

ANNUAL REPORT 2011

A DEEPLY-ROOTED BASE...
FOR A LONG-TERM PARTNERSHIP



EAST WEST LIFE
ASSURANCE COMPANY LIMITED

In Memory of Our Founder Chairman

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.

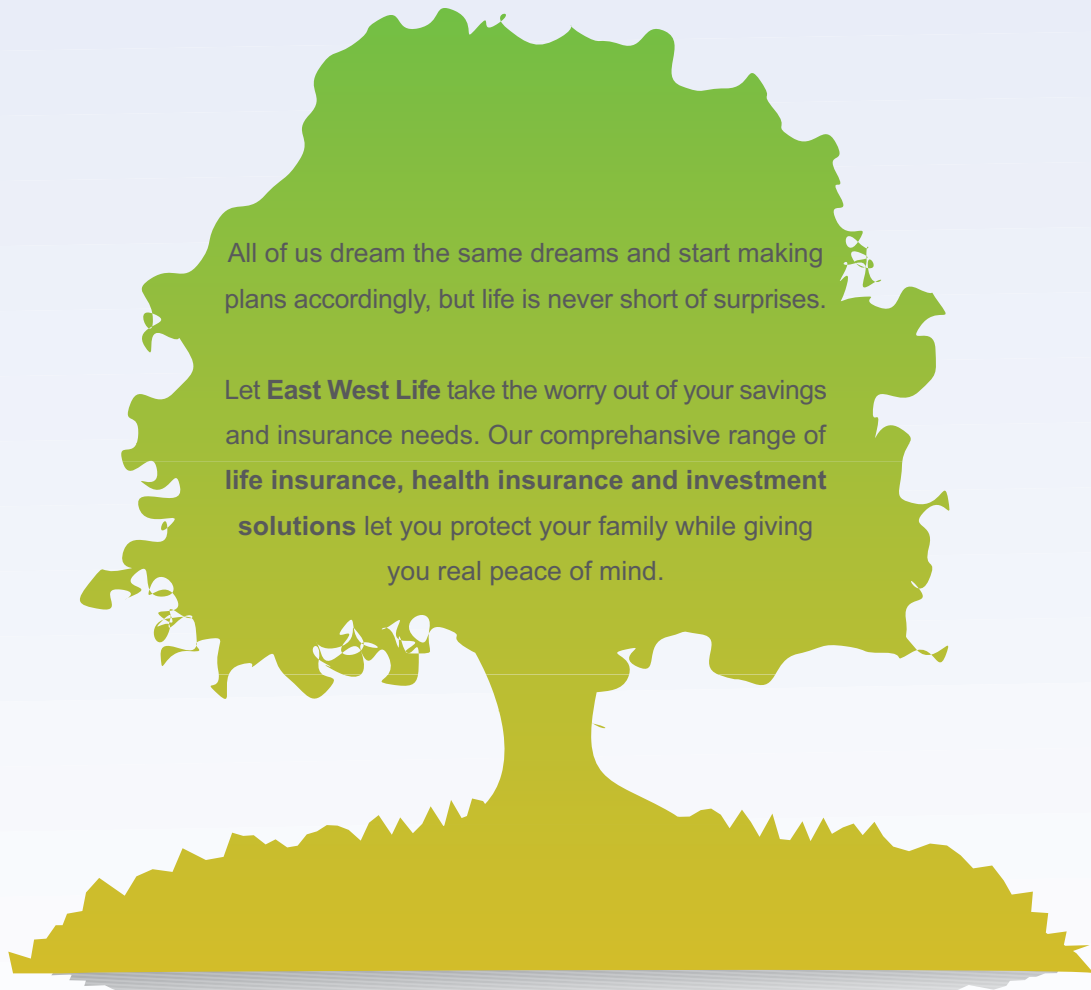
After taking East West Insurance Company Limited to such heights, it was his desire to develop an insurance company for the life assurance sector so that East West Group of Companies could cater to all insurance related needs of every Pakistani. Unfortunately, private life insurance companies were not 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.



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

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.

(آمین)



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.

A DEEPLY-ROOTED BASE... YOU CAN TRUST



EAST WEST LIFE
ASSURANCE COMPANY LIMITED

A Member of East West Group of Companies

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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. 600 million, out of which Rs. 500.456 million is currently paid-up. 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 more than Rs. 802.1 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 nearly 50 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 zonal and branch offices throughout the country, East West Life is equipped to render prompt and efficient service to its policyholders 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:

- (i) The sum insured in respect of the policy year in which the death took place
- (ii) 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 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 the pension.



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 Accidental 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

The Accidental Disability benefits are as follows:

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 as well as total and partial disability caused by an accidental injury.

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!



ACCIDENT PROTECTION PLAN

Life insurance provides a degree of financial protection against the uncertainty of death and can help survivors (dependents) 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 primary 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 Monthly Income only in Case of Accidental Death and Disability (God Forbid)

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

Regular Monthly Income Only In Case of Accidental Death and Disability (God Forbid)

Rather than providing lump sum payment, East West Life's Accident Protection Plan pays a monthly income for 10 years only in case of death or

disablement (God Forbid) due to accident while the policy is in force. The monthly income will continue at the level specified in the policy for 10 years following the claim.

This product is particularly attractive to those who would like to have a fixed and regular stream of monthly income in case of accidental death or disability (God Forbid) and would rather not have to worry about complex investment decisions to make the most of a lump sum payout.

Save Rs. 7 daily to assure your family's monthly income in case you are not here (God Forbid) or become incapable to perform your duties due to an accident.

PROVIDE YOUR FAMILY A SECURE FUTURE!

General Conditions

Age Limit

The age should be minimum of 18 years and maximum of 59 years at the time of policy commencement date.

Claim Intimation

Written notice of specified accidental event on which the claim is based must be submitted to the company within 20 days after the date of such event.

Termination

The insurance under this contract shall terminate at the end of a complete policy year. No surrender value is payable under this contract in any circumstances.

ACCIDENTS ARE UNAVOIDABLE, BUT THE GOOD NEWS IS THAT WE CAN REDUCE THEIR FINANCIAL IMPACT.

SALIENT FEATURE

A REGULAR MONTHLY INCOME FOR 10 YEARS ONLY IN CASE OF ACCIDENTAL DISABILITY, GOD FORBID.

NO MEDICAL EXAMINATION REQUIRED 24/7 COVERAGE.

WORLDWIDE COVERAGE irrespective of where the Accident resulting in loss occurred.

Future is Uncertain but you can secure it with our ACCIDENT PROTECTION PLAN.

Basic Benefit Structure	Benefit
Accidental Event	Monthly Income for 10 Years only in case of an accidental event stated here
Loss of LIFE	
Loss of one or more LIMBS by Amputation at above wrist or ankle	
Loss of all SIGHT in both EYES.	
Loss of SPEECH	
Loss of Hearing in both EARS	
Permanent total and continuous DISABILITY	



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

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...
- 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.



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's 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

Waleed Ahmed Ansari

Auditor

BDO Ebrahim & Company
Chartered Accountants

Share Registrar

Bema Associates (Private) Limited
515 EFU House, M. A. Jinnah Road,
Karachi, Pakistan.

Phone: (021) 32316087

Fax: (92-21) 32316187

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Quetta.

Phone: (081) 2822913, 2821397

Fax: (92-81) 2821460

Head Office

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32310375, 32315723

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Universal Access Number (UAN)

111-EWL-111 (111-395-111)

Karachi, Lahore and
Rawalpindi / Islamabad

Website

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info@eastwestlifeco.com

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

Zonal Heads

Raja Gustasab Khan
Sheikh Khalid Mehmood

Chief Medical Officer (CMO)

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

Medical Officers

Dr. Syed Kashif Hamid, MBBS
Dr. Noor Nabi, MBBS

Deputy General Managers

Nadeem Akhtar
Nauman Mughal
Aqeel Ansari

Assistant General Managers

Dr. Kamran Abbas
Tanveer Iqbal
Naveed Ashraf
Anjum Ghazali
Kashif Naeem
Sana-ul-Haq Hashmi

Bankers

Allied Bank Limited
Summit Bank Limited
MCB Bank Limited
The Bank of Punjab
Habib Bank Limited
Faysal Bank Limited
Askari Bank Limited
NIB Bank Limited
Bank Al-Habib Limited
JS Bank Limited
The Karakoram Co-Operative Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
Network Microfinance Bank Ltd.
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 Principle 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 principle 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 Principle Values

- **S**afety and Security through expansion, development and profitability.
- **E**xceptional and flexible product-line to meet the needs of our clients.
- **R**espect and consideration for our policyholders, agents and employees.
- **V**ision as well as action to achieve our mission.
- **I**ntegrity and honesty in every aspects of our organization.
- **C**ommunity improvement through participation.
- **E**xcellent 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 19th Annual Report together with the audited financial statements of the company for the year ended December 31st, 2011.

THE ECONOMY

After the global economic slump that started in 2008, most countries around the world have started to show signs of recovery. However, unfortunately, Pakistan's economic performance continues to be dismal, at best. Low level of FDI (Foreign Direct Investment) has resulted in non-existent growth and negligible development of infrastructure within the country resulting in further devaluation of Pakistani Rupee.

The factors hitting the country's economy during year 2011 were devastating floods, increase in oil prices and security situation which subsequently resulted in slow down in the growth rate. The GDP which was targeted at 4.5% for the year 2011, reduced to 2.4% only.

Despite all these challenges, some sectors of economy including exports and foreign remittances have shown considerable growth during the outgoing fiscal year. Whereas, we witnessed nominal growth rate of 1.2% in Agriculture sector, 3% in manufacturing sector and around 4.1% in services sector.

Considering the above stated facts, the government has initiated several

measures by cutting down its own expenditures, enhancing the revenues and reducing the fiscal deficit to maintain the economic stability. We are confident that through tough decisions and prudent policies, the economy is now on the path of recovery.

The growth of any industry is also linked with the economy of the country and the insurance sector is in no way different in this regard. Consequently, the economic crisis has slowed premium growth within the industry and has led to unhealthy competition among existing insurers. As a percentage of GDP, insurance penetration still remains the lowest within our region, hence, it is increasingly difficult to capture business or convince outlay for insurance from prospective clients, especially for life insurance. Nevertheless, from challenges come opportunities and your company is taking necessary steps to face these hurdles while developing low cost and high need based products that will tap the desired customer base.

COMPANY'S FINANCIAL PERFORMANCE

In 2011, your company has achieved some important targets in its financial results, including total Statutory Fund Income, which has crossed Rs. 200.5 million thus recording gain of 5%. Simultaneously, the Gross Corporate/ Group Premium has crossed Rs. 190 million for the first time in the company's history. Balance of Statutory Fund also exceeds Rs. 238.3 millions

whereas the renewal premium has grown by 13.5% recording a figure of Rs. 38.3 million in 2011 primarily due to renewed focus of the management towards persistency achievement.

Hence, during 2011, by the grace of Almighty Allah, the results of your company have considerably improved as compared to the previous year. In this regard, highlights of performance are as under:

- Operational performance of the company has considerably enhanced due to turnaround in excess of income over claims and expenditure by Rs. 9.5 million.
- Group/Corporate Health related premium income has also increased by 15% touching a figure of around Rs. 100 million. Whereas, through extensive efforts of management, the expenses have reduced by 18% showing vast improvement in maintaining optimal expenditure leading to operational efficiency of the company.
- Lastly, the company earned net investment income of more than Rs. 21.8 million in its Revenue Account resulting in good returns for our investment-linked policyholders within the company's Universal Life fund.

After achieving successful results, the company continues its focus on improving net claim results and increasing premium income while keeping in view that operational/ underwriting profitability is the key to success in the future.

Chairman's Review

FUTURE PROSPECTS OF THE COMPANY

In view of the better results experienced in 2011, the company is focusing on continuing and expanding the activities primarily responsible for the turnaround. This includes analyzing avenues to reduce expenses further, modifying the field force costs through compensation package management, increasing premium income through expanded marketing efforts (especially on the corporate/group front), emphasizing new business achievement channels (such as Bancassurance) and modifying internal departmental structure to achieve desired results most efficiently.

Further, the focus of the company's management will be on the following areas for the future:

- Addition of new value-added services through use of Information Technology (IT) to improve customer services and business expansion.
- Enhancement of business volume within all business areas to achieve desired results on the operations front of the company.
- Implement controls through customized IT solutions in each area/level of transactions to improve overall working of the company.
- Perform cost-benefit analysis of company's branch offices throughout the country with focus on business procurement cost control.
- Enhance the control aspect within

the detailed budget already developed in the company with focus on business procurement and expense management.

While focusing on maximizing returns for policyholders and shareholders of the company, the management's task in 2012 is to further improve financial results of the entity. The board is confident that, despite the dreary economic conditions being experienced in the country currently, the company's performance can improve further if the management keeps a strict focus on customer-services, timely claim payment service, new premium income avenues, introduction of need-based products in the marketplace and expenditure controls.

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 8th, 2012

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, 2011.

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

The overall performance of your

company has improved substantially during 2011 as compared to the previous period by the grace of Almighty Allah. To be more specific in this regard, the net loss for the year has reduced by Rs. 35.5 million from a loss exceeding Rs. 50.8 million at the end of 2010 to Rs. 15.3 as at December 31st, 2011. Similarly, the earning per share from combined shareholders' and statutory funds has also turned around by Rs. 0.81, which is an excellent achievement for the company. This has been possible primarily due to drastic reduction in management expense by

approximately 18% and significant drop in movement of policyholders' liability from Rs. 54.6 million to less than Rs. 16.9 million. This also indicates that the company's operational side is mainly responsible for the turnaround, which is also evident in the large reduction of more than Rs. 47.2 million seen in the Revenue Account deficit from Rs. 54 million in 2010 to only Rs. 6.7 million during 2011. This accomplishment points to the fact that the company's strategies and plans are being properly implemented by the organization's field personnel, officers, executives and staff members.

Below you will find a financial comparison of several key figures between the year 2011 and 2010 for shareholders' and statutory funds combined:

All Amounts in Rupees	2011	2010
Net Premium Income	178,686,939	183,761,428
Investment Income	33,851,073	34,126,030
Total Net Income	212,538,012	217,887,458
Net Claims Expense	124,524,654	109,356,851
Net Management Expense	84,231,377	102,655,202
Total Claims and Expenditures	208,756,031	212,012,053
Excess of Income Over Claims and Expenditures	3,781,981	5,875,405
Movement in Policyholders' Liability	(16,876,406)	(54,636,597)
Tax Expense	(2,218,754)	(2,052,165)
Net (Loss) for the Year	(15,313,179)	(50,813,357)

As explained above, the key reasons for the improvement in the company's result is two-fold. Firstly, the company's net management expenses have reduced by nearly 18% from Rs. 102.65 million to Rs. 84.2 million as a result of the management's strict expense control policy, which continues to bear fruit. Secondly, the extensive reduction in movement of policyholders' liability

to the tune of Rs. 37.7 million is also responsible for the improved results. Even though it is satisfying for the management to note the turnaround in the company's results, we are working diligently to improve premium income by expanding our field force personnel as well as by tapping niche markets. Moreover, after discussions with the company's

actuaries and underwriting personnel, the company is working to urgently improve rating and underwriting standards so that the net claim expense may be controlled. Further, fund managers are being approached with the task to deeply analyze the company's investment portfolio to advance the investment income portion of the results.

Directors' Report to the Shareholders

FINANCIAL PERFORMANCE

The results of our company's exceptional accomplishments are evident in a comparison of the following key figures for 2011 versus 2010, which are indicative of its performance for the year under review:

	2011	2010	% Chg.
Total Statutory Fund Income	Rs. 200,547,501	Rs. 190,678,544	5.2%
Total Individual Life Renewal Premium	Rs. 38,273,596	Rs. 33,731,741	13.5%
Total Gross Corporate/Group Premium	Rs. 190,223,759	Rs. 177,007,084	7.5%
Total Group Health-Related Premium	Rs. 99,521,005	Rs. 86,870,912	14.6%
Statutory Fund Management Expenses	Rs. 65,876,803	Rs. 80,692,137	-18.4%
Statutory Fund Net Investment Income	Rs. 21,860,562	Rs. 6,917,116	216.0%
Excess of Income Over Claims and Expenditures in Revenue Account	Rs. 10,146,044	Rs. 629,556	1511.6%
Revenue Account (Deficit)	(Rs. 6,730,362)	(Rs. 54,007,041)	-87.5%
Total Assets	Rs. 418,303,554	Rs. 403,873,781	3.6%
Balance of Statutory Fund	Rs. 238,381,710	Rs. 213,985,666	11.4%
Overall Per Share (Loss) for the Year	(Rs. 0.31)	(Rs. 1.12)	-72.3%

- The statutory fund income has crossed Rs. 200 million for the first time in the company's history to Rs. 200.5 million in 2011 from Rs. 190.6 million during the previous period, which is an increase of nearly Rs. 10 million or 5.2%. This income growth has helped the company in achieving excellent overall results within the Revenue Account pertaining to the statutory fund results of the company.
- The company's total individual life renewal premium base has increased by 13.5% from Rs. 33.7 million to more than Rs. 38.2 million, which shows a sizable growth in our portfolio and highlights efforts being made to achieve required persistency.
- The gross corporate/group premium base of the company has improved satisfactorily from Rs. 177 million in 2010 to over Rs. 190.2 million during the period under review. This is indicative of the confidence that our loyal customers have given to the company's excellent service standard.
- The company continued its remarkable growth of corporate/group health insurance premium during 2011 by attaining level of almost Rs. 100 million as compared to Rs. 86.8 million in the previous year, which is a significant increase approaching 15% over the year 2010. This growth has been achieved due to tireless efforts of our marketing personnel and continuous penetration within large clientage base.
- The management's persistent hard work to control excessive costs in the company have resulted in exceptional reduction of statutory fund management expenses by nearly 18½% in 2011 to Rs. 65.8 million from Rs. 80.7 million in 2010. The primary reason for this decline is decrease of nearly 40% within the company's business acquisition costs.
- The net investment income within the company's statutory funds has increased by 216% in 2011 from Rs. 6.9 million to more than Rs. 21.8 million as a result of prudent investment activities pinpointing opportunities for high returns. This has also provided excellent investment income results for the company's investment-linked policyholders within the Universal Life statutory fund.
- As a result of excellent statutory fund income results along with sizable expense reductions, the company's Revenue Account results, indicated by figures shown under Excess of Income Over Claims and Expenditures, have improved drastically by over 1500% from only Rs. 629,556/- during the previous period to more than Rs. 10.1 million in 2011.
- In line with the outstanding operational results within the company's statutory funds, the revenue account (deficit) figure has decreased significantly from a loss exceeding of Rs. 54 million in the previous period to Rs. 6.7 million in 2011, which is a reduction of 87.5% or almost Rs. 47.3 million.
- The total assets of your company, indicating its net worth, have increased by 3.6% in 2011 from Rs. 403.9 million to more than Rs. 418.3 million.

Directors' Report to the Shareholders

- The company's balance of statutory fund continued to increase in 2011 by more than 11% from Rs. 214 million to figure exceeding Rs. 238.3 million, which is an increase of over Rs. 24 million. The growth in this fund strongly indicates expansion of our portfolio as well as investments.
- The overall (loss) per share, including combined results of shareholders' and statutory funds, has reduced by 0.81 paisas or more than 72% from loss of Rs. 1.12 in 2010 to only 31 paisas during the current period.

We feel it is important to highlight the several "firsts" that your company has achieved in its financial results during 2011, which are given below:

- Total Statutory Fund Income goes above Rs. 200 million,
- Group-Health Related Premium exceeds Rs. 99.5 million (nearly Rs. 100 million),
- Gross Corporate/Group Premium Income crosses Rs. 190 million, and
- Balance of Statutory Fund surpasses Rs. 238 million.

The management of the company would like to take this opportunity to thank the Securities and Exchange Commission of Pakistan (SECP) for the crucial part that the regulator plays in elevating the image of the life and entire insurance industry including their untiring efforts to advance corporate governance.

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.

Directors' Report to the Shareholders

- 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 key operating and financial data for the last six years is annexed.
- The statement of shareholding in the Company as at December 31st, 2011 is included with the report.
- The value of investment in the Provident Fund based on the audited accounts as at December 31st, 2011 is Rs. 9,222,401/-.
- 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.

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	03 out of 04
04	Mr. Naved Yunus	04 out of 04
05	Mr. Pervez Yunus	04 out of 04
06	Mr. Javed Yunus	04 out of 04
07	Mr. Omar P. Yunus (Mr. Shabbir Ali Kanchwala, Alternate Director)	03 out of 04

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

FUTURE OUTLOOK

In 2012 and beyond, the management of your company will focus on improving internal controls and constitute concrete policies to achieve continued reduction in costs, improve premium growth and reduce claim expenditures. In view of such goals, the company's management is taking important steps shown below in order to keep the organization ahead within the competitive business environment being faced in the marketplace:

- Strict internal controls are being put in place to continue reduction in management expenses. Accordingly, it is forecasted that the company's expense will continue to decrease in 2012 and beyond.
- The individual life field force compensation package and structure are being modified once again with assistance of Consulting Actuary to achieve a just and attractive structure for the field with the goal to manage business acquisition expenses within reasonable levels.
- Expansion of sales force structure and monitoring strategy by the talented executives will continue so as to maintain enhanced inflow of premium especially with relation to corporate/group marketing.
- Enhanced efforts will be undertaken to achieve breakthrough within Bancassurance business procurement channel via agreements with prestigious banking institutions in order to expand the company's premium base and take advantage of this extremely efficient as well as cost effective marketing tool.
- New policies will be constituted for the Human Resources department with assistance of its committee to enhance its efforts in appointing knowledgeable and capable personnel for all areas of the company, especially sales/marketing team, in order to maximize results/profitability.
- Continue to promote a professional environment in the company's based on basic principles of ethics and growth.
- Improve the company's internal structure to achieve early processing of professionalized underwriting with assistance and co-ordination of available skilled managers and staff.

Directors' Report to the Shareholders

- The company will also enhance the role of the company's investment committee (in conjunction with the executive committee) and the fund manager to further improve the company's investment strategy and results in line with the latest circumstances being experienced in the business marketplace.

Besides taking these definite steps in 2012 (the 20th year of the organization), the company will, as always, continue its focus on further increasing its premium procurement with regards to individual life marketing as well as group life and health insurance. Even though 2011 results have improved, the company's management still faces the challenge of permanent and long-term betterment. In connection with this realization, the company will continue its efforts for premium growth in all business areas, further improvement in persistency figures especially related to 2nd year recoveries, sustained efforts to reduce operating/management expenses and advancement of customer-oriented services. In this regard, few areas where the management will focus their attention in the future are given below:

- Further addition of value-added services to our individual and corporate clients using the company's Information Technology (IT) department.
- The implementation of controls through customized IT solutions in each area/level of transactions to improve overall working of the company.
- Performance of cost-benefit analysis of company's branch offices throughout the country with focus on business procurement cost control.

In view of the difficult economic situation being faced globally and within the country, your management is certain that focus on the above targets will result in improvement of

the financial results while developing an improved corporate culture within the organization. The company is very much focused on our targets/direction, which, we are confident, will be mutually beneficial for the policyholders and shareholders of the organization.

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, 2011 and the Company has not entered into any commitment, which would affect its financial position at that date.

DIVIDEND

In the light of the adverse environment in the economic sector of the country, the Directors feel that no dividend can be declared for the year ended December 31, 2011.

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 BDO Ebrahim & Company (Chartered Accountants), being eligible, have offered themselves for reappointment. The board of

Directors, on recommendation of the Audit Committee, are proposing their reappointment.

ACKNOWLEDGEMENT

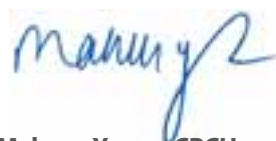
The directors would like to take this opportunity to express their sincere gratitude to The Ministry of Commerce, Government of Pakistan and Securities and Exchange Commission of Pakistan (SECP) for their continued guidance and support.

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 thank 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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
REVENUE ACCOUNT						
Premium - Net of Reinsurance	178,686,939	183,761,428	154,488,668	107,753,058	90,298,899	69,249,291
Interest and Other Income	33,851,073	34,126,030	(191,904,242)	84,419,832	110,087,312	38,095,855
	<u>212,538,012</u>	<u>217,887,458</u>	<u>(37,415,574)</u>	<u>192,172,890</u>	<u>200,386,211</u>	<u>107,345,146</u>
Claims Less Reinsurance	124,524,654	109,356,851	94,895,323	78,077,944	67,192,925	35,863,541
Net Commission and Acquisition Cost	20,762,238	37,817,904	66,544,967	31,370,922	4,606,722	4,138,179
Other Administrative Cost	63,469,139	64,837,298	64,806,415	57,421,498	38,605,582	32,727,824
Movement in Policyholders' Liabilities	16,876,406	54,636,597	37,742,264	10,527,788	9,437,814	19,271,905
Profit/(Loss) Before Tax	<u>(13,094,425)</u>	<u>(48,761,192)</u>	<u>(301,404,543)</u>	<u>14,774,738</u>	<u>80,543,168</u>	<u>15,343,697</u>
Provision for Taxation	(2,218,754)	(2,052,165)	(1,236,232)	(812,697)	(903,444)	(881,995)
Profit/(Loss) After Tax	<u>(15,313,179)</u>	<u>(50,813,357)</u>	<u>(302,640,775)</u>	<u>13,962,041</u>	<u>79,639,724</u>	<u>14,461,702</u>
BALANCE SHEET						
Investments	186,588,230	194,145,942	197,559,818	376,890,401	198,874,547	159,430,672
Other Assets	194,501,337	167,156,454	100,490,640	139,663,343	276,034,339	106,663,512
Fixed Assets	37,213,987	42,571,385	50,265,367	46,610,645	26,386,792	7,725,734
	<u>418,303,554</u>	<u>403,873,781</u>	<u>348,315,824</u>	<u>563,164,389</u>	<u>501,295,678</u>	<u>273,819,918</u>
Issued, Subscribed and Paid-Up Capital	500,456,000	500,456,000	454,960,000	413,600,000	352,000,000	200,000,000
Advance Against Equity	-	-	-	-	-	16,000,000
Accumulated Surplus/(Deficit)	(376,330,613)	(353,497,796)	(305,591,480)	1,741,055	20,333,028	(60,529,376)
Balance of Statutory Fund	238,381,710	213,985,666	162,256,110	119,822,086	111,940,284	103,725,150
Other Liabilities	55,796,457	42,929,911	36,691,195	28,001,248	17,022,366	14,624,144
	<u>418,303,554</u>	<u>403,873,781</u>	<u>348,315,825</u>	<u>563,164,389</u>	<u>501,295,678</u>	<u>273,819,918</u>

Notice of Annual General Meeting

Notice is hereby given that the 19th Annual General Meeting of the shareholders of East West Life Assurance Company Limited will be held on Saturday, March 31st, 2012 at 12:00 noon at Company's Registered Office (28, Regal Plaza, Jinnah Road, Quetta), to transact the following business.

1. To confirm the minutes of the annual general meeting held on March 29th, 2011.
2. To receive, consider and adopt the Audited Accounts for the year ended December 31st, 2011 alongwith Directors' and Auditors' Report thereon.
3. To appoint Auditors for the year 2012 and fix their remuneration, retiring Auditor M/s BDO Ebrahim & Company, Chartered Accountants being eligible, offered themselves for reappointment.
4. To elect Directors' of the Company in accordance with section 178 of the Companies Ordinance 1984. The number of Directors to be elected has been fixed at seven by the Board of Directors.

The following existing directors, who retire and being eligible, have offered themselves for re-appointment:

- | | |
|---|------------------------|
| 1) Chief Justice (R) Mian Mahboob Ahmad | 5) Mr. Maheen Yunus |
| 2) Mr. Javed Yunus | 6) Mr. A. K. M. Sayeed |
| 3) Mr. Pervez Yunus | 7) Mr. Omar P. Yunus |
| 4) Mr. Naved Yunus | |

SPECIAL BUSINESS

5. To consider and adopt, if thought fit, to pass with or without modification the following resolution as Special resolution:

RESOLVED that the Company's sought for approval by the members as required under section 208 of the Companies Ordinance, 1984, is hereby accorded and the company be and is hereby authorized to invest the Company's funds to the extent of 50 million rupees for acquiring fully paid-up shares at fair/negotiated price or Right shares at the issue price of East West Insurance Company Limited an associated Company.

RESOLVED FURTHER

That the Chief Executive and/or any one Director of the Company be and are hereby authorized to invest/disinvest the Company's funds at one time or from time to time as above and to make whole or any part of the aforesaid investment on such terms and condition and in any manner as they may deem fit and to take and do and/or cause to be taken or done any/all necessary actions, deed and thing which are or may be necessary for giving effect to the aforesaid resolution and to do all acts, matters, deeds and things which are necessary, incidental and/or consequential to the investment of the Company's funds as above.

6. To transact any other business that may be placed before the meeting with the permission of the Chairman.

Statement under section 160(1)(b) of the Companies Ordinance 1984 in respect of special business is being sent to the members alongwith the notice.

Karachi
March 8th, 2012

By Order of the Board


Sohail Nazeer
Company Secretary

NOTES:

- (a) The Share Transfer Books of the Company will remain closed from March 24th, 2012 to March 31st, 2012 (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 person as his/her proxy to attend, Speak and vote instead of him/her. Proxies in order to be effective must be received in the office of the Company's Share Registrar M/s. Bema Associates (Private) Limited, 515, EFU House, M. A. Jinnah Road, Karachi, 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 account/sub account holders are requested to bring their original Computerized National Identity Cards (CNIC), 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.

Notice of Annual General Meeting

STATEMENT OF MATERIAL FACTS UNDER SECTION 160(1) (b) OF THE COMPANIES ORDINANCE, 1984 REGARDING THE SPECIAL BUSINESS

The associated investee company has paid-up capital of Rs. 301.655 million and this statement under section 160(1)(b) of the Companies Ordinance, 1984 sets out the material facts given below of the associated investee company as notified through SRO No. 865 (I)/2000 dated December 6, 2000:

1	Name of the Associated Investee Company	East West Insurance Company Limited
2	Nature, amount and extent of investment	Investment upto Rs. 50 million (Rupees fifty million only) in the ordinary shares of the investee company.
3	Average Market Price of the shares intended to be purchased during the preceding six months in case of listed companies	Average Market Price is Rs. 247.50 per shares
4	Break-up value of shares intended to be purchased on the basis of last published financial statement	Rs. 13.45 per share
5	Price at which shares will be purchased	Fair value at the date of purchase of the ordinary shares of the investee company.
6	Earning per share of the investee company in the last three years	2008: Rs. 11.63 per share 2009: Rs. (21.37) per share 2010: Rs. 0.34 per share
7	Sources of funds from where shares will be purchased	The Company's own sources
8	Period for which investment will be made	Not applicable, being long term equity investment.
9	Purpose of investment	Long term equity investment to earn dividend income as well as prospective capital gains
10	Benefits likely to accrue to the Company and the shareholders from the proposed investment	Dividends/capital gains
11	Interest of directors and their relatives in the investee company	Common Directorship

Statement of Compliance with the Code of Corporate Governance for the Year Ended December 31, 2011

This statement is being presented to comply with the Code of Corporate Governance contained in regulation No. 35 listing regulations of The Karachi Stock Exchange (Guarantee) Limited and Code of Corporate Governance applicable to listed companies issued by SECP, 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 four non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of the 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, 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 meetings of the Board were presided over by the Chairman and in his absence by a director elected by the Board for this purpose and the Board 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 requirements 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.
15. The Board has formed an executive committee. It comprises of five members of whom two are non-executive members including Chairman of the committee.
16. The Board has formed an underwriting committee. It comprises of four members of whom two are non-executive directors including Chairman of the committee.

Statement of Compliance with the Code of Corporate Governance for the Year Ended December 31, 2011

17. The Board has formed a claim settlement committee. It comprises of five members of whom two 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 one is a non-executive director being Chairman of the committee.
19. The Board has formed an audit committee. It comprises of five members of whom two are non-executive directors.
20. The meetings 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 suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they are involved in the internal audit function on a full time basis.
22. Detail of related party transaction being 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 Accountants (IFAC) 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 Accountants 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

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** to comply with the Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited 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's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-regulation (xiii-a) of The Listing Regulation 37 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, 2011.

Karachi
Date: March 8th, 2012



BDO Ebrahim & Company
Chartered Accountants
Engagement Partner: Zulfikar Ali Causer

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

We have audited the annexed financial statements comprising of:

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

of **EAST WEST LIFE ASSURANCE COMPANY LIMITED** ("the Company") as at December 31, 2011 together with the notes forming part thereof, for the year then ended.

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

We conducted our audit in accordance with the International Auditing Standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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;
- (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, 2011 and of the loss, comprehensive loss, its cash flows and changes in equity for the year then ended in accordance with approved International 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.

The financial statements for the year ended December 31, 2010 were audited by another firm of chartered accountants who had expressed an unqualified opinion thereon vide their report dated March 8, 2011.



BDO Ebrahim & Company
Chartered Accountants
Engagement Partner: Zulfikar Ali Causer

Karachi
Date: March 8th, 2012

Balance Sheet

As At December 31, 2011

Figures in Rupees

Notes	Shareholders' Fund	Statutory Funds			Aggregate December 31, 2011	Aggregate December 31, 2010
		Ordinary Life	Universal Life	Accident & Health		
Share Capital and Reserves						
Authorized Share Capital						
60 Million (2010: 60 Million)						
Ordinary Shares of Rs.10 Each						
	600,000,000	—	—	—	600,000,000	600,000,000
Issued, Subscribed and Paid Up Share Capital	6	500,456,000	—	—	500,456,000	500,456,000
Accumulated Deficit	7	(376,330,613)	—	—	(376,330,613)	(353,497,796)
Net Shareholders' Equity		124,125,387	—	—	124,125,387	146,958,204
Balance of Statutory Fund [Including Policyholders' Liabilities 2011: Rs.228.455 Million (2010:Rs.211.579 Million)]						
		—	31,754,944	183,207,376	23,419,390	238,381,710
Deferred Liabilities						
Outstanding Gratuity	8	9,055	81,495	—	90,550	90,550
Creditors and Accruals						
Outstanding Claims	9	—	7,124,882	1,762,198	1,673,263	10,560,343
Premiums Received in Advance	10	—	—	10,644,262	431,200	11,075,462
Amount Due to Other Insurers/Reinsurers - Net	11	—	15,294,544	1,940,322	—	17,234,866
Accrued Expenses	12	1,577,103	4,579,031	4,337,035	460,159	10,953,328
Agent's Balances	13	—	188,248	1,190,250	1,355,545	2,734,043
Taxation - Net		2,211,020	—	—	—	2,211,020
Other Creditors and Accruals	15	139,274	440,245	112,105	132,246	823,870
		3,927,397	27,626,950	19,986,172	4,052,413	55,592,932
Other Liabilities						
Unclaimed Dividend Payable		112,975	—	—	—	112,975
TOTAL LIABILITIES		4,049,427	59,463,389	203,193,548	27,471,803	294,178,167
CONTINGENCIES AND COMMITMENTS						
TOTAL EQUITY AND LIABILITIES		128,174,814	59,463,389	203,193,548	27,471,803	418,303,554

The annexed notes from 1 to 36 form an integral part of these financial statements.

Figures in Rupees

Notes	Shareholders' Fund	Statutory Funds			Aggregate December 31, 2011	Aggregate December 31, 2010	
		Ordinary Life	Universal Life	Accident & Health			
Cash and Bank Deposits							
	Cash in Hand	—	1,646	18,492	—	20,138	24,657
	Current and Other Accounts	9,872,501	22,920,672	67,333,535	4,715,277	104,841,985	83,156,828
17	Deposits Maturing Within 12 Months	—	10,000,000	40,000,000	—	50,000,000	53,000,000
		9,872,501	32,922,318	107,352,027	4,715,277	154,862,123	136,181,485
5.22	Loans Secured Against Life Insurance Policies	—	4,508,347	3,406,108	—	7,914,455	7,548,871
	Unsecured Advances to Employees	91,492	728,734	—	90,692	910,918	1,004,284
Investments							
18	Government Securities	73,602,797	9,687,313	85,689,575	10,029,179	179,008,864	157,928,759
	Other Fixed Income Securities	—	—	2,671,775	—	2,671,775	4,454,731
	Listed Equities and Mutual Fund	4,907,591	—	—	—	4,907,591	31,762,452
		78,510,388	9,687,313	88,361,350	10,029,179	186,588,230	194,145,942
Current Assets-Other							
	Premiums Due But Unpaid	—	9,062,974	458,517	10,581,290	20,102,781	17,074,082
	Prepayments	675,000	—	67,500	—	742,500	815,249
19	Sundry Receivables	—	2,547,676	3,445,423	2,055,365	8,048,464	2,801,823
	Investment Income Accrued	1,313,973	6,027	102,623	—	1,422,623	1,249,827
	Stationery	497,473	—	—	—	497,473	480,833
		2,486,446	11,616,677	4,074,063	12,636,655	30,813,841	22,421,814
Fixed Assets							
Tangible							
20	Furniture, Fixtures, Office Equipment and Vehicles	36,939,391	—	—	—	36,939,391	41,854,231
Intangible							
	Software	274,596	—	—	—	274,596	717,154
		37,213,987	—	—	—	37,213,987	42,571,385
TOTAL ASSETS		128,174,814	59,463,389	203,193,548	27,471,803	418,303,554	403,873,781

The annexed notes from 1 to 36 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, 2011

Figures in Rupees

	Notes	December 31, 2011	December 31, 2010
Investment Income Not Attributable to Statutory Funds			
Return on Government Securities		5,833,738	4,831,432
Return on Other Fixed Income Securities and Deposits		216,198	290,663
Amortization of Discount/Premium Relative to Par		571,182	1,875,580
Dividend Income		4,743,404	148,422
		11,364,522	7,146,097
Gain/(Loss) on Sale of Investment - Net		3,314,509	19,173,620
Impairment in Investment		(2,841,937)	(606,389)
Net Investment Income		11,837,094	25,713,328
Other Revenue:			
Gain on Sale of Fixed Assets	20.3	153,417	1,495,586
Total Investment Income and Other Revenue		11,990,511	27,208,914
Expenses Not Attributable to Statutory Funds	21	(18,354,574)	(21,963,065)
(Loss)/Profit Before Tax		(6,364,063)	5,245,849
Tax Expenses	23	(2,218,754)	(2,052,165)
(Loss)/Profit After Tax		(8,582,817)	3,193,684
(Loss)/Earnings per share- Basic and Diluted	24	(0.17)	0.07

The annexed notes from 1 to 36 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 Comprehensive Income

For The Year Ended December 31, 2011

Figures in Rupees

Notes	<u>December 31, 2011</u>	<u>December 31, 2010</u>
(Loss)/Profit for the year	(8,582,817)	3,193,684
Other Comprehensive Income	—	—
Total Comprehensive (Loss)/Income for the Year	<u><u>(8,582,817)</u></u>	<u><u>3,193,684</u></u>

The annexed notes from 1 to 36 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, 2011

Figures in Rupees

	Statutory Funds			Aggregate December 31, 2011	Aggregate December 31, 2010	
	Shareholders' Fund	Ordinary Life	Universal Life			Accident & Health
Operating Cash Flows						
a) Underwriting Activities						
Premium Received	—	92,452,807	54,772,396	96,057,928	243,283,131	259,915,031
Net Reinsurance Premium Received/(Paid)	—	2,553,913	(766,368)	—	1,787,545	(5,847,812)
Claims Paid	—	(73,571,106)	(5,143,103)	(94,632,979)	(173,347,188)	(152,937,211)
Surrenders Paid	—	—	(4,908,653)	—	(4,908,653)	(7,774,249)
Commissions Paid	—	(3,185,451)	(10,622,258)	(2,594,828)	(16,402,537)	(27,240,849)
Net Cash Generated From Underwriting Activities	—	18,250,163	33,332,014	(1,169,879)	50,412,298	66,114,910
b) Other Operating Activities						
Income Tax Paid	(1,171,569)	—	—	—	(1,171,569)	(676,290)
General Management Expenses Paid	(12,360,509)	(17,674,096)	(25,575,578)	(15,693,721)	(71,303,904)	(76,448,465)
Net Cash (Used in) Other Operating Activities	(13,532,078)	(17,674,096)	(25,575,578)	(15,693,721)	(72,475,473)	(77,124,755)
Total Cash Generated From/(Used In) All Operating Activities	(13,532,078)	576,067	7,756,436	(16,863,600)	(22,063,175)	(11,009,845)
Investment Activities						
Profit/Return Received	5,717,335	1,477,267	5,355,594	563,899	13,114,095	14,632,084
Dividend Received	4,743,404	—	—	—	4,743,404	148,422
Payments For Investments	(54,076,752)	(20,850,009)	(158,588,431)	(16,437,309)	(249,952,502)	(111,305,490)
Proceeds From Disposal of Investments	75,496,663	32,423,802	146,923,015	18,334,096	273,177,577	136,013,235
Proceeds From Disposal of Fixed Assets	160,000	—	—	—	160,000	3,705,000
Fixed Capital Expenditure	(498,311)	—	—	—	(498,311)	(1,267,940)
Total Cash Generated From/(Used In) Investing Activities	31,542,339	13,051,060	(6,309,822)	2,460,686	40,744,263	41,925,311
Financing Activities						
Share Capital Issued	—	—	—	—	—	45,496,000
Transfer of Reserve Due to Conversion	—	(793,032)	793,032	—	—	—
Capital Contribution from Shareholders' Fund	(14,250,000)	5,000,000	6,000,000	3,250,000	—	—
Dividend Paid	(450)	—	—	—	(450)	—
Total Cash Generated From/(Used In) Financing Activities	(14,250,450)	4,206,968	6,793,032	3,250,000	(450)	45,496,000
Net Cash Inflow/(Outflow) From All Activities	3,759,811	17,834,095	8,239,646	(11,152,914)	18,680,638	76,411,466
Cash At The Beginning of The Year	6,112,690	15,088,223	99,112,381	15,868,191	136,181,485	59,770,019
Cash At The End of The Year	9,872,501	32,922,318	107,352,027	4,715,277	154,862,123	136,181,485

Figures in Rupees

Aggregate

December 31, 2011	December 31, 2010
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Reconciliation to Profit and Loss Account

Operating Cash flows	(22,063,175)	(11,009,845)
Depreciation Expense	(5,849,124)	(6,752,507)
Investment Income	31,949,606	34,583,997
Dividend Received	4,743,404	148,422
Provision for Impairment in the Value of Investments	(2,841,937)	(606,389)
Increase/(Decrease) in Assets Other than Cash	13,605,718	(6,301,721)
(Increase) in Liabilities	(34,857,671)	(60,875,314)
Deficit in Statutory Funds	6,730,362	54,007,041
(Loss)/Profit After Taxation	<u>(8,582,817)</u>	<u>3,193,684</u>

The annexed notes from 1 to 36 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, 2011

Figures in Rupees

	Share Capital	Share Deposit Money	Net Accumulated Surplus			Total
			Accumulated Surplus/(Deficit)	Capital Contributed to Statutory Funds	Net Accumulated Surplus/(Deficit)	
Balance as at January 01, 2010	454,960,000	—	(105,971,054)	(199,620,426)	(305,591,480)	149,368,520
Total Comprehensive Income for the Year	—	—	3,193,684	—	3,193,684	3,193,684
Capital Contributed to Statutory Fund	—	—	—	(51,100,000)	(51,100,000)	(51,100,000)
Share Deposit Money Received	—	45,496,000	—	—	—	45,496,000
Right Issue During the Year	45,496,000	(45,496,000)	—	—	—	—
Balance as at December 31, 2010	500,456,000	—	(102,777,370)	(250,720,426)	(353,497,796)	146,958,204
Balance as at January 01, 2011	500,456,000	—	(102,777,370)	(250,720,426)	(353,497,796)	146,958,204
Total Comprehensive (Loss) for the Year	—	—	(8,582,817)	—	(8,582,817)	(8,582,817)
Capital Contributed to Statutory Fund	—	—	—	(14,250,000)	(14,250,000)	(14,250,000)
Balance as at December 31, 2011	500,456,000	—	(111,360,187)	(264,970,426)	(376,330,613)	124,125,387

The annexed notes from 1 to 36 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

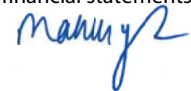
For The Year Ended December 31, 2011

Figures in Rupees

Notes	Statutory Funds			Aggregate December 31, 2011	Aggregate December 31, 2010
	Ordinary Life	Universal Life	Accident & Health		
Income					
Premiums Less Reinsurances	24,324,904	53,798,643	100,563,392	178,686,939	183,761,428
Net Investment Income	5,305,174	14,475,405	2,079,983	21,860,562	6,917,116
Total Net Income	29,630,078	68,274,048	102,643,375	200,547,501	190,678,544
Claims and Expenditure					
Claims, Including Bonuses, Net of Reinsurance Recoveries	20,406,889	9,905,979	94,211,786	124,524,654	109,356,851
Management Expenses Less Recoveries	14,281,131	33,675,250	17,920,422	65,876,803	80,692,137
Total Claims and Expenditure	34,688,020	43,581,229	112,132,208	190,401,457	190,048,988
Excess/(Deficit) of Income Over Claims and Expenditure					
	(5,057,942)	24,692,819	(9,488,833)	10,146,044	629,556
Add: Policyholders' Liabilities at Beginning of Year	31,367,057	151,132,060	29,079,792	211,578,909	156,942,312
Policyholders' Liabilities Transfer To Other Statutory Fund	(793,032)	793,032	—	—	—
Less: Policyholders' Liabilities at End of Year	25 29,142,984	181,391,674	17,920,657	228,455,315	211,578,909
	1,431,041	(29,466,582)	11,159,135	(16,876,406)	(54,636,597)
(Deficit)/Surplus	(3,626,901)	(4,773,763)	1,670,302	(6,730,362)	(54,007,041)
Movement in Policyholders' Liabilities	(1,431,041)	29,466,582	(11,159,135)	16,876,406	54,636,597
Transfer From Shareholders' Fund					
Capital contribution from Shareholders' fund	14 5,000,000	6,000,000	3,250,000	14,250,000	51,100,000
Balance of Statutory Fund at Beginning of Year	32,605,918	151,721,525	29,658,223	213,985,666	162,256,110
Balance of Statutory Fund Transfer Due to Conversion	(793,032)	793,032	—	—	—
Balance of Statutory Fund at End of Year	31,754,944	183,207,376	23,419,390	238,381,710	213,985,666
Represented by:					
Capital Contributed by Shareholders' Fund	14 128,220,426	106,700,000	30,050,000	264,970,426	250,720,426
Accumulated Deficit	(125,608,466)	(104,884,298)	(24,551,267)	(255,044,031)	(248,313,669)
	2,611,960	1,815,702	5,498,733	9,926,395	2,406,757
Policyholders' Liabilities	25 29,142,984	181,391,674	17,920,657	228,455,315	211,578,909
Balance of Statutory Fund	31,754,944	183,207,376	23,419,390	238,381,710	213,985,666

The annexed notes from 1 to 36 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, 2011

Figures in Rupees

	Statutory Funds			Aggregate December 31, 2011	Aggregate December 31, 2010
	Ordinary Life	Universal Life	Accident & Health		
Gross Premiums					
Regular Premium Individual Policies*					
First Year	—	14,543,473	1,042,387	15,585,860	28,974,614
Second Year Renewal	—	16,001,991	—	16,001,991	15,182,922
Subsequent Year Renewal	—	22,271,605	—	22,271,605	18,548,819
Single Premium Individual Policies	—	2,690,250	—	2,690,250	10,340,250
Group Policies	90,702,754	—	99,521,005	190,223,759	177,007,084
Total Gross Premiums	90,702,754	55,507,319	100,563,392	246,773,465	250,053,689
Less: Reinsurance Premiums Ceded					
On Individual Life First Year Business	—	(104,676)	—	(104,676)	(635,655)
On Individual Life Second Year Business	—	(619,727)	—	(619,727)	(811,742)
On Individual Life Renewal Business	—	(984,273)	—	(984,273)	(513,281)
On Group Policies	(66,377,850)	—	—	(66,377,850)	(64,331,583)
Total Reinsurance Premium Ceded	(66,377,850)	(1,708,676)	—	(68,086,526)	(66,292,261)
Net Premiums	24,324,904	53,798,643	100,563,392	178,686,939	183,761,428

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

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Director



JAVED YUNUS
Director

Statement of Claims

For The Year Ended December 31, 2011

Figures in Rupees

	Statutory Funds			Aggregate December 31, 2011	Aggregate December 31, 2010
	Ordinary Life	Universal Life	Accident & Health		
Gross Claims					
Claims Under Individual Policies					
By Death	—	478,247	—	478,247	2,694,638
By Insured Event Other Than Death	—	5,000	117,612	122,612	—
By Maturity	—	5,201,079	—	5,201,079	5,556,507
By Surrender	—	4,908,653	—	4,908,653	7,774,249
Bonus in Cash	—	—	—	—	4,500
Total Gross Individual Policy Claims	—	10,592,979	117,612	10,710,591	16,029,894
Claims Under Group Policies					
By Death	74,390,255	—	—	74,390,255	72,456,592
By Insured Event Other Than Death	1,191,766	—	94,094,174	95,285,940	73,860,830
Total Gross Group Policy Claims	75,582,021	—	94,094,174	169,676,195	146,317,422
Total Gross Claims	75,582,021	10,592,979	94,211,786	180,386,786	162,347,316
Less: Reinsurance Recoveries					
On Group Life Claims	(55,175,132)	(687,000)	—	(55,862,132)	(52,990,465)
Net Claims	20,406,889	9,905,979	94,211,786	124,524,654	109,356,851

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Director



JAVED YUNUS
Director

Statement of Expenses


For The Year Ended December 31, 2011

Figures in Rupees

Notes	Statutory Funds			Aggregate December 31, 2011	Aggregate December 31, 2010
	Ordinary Life	Universal Life	Accident & Health		
Acquisition Costs					
Remuneration to Insurance Intermediaries on Individual Policies:					
Commission on First Year Premiums	—	6,824,313	281,444	7,105,757	12,543,419
Commission on Second Year Premiums	—	1,461,850	—	1,461,850	2,137,269
Commission on Subsequent Renewal Premiums	—	530,747	—	530,747	924,452
Commission on Single Premiums	—	67,256	—	67,256	2,253,404
Other Benefits to Insurance Intermediaries	—	1,239,760	—	1,239,760	605,689
Group Policies:					
Commission	3,149,416	—	3,568,580	6,717,996	7,130,567
	<u>3,149,416</u>	<u>10,123,926</u>	<u>3,850,024</u>	<u>17,123,366</u>	<u>25,594,800</u>
Branch Overhead:					
Salaries, Allowances and Other Benefits	—	4,060,230	—	4,060,230	8,351,634
Other Operational Costs	—	4,619,210	—	4,619,210	8,700,799
	—	8,679,440	—	8,679,440	17,052,433
Other Acquisition Cost					
Policy Stamps	—	66,300	—	66,300	121,470
Total Acquisition Cost	3,149,416	18,869,666	3,850,024	25,869,106	42,768,703
Administration Expenses					
Salaries and Other Benefits	8,040,630	9,340,535	7,015,937	24,397,102	21,315,760
Travelling Expenses	412,192	171,366	428,415	1,011,973	1,560,227
Auditors' Remuneration	169,252	67,701	101,551	338,504	408,831
Actuary's Fees	750,000	300,000	450,000	1,500,000	1,200,000
Medical Fees	386,015	579,022	—	965,037	989,515
Advertisements	236,288	90,624	120,832	447,744	1,108,520
Printing and Stationary	681,790	598,861	399,241	1,679,892	2,073,162
Operating Lease Rentals	295,765	149,855	599,421	1,045,041	1,124,219
Staff Welfare	910,111	1,598,937	1,958,511	4,467,559	3,915,269
Postage, Telegram & Telephone	520,487	511,972	409,578	1,442,037	1,770,180
Electricity & Gas	644,970	299,426	352,266	1,296,662	1,147,060
Newspaper & Periodicals	7,941	3,213	2,705	13,859	13,679
Entertainment Expense	690,029	496,305	695,074	1,881,408	1,413,680
Repair & Maintenance	177,123	26,598	53,195	256,916	149,761
Insurance	135,660	—	950,000	1,085,660	1,023,453
Stamps	13,711	—	—	13,711	27,440
Consultancy charges	38,419	205,758	308,637	552,814	534,975
Bank Charges	175,482	131,611	43,870	350,963	549,422
Miscellaneous Expense	1,824,189	362,329	181,165	2,367,683	2,549,080
	<u>16,110,054</u>	<u>14,934,113</u>	<u>14,070,398</u>	<u>45,114,565</u>	<u>42,874,233</u>
Gross Management Expenses	19,259,470	33,803,779	17,920,422	70,983,671	85,642,936
Less: Commission From Reinsurers	(4,978,339)	(128,529)	—	(5,106,868)	(4,950,799)
Net Management Expenses	14,281,131	33,675,250	17,920,422	65,876,803	80,692,137

The annexed notes from 1 to 36 form an integral part of these financial statements.


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A. K. M. SAYEED
Director


JAVED YUNUS
Director

Statement of Investment Income

For The Year Ended December 31, 2011

Figures in Rupees

	Statutory Funds			Aggregate December 31, 2011	Aggregate December 31, 2010
	Ordinary Life	Universal Life	Accident & Health		
Investment Income					
On Government Securities	1,337,798	3,953,472	457,169	5,748,439	4,397,828
On Other Fixed Income Securities and Deposits	106,242	1,249,713	98,861	1,454,816	1,665,230
Amortization of Premium	—	(19,116)	—	(19,116)	(19,116)
Amortization of Discount	235,934	553,473	49,153	838,560	870,174
On Policy Loan	—	33,701	—	33,701	—
Other Income	—	—	—	—	3,000
	1,679,974	5,771,243	605,183	8,056,400	6,917,116
Gain on Sale of Investments	3,625,200	8,704,162	1,474,800	13,804,162	—
Net Investment Income	5,305,174	14,475,405	2,079,983	21,860,562	6,917,116

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JAVED YUNUS
Director

Notes to the Financial Statements

For The Year Ended December 31, 2011

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 the Karachi Stock Exchange. The company commenced its operations on February 22, 1993 after registration with Controller of Insurance on February 14, 1993. The addresses of its registered and principal office are 57 Regal Plaza, M.A. Jinnah Road, Quetta and 310 EFU House, M.A. Jinnah Road Karachi, respectively. The company is engaged in life insurance business. In accordance with the requirements of Insurance Ordinance, 2000. The company has established a shareholders' fund and following statutory funds in respect of each class of its life insurance business:

- o Ordinary life
- o Universal life and
- o 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) vide SRO 938(1)/2002 dated December 12, 2002.

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 Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules 2002. In case the requirements differ, the provisions or directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000 and SEC (Insurance) Rules, shall prevail.

3.1 Standards, Interpretations and Amendments to Approved Accounting Standards that are not Yet Effective

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

Standard or Interpretation	Effective Date (Annual Periods Beginning On or After)
IAS 12 – Income Taxes: Deferred Tax Amendment – Recognition of Underlying Assets	January 01, 2012
IAS 1 – Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (Amendments)	July 01, 2012
IFRS 10 – Consolidated Financial Statements	January 01, 2013

Standard or Interpretation	Effective Date (Annual Periods Beginning On or After)
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013
IAS 19 – Employee Benefits (Amendments 2011)	January 01, 2013
IAS 27 – Separate Financial Statements (2011)	January 01, 2013
IAS 28 – Investments in Associates and Joint Ventures (2011)	January 01, 2013

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

4 BASIS OF MEASUREMENT

4.1 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.

4.2 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 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. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year are disclosed in the following notes:

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 5.10)
7 Reinsurance Recoveries Against Outstanding Claims	(Note 5.4)

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 contributory 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, 2011. 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/advice 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 are considered.

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.

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. 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 subsequently 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.

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 requires 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.

5.8 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 20.1.

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. (Refer note 20.2)

Capital Work-in-Progress

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

5.9 Cash and Cash Equivalents

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

5.10 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.

5.11 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.

5.12 Revenue Recognition**Premium**

Individual life first year premiums are recognized once related policies have been issued against receipt of premium. Subsequent premium falling due under the policy are recognized if received before expiry of the grace period.

Group life premiums are recognized as and when due.

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

Accident and Health

Group accident and 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/Mark-Up Income

Interest/Mark-up income on securities is recognized using effective interest method. Income on bank deposits is recognized on accrual basis.

5.13 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.

5.14 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(ies), premium ceded to reinsurers is recognised as liability at the same point at which the premium of the underlying policy(ies) is recognised as revenue. At the same point premium and 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".

5.15 Acquisition Cost

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

Commission and other expenses are 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.

5.16 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.

5.17 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.

5.18 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.

5.19 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.

5.20 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.

5.21 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.

5.22 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 mark-up rate determine by the company from time to time.

Auto Paid-Up Loan

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

6 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Number of Shares		Rupees	Rupees
Ordinary Shares of Rs.10 each Fully Paid in Cash			
<u>50,045,600</u>	<u>50,045,600</u>	<u>500,456,000</u>	<u>500,456,000</u>

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

	<u>Number of Shares</u>	
Number of Shares At Beginning of the Year	50,045,600	45,496,000
Right Shares Issued During the Year	—	4,549,600
Number of Shares At the End of Year	<u>50,045,600</u>	<u>50,045,600</u>

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

Accumulated Deficit in Statement of Changes in Equity Ignoring Effect of Capital Transfers at Start of Year	(102,777,370)	(105,971,054)
Add: (Loss)/Surplus in Profit and Loss Account for the Year	(8,582,817)	3,193,684
Accumulated Deficit In Statement of Changes in Equity Ignoring Effect of Capital Transfers at End of Year	<u>(111,360,187)</u>	<u>(102,777,370)</u>
Less: Accumulated Net Capital Transferred in Statutory Funds	(264,970,426)	(250,720,426)
Total Accumulated (Deficit) as Shown in Balance Sheet	<u>(376,330,613)</u>	<u>(353,497,796)</u>

8 DEFERRED LIABILITIES - GRATUITY PAYABLE

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>2011</u>	<u>2010</u>
	Rupees	Rupees
9 OUTSTANDING CLAIMS		
Opening Balance	8,429,398	6,793,542
Add: Claims Incurred During the Year	180,386,786	162,347,316
Less: Claims Paid During the Year	<u>(178,255,841)</u>	<u>(160,711,460)</u>
Closing Balance	<u>10,560,343</u>	<u>8,429,398</u>
10 PREMIUMS RECEIVED IN ADVANCE		
Opening Balance	11,171,513	6,774,282
Add: Received During the Year	56,453,655	77,443,836
Less: Adjusted During the Year	<u>(56,549,706)</u>	<u>(73,046,605)</u>
Closing Balance	<u>11,075,462</u>	<u>11,171,513</u>

	<u>2011</u> <u>Rupees</u>	<u>2010</u> <u>Rupees</u>
11 AMOUNT DUE TO OTHER INSURERS / REINSURERS		
Opening Balance	8,329,795	5,826,610
Add: Premiums Ceded During The Year	68,086,526	66,292,261
Amount Received During The Year	7,287,251	—
	75,373,777	66,292,261
Less: Claims Recoveries During The Year	(55,862,132)	(52,990,465)
Commission Recoveries During The Year	(5,106,868)	(4,950,799)
Amount Paid During The Year	(5,499,706)	(5,847,812)
	(66,468,706)	(63,789,076)
Closing Balance	17,234,866	8,329,795
12 ACCRUED EXPENSES		
Salary and Other Benefits Payable	1,790,937	2,092,517
Compensated Absences Payable 12.1	1,622,636	1,505,628
Other Accrued Expenses	7,539,755	6,924,051
	10,953,328	10,522,196
12.1 This includes provision made against accumulated compensation absences are 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>2011</u>	<u>2010</u>
 Percentage.....	
Discount Factor Used Per Annum	13.00%	14.50%
Expected Increase In Eligible Pay Per Annum	13.00%	14.50%
 Rupees.....	
Movement In Payable To Accumulated Compensation Absences		
Opening Balance	1,505,628	1,691,672
(Reversal)/Charge During the Year	117,008	(186,044)
Closing Balance	1,622,636	1,505,628
13 AGENT'S BALANCES		
Opening Balance	2,013,214	3,659,263
Add: Incurred During The Year	17,123,366	25,594,800
Less: Paid During The Year	(16,402,537)	(27,240,849)
Closing Balance	2,734,043	2,013,214

14 MOVEMENTS IN EQUITY OF STATUTORY FUNDS

	Statutory Funds			Aggregate December 31, 2011	Aggregate December 31, 2010
	Ordinary Life	Universal Life	Accident & Health		
	Rupees				
Policyholder Liabilities					
Balance at Beginning of the Year	31,367,057	151,132,060	29,079,792	211,578,909	156,942,312
Policyholder Liabilities Transfer Due to Conversion	(793,032)	793,032	—	—	—
Increase/(Decrease) During the Year	(1,431,041)	29,466,582	(11,159,135)	16,876,406	54,636,597
Balance at End of the Year	29,142,984	181,391,674	17,920,657	228,455,315	211,578,909
Capital Contributed by Shareholders' Fund					
Balance At The Beginning of the Year	123,220,426	100,700,000	26,800,000	250,720,426	199,620,426
Capital Contributed During the Year	5,000,000	6,000,000	3,250,000	14,250,000	51,100,000
Balance at End of the Year	128,220,426	106,700,000	30,050,000	264,970,426	250,720,426
Accumulated Deficit					
Balance at the Beginning of the Year	(121,981,565)	(100,110,535)	(26,221,569)	(248,313,669)	(194,306,628)
Deficit Allocated in Respect of the Year	(3,626,901)	(4,773,763)	1,670,302	(6,730,362)	(54,007,041)
Balance at End of the Year	(125,608,466)	(104,884,298)	(24,551,267)	(255,044,031)	(248,313,669)

15 OTHER CREDITORS AND ACCRUALS

	Shareholders' Fund	Statutory Funds			Aggregate December 31, 2011	Aggregate December 31, 2010
		Ordinary Life	Universal Life	Accident & Health		
	Rupees					
Sundry Creditors	102,790	324,920	82,738	97,603	608,051	923,343
Provident Fund Payable	36,484	115,325	29,367	34,643	215,819	172,642
	139,274	440,245	112,105	132,246	823,870	1,095,985

16 CONTINGENCIES AND COMMITMENT

There are no contingencies and commitment at balance sheet date (2010: Nil)

17 DEPOSITS MATURING WITHIN 12 MONTHS

	Shareholders' Fund	Statutory Funds			Aggregate December 31, 2011	Aggregate December 31, 2010
		Ordinary Life	Universal Life	Accident & Health		
	Rupees					
JS Bank Limited	—	10,000,000	40,000,000	—	50,000,000	—
Mybank Limited	—	—	—	—	—	53,000,000
	—	10,000,000	40,000,000	—	50,000,000	53,000,000

17.1 These deposits carry interest at the rate of 11% (2010: 5% to 12%) per annum.

18 INVESTMENTS

Notes	Shareholders' Fund	Statutory Funds			Aggregate December 31, 2011	Aggregate December 31, 2010
		Ordinary Life	Universal Life	Accident & Health		
..... Rupees						
Government Securities	18.1	73,602,797	9,687,313	85,689,575	10,029,179	179,008,864
Other Fixed Income Securities	18.2	—	—	2,671,775	—	2,671,775
Listed Equities and Mutual Fund	18.3	4,907,591	—	—	—	4,907,591
		78,510,388	9,687,313	88,361,350	10,029,179	186,588,230
						194,145,942

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	—	—	2,999,717	—	2,999,717	2,999,656
10 Years Pakistan Investment Bonds	—	—	590,482	—	590,482	587,583
10 Years Pakistan Investment Bonds	17,412,310	—	—	—	17,412,310	17,034,001
10 Years Pakistan Investment Bonds	—	—	—	—	—	42,505,861
10 Years Pakistan Investment Bonds	—	—	—	—	—	15,826,682
10 Years Pakistan Investment Bonds	1,964,689	—	—	—	1,964,689	1,962,353
10 Years Pakistan Investment Bonds	3,647,833	—	—	—	3,647,833	3,632,915
10 Years Pakistan Investment Bonds	15,507,492	—	—	—	15,507,492	—
12 Months Treasury Bills	30,070,473	9,687,313	21,957,351	10,029,179	71,744,316	—
6 Months Treasury Bills	—	—	60,142,025	—	60,142,025	—
3 Months Treasury Bills	—	—	—	—	—	68,379,708
	73,602,797	9,687,313	85,689,575	10,029,179	179,008,864	157,928,759

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	2,999,717	April 2014	On Maturity	8%	Semi-Annually
10 Years Pakistan Investment Bonds	590,482	October 2013	On Maturity	8%	Semi-Annually
10 Years Pakistan Investment Bonds	17,412,310	May 2016	On Maturity	9.6%	Semi-Annually
10 Years Pakistan Investment Bonds	1,964,689	August 2018	On Maturity	12%	Semi-Annually
10 Years Pakistan Investment Bonds	3,647,833	July 2020	On Maturity	12%	Semi-Annually
10 Years Pakistan Investment Bonds	15,507,492	August 2021	On Maturity	12%	Semi-Annually
12 Months Treasury Bills	29,745,671	June 2012	On Maturity	11.60%	On Maturity
12 Months Treasury Bills	20,041,294	May 2012	On Maturity	11.60%	On Maturity
12 Months Treasury Bills	21,957,351	July 2012	On Maturity	11.60%	On Maturity
6 Months Treasury Bills	60,142,025	May 2012	On Maturity	11.60%	On Maturity
	179,008,864				

18.2 Other Fixed Income Securities

Shareholders' Fund	Statutory Funds			Aggregate December 31, 2011	Aggregate December 31, 2010
	Ordinary Life	Universal Life	Accident & Health		
..... Rupees					
Held-to-Maturity					
Term Finance Certificate					
Pakistan Mobile Communication Limited	—	2,671,775	—	2,671,775	4,454,731

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	15.46%	Half Yearly

18.3 Listed Equities and Mutual Funds

Note	Shareholders' Fund	Statutory Funds			Aggregate December 31, 2011	Aggregate December 31, 2010
		Ordinary Life	Universal Life	Accident & Health		
Rupees						
Available for Sale						
Listed Equities	18.3.1 7,749,528	—	—	—	7,749,528	11,011,731
Mutual Fund	—	—	—	—	—	21,357,110
Less: Provision For Impairment In Value Of Investment	(2,841,937)	—	—	—	(2,841,937)	(606,389)
	4,907,591	—	—	—	4,907,591	31,762,452

18.3.1 Investments in listed equities includes investment in 20,000 shares (2010: Nil) of East West Insurance Company Limited (an associated undertaking) and 188,934 shares (2010: 188,934) of Jahangir Siddiqui & Company Limited (an associated undertaking) with carrying values of 3.086 million (2010: Nil) and 0.761 million (2010: 2.059 million) respectively.

19 SUNDRY RECEIVABLES

	Shareholders' Fund	Statutory Funds			Aggregate	
		Ordinary Life	Universal Life	Accident & Health	December 31, 2011	December 31, 2010
Rupees						
Advance Expenses	—	818,095	2,850,107	—	3,668,202	862,274
Deposits	—	1,729,581	595,316	2,055,365	4,380,262	1,939,549
	—	2,547,676	3,445,423	2,055,365	8,048,464	2,801,823

20 FIXED ASSETS

20.1 Tangible Assets

	Furniture and Fixture	Office Equipment	Computers Equipments	Vehicle Equipment	Vehicle	Total
	Rupees					
At January 01, 2011						
Cost	38,472,831	11,785,685	4,307,473	648,810	17,100,345	72,315,144
Accumulated Depreciation	14,047,900	5,123,037	3,108,719	243,967	7,937,290	30,460,913
Net Book Value	24,424,931	6,662,648	1,198,754	404,843	9,163,055	41,854,231
Year Ended December 31, 2011						
Opening Net Book Value	24,424,931	6,662,648	1,198,754	404,843	9,163,055	41,854,231
Additions	50,000	44,000	357,309	47,002	—	498,311
Disposals						
Cost	—	—	—	—	79,360	79,360
Depreciation	—	—	—	—	72,775	72,775
Depreciation Charge	2,442,493	668,336	421,190	42,443	6,585	6,585
Closing Net Book Value	22,032,438	6,038,312	1,134,873	409,402	7,324,366	36,939,391
At December 31, 2011						
Cost	38,522,831	11,829,685	4,664,782	695,812	17,020,985	72,734,095
Accumulated Depreciation	16,490,393	5,791,373	3,529,909	286,410	9,696,619	35,794,704
Net Book Value	22,032,438	6,038,312	1,134,873	409,402	7,324,366	36,939,391
At January 01, 2010						
Cost	38,189,581	12,343,935	4,269,648	701,310	20,511,506	76,015,980
Accumulated Depreciation	11,348,380	4,811,714	2,607,126	208,972	6,774,422	25,750,614
Net Book Value	26,841,201	7,532,221	1,662,522	492,338	13,737,084	50,265,366
Year Ended December 31, 2010						
Opening Net Book Value	26,841,201	7,532,221	1,662,522	492,338	13,737,084	50,265,366
Additions	283,250	61,750	37,825	—	—	382,825
Disposals						
Cost	—	620,000	—	52,500	3,411,161	4,083,661
Depreciation	—	431,921	—	13,176	1,429,150	1,874,247
Depreciation Charge	—	188,079	—	39,324	1,982,011	2,209,414
Depreciation Charge	2,699,520	743,244	501,593	48,171	2,592,018	6,584,546
Closing Net Book Value	24,424,931	6,662,648	1,198,754	404,843	9,163,055	41,854,231
Rate of Depreciation	10%	10%	30%	10%	20%	

20.2 Intangible Assets	Cost			Accumulated Amortization			Net Book Value As At December 31, 2011	Useful Life	
	As At January 01, 2011	Additions	Disposal	As At December 31, 2011	As At January 01, 2011	For the Year			As At December 31, 2011
..... Rupees									
Computer Software	885,115	—	—	885,115	167,961	442,558	610,519	274,596	2 Years
December 2010	—	885,115	—	885,115	—	167,961	167,961	717,154	

20.3 Details of Disposal of Fixed Assets - By Negotiation

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain / (Loss)	Particulars of Purchasers
Suzuki Khyber	79,360	72,777	6,583	160,000	153,417	Mr. Sarfaraz Areshia

	<u>Note</u>	<u>2011 Rupees</u>	<u>2010 Rupees</u>
21 EXPENSES NOT ATTRIBUTABLE TO STATUTORY FUNDS			
Salary and Other Benefit		6,227,023	8,367,727
Staff Welfare		559,575	781,527
Travelling		274,186	401,517
Advertisement		60,416	137,620
Telephone		204,789	288,033
Electricity		176,133	202,014
Entertainment		444,458	363,097
Vehicle Maintenance		1,781,729	1,322,676
Insurance to Vehicles		508,152	730,676
Fees And Subscription		275,000	500,000
Professional And Consultancy		180,000	180,000
Supervision Fees		721,539	291,360
Professional Tax		155,300	123,650
Depreciation	20.1	5,406,566	6,584,546
Amortization	20.2	442,558	167,961
Auditors' Remuneration	22.1	338,504	408,831
Rent Expense		149,855	184,977
Printing and Stationery		199,620	261,923
IAP Membership Fees		57,949	96,656
Underwriting Commission		—	454,960
Miscellaneous Expenses		191,222	113,314
		18,354,574	21,963,065

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

	2011	2010
	Rupees	Rupees
22 AUDITORS' REMUNERATION		
Audit Fee	400,000	400,000
Half Yearly Review	75,000	75,000
Others	50,000	175,000
Out of Pocket Expenses	152,008	167,662
	677,008	817,662
22.1 Allocation of the Auditors' Remuneration is as Follows:		
Expense Not Attributable to Statutory Funds	21 338,504	408,831
Administration Expenses - Ordinary Life Business	169,252	204,416
Administration Expenses - Universal Life	67,701	81,766
Administration Expenses - Accident and Health Business	101,551	122,649
	338,504	408,831
	677,008	817,662
23 TAXATION		
Current	2,218,754	2,052,165

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 and minimum tax on turnover.

The company's deferred tax computation gives rise to deferred tax asset of Rs. 6.912 million (2010: Rs. 8.900 million) which has not been recognised in these financial statements.

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

(Loss)/Profit for the Year - Rupees	<u>(8,582,817)</u>	<u>3,193,684</u>
Weighted Average Number of Ordinary Shares	<u>50,045,600</u>	<u>45,533,394</u>
(Loss)/Earnings Per Share - Rupees	<u>(0.17)</u>	<u>0.07</u>

25 POLICYHOLDERS' LIABILITIES AS PER ACTUARY

	Statutory Funds						Aggregate December 31, 2011	Aggregate December 31, 2010
	Ordinary Life		Universal Life	Accident & Health				
	Individual	Group		Individual	Group			
Rupees								
Gross of Reinsurance								
Actuary Liability Relating to Future Events	18,128,353	35,002,707	184,273,899	471,896	16,398,761	254,275,616	239,162,402	
Provision for Outstanding Reported Claims Payable Over the Period Exceeding Twelve Months	456,128	—	1,028,158	—	—	1,484,286	1,413,868	
Provision for Claims Incurred But Not Reported (IBNR)	100,000	4,005,850	204,537	100,000	950,000	5,360,387	5,362,343	
Total	18,684,481	39,008,557	185,506,594	571,896	17,348,761	261,120,289	245,938,613	
Net of Reinsurance								
Actuary Liability Related to Future Events	18,128,353	9,384,503	180,186,323	471,896	16,398,761	224,569,836	207,810,529	
Provision for Outstanding Reported Claims Payable Over the Period Exceeding Twelve Months	456,128	—	1,005,351	—	—	1,461,479	1,413,868	
Provision for Claims Incurred But Not Reported (IBNR)	100,000	1,074,000	200,000	100,000	950,000	2,424,000	2,354,512	
Total	18,684,481	10,458,503	181,391,674	571,896	17,348,761	228,455,315	211,578,909	

26 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

	2011		2010	
	Chief Executive	Directors	Chief Executive	Directors
Rupees				
Managerial Remuneration	828,000	—	828,000	—
Directors' Fees	—	500,000	—	500,000
Chairman's Honorarium	—	60,000	—	60,000
House Rent Allowance	372,000	—	372,000	—
Utilities	849,694	—	608,398	—
Retirement Benefits	165,600	—	165,600	—
Reimbursement of Expenses	2,894,777	—	2,307,261	—
	5,110,071	560,000	4,281,259	560,000
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 Undertakings), 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

	2011			2010		
	Directors	Key Management Personnel	Associated Companies & Common Directorship	Directors	Key Management Personnel	Associated Companies & Common Directorship
	Rupees					
Transactions						
Premium Received	—	—	135,660	—	—	2,125,120
Premium Paid	—	—	508,152	—	—	730,676
Claims Paid	—	—	424,247	—	—	2,826,423
Investments						
Sales	—	—	49,500,000	—	—	11,505,985
Purchases	—	—	30,856,975	—	—	—
Underwriting Commission	—	—	—	—	—	454,960
Balances						
Premium Receivable	—	—	414,786	—	—	564,786
Investment	—	—	3,978,602	—	—	3,781,330

27.1 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 individuals members of 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.

28 FINANCIAL INSTRUMENTS BY CATEGORY

	2011			Total
	Loans and Receivables	Available for Sale	Held to Maturity	
Assets Rupees			
Cash In Hand	20,138	—	—	20,138
Current and Other Accounts	104,841,985	—	—	104,841,985
Deposits Maturing Within 12 Months	50,000,000	—	—	50,000,000
Loans Secured Against Life Insurance Policies	7,914,455	—	—	7,914,455
Unsecured Advances To Employees	910,918	—	—	910,918
Government Securities	—	—	179,008,864	179,008,864
Other Fixed Income Securities	—	—	2,671,775	2,671,775
Listed Equities And Mutual Funds	—	4,907,591	—	4,907,591
Premiums Due But Unpaid	20,102,781	—	—	20,102,781
Sundry Receivables	8,048,464	—	—	8,048,464
Investment Income Accrued	1,422,623	—	—	1,422,623
	193,261,364	4,907,591	181,680,639	379,849,594

	2011		Total
	Others	At Fair Value Through Profit and Loss	
Liabilities Rupees		
Outstanding Gratuity	—	90,550	90,550
Outstanding Claims	—	10,560,343	10,560,343
Amount Due to Other Insurers / Reinsurers	—	17,234,866	17,234,866
Accrued Expenses	—	10,953,328	10,953,328
Agent's Balances	—	2,734,043	2,734,043
Other Creditors and Accruals	—	823,870	823,870
	—	42,397,000	42,397,000

	2010			Total
	Loans and Receivables	Available for Sale	Held to Maturity	
Assets Rupees			
Cash In Hand	24,657	—	—	24,657
Current and Other Accounts	83,156,828	—	—	83,156,828
Deposits Maturing Within 12 Months	53,000,000	—	—	53,000,000
Loans Secured Against Life Insurance Policies	7,548,871	—	—	7,548,871
Unsecured Advances to Employees	1,004,284	—	—	1,004,284
Government Securities	—	—	157,928,759	157,928,759
Other Fixed Income Securities	—	—	4,454,731	4,454,731
Listed Equities And Mutual Funds	—	31,762,452	—	31,762,452
Premiums Due But Unpaid	17,074,082	—	—	17,074,082
Sundry Receivables	2,801,823	—	—	2,801,823
Investment Income Accrued	1,249,827	—	—	1,249,827
	165,860,372	31,762,452	162,383,490	360,006,314

	2010			Total
	Others	At Fair Value Through Profit and Loss		
Liabilities Rupees			
Outstanding Gratuity	—	90,550	—	90,550
Outstanding Claims	—	8,429,398	—	8,429,398
Amount Due to Other Insurers / Reinsurers	—	8,329,795	—	8,329,795
Accrued Expenses	—	10,522,196	—	10,522,196
Agent's Balances	—	2,013,214	—	2,013,214
Other Creditors and Accruals	—	1,095,985	—	1,095,985
	—	30,481,138	—	30,481,138

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:

	2011 Rupees	2010 Rupees
Cash and Cash Equivalent		
Cash in Hand	20,138	24,657
Current And Other Accounts	104,841,985	83,156,828
Deposits Maturing Within 12 Months	50,000,000	53,000,000
Loans and Receivables		
Loans Secured Against Life Insurance Policies	7,914,455	7,548,871
Unsecured Advances to Employees	910,918	1,004,284
Premiums Due But Unpaid	20,102,781	17,074,082
Investment Income Accrued	1,422,623	1,249,827
Sundry Receivables	8,048,464	2,801,823
Held-to-Maturity Financial Assets		
Investment	181,680,639	162,383,490
	374,942,003	328,243,862

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 Company maintained its funds with Banks having strong credit rating. Currently the funds are kept with Banks having rating from BBB to AAA.

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

	2011 Rupees	2010 Rupees
Upto One Year	28,470,184	21,765,488
More than One Year	9,929,057	7,913,399
	38,399,241	29,678,887

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

Financial Institutions	6,087,966	7,311,570
Transport and Communication	4,646,166	2,302,135
Food and Beverages	582,497	2,015,831
Engineering	2,294,339	—
Auto and Allied	—	182,319
Others	6,491,813	5,262,227
	20,102,781	17,074,082

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 2011

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	20,138	—	—	—	—	—	—	—	—	20,138
Current and Other Accounts	5% To 6%	104,841,985	104,841,985	—	—	—	—	—	—	—
Deposits Maturing Within 12 Months	11%	50,000,000	50,000,000	—	—	—	—	—	—	—
Loans Secured Against Life Insurance Policies		7,914,455	—	—	—	—	—	—	—	7,914,455
Unsecured Advances to Employees		910,918	—	—	—	—	—	—	—	910,918
Investments	8% To 12%	186,588,230	—	—	109,928,990	25,219,608	7,999,717	17,412,310	21,120,014	4,907,591
Premiums Due But Unpaid		20,102,781	—	—	—	—	—	—	—	20,102,781
Investment Income Accrued		1,422,623	—	—	—	—	—	—	—	1,422,623
Sundry Receivables		8,048,464	—	—	—	—	—	—	—	8,048,464
		379,849,594	154,841,985	—	109,928,990	25,219,608	7,999,717	17,412,310	21,120,014	43,326,970
Financial Liabilities										
Deferred Liabilities - Gratuity		90,550	—	—	—	—	—	—	—	90,550
Outstanding Claims		10,560,343	—	—	—	—	—	—	—	10,560,343
Amounts Due to Other Insurer / Reinsurer		17,234,866	—	—	—	—	—	—	—	17,234,866
Accrued Expenses		10,953,328	—	—	—	—	—	—	—	10,953,328
Agent's Balances		2,734,043	—	—	—	—	—	—	—	2,734,043
Other Creditors and Accruals		823,870	—	—	—	—	—	—	—	823,870
		42,397,000	—	—	—	—	—	—	—	42,397,000
On Balance Sheet Gap		337,452,594	154,841,985	—	109,928,990	25,219,608	7,999,717	17,412,310	21,120,014	929,970

Year 2010

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	24,657	—	—	—	—	—	—	—	—	24,657
Current and Other Accounts	5% To 6%	83,156,828	83,156,828	—	—	—	—	—	—	—
Deposits Maturing Within 12 Months	5% To 12%	53,000,000	53,000,000	—	—	—	—	—	—	—
Loans Secured Against Life Insurance Policies		7,548,871	—	—	—	—	—	—	—	7,548,871
Unsecured Advances to Employees		1,004,284	—	—	—	—	—	—	—	1,004,284
Investments	8% To 12%	194,145,942	—	68,379,708	—	42,505,861	5,042,314	7,999,656	38,455,951	31,762,452
Premiums Due But Unpaid		17,074,082	—	—	—	—	—	—	—	17,074,082
Investment Income Accrued		1,249,827	—	—	—	—	—	—	—	1,249,827
Sundry Receivables		2,801,823	—	—	—	—	—	—	—	2,801,823
		360,006,314	136,156,828	68,379,708	—	42,505,861	5,042,314	7,999,656	38,455,951	61,465,996
Financial Liabilities										
Deferred Liabilities - Gratuity		90,550	—	—	—	—	—	—	—	90,550
Outstanding Claims		8,429,398	—	—	—	—	—	—	—	8,429,398
Amounts Due to Other Insurer / Reinsurer		8,329,795	—	—	—	—	—	—	—	8,329,795
Accrued Expenses		10,522,196	—	—	—	—	—	—	—	10,522,196
Agent's Balances		2,013,214	—	—	—	—	—	—	—	2,013,214
Other Creditors And Accruals		1,095,985	—	—	—	—	—	—	—	1,095,985
		30,481,138	—	—	—	—	—	—	—	30,481,138
On Balance Sheet Gap		329,525,176	136,156,828	68,379,708	—	42,505,861	5,042,314	7,999,656	38,455,951	30,984,858

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, 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. 2,671,775 (2010: Rs. 4,454,731). 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.

29.6 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 Insurance Contract**

The company issues contracts that are classified as insurance contracts as they transfer significant insurance risk (against death, disability and sickness) from the policyholder to the company. Company classifies its contracts (policies) into group life, group accident and health, individual life and individual accident and health business. None of the contracts of the company contains discretionary participation feature. Company also offers some supplementary benefits attached in the form of riders with individual life contracts.

31.2 General Terms the Insurance Contracts Issued by the Company are as follow:**31.2.1 Group Policies****Group Life**

The group life policies are generally one year renewable term insurance contracts. In most of the cases they provide group coverage to the employees of an employer. Group policies are issued to lending agencies such as banks to provide group coverage to their borrowers. In many cases supplementary coverage is also provided which may include accidental or natural disability benefits and additional accidental death benefit.

Under the group life insurance policies in most cases the insured event is either death due to any cause. In case of supplementary coverage the insured event can include accidental death or disability or natural disability.

All the group insurance contracts are non participatory and have no cash value. Company has its own market personnel to sell group policies.

Group Health

The group health policies of the company provide covered against accidental death, disability, sickness and critical illness. These are generally one year renewable term insurance contracts which are non participatory and have no cash value. In most of the cases they provide group coverage to the employees of an employer. Company has its own market personnel to sell these polices.

31.2.2 Individual Policies

Individual Conventional Life Products

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

Individual Accident and Health Products

The company, in its accidental and health statutory fund, offers two individual one-year renewable term non-participating accidental products which provide covered against accidental death, disability, sickness and critical illness. These products are distributed through in-house agency of the company.

Universal Life Products

Under these plans a certain amount is set aside from the premium for expenses and meeting the mortality cost and the remainder of the premium is invested to earn some investment return. Investment return is allocated to these products on an annual basis keeping in view the investment earnings of the 'Universal life fund'.

Particulars of insurance contracts provided by the company under universal life 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

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

1. Accidental Death Benefit
2. Accidental Indemnity Benefit
3. Term Insurance Rider
4. Major Surgery Benefit
5. Family Income Benefit Rider

31.2.3 Policyholders' Liabilities

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

Group Policies

The liability in respect of group life and accidental and health insurance, and riders of all types, was set using the unearned premium method. Unearned premium reserve is held for that portion of premium which has not yet accrued at balance the sheet date. Due provision was made for claims incurred but not reported ("IBNR") by analyzing claims incurred after the valuation date till the reporting date and past pattern of claim intimation lag from the date of occurrence of claim. The company also holds a premium deficiency reserve which reflects the view of the appointed actuary regarding the eventual loss ratio expected under group insurance contracts duly accounting for the IBNR provisions.

Individual Accidental Policies

The liability in respect individual accidental policies was set using the unearned premium method as described above for group business.

Individual Conventional Life Policies

The liability under individual conventional life assurances is calculated by deducting from the present value of the sums assured, ninety percent of the present value of the net premiums. Net premiums are 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. EFU (1961-66) Mortality Table and a valuation interest rate of 3.75% are used for valuation of liabilities. As at the balance sheet date (valuation date), all conventional policies are either paid-up or are in benefit stage where the premiums have been ceased.

Individual Universal Life Policies

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. LIC (1994-96) Mortality Table is used 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.

31.3 Liability Adequacy Test

The adequacy of liability held by the company has been tested using an alternative reserving method based upon realistic estimates of future mortality, expenses, lapses and investment return. Based upon the results of this test the appointed actuary considers that the liability being kept by the company is adequate.

31.4 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 insured 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 insurees 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.

However, the frequency can be affected in case there is a variation in the mortality rates experienced by the group of lives insured by the company. An unusual catastrophic event such as a disease epidemic, flash floods or a major earthquake can produce a sudden spike in the frequency.

31.5 Accounting Estimates and Judgments

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:

- a) 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;
- b) 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;
- c) 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; and
- d) 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.

31.6 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 Policyholder's 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 Sources of Uncertainty in Estimation of Future Benefit Payments and Premium Receipts

The uncertainty with respect to future premiums and benefits may arise due to unexpected changes in mortality or disability experience. Adverse mortality experience will result in excess benefit payments, and reduced future premium income. Likewise, unexpected changes in surrenders and lapses could also have a significant impact on future realized premiums. Estimates of lapses and surrenders are based on internal experience studies carried out annually. Factors that could affect policyholder behaviour include, market factors such as interest rates, policyholder preferences in terms of the monetary value that a policyholder relates with the insurance policy, the frequency of premium payments and the age of the individual.

31.8 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 2012 and February 2012 which pertains to calendar year 2011 were taken as IBNR reserve after adjusting the amount for unreported claims pertaining to 2011. 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.

31.9 Sensitivity Analysis

Variables	Change in Variable	Change in Liability 2011	Change in Liability 2010
a) Long Term Insurance With Fixed Guaranteed Terms (Individual Life Conventional Paid Ups)			
Worsening of Mortality and/or Morbidity Rates FOR Risk Policies	5% 10%	9,777 19,494	13,729 27,318
Improvement of Mortality	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 on 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 policyholder's 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.

31.10 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.

31.11 Management of Insurance Risk

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. Free cover limit in case of group insurance business is set with the consolation of the appointed actuaries on case to case basis.

The insurance law has laid down some minimum criteria for insurance risk management, which is mandatory for all insurers. This includes guidance regarding minimum capital requirement for insurers, requirement to submit a financial condition report on an annual basis, minimum reserving basis for the financial condition report, minimum solvency requirements and requirement to match the currency of assets and liabilities. Also the law lays down certain restrictions on the assets that may be counted as admissible assets, prescribes guidelines for valuation of assets and liabilities, prescribes reinsurance arrangements and prescribes guidelines for investment of funds. Strategy of the company to manage insurance risk meets the regulatory requirements in this regard in addition to internal company specific practices.

31.12 Other Risks

The company faces a number of financial risks in its assets and liabilities, apart from insurance risk. These risks can be broadly categorized as expense risk, lapse risk, market risk, credit risk and liquidity risk. This section describes these risks on the company level and identifies and describes the processes and strategy of management to manage these risks.

Expense Risk

The risk that the company faces is that future expenses may be higher than those used in pricing of products causing an expense overrun. The company mitigates this risk by incorporating a certain level of acceptable conservatism in building future policy expense factors in pricing and expects to maintain its actual expenses within these limits. Regular monitoring of policy expense factors in pricing and expects to maintain its actual expenses within these limits. Regular monitoring of expenses allows the company to adjust its pricing in time to account for higher than expected expenses

Lapse Risk

The risk the company faces is that future persistency rates may be lower than assumed in pricing, thus impacting the emergence of profit from its portfolio of individual life policies. The company places tremendous emphasis on quality customer services and retention of clients by making persistency standard an integral part of the sales force culture. It has robust systems in place to regularly monitor the lapse experience. Regular focus on persistency is embedded in the company's culture and is an integral part of the monitoring of the sales force performance and remuneration.

Surrenders Risk

The reserving basis used by the company does not assume any surrenders. However the company ensures that the reserves kept by it for each policy is more than its surrender value. This ensures that the company does not suffer any adverse impact in case any policies are surrendered.

Catastrophe Risk

The business of the company is spread in different geographical areas of the country. However the insurance penetration rate in the country is very low. This means for any localized segment of the population only a small proportion of the people would be covered under life insurance. The proportion covered by the company policies is expected to be even smaller. As a result any localized catastrophic event is not expected to have any significant impact on the company.

The situation is a bit different on the group insurance side where there is a higher concentration of risk because by its very nature this business often covers a large number of persons located within a restricted geographical area, such as a building or a factory premises. This risk is somewhat mitigated due to the presence of reinsurance cover for the individual and group policies. In addition the premium rates of the company are designed to adequately cater for this risk. Premium deficiency reserve held by the company for its group business provides an extra layer of security against this risk.

Operational Risk or Pricing Risk

The company utilizes industry recognized underwriting practices to ensure that only standard risks are written on standard rates. Any sub-standard risks identified during the underwriting process are charged suitable extra premiums. This ensures fair and equitable treatment between various risk categories and helps in keeping its standard rates competitive by the insurance industry standards. This practice also protects the company against the risk of large number of sub-standard impaired lives accumulating on its policy portfolio, since extra premium is automatically charged commensuration with such risk.

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 Re and Swiss Re to cover the individual policies and group life insurance policies. Amount of Rs. 17,234,866 shows an amount due to reinsurees as on December 31, 2011 (2010: Rs. 8,112,922).

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 Rueckvericherung 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 Rueckvericherung AG	Surplus	Sum Assured above 200,000	"A"	Pakistan	Individual Life Insurance Portfolio of Assumed: Basic Death
Swiss Re	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 CAPITAL MANAGEMENT

The company's capital management objectives are:

- to comply with minimum paid-up capital requirement prescribed by SECP
- 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. 500 million.

34 DATE OF AUTHORIZATION FOR ISSUE

These financial statements are authorized for issue on March 8th, 2012 by the Board of Directors of the Company.

35 SUBSEQUENT EVENT

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

36 GENERAL

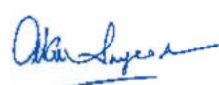
Amounts have been presented and rounded off to the nearest Rupee.



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 31st, 2011 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, 2011 have been determined in accordance with the provisions of the Insurance Ordinance, 2000; and
- (b) that the statutory funds of East West Life Assurance Company Limited comply with the solvency requirements of the Insurance Ordinance, 2000, as at December 31st, 2011.

Karachi
Date: March 8th, 2012



Shujat Siddiqui, MA, FIA, FPSA
Appointed Actuary

Pattern of Holding of the Shares

Held by the Shareholders of East West Life Assurance Company Limited
As At December 31, 2011

Number of Shareholders	From	Shareholding To	Total Shares Held	Percentage
74	1	100	5,132	0.0103
551	101	500	258,063	0.5157
130	501	1,000	117,772	0.2353
148	1,001	5,000	418,539	0.8363
48	5,001	10,000	347,123	0.6936
17	10,001	15,000	219,680	0.4390
3	15,001	20,000	57,445	0.1148
7	20,001	25,000	161,175	0.3221
4	25,001	30,000	111,850	0.2235
1	30,001	35,000	34,401	0.0687
2	35,001	40,000	75,502	0.1509
1	40,001	45,000	44,000	0.0879
1	45,001	50,000	45,453	0.0908
1	55,001	60,000	57,600	0.1151
1	65,001	70,000	66,030	0.1319
1	85,001	90,000	85,500	0.1708
1	110,001	115,000	112,500	0.2248
3	285,001	290,000	543,006	1.0850
1	325,001	330,000	330,000	0.6594
1	365,001	370,000	362,198	0.7237
1	405,001	410,000	409,053	0.8174
1	425,001	430,000	426,525	0.8523
1	470,001	475,000	472,198	0.9435
1	575,001	580,000	579,695	1.1583
1	920,001	925,000	922,264	1.8428
1	1,025,001	1,030,000	1,026,015	2.0502
1	1,395,001	1,400,000	1,395,960	2.7894
1	1,910,001	1,915,000	1,911,050	3.8186
1	2,185,001	2,190,000	2,189,734	4.3755
1	2,290,001	2,295,000	2,293,329	4.5825
1	2,645,001	2,650,000	2,649,970	5.2951
1	3,240,001	3,245,000	3,240,297	6.4747
1	3,605,001	3,610,000	3,606,080	7.2056
1	3,995,001	4,000,000	3,998,643	7.9900
1	21,470,001	21,475,000	21,471,818	42.9045
1,011			50,045,600	100.0000

Shareholders	Number	Shares Held	Percentage
CEO, Directors and their Spouses and Minor Children	12	35,672,087	71.2792
Joint Stock Companies, Insurance Companies, Investment Companies & Modarabas	2	3,607,080	7.2076
Individuals	997	10,766,433	21.5132
Total	1,011	50,045,600	100.0000

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
Associated Company			
M/s East West Insurance Company Limited	1	3,606,080	7.2056
Other Company			
National Development Finance	1	1,000	0.0020
NIT & ICP			
ICP A/c. Mr. Yasin	1	100	0.0002
ICP A/c. Mst. Nasima	1	400	0.0008
ICP A/c. Mr. Mohammad Ashfaq	1	100	0.0002
ICP A/c. Mr. Zafar	1	100	0.0002
ICP A/c. Haji Sher Afghan	1	400	0.0008
SHAREHOLDING 10%			
Naved Yunus	1	21,471,818	42.9045
CEO, Directors, their Spouses and Minor Children			
Maheen Yunus, CPCU	1	579,695	1.1583
Javed Yunus	1	362,198	0.7237
Pervez Yunus	1	472,198	0.9435
Omer Yunus	1	2,189,734	4.3755
Chief Justice (R) Mian Mahboob Ahmed	1	6,255	0.0125
A. K. M. Sayeed	1	3,553	0.0071
Rubina Yunus	1	409,053	0.8174
Samina Yunus	1	2,649,970	5.2951
Ambreen Yunus	1	288,673	0.5768
Shamaila Yunus	1	3,998,643	7.9900
Samad Yunus	1	3,240,297	6.4747
Individuals	992	10,765,333	21.5110
Total	1,011	50,045,600	100.0000



A DEEPLY-ROOTED BASE... YOU CAN MANAGE

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 **Accident Protection** plans let you protect your family while giving you real peace of mind.



EAST WEST LIFE
ASSURANCE COMPANY LIMITED

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Branch Network

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

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, District: Sialkot.
Mobile: (0333) 8604563

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

Islamabad

Office No. 40, 3rd Floor, Rose One Plaza,
I-8 Markaz, Islamabad.
Tel.: (051) 4862438, 4862471-2

Rawalpindi

Zonal Office*
55-A, Bank Road, Rawalpindi Cantt.
Rawalpindi.
Tel.: (051) 5514322, Fax: (051) 5564809
UAN: 111-EWL-111 (111-395-111)
E-Mail: rawalpindi.zone@eastwestlifeco.com

Gujrat

Near Grid Station/Police Chowk,
Sargodha Road, Gujrat.
Tel.: (053) 3538067, 3535658
E-Mail:
sargodharoad.guj@eastwestlife.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

Haripur

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

Jhelum

F-1, 3rd Floor Shabbir Plaza,
Shandar Chowk, Jhelum.
Tel.: (0544) 623261,
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

Branch Network

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

Muzaffarabad (Azad Kashmir)

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

Mirpur (Azad Kashmir)

1st Floor, 23 Ayub Plaza, Mian
Muhammad Road, Mirpur (Azad Kashmir).
Tel.: (058610) 35491, 92898

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

Note: Besides 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

19th 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 19th Annual General Meeting to be held on Saturday, March 31st, 2012 at 12:00
noon at 28 – Regal Plaza, M. A. Jinnah Road, Quetta and at any adjournment thereof.

Signed this _____ day of _____ 2012

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 office of the Company's Share Registrar, M/s. Bema Associates (Pvt.) Limited, 515 EFU House, M. A. Jinnah Road, Karachi, not later than 48 hours before the time of holding the meeting.

Fold Here



The Company Secretary

EAST WEST LIFE
ASSURANCE COMPANY LIMITED

Share Registrar's Office

515, EFU House, M.A. Jinnah Road, Karachi.

Tel. Off.: (021) 32316087

Fax: (92-21) 32316187

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A DEEPLY-ROOTED BASE... FOR A CLEAR VISION

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.



EAST WEST LIFE
ASSURANCE COMPANY LIMITED

A Member of East West Group of Companies

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EAST WEST LIFE

ASSURANCE COMPANY LIMITED

Head Office:

310-EFU House, 3rd Floor, M.A. Jinnah Road,
Karachi-74000, Pakistan.

Tel: (021) 32311662/5, 32310904, Fax: (92-21) 32311667

UAN: 111-EWL-111 (111-395-111)

E-Mail: info@eastwestlifeco.com

Website: www.eastwestlifeco.com