



**EAST WEST LIFE**  
ASSURANCE COMPANY LIMITED

Your Dreams  
Our Commitment

**Annual Report  
2012**



## 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)

## Your Dreams Our Commitment

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

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



**EAST WEST LIFE**  
ASSURANCE COMPANY LIMITED

A Member of East West Group of Companies



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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. 832.2 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 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 various 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.



## SCHOLAR'S PLAN

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

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

East West Life's Scholar's Plan gives:

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

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

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



the ability to answer these questions to your satisfaction.

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

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

### Policy Maturity or Earlier Withdrawal

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

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

### Benefits Payable on Maturity of the Policy

On survival of the both lives insured, i.e. the payer and the child, up to the maturity date, the Net Cash Value shall be payable. The Net Cash Value

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.



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 up to 20% of the principal sum assured.

The Accidental Disability benefits are as follows:

#### 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.

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

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





## 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 FEATURES

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.

## HEALTH INSURANCE

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

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

### (a) Hospitalization Insurance:

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

- Daily room & board charges.
- Medicines & drugs.
- Consultant's fees.
- Surgeon's fees.
- Blood & Oxygen supplies.
- Anesthetist'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**

Saiyed Younus Saeed

### **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

### **Registered Office**

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

Phone: (081) 2822913, 2821397

Fax: (92-81) 2821460

### **Head Office**

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

Phone: (021) 32311662/5,

32310726,32310904,

32310375,32315723

Fax: (92-21) 32311667

### **Website**

[www.eastwestlifeco.com](http://www.eastwestlifeco.com)

### **E-Mail**

[info@eastwestlifeco.com](mailto:info@eastwestlifeco.com)



## Management and Bankers

### **Managing Director and Chief Executive**

Maheen Yunus, CPCU

### **Chief Operating Officer (COO)**

Imran Ali Dodani

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

Sohail Nazeer

### **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. Muhammad Abu Bakar Rashid, MBBS

Dr. Saleem Soomro, MBBS

### **Deputy General Managers**

Nadeem Akhtar

Nauman Mughal

Aqeel Ansari

Sana-ul-Haq Hashmi

### **Assistant General Managers**

Tanveer Iqbal

Naveed Ashraf

Anjum Ghazali

Kashif Naeem

Ajaz Hussain

### **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.

Apna Microfinance Bank Limited

Citibank N. A. Pakistan

Bank Alfalah Limited

## 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

### **Investment Committee**

A. K. M. Sayeed  
Naved Yunus  
Maheen Yunus, CPCU  
Sohail Nazeer, Secretary

### **Human Resources and Remuneration Committee**

Naved Yunus  
Pervez Yunus  
Maheen Yunus, CPCU  
Imran Ali Dodani  
Anjum Ghazali, 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

- Safety and Security through expansion, development and profitability.
- Exceptional and flexible product-line to meet the needs of our clients.
- Respect and consideration for our policyholders, agents and employees.
- Vision as well as action to achieve our mission.
- Integrity and honesty in every aspects of our organization.
- Community improvement through participation.
- Excellent service.



## Chairman's Review

It is my privilege to place before you, on behalf of the Board of Directors of East West Life Assurance Company Limited, the 20th Annual Report together with the audited financial statements of the company for the year ended December 31st, 2012.

### THE ECONOMY

Needless to say, 2012 was another difficult year for the global economy. Even the developed economies continued a sliding trend primarily due to the debt crises in the euro zone, fiscal cliff issues in the US, delicate banking sector, weak demand worsened by high unemployment as well as financial austerity measures and general inaction caused by delicately held-together political coalition governments. Accordingly, emerging economies, such as Pakistan, were affected by the overall global economic weakness, especially those indicators related to lowered demand of goods.

Besides this, Pakistan's economy has faced various challenges during the past few years, such as the floods of 2010, heavy rains in 2011 as well as 2012, continued negative security scenario requiring additional government's resources, high oil prices, issues related to energy shortage and low GDP investment. Nevertheless, despite these problems, Pakistan's economy has continued to grow during the last three years and per capita income has risen. In the last fiscal year, GDP has grown by 3.7% compared with just 3% in the previous period. A very positive aspect of this growth was that it was distributed evenly in the key segments, such as agriculture, industry and the services sector.

Despite a sizable budget deficit of 8.5% of the GDP, the Government has continued strict austerity measures and controlling its expenditures as evidenced by the fact that from 2009 to 2012 expenditures grew by only 14.7% while growth was at 25.5% during the period from 2005 to 2008. Moreover, various subsidies have been a key factor contributing to the

fiscal deficit while subpar tax collection, which is quite a bit below the potential of the economy, is also impeding the reduction of the deficit. However, the Government is taking all necessary steps and tough decisions needed to move towards the essential direction of debt reduction. Furthermore, the upcoming elections and peaceful movement of democracy from one government to another will be essential for the improvement of Pakistan's image in the world hopefully resulting in increased Foreign Direct Investment (FDI) and lowered cost of raising funds for the government.

Unfortunately, the tough economic situation globally as well as domestically is continuing to slow premium growth within the insurance industry and leads 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 of 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 2012, your company has reached some important targets in its financial results, including:

- Group-Health Related Premium reached Rs. 132.2 million, and
- Gross Corporate/Group Premium Income has crossed Rs. 203.2 million.

During 2012, with the grace of Almighty Allah, the results of your company have improved as compared to the previous year. In this regard, some highlights are as follows:

- The company's total individual life subsequent year renewal premium base has increased by 13.8% from Rs. 22.27 million to

more than Rs. 25.34 million, which shows the efforts being made to achieve required persistency.

- The gross corporate/group premium base of the company has improved satisfactorily from Rs. 190.2 million in 2011 to over Rs. 203.2 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 2012 by attaining level of Rs. 132.24 million as compared to Rs. 99.5 million in the previous year, which is a significant increase approaching 33% over the year 2011.
- The management's persistent hard work to control excessive costs in the company have resulted in reduction of statutory fund management expenses by 3.5% in 2012 to Rs. 63.6 million from Rs. 65.9 million in 2011. The primary reason for this decline is decrease of more than 25% within the company's business acquisition costs.
- As a result of improved income and reduction in expenses, the before tax loss in the shareholders' fund has decreased significantly from a loss exceeding Rs. 6.36 million in the previous period to Rs. 4.61 million in 2012, which is a reduction of 27.5%.
- The company's overall management expense has decreased in 2012 by nearly 5% from Rs. 84.23 million to less than Rs. 80.2 million, which is a decrease of over Rs. 4 million.
- The company's investments have increased substantially by more than 8% to more than Rs. 202 million in 2012 against Rs. 186.6 million during the previous period.

## Chairman's Review

- The shareholders' fund (loss) per share has reduced by 2 paisas or nearly 12% from loss of 17 paisas in 2011 to only 15 paisas during the current period.

Despite the improved results, the company is still focusing on improving net claim results, stricter underwriting and further expense control while keeping in view the essential task of improvement in profitability.

### FUTURE PROSPECTS OF THE COMPANY

In order to improve bottom-line results of the company in 2013, the company is focusing on its efforts to further reduce management as well as administrative expenses, additional modifications in the field force compensation package to manage acquisition costs, expansion of marketing personnel under close supervision, use of new business procurement channels (such as Bancassurance), enhancement of Human Resource mobilization as well as utilization, promotion of a professional environment and corporate culture, necessary modification of departmental structures to maximize efficiency and enhancement of investment management tools.

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

- Information Technology (IT) will be used to introduce value-added services with view of customer services and business expansion.
- Steps are being taken to expand business volumes further, especially within the company's group/corporate portfolio, as this is necessary for achievement of positive results within corporate-related statutory funds of the company.
- The company is planning to expand the commission-based

branch office model in certain areas with close and strict monitoring at every level of the organization.

- The budget developed within the company will be expanded to be more detailed so that business procurement and expense management can be better controlled from bottom-up within the organization.
- Expand cost-benefit analysis of company's branch offices throughout the country with focus on business procurement cost control.

With a view to maximize returns for policyholders and shareholders of the company, the management's job in 2013 is to improve financial results of the entity. The board is certain that, despite the bleak economic conditions being presently experienced in the country, the company's performance can improve if the management keeps a stringent focus on customer-services, timely as well as friendly claim payment service, new business procurement opportunities, introduction of new/unique products in the marketplace and expenditure management.

### ACKNOWLEDGEMENT

Before concluding my review, I would like to avail this opportunity to express my deep gratitude to The Ministry of Commerce, Government of Pakistan, and the Securities and Exchange Commission of Pakistan (SECP) for their continued guidance and assistance to the management in running the affairs of the company in a prudent manner.

My thanks also to the competent and dedicated officers, staff and field force of the company for the outstanding contribution made by them towards its development and growth. Their pledge to ethical standards, client service and hard

work has helped our company emerge and maintain its position as a significant member amongst private sector life insurers.

Moreover, I would also like to acknowledge the assistance of Insurance Association of Pakistan (IAP) for their support and invaluable representation of our industry. I also place on record my deep gratitude to the company's dedicated policyholders and corporate clients for their continued support and confidence.

Lastly, my thanks and appreciation to the thousands of our shareholders, whose 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.

May Almighty Allah bless us all (Ameen).

On behalf of the Board of Directors,



**CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD**  
Chairman

Karachi, May 10th, 2013



## 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, 2012.

### 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

During 2012, our company's net loss for the year has, unfortunately, increased by Rs. 24.34 million from a loss exceeding Rs. 15.3 million at the end of 2011 to approximately Rs. 39.66 million as at December 31st, 2012. This is primarily due to drastic increase in claims expense by more than 30% and a drop in investment income from Rs. 33.85 million to less than Rs. 28.5 million. The increase in claims expense has occurred because of a higher than expected increase in individual

claims by more than 118% as well as increase in health-related claims payments of more than Rs. 25 million or 26.6% as compared to the previous period. On the positive side, the company's expense reduction strategies are continuing to bear fruit by resulting in a decrease of management expense by nearly 5% in 2012 and the net premium income has also increased by approximately Rs. 2.6 million to more than Rs. 181.27 million at the end of the reporting period.

Below you will find a financial comparison of several key figures between the year 2012 and 2011 for shareholders' and statutory funds combined:

All Amounts in Rupees	2012	2011
Net Premium Income	181,272,234	178,686,939
Investment Income	28,472,441	33,851,073
<b>Total Net Income</b>	<b>209,744,675</b>	<b>212,538,012</b>
Net Claims Expense	162,132,539	124,524,654
Net Management Expense	80,370,059	84,231,377
<b>Total Claims and Expenditures</b>	<b>242,502,598</b>	<b>208,756,031</b>
Excess of Income Over Claims and Expenditures	(32,757,923)	3,781,981
Movement in Policyholders' Liability	(4,101,664)	(16,876,406)
Tax Expense	(2,801,730)	(2,218,754)
<b>Net (Loss) for the Year</b>	<b>(39,661,317)</b>	<b>(15,313,179)</b>

In view of the disappointing results shown above, the company's management has decided to initiate a complete restructuring of key departments, including underwriting, claims processing and marketing. In this regard, the revamping will focus on urgently improving rating and underwriting

standards so that the net claim expense may be controlled. Moreover, claims processing personnel are being changed/rotated while new procedures are being implemented to make certain that each claim, especially those related to health insurance, is checked thoroughly

and properly. 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 accomplishments are evident in a comparison of the following key figures for 2012 versus 2011, which are indicative of its performance for the year under review:

	2012	2011	% Chg.
Total Statutory Fund Net Premium Income	Rs. 181,272,234	Rs. 178,686,939	1.4%
Total Individual Life Subsequent Year Renewal Premium	Rs. 25,344,417	Rs. 22,271,605	13.8%
Total Gross Corporate/Group Premium	Rs. 203,204,455	Rs. 190,223,759	6.8%
Total Group Health-Related Premium	Rs. 132,243,217	Rs. 99,521,005	32.9%
Statutory Fund Management Expenses	Rs. 63,591,891	Rs. 65,876,803	-3.5%
Shareholders' Fund Income	Rs. 12,164,975	Rs. 11,990,511	1.5%
Expenses Not Attributable to Statutory Funds (Shareholders' Fund Expenses)	Rs. 16,778,168	Rs. 18,354,574	-8.6%
Shareholders' Fund Before Tax Loss	(Rs. 4,613,193)	(Rs. 6,364,063)	-27.5%
Overall Management Expenses	Rs. 80,370,059	Rs. 84,231,377	-4.6%
Investments	Rs. 202,034,877	Rs. 186,588,230	8.3%
Shareholders' Fund Per Share Loss	(Rs. 0.15)	(Rs. 0.17)	11.8%

- The statutory fund net premium income has crossed Rs. 181.27 million in 2012 from Rs. 178.7 million during the previous period, which is an increase of nearly Rs. 2.6 million or 1.4%. This income growth has helped offset the company's negative results within the Revenue Account pertaining to the statutory funds of the company.
- The company's total individual life subsequent year renewal premium base has increased by 13.8% from Rs. 22.27 million to more than Rs. 25.34 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. 190.2 million in 2011 to over Rs. 203.2 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 2012 by

attaining level of Rs. 132.24 million as compared to Rs. 99.5 million in the previous year, which is a significant increase approaching 33% over the year 2011. 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 reduction of statutory fund management expenses by 3.5% in 2012 to Rs. 63.6 million from Rs. 65.9 million in 2011. The primary reason for this decline is decrease of more than 25% within the company's business acquisition costs.
- The income within the company's shareholders' fund has increased by 1.5% in 2012 from Rs. 11.99 million to more than Rs. 12.16 million as a result of prudent investment activities pinpointing opportunities for high returns.
- In line with the task of controlling excessive management costs, the expenses not attributable to statutory funds, i.e.

shareholders' fund expenses, have decreased by 8.6% from Rs. 18.35 million during the previous period to Rs. 16.77 million in 2012.

- As a result of improved income and reduction in expenses, the before tax loss in the shareholders' fund has decreased significantly from a loss exceeding Rs. 6.36 million in the previous period to Rs. 4.61 million in 2012, which is a reduction of 27.5%.
- The company's overall management expenses have decreased in 2012 by nearly 5% from Rs. 84.23 million to less than Rs. 80.2 million, which is a decrease of over Rs. 4 million.
- The company's investments have increased substantially by more than 8% to more than Rs. 202 million in 2012 against Rs. 186.6 million during the previous period.
- The shareholders' fund (loss) per share has reduced by 2 paise or nearly 12% from loss of 17 paise in 2011 to only 15 paise during the current period.

## Directors' Report to the Shareholders

We feel it is important to highlight the several "firsts" that your company has achieved in its financial results during 2012, which are given below:

- Group-Health Related Premium reaches Rs. 132.2 million, and
- Gross Corporate/Group Premium Income crosses Rs. 203.2 million.

The management of the company would like 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.

Moreover, it is important to mention that, in October of 2012, the company had approached Securities and Exchange Commission of Pakistan (SECP) to allow our company to maintain Shareholders' Fund and Statutory Funds solvency margins on December 31st, 2012 as per the requirements previously in place before introduction of the amendments in SEC (Insurance) Rules, 2002 made vide SRO 16(I)/2012 dated January 9th, 2012 primarily due to the following factors:

- The adverse economic situation of the country is not encouraging for investors to choose insurance companies for their investment funds in case of a right issue.
- The company's share value is below par, which indicates that a positive reply to a right share issue cannot be expected.
- The size of our premium base portfolio and statutory fund volume does not require such high solvency margins to be instituted on our company.
- Certain discrepancies in the amendments were resulting in

uneven playing field between general and life insurance companies related to health insurance business.

However, in February of 2013, our application was denied by the SECP. As December 31st, 2012 had already passed, the company could not take any action to rectify the situation by injecting the necessary funds/capital into the company to meet the latest solvency regulations notified by the Commission in January of 2012. Nevertheless, in their meeting on May 10th, 2013, the Board of Directors of the company have declared a right issue so that the company can meet the amended solvency regulations issued by SECP through their SRO dated January 9th, 2012.

### 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 its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards and International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.

- 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.



## Directors' Report to the Shareholders

The principal features of control framework include:

- Evaluation and approval procedures for major capital expenditure and other transactions.
- Regular reporting and monitoring of financial performance of the divisions, and the group as a whole, using operating statistics and monthly management accounts, which highlight key performance indicators and variance from budgets and quarterly forecasts.
- Review of the group's health, safety, environment contingency

management processes and other significant policies.

- There are no doubts upon the company's ability to continue as a going concern. Subsequent to the balance sheet date, the Board of Directors in their meeting held on May 10th, 2013 have approved a right issue to address the Solvency Margin requirement matter.
- 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 December 31st, 2012 is included with the Report.
- The value of investment in the Provident Fund based on the audited accounts as at December 31st, 2012 is Rs. 11,231,453/-.
- There has been no trading during the year in the shares of the Company carried out by the directors, CEO, COO, CFO, Company Secretary, Head of Internal Audit 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	03 out of 04
03	Mr. A. K. M. Sayeed	04 out of 04
04	Mr. Naved Yunus	03 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 meeting.

### FUTURE OUTLOOK

In 2013 and beyond, the management of your company will focus on restructuring of several key departments, including underwriting, claims processing and marketing while also concentrating on improving internal controls as well as constituting 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 2013, but at a reducing rate.

- 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 strictly keep business acquisition expenses within allowed levels.
- Expansion of sales force structure and monitoring strategy by the talented executives will be of key importance 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 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 Human Resources and Remuneration 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.



## Directors' Report to the Shareholders

- 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.
- The company will also enhance the role of the company's Investment 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 2013 (the 21st 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 insurance. In view of 2012 results, 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.

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 Board's 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 CODE OF CONDUCT

The Board has adopted the statement of Code of Conduct. 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 31st, 2012 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 31st, 2012.

### 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 Audit Committee has recommended their reappointment.

### ACKNOWLEDGEMENT

The directors would like to take this opportunity to extend their gratitude to the Securities and Exchange Commission of Pakistan (SECP) for their continued guidance and support to the company's management. The board would also like to thank The Ministry of Commerce and Government of Pakistan for their efforts in uplifting the insurance industry in the country.

The directors also wish to record their indebtedness for the extraordinary efforts of the able officers, staff and field force of the company towards its development and growth. Their constant dedication to high ethical standards, client service and hard work has made your company an important member among the private sector life insurers.

Further, the board would like to record their appreciation to the Insurance Association of Pakistan (IAP) for their guidance, support and invaluable representation of our industry. The board also wishes to sincerely thank the company's loyal policyholders and corporate clients for their constant confidence and encouragement in our organization.

Finally, thanks 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

	2012	2011	2010	2009	2008	2007
<b>REVENUE ACCOUNT</b>						
Premium - Net of Reinsurance	181,272,234	178,686,939	183,761,428	154,488,668	107,753,058	90,298,899
Interest and Other Income	28,472,441	33,851,073	34,126,030	(191,904,242)	84,419,832	110,087,312
	209,744,675	212,538,012	217,887,458	(37,415,574)	192,172,890	200,386,211
Claims Less Reinsurance	162,132,539	124,524,654	109,356,851	94,895,323	78,077,944	67,192,925
Net Commission & Acquisition Cost	15,372,062	20,762,238	37,817,904	66,544,967	31,370,922	4,606,722
Other Administrative Cost	64,997,997	63,469,139	64,837,298	64,806,415	57,421,498	38,605,582
Movement in Policyholders' Liabilities	4,101,664	16,876,406	54,636,597	37,742,264	10,527,788	9,437,814
Profit/(Loss) Before Tax	(36,859,587)	(13,094,425)	(48,761,192)	(301,404,543)	14,774,738	80,543,168
Provision for Taxation	(2,801,730)	(2,218,754)	(2,052,165)	(1,236,232)	(812,697)	(903,444)
<b>Profit/(Loss) After Tax</b>	<b>(39,661,317)</b>	<b>(15,313,179)</b>	<b>(50,813,357)</b>	<b>(302,640,775)</b>	<b>13,962,041</b>	<b>79,639,724</b>
<b>BALANCE SHEET</b>						
Investments	202,034,877	186,588,230	194,145,942	197,559,818	376,890,401	198,874,547
Other Assets	179,028,416	194,501,337	167,156,454	100,490,640	139,663,343	276,034,339
Fixed Assets	32,806,644	37,213,987	42,571,385	50,265,367	46,610,645	26,386,792
	413,869,937	418,303,554	403,873,781	348,315,825	563,164,389	501,295,678
Issued, Subscribed and Paid-Up Capital	500,456,000	500,456,000	500,456,000	454,960,000	413,600,000	352,000,000
Advance Against Equity	24,000,000	-	-	-	-	-
Accumulated Surplus/(Loss)	(411,900,536)	(376,330,613)	(353,497,796)	(305,591,480)	1,741,055	20,333,028
Balance of Statutory Fund	238,391,980	238,381,710	213,985,666	162,256,110	119,822,086	111,940,284
Other Liabilities	62,922,493	55,796,457	42,929,911	36,691,195	28,001,248	17,022,366
	413,869,937	418,303,554	403,873,781	348,315,825	563,164,389	501,295,678



## Notice of Annual General Meeting

Notice is hereby given that the 20th Annual General Meeting of the shareholders of East West Life Assurance Company Limited will be held on Friday, May 31st, 2013 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 31st, 2012.
2. To receive, consider and adopt the Audited Accounts for the year ended December 31st, 2012 alongwith Directors' and Auditors' Report thereon.
3. To appoint Auditors for the year 2013 and fix their remuneration, retiring Auditor M/s BDO Ebrahim & Company, Chartered Accountants being eligible, offered themselves for re-appointment.

### SPECIAL BUSINESS

4. 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 10 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 until fully utilized.

### 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.

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

**RESOLVED** that the paid-up capital of the company be increased from Rs. 500.456 million to Rs. 594.2915 million through issue of Right Shares to the existing share holders in the ratio of three (3) Right Share against every sixteen (16) existing shares held at par, i.e. @ 18.75%.

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  
May 10th, 2013

By Order of the Board

  
Sohail Nazeer  
Company Secretary

### NOTES:

(a) The Share Transfer Books of the Company will remain closed from May 25th, 2013 to May 31st, 2013 (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 (Pvt.) Ltd. 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. 331.655 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. 27(I)/2012 dated January 16, 2012:

1	Name of the Associated Investee Company	East West Insurance Company Limited	
2	Purpose, benefit and period of investment	Long term equity investment to earn dividend income as well as prospective capital gains	
3	Maximum amount of investment	Investment upto Rs. 10 million (Rupees ten million only) in the ordinary shares of the investee company.	
4	Maximum price at which securities will be acquired	Rs. 300.00 per Share	
5	Maximum number of securities to be acquired	Estimated 50,000 Shares	
6	Number of securities and percentage thereof held before the proposed investment	2,000 shares	0.006% of investee's total shares
7	Number of securities and percentage thereof held after the proposed investment	Estimated 52,000 shares	0.157% of investee's total shares
8	Average Market Price of the shares intended to be acquired during the preceding twelve weeks in case of listed companies	Average Market Price is Rs. 203 per share	
9	Break-up value of shares intended to be acquired on the basis of last published financial statement.	Rs. 14.05 per share	
10	Price at which shares will be purchased	Fair value at the date of acquisition of the ordinary shares of the investee company.	
11	Earning per share of the associate company for the last three years	2010: Rs. 0.26 per share 2011: Rs. 1.05 per share 2012: Rs. 2.05 per share	
12	Sources of funds from where securities will be acquired	The Company's own sources	
13	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives in the associate company or associated undertaking.	Common Directorship	

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

The directors of the company in their meeting held on May 10th, 2013 have proposed for increase in paid-up share capital for approval of the members through General Meeting. The paid-up share capital of the company be increased from Rs. 500.456 million to Rs. 594.2915 million through issue of Right Shares to the existing share holders in the ratio of three (3) Right Share against every sixteen (16) existing shares held at par. It is essential to raise the paid-up capital of the company in order to meet the new amended solvency requirements of the Insurance Ordinance, 2000 and the Insurance Rules, 2002 through SRO 16(I)/2012 dated January 9th, 2012.

### STATUS OF DECISION MADE IN LAST ANNUAL GENERAL MEETING FOR INVESTMENT IN ASSOCIATED COMPANY

The last Annual General Meeting was held on March 31st, 2012 and following status is produced under regulation number 4(2) of SRO No. 27(I)/2012 dated January 16, 2012 called the Companies (Investment in Associated Companies or Associated Undertakings):

1	Total Investment approved	Rs. 50 million (Rupees fifty million only) in the ordinary shares of the investee company
2	Amount of investment made to date	No investment is made till to date
3	Reason for not making investment	Due to unstable political and financial condition of country and market, company did not implement its decision
4	Material changes in the financial statements of Associated Investee Company	There is no material change in the financial statements of the Associated Investee Company

## Statement of Compliance with the Code of Corporate Governance For the Year Ended December 31, 2012

This statement is being presented to comply with the Code of Corporate Governance contained in regulation number 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 of Corporate Governance in the following manner:

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

Category	Name
Independent Director	-
Executive Director	Mr. Maheen Yunus, CPCU
Non-Executive Directors	Chief Justice (R) Mian Mahboob Ahmad Mr. A. K. M. Sayeed Mr. Pervez Yunus Mr. Javed Yunus Mr. Naved Yunus Mr. Omar P. Yunus

The condition of clause 1(b) of the Code of Corporate Governance in relation to independent director will be applicable after election of next Board of Directors of the company.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
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 NBF1 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 "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All 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. Board of Directors comprised of seven directors out of which four directors have obtained "Orientation Course" organized by recognized institutions. Six directors meet the criteria of exemption under clause (xi) of the Code and are accordingly exempted from the Directors' Training Program (DTP).
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment.



## Statement of Compliance with the Code of Corporate Governance For the Year Ended December 31, 2012

11. The Director's Report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest-in 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 of Corporate Governance.
15. The Board has formed an underwriting committee. It comprises of four members of whom two are non-executive directors including Chairman of the committee.
16. 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.
17. 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.
18. The Board has formed a human resources and remuneration committee. It comprises of five members of whom two are non-executive directors including Chairman of the committee.
19. The Board has formed an audit committee. It comprises of five members of whom two are non-executive directors including Chairman of the committee.
20. The meetings of the audit committee were held at least once in every quarter prior to approval of interim and final results of the company as required by the Code of Corporate Governance. The terms of reference of the committee have been formed and advised to the committee for compliance.
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.
22. 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.
23. 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.
24. The "close period", prior to the announcement of inter/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
25. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
26. We confirm that all other material principles contained in the Code of Corporate Governance 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 the best practices contained in the Code of Corporate Governance for the year ended December 31, 2012 prepared by the Board of Directors of **East West Life Assurance Company Limited** to comply with the Listing Regulations of Karachi Stock Exchange Limited where the Company is listed 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 of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board'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, Listing Regulations of Karachi Stock Exchange require the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were under taken 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, 2012.

KARACHI  
DATED: May 10th, 2013



**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. cash flow statement;
- 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, 2012 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, 2012 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, revenue and expenses between two or more funds has been performed in accordance with the advice of the appointed actuary; and
- e) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that ordinance.

Without qualifying our opinion, we draw attention to Note 1.2 to the financial statements which states that the Company has not met the solvency margin requirements prescribed by the Securities and Exchange Commission of Pakistan vide SRO 16(I)/2012 in respect of the shareholders' fund and each of the statutory funds. This matter casts doubt about the ability of the Company to continue as a going concern. Note 1.2 provides details regarding management's plan to meet the solvency margin requirements and continue the Company as a going concern.

KARACHI  
DATED: May 10th, 2013



**BDO Ebrahim & Company**  
CHARTERED ACCOUNTANTS  
Engagement Partner: Zulfikar Ali Causer

## Balance Sheet

As At December 31, 2012

Figures in Rupees

Notes	Shareholders' Fund	Statutory Funds			Aggregate December 31, 2012	Aggregate December 31, 2011
		Ordinary Life	Universal Life	Accident & Health		
<b>SHARE CAPITAL AND RESERVES</b>						
Authorized Share Capital	<b>600,000,000</b>	-	-	-	<b>600,000,000</b>	<b>600,000,000</b>
Issued, Subscribed and Paid-Up Share Capital	6 500,456,000	-	-	-	500,456,000	500,456,000
Accumulated Deficit	7 (411,900,536)	-	-	-	(411,900,536)	(376,330,613)
<b>Net Shareholders' Equity</b>	<b>88,555,464</b>	-	-	-	<b>88,555,464</b>	<b>124,125,387</b>
Advance Against Equity	8 24,000,000	-	-	-	24,000,000	-
<b>Balance of Statutory Fund (Including Policyholders' Liabilities Rs. 232.557 million (2011: Rs. 228.455 million))</b>	-	<b>29,386,243</b>	<b>189,821,460</b>	<b>19,184,277</b>	<b>238,391,980</b>	<b>238,381,710</b>
<b>DEFERRED LIABILITIES</b>						
Outstanding Gratuity	9 9,055	81,495	-	-	90,550	90,550
<b>CREDITORS AND ACCRUALS</b>						
Outstanding Claims	10 -	10,892,733	14,198,080	2,935,807	28,026,620	10,560,343
Premiums Received in Advance	11 -	-	12,842,569	-	12,842,569	11,075,462
Taxation	4,313,298	-	-	-	4,313,298	2,211,020
Amount Due to Other Insurers/Reinsurers	12 -	-	3,544,478	-	3,544,478	17,234,866
Accrued Expenses	13 1,637,898	4,833,008	4,575,439	449,077	11,495,422	10,953,328
Agents' Balances	14 -	28,121	1,332,337	483,923	1,844,381	2,734,043
Other Creditors and Accruals	16 129,352	408,881	104,118	122,824	765,175	823,870
	<b>6,080,548</b>	<b>16,162,743</b>	<b>36,597,021</b>	<b>3,991,631</b>	<b>62,831,943</b>	<b>55,592,932</b>
<b>OTHER LIABILITIES</b>						
Dividend Payable	-	-	-	-	-	112,975
<b>TOTAL LIABILITIES</b>	<b>6,089,603</b>	<b>45,630,481</b>	<b>226,418,481</b>	<b>23,175,908</b>	<b>301,314,473</b>	<b>294,178,167</b>
<b>CONTINGENCIES AND COMMITMENTS</b>						
	17					
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>118,645,067</b>	<b>45,630,481</b>	<b>226,418,481</b>	<b>23,175,908</b>	<b>413,869,937</b>	<b>418,303,554</b>

The annexed notes from 1 to 38 form an integral part of these financial statements.



Figures in Rupees

Notes	Shareholders' Fund	Statutory Funds			Aggregate December 31, 2012	Aggregate December 31, 2011
		Ordinary Life	Universal Life	Accident & Health		
<b>CASH AND BANK DEPOSITS</b>						
Cash in Hand	-	2,447	7,804	-	10,251	20,138
Current and Other Accounts	1,981,632	1,911,732	77,713,250	443,349	82,049,963	104,841,985
Deposits Maturing Within 12 Months	18 19,000,000	15,000,000	20,000,000	-	54,000,000	50,000,000
	<b>20,981,632</b>	<b>16,914,179</b>	<b>97,721,054</b>	<b>443,349</b>	<b>136,060,214</b>	<b>154,862,123</b>
<b>Loans Secured Against Life Insurance Policies</b>						
5.23	-	4,338,397	3,605,691	-	7,944,088	7,914,455
<b>Unsecured Advances to Employees</b>						
	64,891	515,932	-	64,091	644,914	910,918
<b>INVESTMENTS</b>						
19						
Government Securities	62,019,642	13,884,370	117,703,785	7,257,794	200,865,591	179,008,864
Other Fixed Income Securities	-	-	888,768	-	888,768	2,671,775
Listed Equities	280,518	-	-	-	280,518	4,907,591
	<b>62,300,160</b>	<b>13,884,370</b>	<b>118,592,553</b>	<b>7,257,794</b>	<b>202,034,877</b>	<b>186,588,230</b>
<b>CURRENT ASSETS - OTHER</b>						
Premiums Due But Unpaid	-	5,841,437	4,092,389	12,866,824	22,800,650	20,102,781
Amount Due From Other Insurers/Reinsurers	-	2,510,104	-	-	2,510,104	-
Prepayments	675,000	-	30,000	-	705,000	742,500
Sundry Receivables	20 -	1,596,562	1,877,383	2,527,600	6,001,545	8,048,464
Investment Income Accrued	1,317,599	29,500	499,411	16,250	1,862,760	1,422,623
Stationery	499,141	-	-	-	499,141	497,473
	<b>2,491,740</b>	<b>9,977,603</b>	<b>6,499,183</b>	<b>15,410,674</b>	<b>34,379,200</b>	<b>30,813,841</b>
<b>FIXED ASSETS</b>						
21						
<b>Tangible</b>						
Furniture, Fixtures, Office Equipment and Vehicles	32,504,579	-	-	-	32,504,579	36,939,391
<b>Intangible</b>						
Software	302,065	-	-	-	302,065	274,596
	<b>32,806,644</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,806,644</b>	<b>37,213,987</b>
<b>TOTAL ASSETS</b>						
	<b>118,645,067</b>	<b>45,630,481</b>	<b>226,418,481</b>	<b>23,175,908</b>	<b>413,869,937</b>	<b>418,303,554</b>

The annexed notes from 1 to 38 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, 2012

Figures in Rupees

	Notes	December 31, 2012	December 31, 2011
<b>Investment Income Not Attributable to Statutory Funds</b>			
Return on Government Securities		7,308,705	5,833,738
Return on Other Fixed Income Securities and Deposits		215,459	216,198
Amortization of Discount/Premium Relative to Par		821,478	571,182
Dividend Income		-	4,743,404
		<b>8,345,642</b>	<b>11,364,522</b>
Gain on Sale of Investment - Net		3,362,089	3,314,509
Impairment in Investments		-	(2,841,937)
<b>Net Investment Income</b>		<b>11,707,731</b>	<b>11,837,094</b>
<b>Other Revenue</b>			
Gain on Sale of Fixed Asset	21.3	344,594	153,417
Miscellaneous Income		112,650	-
<b>Total Investment Income and Other Revenue</b>		<b>12,164,975</b>	<b>11,990,511</b>
Expenses Not Attributable to Statutory Funds	22	(16,778,168)	(18,354,574)
<b>(Loss) Before Tax</b>		<b>(4,613,193)</b>	<b>(6,364,063)</b>
Taxation	24	(2,801,730)	(2,218,754)
<b>(Loss) After Tax</b>		<b>(7,414,923)</b>	<b>(8,582,817)</b>
<b>(Loss) Per Share - Basic and Diluted</b>	25	<b>(0.15)</b>	<b>(0.17)</b>

The annexed notes from 1 to 38 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, 2012

Figures in Rupees

	December 31, 2012	December 31, 2011
<b>(Loss) for the Year</b>	(7,414,923)	(8,582,817)
Other Comprehensive Income	-	-
<b>Total Comprehensive (Loss) for the Year</b>	<b>(7,414,923)</b>	<b>(8,582,817)</b>

The annexed notes from 1 to 38 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

## Cash Flow Statement

For The Year Ended December 31, 2012

Figures in Rupees

	Statutory Funds			Aggregate December 31, 2012	Aggregate December 31, 2011	
	Shareholders' Fund	Ordinary Life	Universal Life			Accident & Health
<b>Operating Cash Flows</b>						
<b>a) Underwriting Activities</b>						
Premium Received	-	74,352,725	30,509,891	129,542,733	234,405,349	243,283,131
Net Reinsurance Premium Received/Paid	-	(8,178,865)	-	-	(8,178,865)	1,787,545
Claims Paid	-	(74,012,177)	(5,026,098)	(117,841,165)	(196,879,440)	(173,347,188)
Surrenders Paid	-	-	(5,910,453)	-	(5,910,453)	(4,908,653)
Commission Paid	-	(4,073,629)	(2,482,571)	(9,040,567)	(15,596,767)	(16,402,537)
<b>Net Cash Generated From Underwriting Activities</b>	-	<b>(11,911,946)</b>	<b>17,090,769</b>	<b>2,661,001</b>	<b>7,839,824</b>	<b>50,412,298</b>
<b>b) Other Operating Activities</b>						
Income Tax Paid	(699,452)	-	-	-	(699,452)	(1,171,569)
General Management Expenses Paid	(11,746,856)	(11,960,169)	(21,901,139)	(16,258,636)	(61,866,800)	(71,303,904)
<b>Net Cash (Used In) Other Operating Activities</b>	<b>(12,446,308)</b>	<b>(11,960,169)</b>	<b>(21,901,139)</b>	<b>(16,258,636)</b>	<b>(62,566,252)</b>	<b>(72,475,473)</b>
<b>Net Cash (Used In) All Operating Activities</b>	<b>(12,446,308)</b>	<b>(23,872,115)</b>	<b>(4,810,370)</b>	<b>(13,597,635)</b>	<b>(54,726,428)</b>	<b>(22,063,175)</b>
<b>Investment Activities</b>						
Profit / Return Received	5,171,833	443,291	1,143,014	42,488	6,800,626	13,114,095
Dividend Received	-	-	-	-	-	4,743,404
Payments for Investments	(37,534,965)	(26,589,288)	(234,281,949)	(12,590,016)	(310,996,218)	(249,952,502)
Proceeds From Disposal of Investments	60,277,465	24,599,973	214,818,332	16,628,235	316,324,005	273,177,577
Proceeds From Disposal of Fixed Assets	519,806	-	-	-	519,806	160,000
Fixed Capital Expenditure	(723,375)	-	-	-	(723,375)	(498,311)
<b>Total Cash Generated From/(Used In) Investing Activities</b>	<b>27,710,764</b>	<b>(1,546,024)</b>	<b>(18,320,603)</b>	<b>4,080,707</b>	<b>11,924,844</b>	<b>40,744,263</b>
<b>Financing Activities</b>						
Advance Against Equity	24,000,000	-	-	-	24,000,000	-
Capital Contribution From Shareholders' Fund	(28,155,000)	9,410,000	13,500,000	5,245,000	-	-
Dividend Paid	(325)	-	-	-	(325)	(450)
<b>Total Cash Generated From (Used In) Financing Activities</b>	<b>(4,155,325)</b>	<b>9,410,000</b>	<b>13,500,000</b>	<b>5,245,000</b>	<b>23,999,675</b>	<b>(450)</b>
<b>Net Cash Inflow/(Outflow) From All Activities</b>	<b>11,109,131</b>	<b>(16,008,139)</b>	<b>(9,630,973)</b>	<b>(4,271,928)</b>	<b>(18,801,909)</b>	<b>18,680,638</b>
Cash at The Beginning of The Year	9,872,501	32,922,318	107,352,027	4,715,277	154,862,123	136,181,485
<b>Cash at The End of The Year</b>	<b>20,981,632</b>	<b>16,914,179</b>	<b>97,721,054</b>	<b>443,349</b>	<b>136,060,214</b>	<b>154,862,123</b>
<b>Reconciliation to Profit and Loss Account</b>						
Operating Cash flows					(54,726,428)	(22,063,175)
Depreciation Expense					(4,955,506)	(5,849,124)
Investment Income					28,472,441	31,949,606
Dividend Received					-	4,743,404
Provision for Impairment in the Value of Investment					-	(2,841,937)
Increase in Assets Other Than Cash					2,888,852	13,605,718
Decrease in Liabilities Other Than Running Finance					(11,340,676)	(34,857,671)
(Deficit) of Statutory Funds					32,246,394	6,730,362
<b>Loss After Taxation</b>					<b>(7,414,923)</b>	<b>(8,582,817)</b>

The annexed notes from 1 to 38 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, 2012

Figures in Rupees

	Share Capital	Net Accumulated Surplus			Total
		Accumulated Surplus (Deficit)	Capital Contributed to statutory Fund	Net Accumulated Surplus/(Deficit)	
Balance as at January 01, 2011	500,456,000	(102,777,370)	(250,720,426)	(353,497,796)	146,958,204
Total Comprehensive Income 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)
<b>Balance as at December 31, 2011</b>	<b>500,456,000</b>	<b>(111,360,187)</b>	<b>(264,970,426)</b>	<b>(376,330,613)</b>	<b>124,125,387</b>
Balance as at January 01, 2012	500,456,000	(111,360,187)	(264,970,426)	(376,330,613)	124,125,387
Total Comprehensive (Loss) for the Year	-	(7,414,923)	-	(7,414,923)	(7,414,923)
Capital Contributed to Statutory Fund	-	-	(28,155,000)	(28,155,000)	(28,155,000)
<b>Balance as at December 31, 2012</b>	<b>500,456,000</b>	<b>(118,775,110)</b>	<b>(293,125,426)</b>	<b>(411,900,536)</b>	<b>88,555,464</b>

The annexed notes from 1 to 38 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, 2012

Figures in Rupees

Notes	Statutory Funds			Aggregate December 31, 2012	Aggregate December 31, 2011
	Ordinary Life	Universal Life	Accident & Health		
<b>Income</b>					
	18,531,133	30,481,634	132,259,467	181,272,234	178,686,939
	2,674,506	12,307,388	1,325,572	16,307,466	21,860,562
	<b>21,205,639</b>	<b>42,789,022</b>	<b>133,585,039</b>	<b>197,579,700</b>	<b>200,547,501</b>
<b>Claims and Expenditure</b>					
	19,656,397	23,372,433	119,103,709	162,132,539	124,524,654
	13,327,943	26,302,505	23,961,443	63,591,891	65,876,803
	32,984,340	49,674,938	143,065,152	225,724,430	190,401,457
	<b>(11,778,701)</b>	<b>(6,885,916)</b>	<b>(9,480,113)</b>	<b>(28,144,730)</b>	<b>10,146,044</b>
	29,142,984	181,391,674	17,920,657	228,455,315	211,578,909
26	27,043,676	189,628,267	15,885,036	232,556,979	228,455,315
	2,099,308	(8,236,593)	2,035,621	(4,101,664)	(16,876,406)
	<b>(9,679,393)</b>	<b>(15,122,509)</b>	<b>(7,444,492)</b>	<b>(32,246,394)</b>	<b>(6,730,362)</b>
	<b>Movement in Policyholders' Liabilities</b>				
	(2,099,308)	8,236,593	(2,035,621)	4,101,664	16,876,406
<b>Transfer From Shareholders' Fund</b>					
	9,410,000	13,500,000	5,245,000	28,155,000	14,250,000
15	31,754,944	183,207,376	23,419,390	238,381,710	213,985,666
	<b>29,386,243</b>	<b>189,821,460</b>	<b>19,184,277</b>	<b>238,391,980</b>	<b>238,381,710</b>
<b>Represented By:</b>					
15	137,630,426	120,200,000	35,295,000	293,125,426	264,970,426
	(135,287,859)	(120,006,807)	(31,995,759)	(287,290,425)	(255,044,031)
	2,342,567	193,193	3,299,241	5,835,001	9,926,395
26	27,043,676	189,628,267	15,885,036	232,556,979	228,455,315
	<b>29,386,243</b>	<b>189,821,460</b>	<b>19,184,277</b>	<b>238,391,980</b>	<b>238,381,710</b>

The annexed notes from 1 to 38 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, 2012

Figures in Rupees

	Statutory Funds			Aggregate December 31, 2012	Aggregate December 31, 2011
	Ordinary Life	Universal Life	Accident & Health		
<b>Gross Premiums</b>					
Regular Premium Individual Policies*					
First Year	-	2,002,936	16,250	2,019,186	15,585,860
Second Year Renewal	-	4,247,686	-	4,247,686	16,001,991
Subsequent Year Renewal	-	25,344,417	-	25,344,417	22,271,605
Single Premium Individual Policies	-	550,000	-	550,000	2,690,250
Group Policies	70,961,238	-	132,243,217	203,204,455	190,223,759
<b>Total Gross Premiums</b>	<b>70,961,238</b>	<b>32,145,039</b>	<b>132,259,467</b>	<b>235,365,744</b>	<b>246,773,465</b>
<b>Less: Reinsurance Premiums Ceded</b>					
On Individual Life First Year Business	-	(24,969)	-	(24,969)	(104,676)
On Individual Life Second Year Business	-	(191,737)	-	(191,737)	(619,727)
On Individual Life Renewal Business	-	(1,446,699)	-	(1,446,699)	(984,273)
On Group Policies	(52,430,105)	-	-	(52,430,105)	(66,377,850)
<b>Total Reinsurance Premium Ceded</b>	<b>(52,430,105)</b>	<b>(1,663,405)</b>	<b>-</b>	<b>(54,093,510)</b>	<b>(68,086,526)</b>
<b>Net Premiums</b>	<b>18,531,133</b>	<b>30,481,634</b>	<b>132,259,467</b>	<b>181,272,234</b>	<b>178,686,939</b>

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

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 Chairman

  
**MAHEEN YUNUS, CPCU**  
 Managing Director &  
 Chief Executive

  
**A. K. M. SAYEED**  
 Director

  
**JAVED YUNUS**  
 Director

## Statement of Claims

For The Year Ended December 31, 2012

Figures in Rupees

	Statutory Funds			Aggregate December 31, 2012	Aggregate December 31, 2011
	Ordinary Life	Universal Life	Accident & Health		
<b>Gross Claims</b>					
Claims Under Individual Policies					
By Death	-	3,079,064	-	3,079,064	478,247
By Insured Event Other Than Death	-	-	-	-	122,612
By Maturity	-	7,530,840	-	7,530,840	5,201,079
By Surrender	-	12,762,529	-	12,762,529	4,908,653
<b>Total Gross Individual Policy Claims</b>	-	<b>23,372,433</b>	-	<b>23,372,433</b>	<b>10,710,591</b>
Claims Under Group Policies					
By Death	76,787,643	-	-	76,787,643	74,390,255
By Insured Event Other Than Death	992,385	-	119,103,709	120,096,094	95,285,940
<b>Total Gross Group Policy Claims</b>	<b>77,780,028</b>	-	<b>119,103,709</b>	<b>196,883,737</b>	<b>169,676,195</b>
<b>Total Gross Claims</b>	<b>77,780,028</b>	<b>23,372,433</b>	<b>119,103,709</b>	<b>220,256,170</b>	<b>180,386,786</b>
<b>Less: Reinsurance Recoveries</b>					
On Group Life Claims	(58,123,631)	-	-	(58,123,631)	(55,862,132)
<b>Net Claims</b>	<b>19,656,397</b>	<b>23,372,433</b>	<b>119,103,709</b>	<b>162,132,539</b>	<b>124,524,654</b>

The annexed notes from 1 to 38 form an integral part of these financial statements.



**CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD**  
Chairman



**MAHEEN YUNUS, CPCU**  
Managing Director &  
Chief Executive



**A. K. M. SAYEED**  
Director



**JAVED YUNUS**  
Director



## Statement of Expenses

For The Year Ended December 31, 2012

Figures in Rupees

	Statutory Funds			Aggregate December 31, 2012	Aggregate December 31, 2011
	Ordinary Life	Universal Life	Accident & Health		
<b>Acquisition Costs</b>					
Remuneration to Insurance Intermediaries on Individual Policies:					
Commission on First Year Premiums	-	1,537,814	6,266	1,544,080	7,105,757
Commission on Second Year Premiums	-	383,235	-	383,235	1,461,850
Commission on Subsequent Renewal Premiums	-	447,429	-	447,429	530,747
Commission on Single Premiums	-	-	-	-	67,256
Other Benefits to Insurance Intermediaries	-	256,180	-	256,180	1,239,760
Remuneration to Insurance Intermediaries on Group Policies:					
Commission	3,913,502	-	8,162,679	12,076,181	6,717,996
	3,913,502	2,624,658	8,168,945	14,707,105	17,123,366
<b>Branch Overhead:</b>					
Salaries, Allowances and Other Benefits	-	1,756,662	-	1,756,662	4,060,230
Other Operational Costs	-	2,889,601	-	2,889,601	4,619,210
	-	4,646,263	-	4,646,263	8,679,440
Other Acquisition Cost					
Policy Stamps	-	10,200	-	10,200	66,300
<b>Total Acquisition Cost</b>	<b>3,913,502</b>	<b>7,281,121</b>	<b>8,168,945</b>	<b>19,363,568</b>	<b>25,869,106</b>
<b>Administration Expenses</b>					
Salaries and Other Benefits	6,794,592	11,225,112	11,035,516	29,055,220	24,397,102
Travelling Expenses	493,163	697,836	613,176	1,804,175	1,011,973
Auditors' Remuneration	166,010	166,010	166,010	498,030	338,504
Actuary's Fees	117,000	1,449,000	117,000	1,683,000	1,500,000
Medical Fees	425,742	57,700	-	483,442	965,037
Advertisements	80,000	-	-	80,000	447,744
Printing and Stationary	376,384	340,609	319,596	1,036,589	1,679,892
Operating Lease Rentals	71,199	941,973	71,199	1,084,371	1,045,041
Staff Welfare	1,800,611	1,389,191	1,485,799	4,675,601	4,467,559
Postage, Telegram & Telephone	635,169	567,603	271,503	1,474,275	1,442,037
Electricity & Gas	482,902	489,610	350,651	1,323,163	1,296,662
Newspaper & Periodicals	-	-	-	-	13,859
Entertainment Expense	1,103,231	1,076,427	958,551	3,138,209	1,881,408
Repair & Maintenance	-	-	-	-	2,56,916
Insurance	-	-	-	-	1,085,660
Stamps	2,075	2,075	2,075	6,225	13,711
Consultancy Charges	65,358	85,358	65,358	216,074	552,814
Bank Charges	-	-	-	-	350,963
Miscellaneous Expense	733,262	592,129	336,064	1,661,455	2,367,683
	13,346,698	19,080,633	15,792,498	48,219,829	45,114,565
<b>Gross Management Expenses</b>	<b>17,260,200</b>	<b>26,361,754</b>	<b>23,961,443</b>	<b>67,583,397</b>	<b>70,983,671</b>
Commission From Reinsurers	(3,932,257)	(59,249)	-	(3,991,506)	(5,106,868)
<b>Net Management Expenses</b>	<b>13,327,943</b>	<b>26,302,505</b>	<b>23,961,443</b>	<b>63,591,891</b>	<b>65,876,803</b>

The annexed notes from 1 to 38 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 Investment Income

For The Year Ended December 31, 2012

Figures in Rupees

	Statutory Funds			Aggregate December 31, 2012	Aggregate December 31, 2011
	Ordinary Life	Universal Life	Accident & Health		
<b>Investment Income</b>					
On Government Securities	993,251	8,252,113	766,295	10,011,659	5,748,439
On Other Fixed Income Securities and Deposits	265,219	1,093,908	58,738	1,417,865	1,454,816
Amortization of Premium	-	(19,167)	-	(19,167)	(19,116)
Amortization of Discount	-	7,681	-	7,681	838,560
On Policy Loan	-	16,298	-	16,298	33,701
Other Miscellaneous Income	201,545	2,035	-	203,580	-
	<b>1,460,015</b>	<b>9,352,868</b>	<b>825,033</b>	<b>11,637,916</b>	<b>8,056,400</b>
Gain on Sale of Investments	1,214,491	2,954,520	500,539	4,669,550	13,804,162
<b>Net Investment Income</b>	<b>2,674,506</b>	<b>12,307,388</b>	<b>1,325,572</b>	<b>16,307,466</b>	<b>21,860,562</b>

The annexed notes from 1 to 38 form an integral part of these financial statements.

  
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**A. K. M. SAYEED**  
 Director

  
**JAVED YUNUS**  
 Director



# Notes to the Financial Statements

For The Year Ended December 31, 2012

## 1 STATUS AND NATURE OF BUSINESS

1.1 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:

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

1.2 In accordance with SEC (Insurance) Rules, 2002 ("Rules") amended vide SRO 16(I)/2012 dated January 09, 2012, Life Insurance Companies are required to maintain a solvency margin in addition to policyholders' liabilities in each statutory fund as stipulated in the Rules. As at December 31, 2012, the Company is not in compliant with these Rules, in respect of the Solvency Margins required to be maintained with respect to the shareholders fund and each of the statutory funds. The Company vide its letter dated October 10, 2012 had written to the Securities & Exchange Commission of Pakistan (SECP) requesting to allow the Company to maintain solvency margins on December 31, 2012 in accordance with SEC (Insurance) Rules, 2002 before amendments made vide SRO 16(I)/2012. The SECP did not accede to the request and advised the Company vide their letter dated February 15, 2013 to ensure that its solvency margins are reported as per the latest solvency regulations notified by the SECP in January 2012. The Company has written to the SECP requesting to reconsider the matter vide their letter dated February 18, 2013 for which response is awaited. The Company's financial statements for the year ended December 31, 2012 are being prepared on a going concern basis as the management is confident that Company shall be able to meet the solvency requirements in the near future. Subsequent to the balance sheet date the Board of Directors in their meeting held on May 10, 2013 have approved a rights issue to address the matter.

## 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(I)/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 (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 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 19	Employee Benefits (Revised)	January 01, 2013
IAS 32	Offsetting Financial Assets and Financial Liabilities - (Amendment)	January 01, 2014
IFRS 9	Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Arrangements	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13	Fair Value Measurement	January 01, 2013

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 as 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 5.8)
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 makes 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, 2012. For detail of basis of assumptions taken by the actuary refer to note 13.1

## 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 gives 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 21.1.

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 21.2)

**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

These are net amount receivable (payable) against recovery of claims, reinsurance commissions receivable and premiums ceded to reinsurers and claims payable or premiums receivable 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 that 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 or financial asset or financial liabilities is included in the profit and loss or revenue account currently, as the case may be.

#### 5.17 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting using the classes or sub classes of business (statutory funds) as specified under the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002.

Based on its classification of insurance contracts issued, the Company has three business segments for reporting purposes namely ordinary life business, universal life business and accident and health business.

#### 5.18 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.

#### 5.19 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.

**5.20 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.

**5.21 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.

**5.22 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.

**5.23 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 determined 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 CAPITAL**

Number of Shares			2012 Rupees	2011 Rupees
2012	2011			
50,045,600	50,045,600	Ordinary Shares of Rs. 10/- Each Fully Paid in Cash	500,456,000	500,456,000

**6.1 The shares held by associated undertakings are as follows:**

	Number of Shares	
	2012	2011
East West Insurance Company Limited	3,606,080	3,606,080

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

	<b>2012</b>	<b>2011</b>
	<b>Rupees</b>	<b>Rupees</b>
Accumulated Deficit in Statement of Changes in Equity Ignoring Effect of Capital Transfers at Start of Year	(111,360,187)	(102,777,370)
Add: (Loss) in Profit and Loss Account for the Year	(7,414,923)	(8,582,817)
Accumulated Deficit in Statement of Changes in Equity Ignoring Effect of Capital Transfers at End of Year	(118,775,110)	(111,360,187)
Less: Accumulated Net Capital Transferred In Statutory Funds	(293,125,426)	(264,970,426)
<b>Total Accumulated (Deficit) as Shown in Balance Sheet</b>	<b>(411,900,536)</b>	<b>(376,330,613)</b>

**8 ADVANCE AGAINST EQUITY**

This represents amount received from directors of the company against right issue of shares to be offered by the Company (refer note 37). The amount is non-refundable and has been reserved against equity.

**9 DEFERRED LIABILITIES - GRATUITY**

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.

**10 OUTSTANDING CLAIMS**

	<b>2012</b>	<b>2011</b>
	<b>Rupees</b>	<b>Rupees</b>
Opening Balance	10,560,343	8,429,398
Add: Claims Incurred During the Year	220,256,170	180,386,786
Less: Claims Paid During the Year	(202,789,893)	(178,255,841)
<b>Closing Balance</b>	<b>28,026,620</b>	<b>10,560,343</b>

**11 PREMIUMS RECEIVED IN ADVANCE**

Opening Balance	11,075,462	11,171,513
Add: Received During the Year	33,928,396	56,453,655
Less: Adjusted During the Year	(32,161,289)	(56,549,706)
<b>Closing Balance</b>	<b>12,842,569</b>	<b>11,075,462</b>

**12 AMOUNT DUE TO OTHER INSURERS / REINSURERS - NET**

Opening Balance	17,234,866	8,329,795
Add: Premiums Ceded During the Year	54,093,510	68,086,526
Amount Received During the Year	5,114,269	7,287,251
	59,207,779	75,373,777
Less: Claims Recoveries During the Year	(58,123,631)	(55,862,132)
Commission Recoveries During the Year	(3,991,506)	(5,106,868)
Amount Paid During the Year	(13,293,134)	(5,499,706)
	(75,408,271)	(66,468,706)
<b>Closing Balance</b>	<b>1,034,374</b>	<b>17,234,866</b>



13 ACCRUED EXPENSES	2012 Rupees	2011 Rupees
Salary and Other Benefits Payable	1,781,828	1,790,937
Compensated Absences Payable	13.1 1,459,855	1,622,636
Other Accrued Expenses	8,253,739	7,539,755
	<b>11,495,422</b>	<b>10,953,328</b>

13.1 This includes provision made against accumulated compensation absences on the basis of actuarial assumptions taken by Company's actuary.

The main assumptions used for actuarial valuation are as under:

**Principal Actuarial Assumption**

	2012	2011
Discount Factor Used Per Annum	12.00%	13.00%
Expected Increase in Eligible Pay Per Annum	12.00%	13.00%

**Movement in Payable to Accumulated Compensation Absences**

	2012 Rupees	2011 Rupees
Opening Balance	1,622,636	1,505,628
(Reversal)/Charge During the Year	(162,781)	117,008
<b>Closing Balance</b>	<b>1,459,855</b>	<b>1,622,636</b>

**14 AGENTS' BALANCES**

Opening Balance	2,734,043	2,013,214
Add: Incurred During the Year	14,707,105	17,123,366
Less: Paid During the Year	(15,596,767)	(16,402,537)
<b>Closing Balance</b>	<b>1,844,381</b>	<b>2,734,043</b>

**15 MOVEMENTS IN EQUITY OF STATUTORY FUNDS**

	Statutory Funds			Aggregate December 31, 2012	Aggregate December 31, 2011
	Ordinary Life	Universal Life	Accident & Health		
	Rupees				
<b>Policyholders' Liabilities</b>					
Balance at Beginning of the Year	29,142,984	181,391,674	17,920,657	228,455,315	211,578,909
Increase/(Decrease) During the Year	(2,099,308)	8,236,593	(2,035,621)	4,101,664	16,876,406
<b>Balance at End of the Year</b>	<b>27,043,676</b>	<b>189,628,267</b>	<b>15,885,036</b>	<b>232,556,979</b>	<b>228,455,315</b>
<b>Capital Contributed By Shareholders' Fund</b>					
Balance at Beginning of the Year	128,220,426	106,700,000	30,050,000	264,970,426	250,720,426
Capital Contributed During the Year	9,410,000	13,500,000	5,245,000	28,155,000	14,250,000
<b>Balance at End of the Year</b>	<b>137,630,426</b>	<b>120,200,000</b>	<b>35,295,000</b>	<b>293,125,426</b>	<b>264,970,426</b>
<b>Accumulated Deficit</b>					
Balance at Beginning of the Year	(125,608,466)	(104,884,298)	(24,551,267)	(255,044,031)	(248,313,669)
Deficit Allocated in Respect of the Year	(9,679,393)	(15,122,509)	(7,444,492)	(32,246,394)	(6,730,362)
<b>Balance at End of the Year</b>	<b>(135,287,859)</b>	<b>(120,006,807)</b>	<b>(31,995,759)</b>	<b>(287,290,425)</b>	<b>(255,044,031)</b>

## 16 OTHER CREDITORS AND ACCRUALS

	Statutory Funds				Aggregate December 31, 2012	Aggregate December 31, 2011
	Shareholders' Fund	Ordinary Life	Universal Life	Accident & Health		
<b>Rupees</b>						
Sundry Creditors	96,542	305,170	77,709	91,670	571,091	608,051
Provident Fund Payable	32,810	103,711	26,409	31,154	194,084	215,819
	<b>129,352</b>	<b>408,881</b>	<b>104,118</b>	<b>122,824</b>	<b>765,175</b>	<b>823,870</b>

## 17 CONTINGENCIES AND COMMITMENT

There are no contingencies and commitment at balance sheet date (2011: Nil).

There is a matter in respect of a person, who was working previously on contract basis at the Company's Hyderabad Branch. This matter is presently under review by the regulatory authorities and government agencies. The management of the Company, on the basis of legal advice obtained, is confident that there is not present or potential liability of the Company regarding this matter.

## 18 DEPOSITS MATURING WITHIN 12 MONTHS

	Statutory Funds				Aggregate December 31, 2012	Aggregate December 31, 2011
	Shareholders' Fund	Ordinary Life	Universal Life	Accident & Health		
<b>Rupees</b>						
JS Bank Limited	-	-	-	-	-	50,000,000
Summit Bank Limited	15,000,000	15,000,000	20,000,000	-	50,000,000	-
Bank Al-Habib Limited	4,000,000	-	-	-	4,000,000	-
	<b>19,000,000</b>	<b>15,000,000</b>	<b>20,000,000</b>	<b>-</b>	<b>54,000,000</b>	<b>50,000,000</b>

18.1 These deposits carry interest at the rate of 7 % (2011: 11%) per annum.

## 19 INVESTMENTS

	Note	Statutory Funds				Aggregate December 31, 2012	Aggregate December 31, 2011
		Shareholders' Fund	Ordinary Life	Universal Life	Accident & Health		
<b>Rupees</b>							
Government Securities	19.1	62,019,642	13,884,370	117,703,785	7,257,794	200,865,591	179,008,864
Other Fixed Income Securities	19.2	-	-	888,768	-	888,768	2,671,775
Listed Equities	19.3	280,518	-	-	-	280,518	4,907,591
		<b>62,300,160</b>	<b>13,884,370</b>	<b>118,592,553</b>	<b>7,257,794</b>	<b>202,034,877</b>	<b>186,588,230</b>

### 19.1 Government Securities

#### Held-to-Maturity

10 Years Pakistan Investment Bonds	5,000,000	-	-	-	5,000,000	5,000,000	
10 Years Pakistan Investment Bonds	-	-	2,999,863	-	2,999,863	2,999,717	
10 Years Pakistan Investment Bonds	-	-	596,573	-	596,573	590,482	
10 Years Pakistan Investment Bonds	18,136,821	-	-	-	18,136,821	17,412,310	
10 Years Pakistan Investment Bonds	1,972,185	-	-	-	1,972,185	1,964,689	
10 Years Pakistan Investment Bonds	3,709,781	-	-	-	3,709,781	3,647,833	
10 Years Pakistan Investment Bonds	15,535,015	-	-	-	15,535,015	15,507,492	
10 Years Pakistan Investment Bonds	-	-	1,188,802	-	1,188,802	-	
12 Months Treasury Bills	-	-	23,506,394	-	23,506,394	71,744,316	
6 Months Treasury Bills	17,665,840	13,884,370	89,412,153	7,257,794	128,220,157	60,142,025	
		<b>62,019,642</b>	<b>13,884,370</b>	<b>117,703,785</b>	<b>7,257,794</b>	<b>200,865,591</b>	<b>179,008,864</b>

The particulars of investments are as follows:

	Amounts in Rupees	Maturity	Principal Repayment	Coupon Percentage	Coupon Payment
<b>Held-to-Maturity</b>					
10 Years Pakistan Investment Bonds	5,000,000	April 2014	On Maturity	8%	Semi-Annually
10 Years Pakistan Investment Bonds	2,999,863	April 2014	On Maturity	8%	Semi-Annually
10 Years Pakistan Investment Bonds	596,573	October 2013	On Maturity	8%	Semi-Annually
10 Years Pakistan Investment Bonds	18,136,821	May 2016	On Maturity	9.6%	Semi-Annually
10 Years Pakistan Investment Bonds	1,972,185	August 2018	On Maturity	12%	Semi-Annually
10 Years Pakistan Investment Bonds	3,709,781	July 2020	On Maturity	12%	Semi-Annually
10 Years Pakistan Investment Bonds	15,535,015	August 2021	On Maturity	12%	Semi-Annually
10 Years Pakistan Investment Bonds	1,188,802	July 2020	On Maturity	12%	Semi-Annually
12 Months Treasury Bills	23,506,394	July 2013	On Maturity	9.05%	On Maturity
6 Months Treasury Bills	119,473,123	May 2013	On Maturity	9.01%	On Maturity
6 Months Treasury Bills	8,747,034	February 2013	On Maturity	11.25%	On Maturity
	<b>200,865,591</b>				

19.1.1 The Company has deposited 10 years Pakistan Investment Bonds having face value of Rs. 51.840 million (2011: 10 years Pakistan Investment Bonds having face value of Rs. 51.617 million) with State Bank of Pakistan under Section 29 of Insurance Ordinance, 2000.

19.2 **Other Fixed Income Securities**

	Statutory Funds				Aggregate December 31, 2012	Aggregate December 31, 2011
	Shareholders' Fund	Ordinary Life	Universal Life	Accident & Health		
	Rupees					
<b>Held-to-Maturity</b>						
<b>Term Finance Certificate</b>						
Pakistan Mobile Communication Limited	-	-	888,768	-	888,768	2,671,775

The particulars of investments are as follows:

	Number of Certificates	Maturity	Tenor	Rate of Return	Profit Payment
<b>Term Finance Certificate</b>					
Pakistan Mobile Communication Limited	1,060	2013	7 Years	15.05%	Half Yearly

19.3 **Listed Equities**

	Note	Statutory Funds				Aggregate December 31, 2012	Aggregate December 31, 2011
		Shareholders' Fund	Ordinary Life	Universal Life	Accident & Health		
		Rupees					
<b>Available for Sale</b>							
Listed Equities		280,518	-	-	-	280,518	7,749,528
Add: Provision/Reversal for Impairment in Value of Investment	19.4	-	-	-	-	-	(2,841,937)
		<b>280,518</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>280,518</b>	<b>4,907,591</b>

19.3.1 Investments in listed equities includes investment in 2000 shares (2011: 20,000) of East West Insurance Company Limited (an associated undertaking) and Nil shares (2011: 188,934) of Jahangir Siddiqui & Company Limited (an associated undertaking) with carrying values of Rs. 0.281 million (2011: Rs. 3.086 million) and Nil (2011: Rs. 0.761 million) respectively. The market value of investments in listed securities amounted to Rs. 0.406 million (2011: Rs. 6.772 million).



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

19.4 Provision for Impairment	December 31, 2012	December 31, 2011
Opening Balance as at January 01	2,841,937	606,389
Charge for the Year	-	2,841,937
	2,841,937	3,448,326
Reversal During the Year	(2,841,937)	(606,389)
	-	<b>2,841,937</b>

## 20 SUNDRY RECEIVABLES

	Statutory Funds				Aggregate December 31, 2012	Aggregate December 31, 2011
	Shareholders' Fund	Ordinary Life	Universal Life	Accident & Health		
	Rupees					
Advance for expenses	-	-	1,021,283	-	1,021,283	3,668,202
Deposits	-	1,596,562	856,100	2,527,600	4,980,262	4,380,262
	-	<b>1,596,562</b>	<b>1,877,383</b>	<b>2,527,600</b>	<b>6,001,545</b>	<b>8,048,464</b>

## 21 FIXED ASSETS

### 21.1 Tangible Assets

	Furniture and Fixtures	Office Equipment	Computers Equipments	Vehicle Equipment	Vehicles	Total
	Rupees					
At January 01, 2012						
Cost	38,522,831	11,829,685	4,664,782	695,810	17,020,985	72,734,093
Accumulated Depreciation	16,490,393	5,791,373	3,529,909	286,408	9,696,619	35,794,702
Net Book Value	<u>22,032,438</u>	<u>6,038,312</u>	<u>1,134,873</u>	<u>409,402</u>	<u>7,324,366</u>	<u>36,939,391</u>

#### Year Ended December 31, 2012

<b>Opening Net Book Value</b>	<b>22,032,438</b>	<b>6,038,312</b>	<b>1,134,873</b>	<b>409,402</b>	<b>7,324,366</b>	<b>36,939,391</b>
<b>Additions</b>	<b>310,000</b>	<b>-</b>	<b>93,975</b>	<b>-</b>	<b>-</b>	<b>403,975</b>

#### Disposals

Cost	-	-	-	-	529,300	529,300
Depreciation	-	-	-	-	354,087	354,087
	-	-	-	-	175,213	175,213

Depreciation Charge	2,204,619	603,831	359,617	40,940	1,454,567	4,663,574
<b>Closing Net Book Value</b>	<b><u>20,137,819</u></b>	<b><u>5,434,481</u></b>	<b><u>869,231</u></b>	<b><u>368,462</u></b>	<b><u>5,694,586</u></b>	<b><u>32,504,579</u></b>

#### At December 31, 2012

Cost	38,832,831	11,829,685	4,758,757	695,812	16,491,685	72,608,768
Accumulated Depreciation	18,695,012	6,395,204	3,889,526	327,350	10,797,099	40,104,189
<b>Net Book Value</b>	<b><u>20,137,819</u></b>	<b><u>5,434,481</u></b>	<b><u>869,231</u></b>	<b><u>368,462</u></b>	<b><u>5,694,586</u></b>	<b><u>32,504,579</u></b>

	Furniture and Fixtures	Office Equipment	Computers Equipments	Vehicle Equipment	Vehicles	Total
<b>Rupees</b>						
<b>At January 01, 2011</b>						
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
<b>Year Ended December 31, 2011</b>						
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
<b>Disposals</b>						
Cost	-	-	-	-	79,360	79,360
Depreciation	-	-	-	-	72,775	72,775
	-	-	-	-	6,585	6,585
Depreciation Charge	2,442,493	668,336	421,190	42,443	1,832,104	5,406,566
Closing Net Book Value	22,032,438	6,038,312	1,134,873	409,402	7,324,366	36,939,391
<b>Rate of Depreciation</b>	10%	10%	30%	10%	20%	

### 21.2 Intangible Assets

	Cost			Accumulated Amortization			Net Book Value As At December 31, 2012	Useful Life	
	As at January 01, 2012	Additions	Disposal	As at December 31, 2012	As at January 01, 2012	For the Year			As at December 31, 2012
<b>Rupees</b>									
Computer Software	885,115	319,400	-	1,204,515	610,519	291,931	902,450	302,065	2 Years
December 2011	885,115	-	-	885,115	167,961	442,558	610,519	274,596	

### 21.3 Detail of Disposal of Fixed Assets - By Negotiation

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceed	Gain/(Loss)	Particulars of Purchaser
Suzuki Alto	529,300	354,087	175,213	519,807	344,594	Dr. Kashif Hamid

### Notes

	2012	2011
	<b>Rupees</b>	

### 22 EXPENSES NOT ATTRIBUTABLE TO STATUTORY FUNDS

Salaries and Other Benefits	4,658,360	6,227,023
Staff Welfare	1,107,171	559,575
Travelling	392,613	274,186
Advertisement	196,650	60,416
Telephone	271,503	204,789
Electricity	350,651	176,133
Entertainment	946,925	444,458
Vehicle Maintenance	1,414,326	1,781,729
Insurance to Vehicles	222,809	508,152
Fees and Subscription	275,000	275,000
Professional and Consultancy	180,000	180,000
Supervision Fees	800,107	721,539
Professional Tax	155,300	155,300

	Notes	2012 Rupees	2011 Rupees
Depreciation	21.1	4,663,574	5,406,566
Amortization	21.2	291,931	442,558
Auditors' Remuneration	23.1	166,011	338,504
Rent Expense		71,199	149,855
Compensated Absences		-	-
Printing and Stationery		256,971	199,620
IAP Membership Fees		50,000	57,949
Miscellaneous Expenses		307,067	191,222
		<b>16,778,168</b>	<b>18,354,574</b>

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

### 23 AUDITORS' REMUNERATION

Audit Fee		400,000	400,000
Half Yearly Review		75,000	75,000
Others		85,000	50,000
Out of Pocket Expenses		104,041	152,008
		<b>664,041</b>	<b>677,008</b>

#### 23.1 Allocation of the Auditors' Remuneration is as follows:

Expense Not Attributable to Statutory Funds	22	166,011	338,504
Administration Expenses - Ordinary Life Business		166,010	169,252
Administration Expenses - Universal Life		166,010	67,701
Administration Expenses - Accident and Health Business		166,010	101,551
		498,030	338,504
		<b>664,041</b>	<b>677,008</b>

### 24 TAXATION

Current		2,801,730	2,218,754
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#### 24.1 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. 9.053 million (2011: Rs. 6.912 million) which has not been recognised in these financial statements.

### 25 (LOSS) PER SHARE - Basic and Diluted

	2012 Rupees	2011 Rupees
(Loss) for the Year - Rupees	(7,414,923)	(8,582,817)
Weighted Average Number of Ordinary Shares	50,045,600	50,045,600
(Loss) Per Share - Rupees	(0.15)	(0.17)



## 26 POLICYHOLDERS' LIABILITIES AS PER ACTUARY

	Statutory Funds					Aggregate December 31, 2012	Aggregate December 31, 2011
	Ordinary life		Universal Life	Accident & Health			
	Individual	Group		Individual	Group		
	Rupees						
<b>Gross of Reinsurance</b>							
Actuary Liability Relating to Future Events	18,600,527	24,082,780	188,033,364	3,196	14,310,859	245,030,726	254,275,616
Provision for Outstanding Reported Claims Payable Over the Period Exceeding Twelve Months	566,387	-	1,466,488	-	-	2,032,875	1,484,286
Provision for Claims Incurred But Not Reported (IBNR)	100,000	5,696,762	469,327	-	1,570,981	7,837,070	5,360,387
<b>Total</b>	<b>19,266,914</b>	<b>29,779,542</b>	<b>189,969,179</b>	<b>3,196</b>	<b>15,881,840</b>	<b>254,900,671</b>	<b>261,120,289</b>
<b>Net of Reinsurance</b>							
Actuary Liability Related to Future Events	18,600,527	6,289,084	187,695,925	3,196	14,310,859	226,899,591	224,569,836
Provision for Outstanding Reported Claims Payable Over the Period Exceeding Twelve Months	566,387	-	1,463,856	-	-	2,030,243	1,461,479
Provision for Claims Incurred But Not Reported (IBNR)	100,000	1,487,678	468,486	-	1,570,981	3,627,145	2,424,000
<b>Total</b>	<b>19,266,914</b>	<b>7,776,762</b>	<b>189,628,267</b>	<b>3,196</b>	<b>15,881,840</b>	<b>232,556,979</b>	<b>228,455,315</b>

## 27 REMUNERATION OF CHIEF EXECUTIVE AND OTHER EXECUTIVE

	2012		2011	
	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	1,189,772	-	849,694	-
Retirement Benefits	165,600	-	165,600	-
Reimbursement of Expenses	3,574,279	-	2,894,777	-
	<b>6,129,651</b>	<b>560,000</b>	<b>5,110,071</b>	<b>560,000</b>
Number of person(s)	1	2	1	2

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

## 28 TRANSACTIONS WITH RELATED PARTIES

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

	2012			2011		
	Directors	Key Management Personnel	Associated Companies & Common Directorship	Directors	Key Management Personnel	Associated Companies & Common Directorship
	Rupees					
<b>Transactions</b>						
Premium Received	-	-	-	-	-	135,660
Premium Paid	-	-	222,809	-	-	508,152
Claims Paid	-	-	-	-	-	424,247
<b>Investments</b>						
Sales	-	-	13,329,933	-	-	49,500,000
Purchases	-	-	2,726,754	-	-	30,856,975
<b>Balances</b>						
Premium Receivable	-	-	-	-	-	414,786
Investment	-	-	280,518	-	-	3,978,602

## 29 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.

**30 FINANCIAL INSTRUMENTS BY CATEGORY**

	2012			Total
	Loans and Receivables	Available for Sale	Held to Maturity	
	Rupees			
<b>Assets</b>				
Cash In Hand	10,251	-	-	10,251
Current and Other Accounts	82,049,963	-	-	82,049,963
Deposits Maturing Within 12 Months	54,000,000	-	-	54,000,000
Loans Secured Against Life Insurance Policies	7,944,088	-	-	7,944,088
Unsecured Advances to Employees	644,914	-	-	644,914
Government Securities	-	-	200,865,591	200,865,591
Other Fixed Income Securities	-	-	888,768	888,768
Listed Equities	-	280,518	-	280,518
Premiums Due But Unpaid	22,800,650	-	-	22,800,650
Amount Due from Other Insurer / Reinsurer	2,510,104	-	-	2,510,104
Sundry Receivables	6,001,545	-	-	6,001,545
Investment Income Accrued	1,862,760	-	-	1,862,760
	<b>177,824,275</b>	<b>280,518</b>	<b>201,754,359</b>	<b>379,859,152</b>

	2012		Total
	Others	At Fair Value Through Profit and Loss	
	Rupees		
<b>Liabilities</b>			
Outstanding Gratuity	-	90,550	90,550
Outstanding Claims	-	28,026,620	28,026,620
Amount Due to Other Insurers / Reinsurers	-	3,544,478	3,544,478
Accrued Expenses	-	11,495,422	11,495,422
Agent's Balances	-	1,844,381	1,844,381
Other Creditors and Accruals	-	765,175	765,175
	<b>-</b>	<b>45,766,626</b>	<b>45,766,626</b>



	2011			
	Loans and Receivables	Available for Sale	Held to Maturity	Total
	Rupees			
<b>Assets</b>				
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	-	4,907,591	-	4,907,591
Premiums Due But Unpaid	20,102,781	-	-	20,102,781
Amount Due from Other Insurer / Reinsurer	-	-	-	-
Sundry Receivables	8,048,464	-	-	8,048,464
Investment Income Accrued	1,422,623	-	-	1,422,623
	<b>193,261,364</b>	<b>4,907,591</b>	<b>181,680,639</b>	<b>379,849,594</b>

	2011		
	Others	At Fair Value Through Profit and Loss	Total
	Rupees		
<b>Liabilities</b>			
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
	-	<b>42,397,000</b>	<b>42,397,000</b>

### 31 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.

### 31.1 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:

	<b>2012 Rupees</b>	<b>2011 Rupees</b>
<b>Cash and Cash Equivalent</b>		
Current and Other Accounts	82,049,963	104,841,985
Deposits Maturing Within 12 Months	54,000,000	50,000,000
<b>Loans and Receivables</b>		
Loans Secured Against Life Insurance Policies	7,944,088	7,914,455
Unsecured Advances to Employees	644,914	910,918
Premiums Due But Unpaid	22,800,650	20,102,781
Amount Due from Insurer/Reinsurer	2,510,104	-
Investment Income Accrued	1,862,760	1,422,623
Sundry Receivables	6,001,545	8,048,464
<b>Held to Maturity Financial Assets</b>		
Investment	201,754,359	181,680,639
	<b><u>379,568,383</u></b>	<b><u>374,921,865</u></b>

The credit risk to cash and cash equivalent is negligible, since the counter parties are reputable banks with high quality external credit rating. The 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 ranging from BBB to AAA.

The credit quality of Company's investment in term finance certificate can be assessed with reference to external credit ratings as follows:

<b>Name of Investee Company</b>	<b>Rating</b>	<b>Rating Agency</b>
Pakistan Mobile Communication Limited (I)	AA-	PACRA

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

	<b>2012 Rupees</b>	<b>2011 Rupees</b>
Upto One Year	32,691,259	28,470,184
More Than One Year	9,072,802	9,929,057
	<b><u>41,764,061</u></b>	<b><u>38,399,241</u></b>

Sector wise analysis of premium due but unpaid is as follow:

Financial Institutions	4,397,491	6,087,966
Transport and Communication	620,303	4,646,166
Food and Beverages	-	582,497
Engineering	-	2,294,339
Others	17,782,856	6,491,813
	<b><u>22,800,650</u></b>	<b><u>20,102,781</u></b>

### 31.2 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

2012										
Effective Interest Rate	Exposed to Interest Rate Risk								Non Interest Bearing Financial Instruments	
	Total	Up to 1 Month	Over 1 to 3 Month	Over 3 to 12 Month	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years		Above 10 Years
Rupees										
<b>On Balance Sheet</b>										
<b>Financial Assets</b>										
Cash in Hand		10,251	-	-	-	-	-	-	-	10,251
Current and Other Accounts	4% to 5%	82,049,963	82,049,963	-	-	-	-	-	-	-
Deposits Maturing Within 12 Months	7%	54,000,000	54,000,000	-	-	-	-	-	-	-
Loans Secured Against Life Insurance Policies		7,944,088	-	-	-	-	-	-	-	7,944,088
Unsecured Advances to Employees		644,914	-	-	-	-	-	-	-	644,914
Investments	8% to 12%	202,034,877	-	8,747,034	144,464,858	7,999,863	18,136,821	1,972,185	20,433,598	280,518
Premiums Due But Unpaid		22,800,650	-	-	-	-	-	-	-	22,800,650
Amounts Due From Other Insurer / Reinsurer		2,510,104	-	-	-	-	-	-	-	2,510,104
Investment Income Accrued		1,862,760	-	-	-	-	-	-	-	1,862,760
Sundry Receivables		6,001,545	-	-	-	-	-	-	-	6,001,545
		<b>379,859,152</b>	<b>136,049,963</b>	<b>8,747,034</b>	<b>144,464,858</b>	<b>7,999,863</b>	<b>18,136,821</b>	<b>1,972,185</b>	<b>20,433,598</b>	<b>42,054,830</b>
<b>Financial Liabilities</b>										
Deferred Liabilities - Gratuity		90,550	-	-	-	-	-	-	-	90,550
Outstanding Claims		28,026,620	-	-	-	-	-	-	-	28,026,620
Amounts Due to Other Insurer / Reinsurer		3,544,478	-	-	-	-	-	-	-	3,544,478
Accrued Expenses		11,495,422	-	-	-	-	-	-	-	11,495,422
Agent's Balances		1,844,381	-	-	-	-	-	-	-	1,844,381
Other Creditors and Accruals		765,175	-	-	-	-	-	-	-	765,175
		<b>45,766,626</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,766,626</b>
<b>On Balance Sheet Gap</b>		<b>334,092,526</b>	<b>136,049,963</b>	<b>8,747,034</b>	<b>144,464,858</b>	<b>7,999,863</b>	<b>18,136,821</b>	<b>1,972,185</b>	<b>20,433,598</b>	<b>(3,711,796)</b>



2011

Effective Interest Rate	Exposed to Interest Rate Risk									Non Interest Bearing Financial Instruments	
	Total	Up to 1 Month	Over 1 to 3 Month	Over 3 to 12 Month	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
Rupees											
<b>On Balance Sheet</b>											
<b>Financial Assets</b>											
Cash in Hand	20,138	-	-	-	-	-	-	-	-	-	20,138
Current and Other Accounts	5%to6%	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%to12%	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
Amounts Due From Other Insurer / Reinsurer		-	-	-	-	-	-	-	-	-	-
Investment Income Accrued		1,422,623	-	-	-	-	-	-	-	-	1,422,623
Sundry Receivables		8,048,464	-	-	-	-	-	-	-	-	8,048,464
		<b>379,848,594</b>	<b>154,841,985</b>	<b>-</b>	<b>109,928,990</b>	<b>25,219,608</b>	<b>7,999,717</b>	<b>17,412,310</b>	<b>21,120,014</b>	<b>-</b>	<b>43,326,970</b>
<b>Financial Liabilities</b>											
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
		<b>42,397,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,397,000</b>
<b>On Balance Sheet Gap</b>		<b>337,451,594</b>	<b>154,841,985</b>	<b>-</b>	<b>109,928,990</b>	<b>25,219,608</b>	<b>7,999,717</b>	<b>17,412,310</b>	<b>21,120,014</b>	<b>-</b>	<b>929,970</b>

**31.3 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.

**31.4 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. 888,768 (2011: Rs. 2,671,775). Management considers that fluctuation in market interest rate will have no significant impact.

**31.5 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.

**31.6 Other Price Risk**

The company is not exposed to this risk.

**32 FAIR VALUE OF FINANCIAL ASSETS**

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

**33 INSURANCE RISK****33.1 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.

**33.2 General Terms of the Insurance Contracts issued by the Company are as follow:****33.2.1 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.

### 33.2.2 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 follows:

Type of Insurance Contracts	Insurance Risks	Type of Customers	Insured Event	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

### 33.2.3 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, if required, 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 per cent 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.

### 33.3 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.

### 33.4 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 insurees 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.

### 33.5 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.

### 33.6 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.

### 33.7 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.

### 33.8 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 Subsequent to the Balance Sheet date which pertains to calendar year 2012 were taken as IBNR reserve after adjusting the amount for unreported claims pertaining to 2012. 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.

### 33.9 Sensitivity Analysis

Variables	Change in Variable	Change in Liability 2012	Change in Liability 2011
<b>a) Long Term Insurance with Fixed Guaranteed Terms (Individual Life Conventional Paid Ups)</b>			
Worsening of Mortality and/or Morbidity Rates FOR Risk Policies	5%	8,123	9,777
	10%	16,187	19,494
Improvement of Mortality	N/A	N/A	N/A
Worsening of Persistency Rates for Long Term Individual Policies	No assumption of persistency in estimating policyholder's liability		
Increase in Expense Levels and Inflation	No assumption of expenses in estimating policyholder's 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.



**33.10 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.

**33.11 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 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 risks 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 consultation 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.

**33.12 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's 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.

**34 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. Amounts of Rs. 3,544,478 and Rs. 2,510,104 is "amount due to reinsurers" and "amount due from reinsurees" (2011: Rs. 17,234,866 and Nil) respectively as on December 31, 2012.

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 Treaty	Sum assured more than Rs.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

### 35 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.



**36 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements are authorized for issue on May 10th, 2013 by the Board of Directors of the Company.

**37 NON-ADJUSTING EVENTS AFTER BALANCE SHEET DATE**

The Board of Directors of the Company in their meeting dated May 10, 2013 have approved issue of right shares to existing shareholders in the ratio of 3 for 16 Shares held.

**38 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 and reinsurance arrangements, with exception of solvency, which complied with the provisions of the Ordinance and the rules at all times in the year except for specifically on December 31st, 2012, at which time it met the provisions of the Ordinance and the rules prior to their amendment through SRO 16(I)/2012 dated January 9th, 2012. In this regard, the Board of Directors in their 80th Meeting held on May 10th, 2013 have resolved to increase the paid-up capital of the Company through a right issue and, after injection of the right issue amount, said amended solvency requirements will be met by the Company.
- (c) As at December 31st, 2012, 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 and reinsurance arrangements, with exception of solvency, which continues to be in compliance with the provisions of the Ordinance and the rules prior to their amendment through SRO 16(I)/2012 dated January 9th, 2012. In this regard, the Board of Directors in their 80th Meeting held on May 10th, 2013 have resolved to increase the paid-up capital of the Company through a right issue and, after injection of the right issue amount, said amended solvency requirements will be met by the Company.

### 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 prior to their amendment through SRO 16(I)/2012 dated January 9th, 2012. However, as per the amended rules, the statutory funds do not comply with the solvency requirements. In this regard, the Board of Directors in their 80th Meeting held on May 10th, 2013 have resolved to increase the paid-up capital of the Company through a right issue and, after injection of the right issue amount, said amended solvency requirements will be met by the Company.



**CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD**  
Chairman



**MAHEEN YUNUS, CPCU**  
Managing Director &  
Chief Executive



**A. K. M. SAYEED**  
Director



**JAVED YUNUS**  
Director

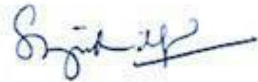
## Statement by the Appointed Actuary

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

### In my opinion

- (a) the policyholders' liabilities included in the balance sheet of East West Life Assurance Company Limited as at 31st December 2012 have been determined in accordance with the provisions of the Insurance Ordinance, 2000; and
- (b) the Shareholders' Fund and the Statutory Fund of the Company do not meet the solvency requirement of the Insurance Ordinance, 2000 as at 31st December 2012. I have been advised by the Company that the Board of Directors in their 80th Meeting held in Karachi on 10th May 2013 have resolved to increase the paid up capital of the Company by Rs. 93.8355 million through a rights issue. When the amount against the rights issue is fully subscribed, I estimate that the solvency requirements of the Insurance Ordinance, 2000 will be met by the East West Life Assurance Company Limited.

Karachi  
Date: May 10th, 2013



**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, 2012

Number of Shareholders	Shareholding				Total Shares Held	Percentage
	From		To			
84	From	1	To	100	5,070	0.0101
528	From	101	To	500	248,512	0.4966
118	From	501	To	1,000	105,953	0.2117
132	From	1,001	To	5,000	353,274	0.7059
35	From	5,001	To	10,000	267,178	0.5339
15	From	10,001	To	15,000	192,420	0.3845
2	From	15,001	To	20,000	38,646	0.0772
2	From	20,001	To	25,000	48,000	0.0959
4	From	25,001	To	30,000	110,852	0.2215
1	From	40,001	To	45,000	44,000	0.0879
1	From	45,001	To	50,000	49,500	0.0989
1	From	70,001	To	80,000	78,030	0.1559
1	From	110,001	To	115,000	112,500	0.2248
1	From	115,001	To	120,000	119,800	0.2394
1	From	285,001	To	300,000	288,673	0.5768
1	From	300,001	To	350,000	330,000	0.6594
1	From	350,001	To	400,000	362,198	0.7237
1	From	400,001	To	425,000	409,053	0.8174
1	From	425,001	To	450,000	426,525	0.8523
1	From	450,001	To	500,000	472,198	0.9435
1	From	500,001	To	600,000	579,695	1.1583
1	From	600,001	To	700,000	698,363	1.3955
1	From	900,001	To	1,000,000	922,264	1.8428
1	From	1,000,001	To	1,100,000	1,026,015	2.0502
1	From	1,300,001	To	1,400,000	1,395,960	2.7894
1	From	1,900,001	To	2,000,000	1,911,050	3.8186
1	From	2,000,001	To	2,200,000	2,189,734	4.3755
1	From	2,200,001	To	2,300,000	2,293,329	4.5825
1	From	2,500,001	To	3,000,000	2,649,970	5.2951
1	From	3,000,001	To	3,500,000	3,240,297	6.4747
1	From	3,600,001	To	3,900,000	3,606,080	7.2056
1	From	3,900,001	To	4,000,000	3,998,643	7.9900
1	From	21,000,001	To	21,500,000	21,471,818	42.9045
<b>944</b>					<b>50,045,600</b>	<b>100.0000</b>

Shareholders	Number	Shares Held	Percentage
CEO, Directors and their Spouses and Minor Children's Joint Stock Companies, Insurance Companies, Investment Companies & Modarabas	12	35,672,087	71.2792
Individuals	930	10,766,433	21.5132
<b>Total</b>	<b>944</b>	<b>50,045,600</b>	<b>100.0000</b>

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
<b>Associated Company</b>			
M/s East West Insurance Company Limited	1	3,606,080	7.2056
<b>Other Company</b>			
National Development Finance	1	1,000	0.0020
<b>NIT &amp; ICP</b>			
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
<b>SHAREHOLDING 5% or More</b>			
Naved Yunus	1	21,471,818	42.9045
Samina Yunus	1	2,649,970	5.2951
Shamaila Yunus	1	3,998,643	7.9900
Samad Yunus	1	3,240,297	6.4747
<b>CEO, Directors, their Spouses and Minor Children's</b>			
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
Ambreen Yunus	1	288,673	0.5768
Individuals	925	10,765,333	21.5110
<b>Total</b>	<b>944</b>	<b>50,045,600</b>	<b>100.0000</b>

## We Have the Solutions for your Dreams



All of us dream the same dream 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  
A Member of East West Group of Companies

## Branch Network

### Lahore

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lahore.zone@eastwestlifeco.com

### Sahiwal

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### Rawalpindi

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rawalpindi.zone@eastwestlifeco.com

### Gujrat

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E-Mail:  
sargodharoad.guj@eastwestlifeco.com

### Chakwal

1st Floor, Bait-ul-Mukarram Masjid,  
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Mobile: (0300) 5814289

### Jhelum

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Tel.: (0544) 623261,  
Fax: (0544) 720631

### Havelian

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

### Pindi Gheb

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

### Muzaffarabad (Azad Kashmir)

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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

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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 (\*).*





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*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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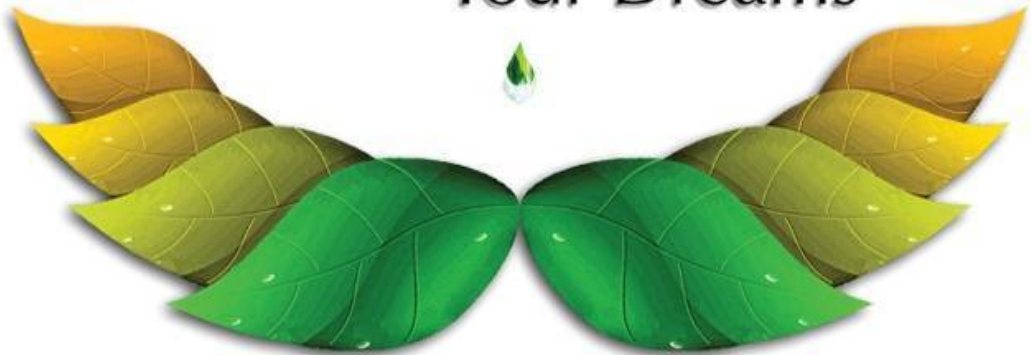
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## Showing Ways to Realize Your Dreams



Everybody agree 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





## **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, 32310726, Fax: (021) 32311667

E-mail: [info@eastwestlifeco.com](mailto:info@eastwestlifeco.com)

Website: [www.eastwestlifeco.com](http://www.eastwestlifeco.com)