of business on balance sheet date. The fair /market value of the term finance certificates are determined by the average rates quoted by brokers.

Impairment of 'Available for Sale' Equity Investments

The company determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged required judgment. In making this judgment, the company evaluates among other factors, the normal volatility in share price. In addition, the impairment may be appropriate when there is an evidence of deterioration in the financial health of the invested industry and sector performance, changes in technology and operational/financial cash flow. For impairment in available for sale equity securities refer note 18.5.

5.8 Investments in Associates

Investment in associates is valued using equity method.

5.9 Fixed Assets

Tangible Assets

These are stated at cost less accumulated depreciation and impairment, if any. Depreciation is calculated on the reducing balance method at rates mentioned in note 16.1.

Depreciation on additions and disposals during the year is charged from the month of addition to the month of disposal, when parts of an item of asset have different useful lives, they are accounted for as separate item in fixed assets.

Subsequent costs are included in the assets' carrying amount or recognized 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 financial year in which they are incurred.

Depreciation rates and method are reviewed at each balance sheet date and adjusted, if required.

Gains or losses on disposal of fixed assets are determined by comparing proceeds with the carrying amount. These are included in the profit and loss account currently.

Intangible Assets

These include computer software and are recorded initially at cost and subsequently carried at cost less any accumulated amortization and any accumulated impairment losses, if any.

These are amortized over their useful lives and amortization is charged to income using the straight line method.

Capital Work-in-Progress

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

5.10 Cash and Cash Equivalents

For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, stamps in hand and deposits with banks.

5.11 Impairment

The carrying amount of each asset is 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 recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

5.12 Functional and Presentation Currency

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

5.13 Insurance Contract

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

5.14 Revenue Recognition

Premium

Individual life first year premiums are recognized once related policies have been issued against receipt of premium. Individual life renewal premiums are recognized upon receipt of premium and acceptance by the company.

Group life premiums are recognized as and when due.

Single premium are recognized once the related policies are issued against the receipt of premium.

Accident and Health

Group health premiums are recognized 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.

Dividend Income

Dividend income is recognized when right to receive such income is established.

Interest/Markup Income

Interest/Markup income from bank deposits and fixed income securities is recognized using effective interest method.

5.15 Amount Due from (to) Other Insurers / Reinsurers

It is net amount receivable (payable) against recovery of claims, reinsurance commissions receivable and premiums ceded to reinsurers and claims payable or premiums receivables from other insurers. These are recognised at fair value.

5.16 Reinsurance Premiums Ceded

For reinsurance contracts operating on a proportional basis, or for which the term of the reinsurance contract is directly referable to the term of the underlying policy(s), premium ceded to reinsurers is recognised as liability at the same point at which the premium of the underlying policy(s) is recognised as revenue. At the same point premium ceded is recognised as expense over the period of reinsurance. Reinsurance premiums ceded not yet recognised are recognised as prepayments and are disclosed in "amount due from (to) other insurers / reinsurers".

5.17 Reinsurance Recoveries

Claims recoveries receivable from reinsurers and other recoveries receivable are recognised as assets at the same time as the claims which give rise to the right to the recovery are recognised.

5.18 Acquisition Cost

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

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

5.19 Financial Instruments

Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instruments and derecognized when the company loses control of contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the de-recognition of financial asset or financial liabilities is included in the profit and loss or revenue account currently, as the case may be.

5.20 Off-Setting

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

5.21 Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

5.22 Foreign Currencies

Transactions in foreign currencies are translated into reporting currency at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling on the balance sheet date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences are included in the income currently.

5.23 Dividend and Appropriation to Reserves

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

5.24 Premium Due But Unpaid

These are initially recognized at fair value. Provision for impairment on premium receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to original terms of receivable.

5.25 Loan Secured Against Life Insurance Policies

Cash Loan

The company provides loans to their policyholders on the basis of payment of premium for three consecutive years. The maximum limit of disbursement is 80 percent of the surrender value and carries a markup rate determine by the company from time to time.

Auto Paid-Up Loan

These non-interest bearing loans are available to policyholder of the company to the extent of cash value built in their policies.

5.26 Level of Precision

Figures in these financial statements have been rounded to the nearest rupee.

6. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Number of Shares		Rupees	Rupees
Ordinary Shares of Rs.10 each Fully Paid in Cash			
<u>45,496,000</u>	<u>41,360,000</u>	<u>454,960,000</u>	<u>413,600,000</u>

6.1 Reconciliation of Issued, Subscribed and Paid-Up Share Capital

	<u>2009</u>	<u>2008</u>
	Number of Shares	
Number of Shares at Beginning of the Year	41,360,000	35,200,000
Right Shares Issued During the Year	4,136,000	6,160,000
Number of Shares at End of the Year	<u>45,496,000</u>	<u>41,360,000</u>

6.2 Rights Shares Issued During the Year

The company in its extra ordinary general meeting held on September 25, 2009, announced issuance of 10% right shares, which were exercised on December 29, 2009. Subscription received has been transferred to shareholder's account on December 30, 2009.

6.3 Capital Management Policies and Procedures

The company's capital management objectives are:

- ◆ to ensure the company's ability to continue as a going concern; and
- ◆ to provide an adequate return to shareholders

by pricing its insurance premium commensurately with the level of risk.

The company's objective in capital management is to maintain a balance between shareholders' capital to overall financing and statutory funds to the investments. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amounts of dividends paid to shareholders and issue new shares. Further the company ensures to comply with all the regulatory requirements regarding capital and its management.

Capital requirements applicable to the company are set and regulated by the Securities and Exchange Commission of Pakistan (SECP). These requirements are put in place to ensure sufficient solvency margins. The company manages its capital requirement by assessing its capital structure against the required capital level on a regular basis. Minimum capital requirement for the company as required by circular No. 03 of 2007 dated April 10, 2007 is Rs. 450 million for 2009 and Rs. 500 million for 2010 and onwards.

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

	<u>Note</u>	<u>2009 Rupees</u>	<u>2008 Rupees</u>
Accumulated Surplus In Statement of Changes in Equity Ignoring Effect of Capital Transfers at Start of Year		117,861,481	108,353,454
Add: (Loss)/Surplus in Profit and Loss Account for the Year		(223,832,535)	44,708,027
Less: Dividend Paid During the Year		—	(35,200,000)
Accumulated Surplus in Statement of Changes in Equity Ignoring Effect of Capital Transfers at End Of Year		(105,971,054)	117,861,481
Less: Accumulated Net Capital Transferred In Statutory Funds	14	(199,620,426)	(116,120,426)
Total Accumulated (Deficit)/Surplus as Shown in Balance Sheet		<u>(305,591,480)</u>	<u>1,741,055</u>

8 DEFERRED LIABILITIES - GRATUITY PAYABLE

Opening Balance		90,550	128,500
Less: Paid During the Year		—	(37,950)
Closing Balance		<u>90,550</u>	<u>90,550</u>

Unfunded gratuity scheme for the permanent employees of the company had been discontinued since 2003. Outstanding balance represents the liability of the company pertaining to the employees rendered their services at the time of discontinuation and allowed the members to withdraw their balances at the time of completion/termination of their employment. Consequently, no further charge and contribution has been accounted for since then.

	<u>2009 Rupees</u>	<u>2008 Rupees</u>
9 OUTSTANDING CLAIMS		
Opening Balance	6,555,457	5,690,471
Add: Claims Incurred During the Year	165,142,667	157,013,303
Less: Claims Paid During the Year	(164,904,582)	(156,148,317)
Closing Balance	<u>6,793,542</u>	<u>6,555,457</u>

10 PREMIUMS RECEIVED IN ADVANCE

Opening Balance	4,813,577	2,029,259
Add: Created During the Year	68,267,384	35,863,527
Less: Adjusted During the Year	(66,306,679)	(33,079,209)
Closing Balance	<u>6,774,282</u>	<u>4,813,577</u>

	<u>2009</u> <u>Rupees</u>	<u>2008</u> <u>Rupees</u>
11 AMOUNT DUE TO OTHER INSURERS / REINSURERS		
Opening Balance	4,133,750	4,879,958
Add: Premiums Ceded During the Year	81,280,797	86,784,622
Amount Received During the Year	1,490,110	3,114,542
	82,770,907	89,899,164
Less: Claims Recoveries During the Year	(70,247,344)	(78,935,359)
Commission Recoveries During the Year	(6,330,776)	(7,188,203)
Amount Paid During the Year	(4,499,927)	(4,521,810)
	(81,078,047)	(90,645,372)
Closing Balance	5,826,610	4,133,750

- 12** This includes provision made against accumulated compensation absences on the basis of actuarial assumptions taken by company's actuary.

The main assumptions used for actuarial valuation are as under:

Principal Actuarial Assumption	<u>2009</u>	<u>2008</u>
Discount Factor Used Per Annum	12.75%	15%
Expected Increase in Eligible Pay Per Annum	12.75%	15%

12.1 Movement in Payable to Accumulated Compensation Absences Plan

Opening Balance	1,052,314	686,906
Charge During the Year	639,358	365,408
Closing Balance	1,691,672	1,052,314

13 AGENT'S BALANCES

Opening Balance	3,478,669	289,583
Add: Incurred During the Year	26,992,780	15,066,939
Less: Paid During the Year	(26,812,186)	(11,877,853)
Closing Balance	3,659,263	3,478,669

14 MOVEMENTS IN EQUITY OF STATUTORY FUNDS

	Statutory Funds			Aggregate December 31, 2009	Aggregate December 31, 2008
	Ordinary Life	Universal Life	Accident & Health		
	Rupees				
Policyholders' Liabilities					
Balance at Beginning of the Year	33,544,570	78,736,511	6,918,967	119,200,048	108,672,260
Policyholders' Liabilities Transfer Due to Conversion	(3,812,306)	3,812,306	—	—	—
Increase/(Decrease) During the Year	915,879	27,536,289	9,290,096	37,742,264	10,527,788
Balance at End of the Year	30,648,143	110,085,106	16,209,063	156,942,312	119,200,048
Capital Contributed by Shareholders' Fund					
Balance at the Beginning of the Year	96,220,426	18,400,000	1,500,000	116,120,426	88,020,426
Capital Contributed During the Year	20,000,000	46,500,000	17,000,000	83,500,000	28,100,000
Balance at End of the Year	116,220,426	64,900,000	18,500,000	199,620,426	116,120,426
Accumulated Deficit					
Balance at the Beginning of the Year	(95,759,707)	(18,293,001)	(1,445,680)	(115,498,388)	(84,752,402)
Deficit Allocated in Respect of the Year	(17,744,436)	(46,572,681)	(14,491,123)	(78,808,240)	(30,745,986)
Balance at End of the Year	(113,504,143)	(64,865,682)	(15,936,803)	(194,306,628)	(115,498,388)

15 OTHER CREDITORS AND ACCRUALS

	Shareholders' Fund	Statutory Funds			Aggregate December 31, 2009	Aggregate December 31, 2008
		Ordinary Life	Universal Life	Accident & Health		
	Rupees					
Sundry Creditors	141,595	391,467	91,733	133,871	758,666	769,074
Provident Fund Payable	15,100	117,026	37,750	18,875	188,751	138,830
	156,695	508,493	129,483	152,746	947,417	907,904

16 CONTINGENCIES AND COMMITMENT

There are no contingencies and commitment at balance sheet date.

17 DEPOSITS MATURING WITHIN 12 MONTHS

	Shareholders' Fund	Statutory Funds			Aggregate December 31, 2009	Aggregate December 31, 2008
		Ordinary Life	Universal Life	Accident & Health		
	Rupees					
Term Deposit Receipts						
Faysal Bank Limited	—	—	—	—	—	6,000,000
Mybank Limited	—	—	5,000,000	10,000,000	15,000,000	7,500,000
NIB Bank Limited	—	—	—	—	—	7,500,000
JS Bank Limited	—	—	—	—	—	15,000,000
Network Micro Finance Bank Limited	—	—	15,000,000	—	15,000,000	5,000,000
	—	—	20,000,000	10,000,000	30,000,000	41,000,000

17.1 These deposits carry interest at the rate of 5% to 11% (2008: 5% to 6%) per annum.

18 INVESTMENTS

Notes	Shareholders' Fund	Statutory Funds			Aggregate December 31, 2009	Aggregate December 31, 2008	
		Ordinary Life	Universal Life	Accident & Health			
Rupees							
Government Securities	18.1	48,442,808	20,151,140	77,682,614	2,051,603	148,328,165	80,831,205
Other Fixed Income Securities	18.2	—	—	5,356,827	—	5,356,827	5,377,925
Listed Equities and Mutual Fund	18.3	32,368,841	—	—	—	32,368,841	276,015,764
Investment in Associate	18.4	11,505,985	—	—	—	11,505,985	14,665,507
		<u>92,317,634</u>	<u>20,151,140</u>	<u>83,039,441</u>	<u>2,051,603</u>	<u>197,559,818</u>	<u>376,890,401</u>
18.1 Government Securities							
Held-to-Maturity							
10 Years Pakistan Investment Bonds		5,000,000	—	—	—	5,000,000	5,000,000
10 Years Pakistan Investment Bonds		—	—	2,999,553	—	2,999,553	2,999,455
10 Years Pakistan Investment Bonds		—	—	583,094	—	583,094	578,587
3 Years Pakistan Investment Bonds		—	—	—	—	—	15,853,343
10 Years Pakistan Investment Bonds		16,483,346	—	—	—	16,483,346	15,932,691
10 Years Pakistan Investment Bonds		6,234,648	10,151,140	23,049,104	2,051,603	41,486,495	40,467,129
10 Years Pakistan Investment Bonds		15,794,504	—	—	—	15,794,504	—
10 Years Pakistan Investment Bonds		1,957,376	—	—	—	1,957,376	—
Treasury Bills		2,972,934	10,000,000	51,050,863	—	64,023,797	—
		<u>48,442,808</u>	<u>20,151,140</u>	<u>77,682,614</u>	<u>2,051,603</u>	<u>148,328,165</u>	<u>80,831,205</u>

The particulars of investments are as follows:

Held-to-Maturity	Amounts in Rupees	Maturity	Principal Repayment	Coupon Percentage	Coupon Payment
10 Years Pakistan Investment Bonds	5,000,000	April 2014	On Maturity	8%	Semi-Annually
10 Years Pakistan Investment Bonds	2,999,553	April 2014	On Maturity	8%	Semi-Annually
10 Years Pakistan Investment Bonds	583,094	October 2013	On Maturity	8%	Semi-Annually
10 Years Pakistan Investment Bonds	32,277,850	May 2016	On Maturity	9.6%	Semi-Annually
10 Years Pakistan Investment Bonds	41,486,495	June 2012	On Maturity	11%	Semi-Annually
10 Years Pakistan Investment Bonds	1,957,376	August 2018	On Maturity	12%	Semi-Annually
Treasury Bills	64,023,797	April 2010	On Maturity	11.5%	On Maturity
	<u>148,328,165</u>				

The company has deposited 10 years Pakistan Investment Bonds amounting to Rs. 46.25 million (December 31, 2008: Rs. 44.5 million) with the State Bank of Pakistan under section 29 of the Insurance Ordinance, 2000.

18.2 Other Fixed Income Securities

Held-to-Maturity	Amounts in Rupees	Maturity	Principal Repayment	Coupon Percentage	Coupon Payment
Term Finance Certificate					
Pakistan Mobile Communication Limited	—	<u>5,356,827</u>	—	<u>5,356,827</u>	<u>5,377,925</u>

The Particulars of Investments are as Follows:

Term Finance Certificate	Number of Certificates	Maturity	Tenor	Rate of Return	Profit Payment
Pakistan Mobile Communication Limited	1,060	2013	7 Years	12.46%	Half Yearly

18.3 Listed Equities and Mutual Funds

Notes	Shareholders' Fund	Statutory Funds			Aggregate December 31, 2009	Aggregate December 31, 2008
		Ordinary Life	Universal Life	Accident & Health		
Rupees						
Available for Sale						
Listed Equities	65,162,411	—	—	—	65,162,411	229,587,264
Mutual Funds	46,428,500	—	—	—	46,428,500	46,428,500
Less: Provision for Impairment in Value of Investment	18.5 (79,222,070)	—	—	—	(79,222,070)	—
	32,368,841	—	—	—	32,368,841	276,015,764

The aggregate market value of above investment as at December 31, 2009 is Rs. 33 (2008: Rs. 64) million.

18.4 Investment in Associate

Name of Associate	Chief Executive	Place of Incorporation	Proportion and Nature of Ownership Interest	Principal Activity
East West Insurance Company Limited	Mr. Naved Yunus	Pakistan	0.41% Due to Common Directorship	General Insurance

Summarized financial information in respect of associate based on latest available unaudited financial statements is set out below:

	2009 Rupees	2008 Rupees
Total Assets	661,692,001	1,273,323,727
Total Liabilities	332,140,647	383,635,958
Net Assets	329,551,354	889,687,769
Revenue - Net	436,967,795	405,704,620
(Loss) / Profit for the Year	(537,283,767)	265,827,258
Movement in Investment in Associate		
Initial Investment	14,665,507	13,529,179
Less: Movement In Investment During the Year	(855,105)	—
Add: Share of (Loss) / Profit in Associate	(2,201,700)	1,194,828
Less: Dividend Received	(102,717)	(58,500)
Net Investment in Associate	11,505,985	14,665,507

18.5 During the year, the management has recognized impairment loss after taking into account adjustment effect of price movement during each quarter on available for sale investments as required by SRO 150(1)/2009 dated February 13, 2009 and circular no. 03 of 2009 dated February 16, 2009 issued by Securities and Exchange Commission of Pakistan.

19 SUNDRY RECEIVABLES

	Shareholders' Fund	Statutory Funds			Aggregate December 31, 2009	Aggregate December 31, 2008
		Ordinary Life	Universal Life	Accident & Health		
Rupees						
Advance for Expenses	—	—	709,679	—	709,679	840,989
Deposits	—	926,583	759,389	456,828	2,142,800	2,319,528
Security Deposit	—	—	—	—	—	485,935
	<u>—</u>	<u>926,583</u>	<u>1,469,068</u>	<u>456,828</u>	<u>2,852,479</u>	<u>3,646,452</u>

20 FIXED ASSETS

20.1 Tangible Assets

	Furniture and Fixture	Office Equipment	Computers Equipments	Vehicle Equipment	Vehicle	Total
	Rupees					
At January 01, 2008						
Cost	23,254,706	6,575,434	2,463,491	483,210	6,917,790	39,694,631
Accumulated Depreciation	<u>6,388,431</u>	<u>3,538,552</u>	<u>1,468,079</u>	<u>110,628</u>	<u>1,852,149</u>	<u>13,357,839</u>
Net Book Value	<u>16,866,275</u>	<u>3,036,882</u>	<u>995,412</u>	<u>372,582</u>	<u>5,065,641</u>	<u>26,336,792</u>
Year Ended December 31, 2008						
Opening Net Book Value	16,866,275	3,036,882	995,412	372,582	5,065,641	26,336,792
Additions	13,174,240	4,208,521	1,323,835	153,800	6,508,216	25,368,612
<i>Disposals</i>						
Cost	<u>—</u>	<u>40,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>40,000</u>
Depreciation	<u>—</u>	<u>19,805</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>19,805</u>
	—	20,195	—	—	—	20,195
Depreciation Charge	<u>2,098,145</u>	<u>487,891</u>	<u>532,463</u>	<u>44,235</u>	<u>1,952,055</u>	<u>5,114,789</u>
Closing Net Book Value	<u>27,942,370</u>	<u>6,737,317</u>	<u>1,786,784</u>	<u>482,147</u>	<u>9,621,802</u>	<u>46,570,420</u>
At December 31, 2008						
Cost	36,428,946	10,743,955	3,787,326	637,010	13,426,006	65,023,243
Accumulated Depreciation	<u>8,486,576</u>	<u>4,006,638</u>	<u>2,000,542</u>	<u>154,863</u>	<u>3,804,204</u>	<u>18,452,823</u>
Net Book Value	<u>27,942,370</u>	<u>6,737,317</u>	<u>1,786,784</u>	<u>482,147</u>	<u>9,621,802</u>	<u>46,570,420</u>
Year Ended December 31, 2009						
Opening Net Book Value	27,942,370	6,737,317	1,786,784	482,147	9,621,802	46,570,420
Additions	1,760,635	1,619,880	482,322	64,300	7,476,290	11,403,427
<i>Disposals</i>						
Cost	<u>—</u>	<u>19,900</u>	<u>—</u>	<u>—</u>	<u>390,790</u>	<u>410,690</u>
Depreciation	<u>—</u>	<u>3,318</u>	<u>—</u>	<u>—</u>	<u>39,272</u>	<u>42,590</u>
	—	16,582	—	—	351,518	368,100
Depreciation Charge	<u>2,861,804</u>	<u>808,394</u>	<u>606,584</u>	<u>54,109</u>	<u>3,009,490</u>	<u>7,340,381</u>
Closing Net Book Value	<u>26,841,201</u>	<u>7,532,221</u>	<u>1,662,522</u>	<u>492,338</u>	<u>13,737,084</u>	<u>50,265,366</u>
At December 31, 2009						
Cost	38,189,581	12,343,935	4,269,648	701,310	20,511,506	76,015,980
Accumulated Depreciation	<u>11,348,380</u>	<u>4,811,714</u>	<u>2,607,126</u>	<u>208,972</u>	<u>6,774,421</u>	<u>25,750,613</u>
Net Book Value	<u>26,841,201</u>	<u>7,532,221</u>	<u>1,662,522</u>	<u>492,338</u>	<u>13,737,084</u>	<u>50,265,366</u>
Rate of Depreciation	10%	10%	30%	10%	20%	

20.2 Intangible Assets

	Cost			Accumulated Amortization			Net Book Value As At December 31, 2009	Useful Life	
	As At January 01, 2009	Additions	Disposal	As At December 31, 2009	As At January 01, 2009	For the Year			As At December 31, 2009
Rupees									
Computer Software	160,900	—	—	160,900	120,675	40,225	160,900	—	1 Year
December 2008	—	160,900	—	160,900	—	120,675	120,675	40,225	

20.3 Details of Disposal of Fixed Assets - By Negotiation

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain / (Loss)	Particulars of Purchasers
Air Conditioner	19,900	3,318	16,582	16,582	—	Mr. Mumtaz
Suzuki Mehran (LEC-8534)	390,790	39,272	351,518	365,750	14,232	East West Insurance Co. (Related Party)

	<u>Note</u>	<u>2009 Rupees</u>	<u>2008 Rupees</u>
21 AUDITORS' REMUNERATION			
Audit Fee		400,000	350,000
Half Yearly Review		75,000	75,000
Others		50,000	50,000
Out of Pocket Expenses		140,907	121,467
		665,907	596,467
21.1 Allocation of the Auditors' Remuneration is as follows:			
Expense Not Attributable to Statutory Funds	22	332,954	323,234
Administration Expenses - Ordinary Life Business		166,476	136,616
Administration Expenses - Universal Life		66,591	54,647
Administration Expenses - Accidental and Health Business		99,886	81,970
		332,953	273,233
		665,907	596,467
22 EXPENSES NOT ATTRIBUTABLE TO STATUTORY FUNDS			
Salary and Other Benefit		7,811,564	5,364,881
Staff Welfare		808,161	291,581
Travelling		244,949	293,036
Advertisement		452,114	345,610
Telephone		405,787	289,922
Electricity		312,343	176,154
Vehicle Maintenance		1,695,502	787,555
Insurance to Vehicles		823,488	445,368
Fees and Subscription		75,000	60,000
Professional and Consultancy		180,000	531,860
Supervision Fees		699,221	270,610
Professional Tax		226,950	171,650
Depreciation	20.1	7,340,380	5,114,789
Amortization	20.2	40,225	120,675
Auditor Remuneration	21.1	332,954	323,234
Brokerage Commission		101,041	139,961
Operating Lease Rentals		831,141	817,080
Compensated Absences		102,297	58,465
Printing and Stationery		313,022	228,055
IAP Membership Fees		75,000	81,250
Underwriting Commission		413,600	616,000
Miscellaneous Expenses		88,617	73,413
		23,373,356	16,601,149

The above expenses represent allocation in accordance with the advice of the appointed actuary.

	<u>2009</u> <u>Rupees</u>	<u>2008</u> <u>Rupees</u>
23 TAXATION		
Current	<u>1,236,232</u>	<u>812,697</u>

23.1 Relationship Between Tax Expense and Accounting Profit

Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as the company's tax computation gives rise to a tax loss. Provision for current year income tax consists of tax on government securities.

24 (LOSS) / EARNINGS PER SHARE - Basic and Diluted

(Loss) / Profit for the Year - Rupees	<u>(223,832,535)</u>	<u>44,708,027</u>
Weighted Average Number of Ordinary Shares	<u>41,382,663</u>	<u>35,250,630</u>
(Loss) / Earnings Per Share - Rupees	<u>(5.40)</u>	<u>1.27</u>

Earnings per share for the year ended December 31, 2008 has not been restated as no bonus element raised due to issue of right shares during the year.

25 POLICYHOLDERS' LIABILITIES AS PER ACTUARY

	<u>Statutory Funds</u>					<u>Aggregate December 31, 2009</u>	<u>Aggregate December 31, 2008</u>
	<u>Ordinary Life</u>		<u>Universal Life</u>	<u>Accident & Health</u>			
	<u>Individual</u>	<u>Group</u>		<u>Individual</u>	<u>Group</u>		
	<u>Rupees</u>						
Gross of Reinsurance							
Actuary Liability Relating to Future Events	17,657,316	35,603,612	110,395,705	1,105,191	14,378,872	179,140,696	146,707,250
Provision for Outstanding Reported Claims Payable Over the Period Exceeding Twelve Months	1,615,689	—	—	—	—	1,615,689	1,822,795
Provision for Claims Incurred But Not Reported (IBNR)	100,000	7,146,950	478,404	250,000	475,000	8,450,354	2,005,186
Total	<u>19,373,005</u>	<u>42,750,562</u>	<u>110,874,109</u>	<u>1,355,191</u>	<u>14,853,872</u>	<u>189,206,739</u>	<u>150,535,231</u>
Net of Reinsurance							
Actuary Liability Related to Future Events	17,657,316	9,465,138	109,610,106	1,105,191	14,378,872	152,216,623	116,402,253
Provision for Outstanding Reported Claims Payable Over the Period Exceeding Twelve Months	1,615,689	—	—	—	—	1,615,689	1,822,795
Provision for Claims Incurred But Not Reported (IBNR)	100,000	1,810,000	475,000	250,000	475,000	3,110,000	975,000
Total	<u>19,373,005</u>	<u>11,275,138</u>	<u>110,085,106</u>	<u>1,355,191</u>	<u>14,853,872</u>	<u>156,942,312</u>	<u>119,200,048</u>

26 REMUNERATION OF CHIEF EXECUTIVE AND OTHER EXECUTIVE

	2009		2008	
	Chief Executive	Directors	Chief Executive	Directors
	Rupees			
Managerial Remuneration (Including Bonus)	931,500	560,000	931,500	435,000
House Rent Allowance	372,000	—	372,000	—
Utilities	535,406	—	328,535	—
Retirement Benefits	165,600	—	165,600	—
Reimbursement of Expenses	1,881,636	—	1,901,203	—
	3,886,142	560,000	3,698,838	435,000
Number of Person(s)	1	2	1	2

Certain employees are provided with free use of company maintained cars.

27 TRANSACTIONS WITH RELATED PARTIES

The related parties comprises East West Insurance Limited (Associated Company), directors of the company, key management personnel, associated undertakings, entities with common directors, statutory funds and employees' funds. Following are the balances and transactions with related parties.

	December 31, 2009			December 31, 2008		
	Directors	Key Management Personnel	Associated Companies & Common Directorship	Directors	Key Management Personnel	Associated Companies & Common Directorship
	Rupees					
Balances						
Premium Receivable	—	—	114,786	—	—	566,429
Amount Due From Associate Undertaking	—	—	—	—	—	—
Investment	—	—	62,841,398	—	—	230,425,773
Transactions						
Premium Received	—	—	1,020,000	—	—	1,347,310
Premium Paid	—	—	823,488	—	—	555,689
Claims Paid	—	—	2,011,999	—	—	1,272,653
Dividend Received	—	—	—	—	—	58,500
Investments	—	—	62,841,398	—	—	230,425,773
Received From Associate Undertaking	—	—	—	—	—	303,418

28 BUSINESS SEGMENTS

A segment is a distinguishable component of the company that is engaged in business activities from which the company earns revenues and incurs expenses and its results are regularly reviewed by the company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Further, discrete financial information is available for each segment. The company accounts for segment reporting using the classes or business as specified under the Insurance Ordinance, 2000 and the Securities and Exchange Commission (Insurance) Rules, 2002 as the reporting format based on the company's practice of reporting to the management on the same basis.

The company's reportable segments under IFRS 8 are as follows:

a) Statutory Funds

Ordinary Life

The ordinary life segment provides life assurance coverage to individuals under conventional policies issued by the company. It also provides life insurance coverage to members of business enterprises, corporate entities and common interest groups under life insurance schemes issued by the company.

Universal Life

Universal life segment provides life assurance coverage to individuals under universal life policies issued by the company.

Accident and Health

Accident and health business segment provides health coverage to member enterprises, corporate entities and common interest groups under health insurance scheme issued by the company.

b) Shareholders' Fund

Assets, liabilities, expenses and revenues that are not attributable to other segments are managed under shareholder's fund.

All segments assets, liabilities, income and expenses are allocable to reportable segments. Assets and liabilities of each segment are disclosed in balance sheet while expenses and revenues of shareholder's fund are presented in profit and loss account and that of other segments are presented in revenue account.

29 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The company is primarily exposed to credit risk, liquidity risk and market risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance. Overall risk arising from the company's financial assets and liabilities are limited. The company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below. The board of directors has overall responsibility for establishing and oversight of company's risk management framework. The board is also responsible for developing the company's risk management policies.

29.1 Credit Risk and Concentration of Credit Risk

Credit risk is the risk that one party to financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly effected by changes in economics, political and other conditions. Concentration of credit risk indicate the relative sensitivity of the company's performance to developments effecting a particular industry.

The company manages its credit risk by monitoring credit exposure, limiting transaction with specific counter party and continually assessing the credit worthiness of counter parties. Management considers that all the financial assets that are neither past due nor impaired are of good credit quality. The maximum exposure of the company to credit risk at reporting date without taking account any collateral held or other credit enhancements is as:

	2009	2008
	Rupees	Rupees
Cash and Cash Equivalent		
Cash in Hand	24,992	29,777
Current and Other Accounts	29,745,027	54,866,298
Deposits Maturing Within 12 Months	30,000,000	41,000,000
Loans and Receivables		
Loans Secured Against Life Insurance Policies	8,424,813	10,386,126
Unsecured Advances to Employees	1,038,801	547,082
Premiums Due But Unpaid	21,662,251	25,660,951
Amount Due From Other Insurer and Reinsurer	—	134,323
Investment Income Accrued	4,693,758	1,708,629
Sundry Receivables	2,852,479	3,646,452
Held-to-Maturity Financial Assets		
Investment	153,684,992	86,209,130
	252,127,113	224,188,768

The credit risk to cash and cash equivalent is negligible, since the counter parties are reputable banks with high quality external credit rating. Company did not hold any collateral against above assets except 'loans secured against life insurance policies' that are secured against reserve balance of the policyholders. There is no impairment against past due balances as they relate to a number of policyholders and other insurers/reinsurers for whom there is no recent history of defaults.

The age analysis of receivables that are due but not impaired is as follow:

	2009	2008
	Rupees	Rupees
Upto One Year	22,371,930	26,501,940
More Than One Year	10,567,613	13,191,589
	32,939,543	39,693,529

Sector Wise Analysis of Premium Due But Unpaid is as Follow:

Financial Institutions	17,053,759	9,402,301
Transport and Communication	—	1,455,880
Food and Beverages	1,866,667	1,997,532
Engineering	144,585	3,892,914
Auto and Allied	100,000	—
Others	2,497,240	8,912,324
	21,662,251	25,660,951

All recoveries from reinsurers of Rs. nil (2008: Rs. 134,323) are from "A" quality credit rated companies.

29.2 Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the company could be required to pay its liabilities earlier than expected or difficulties in raising funds to meet commitments associated with financial liabilities as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding impact of netting agreements:

Financial Assets and Liabilities

		Year 2009									Non Interest Bearing Financial Instrument
Effective Interest Rate	Exposed to Interest Rate Risk										
	Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
Rupees											
On Balance Sheet											
Financial Assets											
		24,992	—	—	—	—	—	—	—	—	24,992
		29,745,027	29,745,027	—	—	—	—	—	—	—	—
		30,000,000	30,000,000	—	—	—	—	—	—	—	—
		8,424,813	—	—	—	—	—	—	—	—	8,424,813
		1,038,801	—	—	—	—	—	—	—	—	1,038,801
		197,559,818	—	—	64,023,797	—	41,486,495	13,939,474	34,235,226	—	43,874,826
		21,662,251	—	—	—	—	—	—	—	—	21,662,251
		4,693,758	—	—	—	—	—	—	—	—	4,693,758
		2,852,479	—	—	—	—	—	—	—	—	2,852,479
		296,001,939	59,745,027	—	64,023,797	—	41,486,495	13,939,474	34,235,226	—	82,571,920
Financial Liabilities											
		90,550	—	—	—	—	—	—	—	—	90,550
		6,793,542	—	—	—	—	—	—	—	—	6,793,542
		6,774,282	—	—	—	—	—	—	—	—	6,774,282
		5,826,610	—	—	—	—	—	—	—	—	5,826,610
		12,486,105	—	—	—	—	—	—	—	—	12,486,105
		3,659,263	—	—	—	—	—	—	—	—	3,659,263
		947,417	—	—	—	—	—	—	—	—	947,417
		36,577,769	—	—	—	—	—	—	—	—	36,577,769
		259,424,170	59,745,027	—	64,023,797	—	41,486,495	13,939,474	34,235,226	—	45,994,151

Year 2008

Effective Interest Rate	Exposed to Interest Rate Risk									Non Interest Bearing Financial Instrument
	Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
Rupees										
On Balance Sheet										
Financial Assets										
Cash in Hand	29,777	—	—	—	—	—	—	—	—	29,777
Current and Other Accounts	5% To 6%	54,866,298	54,866,298	—	—	—	—	—	—	—
Deposits Maturing Within 12 Months	5% to 6%	41,000,000	41,000,000	—	—	—	—	—	—	—
Loans Secured Against Life Insurance Policies		10,386,126	—	—	—	—	—	—	—	10,386,126
Unsecured Advances to Employees		547,082	—	—	—	—	—	—	—	547,082
Investment	8% to 10%	376,890,401	—	15,853,343	—	—	46,423,641	23,932,146	—	290,681,271
Premiums Due But Unpaid		25,660,951	—	—	—	—	—	—	—	25,660,951
Amount Due From Associated Undertaking		134,323	—	—	—	—	—	—	—	134,323
Investment Income Accrued		1,708,629	—	—	—	—	—	—	—	1,708,629
Sundry Receivables		3,515,142	—	—	—	—	—	—	—	3,515,142
		514,738,729	95,866,298	15,853,343	—	—	46,423,641	23,932,146	—	332,663,301
Financial Liabilities										
Deferred Liabilities - Gratuity		90,550	—	—	—	—	—	—	—	90,550
Outstanding Claims		6,555,457	—	—	—	—	—	—	—	6,555,457
Premium Received In Advance		4,813,577	—	—	—	—	—	—	—	4,813,577
Amounts Due to Other Insurer and Reinsurer		4,133,750	—	—	—	—	—	—	—	4,133,750
Accrued Expenses		7,885,776	—	—	—	—	—	—	—	7,885,776
Agent's Balances		3,478,669	—	—	—	—	—	—	—	3,478,669
Other Creditors and Accruals		907,904	—	—	—	—	—	—	—	907,904
		27,865,683	—	—	—	—	—	—	—	27,865,683
On Balance Sheet Gap		486,873,046	95,866,298	15,853,343	—	—	46,423,641	23,932,146	—	304,797,618

29.3 Market Risk

Market risk is the risk that the value of a financial instruments will fluctuate as a result of changes in interest rates or market prices due to a change in credit rating of the issuer of the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The company is not exposed to currency risk as it is not involved in foreign currency transactions. However, it is exposed to interest rate risk and market price risk.

29.4 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is exposed to changes in market interest rates through its investment in other fixed income securities of Rs. 5,356,827 (2008: Rs. 5,377,925). Management considers that fluctuation in market interest rate will have no significant impact.

29.5 Fair Value Sensitivity Analysis for Fixed Rate Instrument

The company does not account for any fixed rate financial asset and liability at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

Other Price Risk

The company is not exposed to this risk.

30 FAIR VALUE OF FINANCIAL ASSETS

The fair value of all other financial assets and financial liabilities is estimated to approximate their carrying value.

31 INSURANCE RISK

31.1 The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of resulting claim. By the very nature of the contract the risk is random and unpredictable. The company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under contracts.

The company manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Exposure are managed by having documented underwriting limits and criteria. Adequate reinsurance is arranged to mitigate the effect of potential loss to the company for large insured events. Further, the company adopts the strict claim review policies including active management and prompt perusing of the claims, regular detail review of claims handling procedures and frequent investigation of false claims to review the insurance risk.

The underwriter's freedom to underwrite is paramount. Therefore, the underwriter will have the discretion to decline, reduce, or modify the proposal or cut out a rider even if the case appears to be acceptable. Those risk subject to a higher than normal mortality are said to be sub-standard or impaired risk as their chances of surviving from year to year are impaired. Such lives are either accepted only with extra premium or with some restriction, or postponed or declined as the merits of individual case warrant. The amount of extra premium i.e. occupational or physical extra should be imposed as per the Extra Premium Rate book designed by the appointed actuary. Free cover limit in case of group insurance business is set with the consolation of the appointed actuaries on case to case basis.

31.2 General Terms the Insurance Contracts Issued By the Company are as Follow:

Benefits offered to group insurance clients

Group Life

Death Due to Any Cause
 Accidental Death Benefit
 Accidental Permanent Disability
 Accidental Temporary Disability
 Natural Disability (Only Complete Blindness and Paralysis)
 Reimbursement of Hospital Expense Due to Accident with Limits

Group Health

Hospitalization Benefits with Limits According to Category
 Major Medical Benefit with Limits in Case of Dread Disease / Critical Illness
 Reimbursement of Outpatient Expenses with Limits

The following benefits are offered by the company to its individual clients.

Individual Life

The company stopped selling conventional type business since 2007. All enforce conventional policies were converted to universal life policies. Hence, in conventional life business, there are only non-participating paid-up conventional policies.

Individual Accidental

The company, in its accidental and health statutory fund, offers two individual one-year renewable term non-participating accidental products.

The following riders are offered by the company which can be added to its periodic premiums universal life products.

- Accidental Death Benefit
- Accidental Indemnity Benefit
- Family Income Benefit Rider
- Term Insurance Rider
- Major Surgery Benefit

31.3 Particulars of Insurance Contracts Provided by the Company are as Follow:

Type of insurance contracts	Insurance Risks	Type of Customers	Insured Events	Method Used to Distribute
Mehfooz Sarmaya Plan	Mortality Risk, Investment Risk	From Age 18 to Age 60 Years (in Good Health)	Death	In-House Agency
Sarmaya Gold Plan (Single Premium)	Mortality Risk, Investment Risk, Accidental Death Risk	From Age 18 to Age 60 Years (in Good Health)	Death	In-House Agency
Scholar's Plan	Mortality Risk Of Payer And Child, Investment Risk	Children From Age 1 to Age 17 With Related Payer From Age 18 to 60 (in Good Health)	Death	In-House Agency

31.4 The general principles adopted in the valuation of various classes of business and the reasons for adopting them are described below:

Group Business

The liability in respect of group life and accidental and health insurance, and riders of all types, was set using the Unearned Premium Method. Due provision was made for claims incurred but not reported ("IBNR") by analyzing claims incurred after the valuation date till the reporting date.

Individual Accidental Policies

The liability in respect individual accidental policies was set using the Unearned Premium Method. Due provision was made for IBNR claims.

Conventional Individual Life Business

- a) The liability under conventional individual life assurances was calculated by deducting from the present value of the sums assured, ninety per cent of the present value of the net premiums as defined below. This provides a cushion of ten per cent of the present value of net premiums over the minimum valuation basis.
- b) As at the valuation date, there was only one fully enforce policy of conventional type which is an endowment policy. Rest all policies are either paid-up or are in the benefit stage where the premiums have been ceased.
- c) Net premiums were calculated under the Modified Preliminary Term Method, to be the level net premiums on the valuation basis plus adjustments to allow for the first year expenses at 5% of net premiums for each year of the premium paying term (e.g. 50% for a term of 10 years), limited to 100% for a term of 20 years or more.
- d) The age at entry was taken to be the age nearest birthday at the entry date.
- e) The actual premium paying term was used for the enforce policy.
- e) Maturity dates were taken as 30th June of the actual calendar year of maturity.
- f) The valuation age was taken to be the age nearest birthday at entry plus curate duration plus ½.

- g) The period from the valuation date to the maturity date was taken as original term of assurance less (curate duration plus $\frac{1}{2}$).
- h) The future number of premiums payable was taken as the original number of premiums payable less (curate duration plus one).
- i) Joint Life Assurances, except Special Joint Life Assurances, were valued as though they were Single Life Endowment Assurances. Special Joint Life Assurances were valued using joint lives' mortality, assuming the second life to be 3 years younger than the life.
- j) All premiums were assumed to be paid annually on 30th June.
- k) No provision for disability benefits has been made.
- l) Appropriate adjustment was made for early payment of death claims.
- m) Provision was made for future expenses on limited payment and paid-up policies. Further, for prudence, a supplemental expense provision was made.
- n) Each policy was valued individually and negative reserves are eliminated.
- o) Where an extra premium was charged for any reason, a reserve was set up of 50% of one year's office extra premium. Liens and other methods of dealing with extra premiums were ignored.
- p) The valuation methods adopted are such that no policy is treated as an asset.
- q) The valuation used the EFU (1961-66) Mortality Table and a valuation interest rate of 3.75%.

Universal Life Business

The liability for universal life business was calculated by summing up individual mathematical reserves of the policies. The Mathematical Reserves as at the valuation date were calculated individually in accordance with the bases outlined in the policy document.

The valuation used the LIC (1994-96) Mortality Table as the base for deducting mortality charges.

Suitable provisions were made for the Unexpired Mortality Charges, Expense Charges, Unexpired Linked Riders and Investment Income to be credited to each policy account in respect of the period from the policy anniversary date of the said calendar year up to the valuation date.

31.5 Unexpired Risk - Unearned Premium and Premium Deficiency

Group Business

The liability in respect of group life and health insurance, and riders of all types, was set using the Unearned Premium Method. Due provision was made for IBNR claims by analyzing claims incurred after the valuation date till the reporting date. During the year, the claim ratio in respect of group life business was adverse. Most of the groups for which the claim ratio was adverse are not with the company on the valuation date, i.e. their insurance term has expired before the valuation date. The groups that were unexpired as of the valuation date mostly had a favourable claim ratio. Hence, no premium deficiency reserve is required for unexpired liabilities in respect of group life and health business.

Individual Accidental Policies

The liability in respect Individual Accidental Policies was set using the Unearned Premium Method. Due provision was made for claims Incurred But Not Reported ("IBNR") and immediate payments of claims. The claim ratio is favourable; hence no Premium Deficiency Reserve is required.

Policyholder Liabilities - Long Term Business

Individual conventional life paid up business: The valuation uses assumptions as set out by SECP which are adequate to meet the liability adequacy test requirements of IFRS 4.

For the Frequency and Severity of Claims

In individual life business, the frequency and severity of claims is restricted because of underwriting strategies which does not permit higher sum assureds to higher age groups. Secondly, high sum assureds are reinsured.

The mortality risk is well diversified because the insures are spread all over Pakistan where the company has established branches.

In group life business, the number of groups and number of life insureds are enough to treat the business as well diversified. Hence frequency of claims is controlled through diversification. The severity of claims is restricted due to reinsurance and requirement of medical underwriting for high sum assured insureds in the groups.

In group health business, the frequency and severity of claims is controlled through proper claim investigation processes and pacts between panel hospitals and the company. The severity is also controlled through upper limits on claims and exclusions of some high expense diseases. Additional premium is charged per thousand of a limit which covers some dread diseases.

31.6 Sources of Uncertainty In Estimation of Future Benefit Payments and Premium Receipts

Mortality and Morbidity Experience

Mortality table based on experience of Indian Life Insured with some adjustments is used to value group life business. This assumption varies due to the volume of the group and nature of industry to which that group belongs.

Group health business is valued on the table of rates developed by the appointed actuary based on historical experience of the company. The assumptions vary due to change in medical inflation rates.

Persistency Rates for Long Term Individual Policies

The valuation of individual conventional paid up policies has been carried out using 100% persistency (i.e. the liabilities contain no recognition of lapses) as per the guidelines of SECP.

Expense Levels and Inflation

The following assumptions are used to value unexpired expenses for periodic premium individual universal life products:

97% of the first year expense charge (90% of premium) occurs on the day of issuance of policy. The remaining 3% is reserved for unexpired term proportionately;

30% of the second year expense charge (15% of premium) occurs on the first anniversary of the policy. The remaining 70% is reserved for unexpired term proportionately;

For group life and health, the basic premium is loaded 10% to 15% to cover administration expenses, excluding commission expense which is separately factored in. In group health, the assumption of average hospitalization expense per day is updated periodically based of medical inflation rates;

In individual accidental policies, around 40% of premium is allocated to expenses and commission payments.

Investment Returns

The valuation of individual conventional paid up policies has been carried out using 3.75% discount rate assumption as per the guidelines of SECP.

The account values of universal life policies depends upon historical investment returns earned on these policies. Hence the liability incorporates investment return distributed to the policyholder up to the valuation date. Due provision is made for unexpired investment income.

The future investment returns are not sensitive to the liability as at the valuation date in respect of universal life policies.

Tax

There is no major impact of taxes on valuation of liabilities, future benefit payments and premium receipts.

Process for Estimation of IBNR and its Provisioning Mechanism

Due provision was made for IBNR claims by analyzing claims incurred after the valuation date till the reporting date. The claims actually intimated in January 2010 and February 2010 which pertains to calendar year 2009 were taken as IBNR reserve after adjusting the amount for unreported claims pertaining to 2009. For adjustment, the history of lags between the date of claim occurrence (e.g. death) and date of intimation was analyzed. The lag factors were developed and applied to total claims.

Process Used to Decide on Assumptions

The assumptions are used only to value Individual Conventional Paid up Policies. These assumptions are fixed according to the SECP guidelines.

Mortality Assumption:	EFU (1961-1966) Table
Interest Rate:	3.75% per Annum
Expenses and Persistency:	No Explicit Assumptions

No assumptions have been made to value Universal Life Policyholders' liabilities since the liabilities are based on actual account values as at the valuation date i.e. Retrospective valuation method has been used.

31.7 Sensitivity Analysis

Variables	Change in Variable	Change in Liability 2009	Change in Liability 2008
a) Long Term Insurance With Fixed Guaranteed Terms (Individual Life Conventional Paid Ups)			
Worsening of Mortality and/or Morbidity Rates FOR Risk Policies	5%	13,869	17,569
	10%	27,605	34,990
Improvement of Mortality Rates for Annuities	N/A	N/A	N/A
Worsening of Persistency Rates for Long Term Individual Policies	No Assumption of Persistency in Estimating Policyholders' Liability		
Increase in Expense Levels and Inflation	No Assumption of Expenses in Estimating Policyholders' Liability		
Decrease in Investment Returns	The Discount Rate of 3.75% P.A. is Fixed by SECP.		
b) Long Term Insurance Contracts Without Fixed Terms (Individual Life Universal Life)			

The policyholders' liability in respect of individual universal life business is based on accumulated account value with provision for unexpired charges. The liability does not have any explicit underlying assumptions and do not contain any uncertain item. Therefore no sensitivity analysis is required.

31.8 Claim Development

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

32 REINSURANCE RISK

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

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

In order to manage this risk, the company obtains reinsurance cover only from companies with sound financial health. The company has reinsurance arrangements with "A" rated companies Hannover Life Re and Mapfre Re to cover the individual policies and group life insurance policies. There is no reinsurance assets shown as on December 31, 2009 (2008: Rs. 134,323) balance sheet. The amount of Rs.5,826,605 shows an amount due to reinsurance as on December 31, 2009 (2008: Rs. Nil).

The detail summaries of reinsurance contracts of the company are as follows:

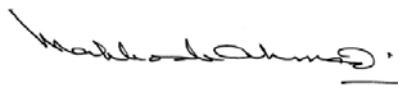
Name of the Reinsurer	Treaty Structure	Participation Share	Rating	Territorial Scope	Risk Covered
Hannover Rueckvericherunf AG	Quota Share	50%	"A"	Pakistan	Group Life Insurance Portfolio of Assumed: Basic Death and Accidental Death Dread Disease / Critical Hospitalization Total Permanent and Partial Disability
Hannover Rueckvericherunf AG	Surplus	Sum Assured above 200,000	"A"	Pakistan	Individual Life Insurance Portfolio of Assumed: Basic Death
Mapfre Re (Compania De Reaseguros, S.A)	Quota Share	25%	"A"	Pakistan	Group Life Insurance Portfolio of Assumed: Basic Death Accidental Death Dread Disease / Critical Hospitalization Total Permanent and Partial Disability

33 DATE OF AUTHORIZATION FOR ISSUE

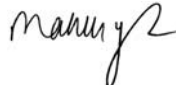
These financial statements are authorized for issue on March 9, 2010 by the Board of Directors of the Company.

34 SUBSEQUENT EVENT

There is no event subsequent to the balance sheet date that requires adjustment or disclosure in these financial statements.



CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD
Chairman



MAHEEN YUNUS, CPCU
Managing Director &
Chief Executive



A. K. M. SAYEED
Director



JAVED YUNUS
Director

Statement of Directors

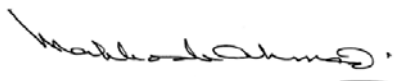
(As per the requirement of Section 46(6)
and Section 52(2) of the Insurance Ordinance, 2000)

Section 46(6)

- a) In our opinion the annual statutory accounts of East West Life Assurance 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) East West Life Assurance 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 East West Life Assurance Company Limited continues to be in compliance with 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 East West Life Assurance Company Limited complies with the Solvency requirements of the Insurance Ordinance, 2000, and the Insurance Rules, 2002.



CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD
Chairman



MAHEEN YUNUS, CPCU
Managing Director &
Chief Executive



A. K. M. SAYEED
Director



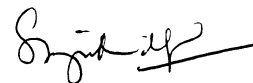
JAVED YUNUS
Director

Statement by the Appointed Actuary

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

In my opinion

- (a) the policyholders' liabilities in the balance sheet of East West Life Assurance Company Limited as at December 31, 2009 have been determined in accordance with the provisions of the Insurance Ordinance, 2000; and
- (b) each statutory fund of East West Life Assurance Company Limited complies with the solvency requirements of the Insurance Ordinance, 2000.



Shujat Siddiqui, MA, FIA, FPSA
Appointed Actuary

Date: March 9th, 2010

Pattern of Holding of the Shares

Held by the Shareholders of East West Life Assurance Company Limited
As At December 31, 2009

Number of Shareholders	From	Shareholding To	Total Shares Held	Percentage
74	1	100	5,961	0.0131
580	101	500	268,439	0.5900
146	501	1,000	131,361	0.2887
179	1,001	5,000	499,157	1.0971
47	5,001	10,000	358,467	0.7879
17	10,001	15,000	217,172	0.4773
4	15,001	20,000	71,947	0.1581
8	20,001	25,000	184,699	0.4060
4	25,001	30,000	111,850	0.2458
1	30,001	35,000	30,500	0.0670
2	35,001	40,000	76,235	0.1676
2	40,001	45,000	87,000	0.1912
1	50,001	55,000	54,000	0.1187
1	55,001	60,000	58,500	0.1286
1	60,001	65,000	62,600	0.1376
1	65,001	70,000	67,613	0.1486
1	85,001	90,000	85,500	0.1879
1	95,001	100,000	100,000	0.2198
1	260,001	265,000	262,430	0.5768
1	290,001	295,000	291,544	0.6408
1	295,001	300,000	300,000	0.6594
1	370,001	375,000	371,867	0.8174
2	385,001	390,000	777,019	1.7079
1	835,001	840,000	838,422	1.8428
1	930,001	935,000	932,742	2.0502
1	1,190,001	1,195,000	1,191,544	2.6190
1	1,265,001	1,270,000	1,269,055	2.7894
1	1,735,001	1,740,000	1,737,319	3.8186
1	1,990,001	1,995,000	1,990,668	4.3755
1	2,080,001	2,085,000	2,084,846	4.5825
1	2,405,001	2,410,000	2,409,064	5.2951
1	2,945,001	2,950,000	2,945,725	6.4747
1	3,585,001	3,590,000	3,586,080	7.8822
1	3,635,001	3,640,000	3,635,130	7.9900
1	18,400,001	18,405,000	18,401,544	40.4465
1,088			45,496,000	100.0000

Shareholders	Number	Shares Held	Percentage
CEO, Directors and their Spouses and Minor Children	12	31,897,702	70.1110
Joint Stock Companies, Insurance Companies, Investment Companies & Modarabas	2	3,587,080	7.8844
Individuals	1,074	10,011,218	22.0046
Total	1,088	45,496,000	100.0000

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
Associated Company			
M/s. East West Insurance Company Limited	1	3,586,080	7.8822
Other Company			
National Development Finance	1	1,000	0.0022
NIT & ICP			
ICP A/c. Mr. Yasin	1	100	0.0002
ICP A/c. Mst. Nasima	1	400	0.0009
ICP A/c. Mr. Mohammad Ashfaq	1	100	0.0002
ICP A/c. Mr. Zafar	1	100	0.0002
ICP A/c. Haji Sher Afqhan	1	400	0.0009
ICP A/c. Mr. Zia	1	100	0.0002
SHAREHOLDING 10%			
Naved Yunus	1	18,401,544	40.4465
CEO, Directors, their Spouses and Minor Children			
Maheen Yunus, CPCU	1	389,269	0.8556
Javed Yunus	1	1,191,544	2.6190
Pervez Yunus	1	291,544	0.6408
Omar P. Yunus	1	1,990,668	4.3755
Chief Justice (R) Mian Mahboob Ahmad	1	5,687	0.0125
A. K. M. Sayeed	1	3,230	0.0071
Shamaila Yunus	1	3,635,130	7.9900
Rubina Yunus	1	371,867	0.8174
Samina Yunus	1	2,409,064	5.2951
Ambreen Yunus	1	262,430	0.5768
Samad Yunus	1	2,945,725	6.4747
Individuals	1,068	10,010,018	22.0020
Total	1,088	45,496,000	100.0000

Ensured **stability**

All of us dream the same dreams and start making plans accordingly but life is never short of surprises.

Let **East West Life** take the worry out of your saving and life insurance needs. Our comprehensive range of life insurance and investment products like **Mehfooz Sarmaya**, **Scholar's Plan**, **Sarmaya Gold**, **Personal Accident** and **Guaranteed Income** policies let you protect your family while giving you real peace of mind.



EAST WEST LIFE
ASSURANCE COMPANY LIMITED

A Member of East West Group of Companies

Registered and Supervised by the Securities and Exchange Commission of Pakistan

Head Office: 310-EFU House, 3rd Floor, M.A. Jinnah Road,
Karachi-74000, Pakistan. Tel: (021) 32311662/5, 32310904, 32310726,
Fax: (021) 32311667, UAN: 111-EWL-111 (111-395-111)

E-mail: info@eastwestlifeco.com
www.eastwestlifeco.com

Branch Network

Karachi

1 – 3 Mezanine Floor Al Huq Terrace,
Plot No. ZC-4, Block No. 6, Scheme 24,
Gulshan-e-Iqbal, Karachi.
Tel.: (0347) 2414622, (0312) 2670448
E-Mail: gulshan.khi@eastwestlifeco.com

Hyderabad

Office # 13, 1st Floor, Shelter Shopping Mall,
Saddar Cantt., Hyderabad.
Tel.: (022) 3030913/5, 2915804, 2785001
Fax: (022) 2785002
E-Mail: sheltermall.hyd@eastwestlifeco.com

Lahore

*Zonal Office**
2nd Floor, Naqi Arcade,
71, Shahrah-e-Quaid-e-Azam, Lahore.
Tel.: (042) 36280181, 36370717
Fax: (042) 36370711
UAN: 111-EWL-111 (111-395-111)
E-Mail: lahore.zone@eastwestlifeco.com

Gujrat

Near Girds Station/Police Chowki,
Sargodha Road, Gujrat.
Tel.: (053) 3538067-9, 3538070
Fax: (053) 3538071
E-Mail: sargodharoad.guj@eastwestlifeco.com

Bahawalpur

Kulyar Plaza, 2nd Floor,
Opposite Panda Restaurant,
Railway Road, Bahawalpur.
Tel.: (062) 3105257

Sahiwal

1st Floor, Mansha Plaza, Lahore Commercial Centre,
Near General Bus Stand, G. T. Road, Sahiwal.
Mobile: (0322) 7854248

Multan

2nd Floor, Ghaffar Plaza, Bohra Street,
Multan Cantt., Multan.
Tel.: (061) 4504345, 4504346,
Fax: (061) 4504348
E-Mail: ghaffarplaza.mul@eastwestlifeco.com

Sialkot

1st Floor, Yazdani Autos,
Opposite M. F. Elahi Building,
Kashmir Road, Sialkot.
Tel.: (052) 4297420

Sambrial

1st Floor, Habib Bank Limited,
G.T. Road, Sambrial.
Mobile: (0333) 8604563

Muzaffargarh

House No. 315, Imran Colony
D.G. Khan Road, Muzaffargarh.
Mobile: (0302) 6951501

Vehari

48-C, Mashallah Market, Vehari.
Tel.: (067) 3361409

Gujranwala

Office No.15, Data Market, Near Railway Station,
Opposite Sangam Cinema, G.T. Road,
Gujranwala.
Tel.: (055) 3857592

Layyah

1st Floor of Khan Plaza,
Main Choubara Road,
Layyah.
Tel.: (060) 6410371

Depalpur

Flat No. 1, 1st Floor, Bahadur Market,
Katchery Road, Depalpur, District Okara.
Mobile: (0345) 7543525

Branch Network

Rawalpindi

*Zonal Office**

55-A, Bank Road, Rawalpindi Cantt. Rawalpindi.
Tel.: (051) 5514322, Fax: (051) 5520269
UAN: 111-EWL-111 (111-395-111)
E-Mail: rawalpindi.zone@eastwestlifeco.com

Choa Saiden Shah

Ali Haider Market, Dalwal Road,
Choa Saiden Shah, District Chakwal.
Mobile: (0344) 5989960

Chakwal

1st Floor, Bait-ul-Mukarram Masjid,
Talagang Road, Chakwal.
Tel.: (0543) 553226

Talagang

3rd Floor, Bhatti Plaza, Palace Hotel,
Chakwal Road, Talagang.
Mobile: (0300) 5814289

Jhelum

F-1, 3rd Floor Shabbir Plaza,
Shandar Chowk, Jhelum.
Tel.: (0544) 263261, 720631, Fax: (0544) 720631

Pind Dadan Khan

Village Karyala Jalab, P. O. Dharyala Jalab,
Teh. Pind Dadan Khan, District: Jhelum.
Tel.: (0458) 430588

Kharian

Al Fazal Plaza, Dinga Road,
Kharian, District Gujrat.
Tel.: (0537) 532255, Fax: (0537) 532266

Havelian

Railway Road, Main Bazar, Havelian.
Tel.: (0992) 810323, 810896

Gujar Khan

Flat No. 1, Ghani Plaza, 2nd Floor,
G.T. Road, Gujar Khan.
Tel.: (0513) 510697

Pindi Gheb

Gulf Plaza, Bhanora Chowk, Pindi Gheb.
Tel.: (0572) 350608

Haripur

Fazal Plaza, G.T. Road, Haripur.
Tel.: (0995) 612065, 665449

Muzafarabad (Azad Kashmir)

Flat No. 4, Azam Plaza, Opp.: PSO Petrol Pump,
Chehla Neelum Road, Muzaffarabad (A.K.).
Mobile: (0300) 9111787

Mirpur (Azad Kashmir)

Yunis Plaza, Plot No. 08, Sector B-3 (Part 2),
Allama Iqbal Road, Mirpur (A.K.).
Tel.: (05827) 446520-1
E-Mail: allamaiqbalroad.mpr@eastwestlifeco.com

Bhimber (Azad Kashmir)

Ch. Barkat Plaza, Samahni Road, Bhimber (A.K.)
Tel.: (058650) 43551

Rawalakot (Azad Kashmir)

Near C.M.H., Rawalakot (A.K.)
Tel.: (058710) 43554

Peshawar

*Zonal Office**

Room No. 1 & 2, 1st Floor, Sughra Building,
8-Saddar Road, Opp. State Bank of Pakistan,
Peshawar Cantt., Peshawar.
Tel.: (091) 5284725, Fax: (091) 5273874
E-Mail: peshawar.zone@eastwestlifeco.com

Swabi

Adda Flying Coach for Peshawar, Swabi.
Tel.: (0938) 222051

Note: Besides the office stated above and the company's head office (stated on page number 10), corporate (group life and group health) insurance services are also offered at the above individual life sales offices marked with an asterisk (*).

Quote Folio No. _____

FORM OF PROXY

17th Annual General Meeting

I/We _____
of _____
in the district of _____
being a member of East West Life Assurance Company Limited, hereby appoint _____
_____ of _____
another member of the Company, as my/our proxy in my/our absence to attend and vote for me/us and
on my/our behalf at the 17th Annual General Meeting of the Company to be held on Wednesday, March
31st, 2010 at 11:30 a.m. at Pasni Hall of Serena Hotel, Zarghoon Road, Quetta, and at any adjournment
thereof.

Signed this _____ day of _____ 2010

1) Witness :
Signature _____
Name _____
Address _____
CNIC No. _____
Passport No. _____

Please
affix Rupees Five
Revenue Stamp

2) Witness :
Signature _____
Name _____
Address _____
CNIC No. _____
Passport No. _____

Signature of Member

IMPORTANT: This instrument appointing a proxy, duly completed, must be received at the Registered Office of the Company at 28, Regal Plaza, M. A. Jinnah Road, Quetta, not later than 48 hours before the time of holding the meeting.

Fold Here



The Company Secretary

EAST WEST LIFE
ASSURANCE COMPANY LIMITED

Registered Office

28 Regal Plaza, M. A. Jinnah Road, Quetta.

Tel. Off.: (081) 2822913, 2821397

Fax: (92-81) 2821460

E-Mail: registered.office@eastwestlifeco.com

AFFIX
CORRECT
POSTAGE

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Consistent growth

Everybody agrees that efficient, skillful and cooperative efforts of both employer and employees are essential for the growth and profitability of any business operation. Satisfied employees, assured of a secure financial future of their families, tend to be more loyal to the organization and apply fully and devotedly to the work entrusted to them.

Our **Group Life and Health** insurance policies are ideal to manage employee growth. Being generous and customizable, our policies are the perfect choice for the corporate client interested in providing the best cover to the employees and their families.



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