

# ANNUAL REPORT 2013

Serving Reliably



Reliance Insurance Company Limited



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# Company Information

## BOARD OF DIRECTORS

CHAIRMAN  
SMAILH .ZAKARIA

## DIRECTORS

MOHAMMED AMIN AHMED BAWANY  
A.AZIZAYOUB  
IRFAN ZAKARIA BAWANY  
MUHAMMAD OMER BAWANY  
ZOHAR ZAKARIA  
AHMED ALIBAWANY  
NOORM .ZAKARIA  
YASIN SDDIK  
ABDULJABBAR

## CHIEF EXECUTIVE & MANAGING DIRECTOR

A .RAZAK AHMED

## CHIEF ACCOUNTANT AND COMPANY SECRETARY

HAROON A .SHAKOOR

## AUDIT COMMITTEE

ABDULJABBAR	CHAIRMAN
IRFAN ZAKARIA BAWANY	MEMBER
ZOHAR ZAKARIA	MEMBER

## INVESTMENT COMMITTEE

IRFAN ZAKARIA BAWANY	CHAIRMAN
ZOHAR ZAKARIA	MEMBER
AHMED ALIBAWANY	MEMBER
A .RAZAK AHMED	MEMBER

## HUMAN RESOURCE & REMUNERATION COMMITTEE

ZOHAR ZAKARIA	CHAIRMAN
IRFAN ZAKARIA BAWANY	MEMBER
A .RAZAK AHMED	MEMBER

## CREDIT RATING

A (SINGLE A) BY JCR-VIS  
OUTLOOK "STABLE"

## AUDITORS

BDO EBRAHIM & CO .  
CHARTERED ACCOUNTANTS

## LEGAL ADVISOR

ABDULSATTAR PINGAR

## BANKERS

HABIB BANK LIMITED  
NATIONAL BANK OF PAKISTAN  
MCB BANK LIMITED  
ALLIED BANK LIMITED  
UNITED BANK LIMITED  
NIB BANK LIMITED  
BANK ALFAH LAH LIMITED  
FAYSAL BANK LIMITED  
HABIB METROPOLITAN BANK LIMITED  
THE BANK OF PUNJAB  
JS BANK LIMITED

## REGISTERED OFFICE

96-A, Sindhi Muslim Co-operative  
Housing Society, Karachi.

## HEAD OFFICE

Reliance Insurance House,  
181-A, Sindhi Muslim Co-operative Housing  
Society,  
PO .Box No .13356,  
Karachi-74400 .  
Phone :34539415-17  
Fax :92-21-34539412  
E-mail :reli-ins@cybernetpk  
ric-re@cybernetpk .  
Website :www .relianceins.com

## SHARES REGISTRAR

M /s.C&K Management Associates (Pvt.) Ltd.  
404 Trade Tower, Abdullah Haroon Road,  
Near Hotel Metropole, Karachi-75530 .  
Tel: (021) 35687839 & 5685930



# Our Vision

To be recognized as a professional and dependable business entity committed to play a meaningful role in the development of insurance industry in Pakistan and to safeguard the legitimate interests of all stakeholders, namely policy-holders, shareholders, reinsurers, employees and all other business associates / partners.

# Our Mission

To provide quality service and protection to its clients aiming at achieving a respectable volume of business and become a prominent player through good governance and sound professionalism focusing to become a well-known and respected Corporate entity in the eyes of Society and Government.

# CODE OF CONDUCT

Reliance Insurance Company Limited is engaged in general insurance business with the objective to achieve sustainable productivity, profitability and high standards of service. The Company solemnly believes in the application of business ethics as have been embodied in this document.

- The credibility, goodwill and reputation earned over the years can be maintained through continued conviction in our corporate values of honesty, justice, integrity and respect for people. The Company strongly promotes trust, openness, teamwork and professionalism in its entire business activities.
- The Company conducts its business in accordance with all applicable laws and Regulations.
- RCL recognizes following obligations, which need to be discharged with best efforts, commitment and efficiency:
  - Safeguarding of shareholders' interest and a suitable return on equity.
  - Service to customers/policyholders by providing products, which offer value in terms of price, quality, safety and honest and fair dealing with people and organization.
  - Respect human right, provide congenial working environment, offer competitive terms of employment, develop human resource and be an equal opportunity employer.
  - Seek mutually beneficial business relationship with policyholder, business development staff/officers, investment partners and Banks.
  - The Company believes that profit is essential for business survival. It is a measure of efficiency and the value that the customer place on services provided by the Company.
  - The Company requires honesty and fairness in all aspect of its business and in its relationships with all those with whom it does business. The direct or indirect offer, payment, soliciting and accepting of bribe in any form are undesirable.
  - The Company requires all its employees to essentially avoid conflict of interest between private financial activities and their professional role in the conduct of Company business.
  - The Company does not support any political party or contributes funds to group having political interests. The Company will however, promote its legitimate business interests through trade associations.
  - The Company, consistent with its priority, has the approach for protecting the health and safety of employees at the workplace.
  - All employees are duty-bound to make business decisions in the best interest of the Company and not based on their personal interest and are obliged to protect all the assets including software and use all such properties for the exclusive benefit of the Company only.
  - The Company is committed to observe laws of Pakistan and is fully aware of its social responsibility. It would assist the community in activities such as training programs, skills development and employment within the parameters of its commercial objectives.
  - The Company supports free market system. It seeks to compete fairly and ethically within the framework of applicable competition laws in the country. The Company will not stop others from competing freely with it.
  - In view of the critical importance of its business and in pact on national economy, the Company provides all relevant information about its activities to legitimate interested parties, subject to any overriding constraints of confidentiality and cost. The members of RCL are forbidden to pass on inside information at any time or to any other person inside or outside the Company.

# Company Profile

Reliance Insurance Company Limited, was incorporated in Pakistan in the year 1981 with a Share Capital of Rs. 500 Million by two Leading Industrial Houses of Pakistan, namely (i) Al-Noor Group and (ii) Amin Bawany Group. Al-Noor Group is headed by renowned industrialist Mr. Ismail H. Zakaria, who is also the Chairman of Reliance Insurance, while Amin Bawany Group is headed by Mr. Mohammed Amin Ahmed Bawany, who is also the Director of Reliance Insurance. Both the groups having successfully implemented a number of projects are currently reputed industrial groups of Pakistan.

RICL underwrites all classes of General Insurance and enjoys reputation second to none. Apart from the traditional covers such as Fire, Accident, Motor, Marine (Import & Exports), Loss of Profits, Personal Accident, Group Hospitalization, Workmen's Compensation, Burglary, Cash-in-Safe or in Transit etc., it also transacts non-traditional covers such as Machinery Breakdown, and Loss of Profits following Machinery Breakdown, Terrorism, Contractors All Risks, Erection All Risks, Bond, Aviation and the like.

The Present Authorised Capital of the Company is Rs. 500 Million while Paid-up Capital has increased to 366.780 million. General Reserve to Rs. 160 million & the Shareholders' equity to Rs. 653.41 million.

Reliance is one of the leading General Insurance Company of Pakistan having a network of 26 Branches at all important places throughout Pakistan employing a full time work force of 205 persons.

Since its establishment Reliance has progressed smoothly and steadily. Its Gross Premium Income has increased from Rs. One Million in 1983 to Rs. 837.228 million at the end of the year 2013 and the Technical Reserves at Rs. 679.625 million.

RICL has an excellent Treaty Reinsurance arrangements with foreign reinsurers of world repute having handsome automatic Treaty Capacity.

JCR-VIS Credit Rating Company an affiliate of Japan Credit Rating Agency has assigned Insurers Financial Strength Rating (IFS) at A (Single A). Outlook on the assigned Rating is "(Stable)".



# Directors' Profile



Email H. Zakaria Chairman

Mr. Email H. Zakaria is Chairman of the Board of Directors of Reliance Insurance Company Limited since its inception. He has diversified experience of over forty five years covering various industrial, commercial and financial sectors. He is also Chairman of First Al Noor Modaraba, and Shahm urad Sugar Mills Limited. The depth of knowledge and breadth of experience of Mr. Email H. Zakaria is an invaluable asset and a guiding force to the Board of Reliance Insurance. He also holds the office of Honorary Consul General of Mauritius.



Muhammad Amin Ahmed Bawany Director

Mr. Muhammad Amin Ahmed Bawany is a non-executive Director of Reliance Insurance Company Limited since its inception. He obtained his secondary education from St. Patrick School, Karachi and acquired his professional education from Tokyo University, Yokohama, Japan. He has rich and diversified experience in trade and commerce including textile, sugar and financial sector. He is also Chairman of Faran Sugar Mills Limited.



A. Aziz Ayob Director

Mr. A. Aziz Ayob is a Non-Executive Director since 1995. Mr. A. Aziz Ayob is a graduate having over 45 years of diversified industrial and commercial experience in various fields. He is also a Director on the Board of First Al Noor Modaraba, Al Noor Sugar Mills Limited and Shahm urad Sugar Mills Limited.



Ifan Zakaria Bawany Director

Mr. Ifan Zakaria Bawany is a Non-Executive Director of Reliance Insurance Company Limited since 1991. He is CEO of Anam Fabrics (Pvt.) Limited. He has served on The Board of Pioneer Cables Limited from 1983 to 1991. He has diversified experience in Electrical Cable Manufacturing and Textile made up business. After receiving a B.B.A. (accounting) from The University of Houston, USA, he was certified as a Fellow Member of the Texas Society of Certified Public Accountants. He is a certified Director from Pakistan Institute of Corporate Governance (PICG).

# Directors' Profile

Mr. Zohair Zakaria is a Non-Executive Director of Reliance Insurance Company Limited since 1998. He is also serving on the Board of Directors of Al-Noor Sugar Mills Limited, Shahm urad Sugar Mills Limited, First Al-Noor M odaraba. Mr. Zohair Zakaria has diversified experience of working in senior management positions. He holds BBA Degree from Boston. He is a Certified Director from Pakistan Institute of Corporate Governance. (P.I.C.G.)



Zohair Zakaria Director

Mr. Muhammad Omer Bawany is a Non-Executive Director of Reliance Insurance Company Limited, since 1995. He acquired his early education from Karachi American School and proceeded to American College, Switzerland and obtained an Associate Degree in Business Administration. He has extensive experience in textile, sugar and financial sectors. He is on the Board of Directors of Faran Sugar Mills Limited since 1984, and is currently its Vice Chairman. He is also the Chief Executive of B.F.M odaraba.



Muhammad Omer Bawany Director

Mr. Ahmed Ali Bawany is a Non-Executive Director of Reliance Insurance Company Limited since 2001. He acquired his early education from CAS, Karachi and degree in business entrepreneurship from University of Southern California. His special field of interest includes finance, procurement and marketing. He is the Chief Executive of Faran Sugar Mills Limited and Chairman of B.F.M odaraba. He is a Certified Director from Pakistan Institute of Corporate Governance. (P.I.C.G.)



Ahmed Ali Bawany Director

Mr. Noor Mohammed Zakaria is a Non-Executive Director since 2003. He has over 40 years of diversified industrial and commercial experience. He is B.A. (Hons) from University of Karachi. He is also on the Board of (Non-Executive Director) Al-Noor Sugar Mills Limited. He is socially very well connected and active and is a member of various Clubs of Karachi.



Noor Mohammed Zakaria Director



# Directors' Profile



Yasin Siddik Director

Mr. Yasin Siddik is an independent Non-Executive Director since 2007. He belongs to a well reputed business family. After completion of his Master in International Marketing Research from IBA, Karachi, he commenced his practical career in Ship-Breaking. In 1987 Mr. Yasin entered into Textile Spinning Business under the title of Premium Textile Mills Limited now having Four Units under production.

In addition to the above Mr. Yasin is also running business of Iron & Steel under the title of Y.S. (Pvt.) Limited and Zaid Traders. Mr. Yasin is currently holding the portfolio of Central Chairman of APIMA.



Abdul Jabbar Director

Mr. Abdul Jabbar is an independent Non-Executive Director elected in the election held on 30th April 2013. He comes from a well reputed business family, having extensive and diversified experience in business and commerce. He is a leading importer of Metals for the last 25 years. He is a Graduate from University of Karachi. He is the Chairman of Audit Committee.



A. Razak Ahmed  
Chief Executive & M.D.

Mr. A. Razak Ahmed is the Chief Executive Officer/Managing Director of the Company since 1st November 1995. He has over 45 years of extensive and varied experience both in public & private sectors. Prior to joining Reliance he had worked with Adamjee Insurance, Pakistan Insurance Corporation (now PRCL) National Insurance Corporation & Premier Insurance Company. He has been on the Executive Committee of the Insurance Association of Pakistan (IAP) several times and had also been the Chairman of Accident & Fire Committees for several terms, beside being Council Member of the Karachi Insurance Institute and member standing committee on Banking and Insurance of the Federation of Pakistan Chamber of Commerce & Industry. He is a Commerce Graduate and a fellow of the Chartered Insurance Institute (FCII) London. He is a Chartered Insurer.



# Our Services

Reliance Insurance Company Limited underwrites all classes of General Insurance and enjoys reputation second to none. Apart from the traditional covers such as Fire and Allied perils, Accident, Motor, Marine (Import and Exports), Loss of Profits, personal Accident, Group Hospitalization, Workmen Compensation, Burglary, Fidelity Guarantee, Public Liability, Products Liability, Cash-in-Safe or in Transit etc.

RICL also transact non-traditional covers such as Machinery Breakdown and Loss of Profits following Machinery Breakdown, Contractors All Risks, Erection All Risks, Bonds, Aviation Hull and Liabilities, Terrorism Insurance and the like.

# Fire Insurance

The Standard Fire Policy covers loss and / or damage caused by fire and lightning. The basic fire policy can be extended to include a number of additional/extraneous risks known as 'special perils' or 'allied perils'. These include: riot and strike damage, malicious damage, atmospheric disturbance (including flood), earthquake fire and shock, explosion, impact damage, aircraft damage. The property insured normally includes residential/commercial buildings, factory/warehouse buildings, household goods, stock and stock in process, fixtures and fittings, plant and machinery etc.

## Consequential Loss Due to Fire

RCL also provides this coverage in conjunction with Fire Policy. It provides protection against Loss of Profit incurred as a result of business interruption or interference in Business caused by an event indemnifiable under Fire Policy.

# Cargo Insurance

Marine cargo insurance provides protection to Imports and Exports of goods by any mode of transport viz by Sea, by Air or by Road/Rail. Cargo is usually insured on a warehouse (of departure) to warehouse (of arrival) basis and usually covering all risks as per Institute Cargo Clauses "A". For lesser risk Institute Cargo Clauses "B" & "C" are available. Even cover on TLO (Total Loss only, due to total loss of the vessel/aircraft) basis is also available. Marine Inland Transit insurance policy provides adequate cover to protect goods in transit by any mode of transport within the territory of Pakistan.

# Motor Insurance

The minimum requirement by law under Motor Vehicles Act 1939 is in respect of legal liability to pay damages arising out of bodily injury caused to any third party person. The following policies are available under this section: Act Liability only: provides cover in respect of liability incurred through death or injury to a third party person. This is minimum legal cover available under Motor Vehicles Act, 1939. Third Party: provides cover as above plus damage to third party property. Comprehensive Insurance: provides cover for third party liability plus protection against loss and/or damage to the car/vehicle itself as well as snatching/theft. The policy can be extended to include accidental personal injuries to and death of the Driver and Passengers.

# Engineering Insurance

Engineering policies mainly cover damage to, or breakdown of specific items of plant and machinery, cost of repair of own/surrounding property, legal liability for damage to property of others, caused by the aforesaid damage or breakdown. Cover for loss of profits and standing charges following machinery breakdown is also available. Cover against Contractors All Risks (CAR), Erection All Risks (EAR), Contractors Plant and Machinery insurance, Boiler & Pressure vessel insurance, Electronic Equipment insurance etc. are also available.

# Bond & Surety Insurance

Contractors undertaking the construction of public works like buildings, roads, bridges, dams, civil works etc., are usually required to furnish guarantees/bonds guaranteeing the fulfillment of their contractual obligations to the principals. Traditionally, Bid Bonds, Advance Payments/Mobilization Bonds, Performance Bonds, Supply Bonds, Maintenance Bonds & Customs and Excise Bonds are available.

# Aviation Insurance

Reliance Insurance is amongst the few Pakistani insurance companies who offer aviation insurance plans to the commercial as well as private airlines. Our comprehensive aviation insurance plan protects the insured from probable risks. Reliance Insurance provides amongst others following aviation insurance products:

- Aviation Hull All Risks
- Aviation Legal Liabilities
- Aviation Hull War & Allied Perils
- Loss of License of Pilots
- Aircraft's Ferry Flight Insurance
- Crew Legal Liabilities
- Airline's Airport Booth Insurance



# Miscellaneous Insurance

The wide range of products available under miscellaneous head includes, but not limited to, Personal Accident Insurance, House-breaking and Burglary Insurance, Travel Insurance, Cash-in-safe/Cash-in-transit Insurance, Public Liability and Products Liability Insurance, General Third Party Liability, Fidelity Guarantee, Workmen's Compensation / Employers Liability Insurance, Professional Indemnity, Group Hospitalization Insurance, Plate glass Insurance, Baggage Insurance etc.



# Notice of the Thirty Second Annual General Meeting

Notice is hereby given that the 32nd Annual General Meeting of the Shareholders of RELIANCE INSURANCE COMPANY LIMITED will be held on Tuesday the 29th April, 2014 at 12:30 pm at the Head Office of the Company at RELIANCE INSURANCE HOUSE 181-A Sindhi Muslim Housing Society Near Mehdi Tower, off: Sharah-e-Faisal, Karachi, to transact the following business:

## ORDINARY BUSINESS:

1. To confirm the Minutes of the 31st Annual General Meeting of the company held on 30th April, 2013.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st December, 2013 together with Directors' and Auditors' Reports thereon.
3. To consider and approve Cash Dividend @ 5% for the year ended 31st December, 2013 as recommended by the Board of Directors.
4. To appoint auditors and fix their remuneration for the year ending December 31, 2014. The present auditors M/s. BDO Ebrahim & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.

## SPECIAL BUSINESS:

5. To consider and approve the issuance of bonus shares @ 10% i.e. 10 ordinary shares for every 100 ordinary shares held, out of the profit for the year ended December 31, 2013, as recommended by the Directors by passing the following Ordinary Resolution:

To consider and if thought fit to pass with or without modification the following resolution as ordinary resolution: "RESOLVED

That a sum of Rs 36,678,070 out of the Company's Reserve for the issue of Bonus Shares be capitalized and applied to the issue of 3,667,807 ordinary shares of Rs 10/- each and allotted as fully paid up Bonus Shares to the Members who are registered in the Book of the Company as at close of business on April 18, 2014 in the proportion of 10 new shares for every 100 existing ordinary shares held and that such new Shares shall rank paripassu with existing ordinary shares of the Company.

Further, resolved that Bonus Shares forming part of such fraction holding which is not in exact multiple of 10:100 shares will be sold in the Stock Market and to pay the proceeds of sales thereof, when realized, to a Charitable Institution.

That for the purpose of giving effect to the foregoing, the Chief Executive and Company Secretary be and hereby authorized to give such directions as may be necessary and as they deem fit to settle any questions or any difficulties that may arise in the distribution of the said new shares or in the payment of the sale proceeds of the fraction."

The Statement Under Section 160 (1) (b) of the Companies Ordinance, 1984, pertaining to the special business referred to above is being circulated to the members along with the Notice of the Meeting.

## OTHER BUSINESS:

6. To transact any other business with the permission of the Chair.

The Share Transfer Books of the Company will remain closed from 19th April, 2014 to 29th April, 2014 (both days inclusive).

By order of the Board

Karachi: 29th March, 2014

HAROON A. SHAKOOR  
Chief Accountant & Company Secretary



# Notice of the Thirty Second Annual General Meeting

## NOTES:

1. A member of the Company entitled to attend and vote may appoint any member as his/her proxy to attend and vote on his/her behalf. PROXIES MUST BE RECEIVED AT THE HEAD OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. CDC Account Holders will further have to follow the undermentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

## A. For Attending the Meeting:

- i) In case of individuals, the account holder or sub-account holder and/or person whose securities are in group account and the registration details are updated as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

## B. For appointing Proxies:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are updated as per the Regulations, shall submit the proxy form as per the above requirements.
  - ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
  - iii) Attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - iv) The proxy shall produce his original CNIC or Original Passport at the time of the meeting.
  - v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
3. Securities & Exchange Commission of Pakistan (SECP) vide its SRO 779 (I) 2011 dated August 18, 2011 has directed all listed Companies to ensure that Dividend Warrants should bear the Computerized National Identity Card (CNIC) Numbers of the registered members. Members who have not yet provided attested copies of their valid CNICs/NTNs (in case of corporate entities) are requested to send the same directly to the aforesaid Registrar of the Company at the earliest.
  4. Shareholders are requested to inform the Company of any change in their address, if any immediately.

## E-D Dividend Mandate

5. In compliance with the SECP's Circular No 8 (4) SM /CDC 2008 dated 5 April 2013, the Company wishes to inform its shareholders that under the law they are also entitled to receive their cash dividend directly in their bank accounts instead of receiving it through dividend warrants. Shareholders, wishing to exercise this option, may submit their application to the Company's Share Registrar, giving particulars relating to their name, bank account number, title of account and complete mailing address of the bank. CDC account holders should submit their request directly to their broker (participant) CDC.

## STATEMENT UNDER SECTION 160 (1) (b) OF THE COMPANIES ORDINANCE 1984 PERTAINING TO THE SPECIAL BUSINESS

The statement set out the material facts pertaining to the "special business" to be transacted at the 32nd Annual General Meeting of the Company to be held on April 29, 2014.

## ITEM NO. 5 OF THE AGENDA

### Capitalization out of company's appropriated Profit/Reserve

Further Resolved that the decision of the Board of Directors of the Company to issue 3,667,807 ordinary shares of Rs. 10 each by capitalizing Rs 36,678,070 out of the Free Reserve of the Company and allotted as fully paid up bonus shares to the members of the company who were registered in the book of the company on 18th April, 2014 in the ratio of 10 shares such new shares for every 100 existing ordinary shares held ranking pari passu with the existing ordinary shares of the Company.

None of the Directors of the Company are interested in this business except to the extent of their entitlement to bonus shares as shareholders.

# KEY FINANCIAL DATA

## 10 Years Growth At A Glance

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
PAD-UP CAPITAL	366.78	318.93	318.93	252.01	252.01	229.09	176.25	132.50	100.00	88.40
SHAREHOLDERS EQUITY	653.42	578.71	515.42	374.52	322.58	355.23	314.72	243.97	185.64	143.40
GENERAL RESERVE	160.00	90.99	90.00	87.50	87.50	80.00	62.50	62.50	48.00	38.00
CASH AND BANK DEPOSIT	103.08	68.76	79.82	57.54	63.05	85.03	94.95	105.23	87.21	74.02
INVESTMENT	500.32	436.86	406.54	348.69	282.68	285.85	298.94	234.97	168.16	95.38
UNDERWRITING PROVISIONS	679.63	947.90	465.33	437.16	493.36	527.08	354.07	273.24	233.83	177.60
TOTAL ASSETS BOOK VALUE	1456.58	1633.02	1108.93	967.55	904.35	938.72	712.73	575.38	460.90	349.52
RETURN ON ASSETS	5.13%	5.34%	6.93%	11.99%	(3.61%)	4.31%	9.92%	10.14%	9.16%	7.59%
PAD-UP CAPITAL TO ASSETS	25.18%	19.53%	28.76%	26.04%	27.86%	24.40%	24.72%	23.03%	21.69%	25.29%
EQUITY /TOTAL ASSETS	44.86%	35.43%	46.48%	45.33%	35.67%	37.84%	44.17%	42.40%	40.27%	41.03%
GROSS PREMIUM	837.23	613.72	543.40	529.54	506.34	603.19	632.16	526.88	427.08	336.12
NET PREMIUM	260.76	240.70	238.7	267.92	326.55	445.54	395.81	315.02	250.44	183.95
RATIO TO GROSS PREMIUM	31.14%	39.22%	43.93%	50.59%	64.49%	73.86%	62.61%	59.79%	58.64%	54.73%
NET CLAIMS INCURRED	87.89	83.09	86.32	96.43	227.46	208.36	156.97	100.21	82.66	64.75
RATIO TO NET PREMIUM	33.71%	34.52%	36.16%	35.99%	69.65%	46.77%	39.66%	31.81%	33.01%	35.20%
EXPENSES	155.34	142.76	128.95	130.78	140.59	153.65	148.43	128.06	113.21	86.52
RATIO TO GROSS PREMIUM	18.55%	23.26%	23.73%	24.70%	27.77%	25.47%	23.48%	24.31%	26.51%	25.74%
RATIO TO NET PREMIUM	59.57%	59.31%	54.02%	48.81%	43.05%	34.49%	37.50%	40.65%	45.20%	47.03%
INVESTMENT INCOME	97.44	110.25	94.86	54.86	53.86	18.26	43.23	30.41	23.62	9.85
RETURN ON INVESTMENT	19.47%	25.24%	23.33%	15.73%	19.05%	6.39%	14.46%	12.94%	14.04%	10.33%
U/W PROFIT/(LOSS)	19.60	17.04	15.24	31.93	(51.98)	48.17	58.53	62.46	44.08	35.82
PRE-TAX PROFIT	81.21	93.90	83.31	56.68	(30.99)	52.26	88.34	80.63	57.44	36.03
PERCENTAGE TO GROSS PREMIUM	8.92%	14.21%	14.14%	9.981%	(6.45)%	6.71%	11.19%	11.07%	9.90%	7.89%
PROFIT AFTER TAX	74.70	87.21	76.82	51.93	(32.64)	40.51	70.75	58.33	42.24	26.53
PERCENTAGE TO NET PREMIUM	28.65%	36.23%	32.18%	19.38%	(10.00)%	9.09%	17.87%	18.52%	16.87%	14.42%
EARNINGS PER SHARE	2.03	2.73	2.41	2.06	(1.30)	1.77	3.09	4.40	4.22	3.00
DIVIDEND /BONUS	10% (B)5% (C)	15% (B)	12.5% (B)7.5% (C)	12.5% (B)	NIL	10% (B)	30% (B)	33% (B)	32.5% (B)	13.13% (B)
BREAKUP VALUE PER SHARE	17.81	18.15	16.16	14.86	12.80	15.50	13.74	11.36	18.56%	16.22
RETURN ON EQUITY	11.43%	15.07%	14.90%	13.86%	(10.11)%	11.40%	22.48%	23.90%	22.75% (B)	18.50%

# HORIZONTAL ANALYSIS OF BALANCE SHEET & INCOME STATEMENT

	Rupees 000						% Increase / (Decrease) over preceding year					
	2013	2012	2011	2010	2009	2008	2013	2012	2011	2010	2009	2008
<b>BALANCE SHEET</b>												
Cash and Bank Deposit	103,079	68,760	79,824	57,542	63,046	85,033	49.91	(13.86)	38.72	(8.73)	(25.85)	(10.45)
Loan to Employees	1,517	1,566	0,921	0,756	1,061	0,965	(3.13)	70.03	21.82	(28.75)	9.95	2.65
Investment	500,322	436,862	4,06,541	348,699	282,690	285,858	14.53	7.46	16.59	23.35	(1.11)	5.71
Other Assets	780,381	1,062,035	5,58,414	495,898	491,243	494,078	(26.52)	90.19	12.61	(0.95)	(0.57)	79.07
Fixed Assets - Tangible and Intangible	71,281	63,801	63,234	64,658	66,308	72,788	11.72	0.89	(2.20)	(2.49)	(8.90)	3.23
<b>Total Assets</b>	<b>1,456,580</b>	<b>1,633,024</b>	<b>1,108,934</b>	<b>967,553</b>	<b>904,348</b>	<b>938,722</b>	<b>(10.80)</b>	<b>47.26</b>	<b>14.61</b>	<b>6.99</b>	<b>(3.66)</b>	<b>31.71</b>
<b>Total Equity</b>	<b>653,418</b>	<b>5,78,713</b>	<b>5,15,428</b>	<b>438,611</b>	<b>322,582</b>	<b>355,227</b>	<b>12.91</b>	<b>12.28</b>	<b>17.51</b>	<b>35.97</b>	<b>(9.19)</b>	<b>12.87</b>
Underwriting Provisions	679,626	9,47,898	4,65,335	437,162	493,360	527,083	(28.30)	103.70	6.44	(11.39)	(6.40)	48.86
Creditors and Accruals	122,987	1,05,841	1,28,064	91,665	88,291	50,515	16.20	(17.35)	39.70	3.82	74.78	15.28
Other Liabilities	0,549	0,572	0,107	0,115	0,115	5,897	(4.02)	(434.58)	(6.95)	-	98.04	4,694.30
<b>Total Equity and Liabilities</b>	<b>1,456,580</b>	<b>1,633,024</b>	<b>1,108,934</b>	<b>967,553</b>	<b>904,348</b>	<b>938,723</b>	<b>(10.80)</b>	<b>(47.28)</b>	<b>14.61</b>	<b>6.99</b>	<b>(3.66)</b>	<b>31.71</b>
<b>PROFIT AND LOSS ACCOUNT</b>												
Net Premium Revenue	260,758	2,40,703	2,38,706	267,920	326,555	445,542	8.33	0.84	(10.90)	(17.95)	(26.70)	12.56
Net Claims	87,893	83,096	86,322	96,430	227,457	208,359	5.77	(3.74)	(10.48)	(57.60)	9.16	32.74
Management Expenses	116,698	1,06,778	99,150	99,462	106,602	138,102	9.29	7.69	(0.31)	(6.70)	(22.81)	2.97
Net Commission	36,568	33,748	37,990	40,099	44,482	50,909	8.36	(11.07)	(5.26)	(9.85)	(12.62)	10.20
Investment Income	97,437	1,10,252	94,858	118,954	53,862	18,263	(11.62)	16.23	72.91	1.85	194.92	(59.12)
Other Income	2,903	2,590	3,012	1,406	1,578	1,378	12.08	14.01	121.91	(10.89)	14.51	53.28
Financial Charges	0,088	0,625	0,453	0,193	0,458	0,199	(85.92)	37.96	134.71	(57.86)	130.15	-
General and Admin Expenses	38,646	35,357	29,342	31,319	33,990	15,354	9.30	20.50	(6.31)	(7.86)	121.37	7.27
<b>Profit and Loss before Tax</b>	<b>81,205</b>	<b>93,905</b>	<b>83,317</b>	<b>116,028</b>	<b>(30,994)</b>	<b>52,260</b>	<b>(13.52)</b>	<b>13.76</b>	<b>44.98</b>	<b>83.69</b>	<b>159.30</b>	<b>(40.84)</b>
Taxation Net	(6,500)	(6,700)	(6,500)	4,750	(1,650)	11,750	(2.99)	3.07	36.84	187.88	(85.95)	(32.24)
<b>Profit and Loss after Tax</b>	<b>74,705</b>	<b>87,205</b>	<b>76,817</b>	<b>120,778</b>	<b>(32,644)</b>	<b>40,509</b>	<b>(14.33)</b>	<b>14.67</b>	<b>46.42</b>	<b>259.09</b>	<b>(180.58)</b>	<b>42.85</b>

# VERTICAL ANALYSIS OF BALANCE SHEET & INCOME STATEMENT

Rupees 000

	2013		2012		2011		2010		2009		2008	
	Rupees	%	Rupees	%	Rupees	%	Rupees	%	Rupees	%	Rupees	%
<b>BALANCE SHEET</b>												
Cash and Bank Deposit	103,079	7.08	68,760	4.21	79,824	7.20	57,542	5.95	63,046	6.97	85,033	9.06
Loan to Employees	1,517	0.10	1,566	0.10	0,921	0.08	0,756	0.08	1,061	0.12	0,965	0.10
Investment	500,322	34.35	436,862	26.75	406,541	36.66	348,699	36.04	282,690	31.26	285,858	30.45
Other Assets	780,381	53.58	1,062,035	65.03	558,414	50.36	495,898	51.25	491,243	54.32	494,078	52.63
Fixed Assets - Tangible and Intangible	71,281	4.89	63,801	3.91	63,234	5.70	64,658	6.68	66,308	7.33	72,788	7.75
<b>Total Assets</b>	<b>1,456,580</b>	<b>100.00</b>	<b>1,633,024</b>	<b>100.00</b>	<b>1,108,934</b>	<b>100.00</b>	<b>967,553</b>	<b>100.00</b>	<b>904,348</b>	<b>100.00</b>	<b>938,722</b>	<b>100.00</b>
Total Equity	653,418	44.86	578,713	35.44	515,428	46.48	438,611	45.33	322,582	35.67	355,227	37.84
Underwriting Provisions	679,626	46.66	947,898	58.05	465,335	41.96	437,162	45.18	493,360	54.55	527,083	56.15
Creditors and Accruals	122,987	8.44	105,841	6.48	128,064	11.55	91,665	9.47	88,291	9.76	50,515	5.38
Other Liabilities	0,549	0.04	0,572	0.04	0,107	0.01	0,115	0.01	0,115	0.01	5,897	0.63
<b>Total Equity and Liabilities</b>	<b>1,456,580</b>	<b>100.00</b>	<b>1,633,024</b>	<b>100.00</b>	<b>1,108,934</b>	<b>100.00</b>	<b>967,553</b>	<b>100.00</b>	<b>904,348</b>	<b>100.00</b>	<b>938,723</b>	<b>100.00</b>
<b>PROFIT AND LOSS ACCOUNT</b>												
Net Premium Revenue	260,758	100.00	240,703	100.00	238,706	100.00	267,920	100.00	326,555	100.00	445,542	100.00
Net Claims	87,893	33.71	83,096	34.52	86,322	36.16	96,430	35.99	227,457	69.65	208,359	46.77
Management Expenses	116,698	44.75	106,778	44.36	99,150	41.54	99,462	37.12	106,602	32.64	138,102	31.00
Net Commission	36,568	14.02	33,784	14.04	37,990	15.91	40,099	14.97	44,482	13.62	50,909	11.43
Investment Income	97,437	37.37	110,252	45.80	94,085	39.41	54,860	20.48	53,862	16.49	18,263	4.10
Other Income	2,903	1.11	2,590	1.08	3,012	1.26	1,406	0.52	1,578	0.48	1,378	0.31
Financial Charges	0,088	0.03	0,624	0.26	0,453	0.19	0,193	0.07	0,458	0.14	0,199	0.04
General and Admin Expenses	38,646	14.82	35,357	14.69	29,342	12.29	31,319	11.69	33,990	10.41	15,354	3.45
<b>Profit and Loss before Tax</b>	<b>81,205</b>	<b>31.14</b>	<b>93,905</b>	<b>39.01</b>	<b>82,544</b>	<b>34.58</b>	<b>56,934</b>	<b>21.25</b>	<b>(8,994)</b>	<b>-9.49</b>	<b>52,260</b>	<b>11.73</b>
Taxation Net	6,500	2.49	6,700	2.78	(6,500)	(2.72)	(4,750)	(1.77)	1,650	0.51	(11,750)	(2.64)
<b>Profit and Loss after Tax</b>	<b>74,705</b>	<b>28.65</b>	<b>87,205</b>	<b>36.23</b>	<b>76,044</b>	<b>31.86</b>	<b>51,934</b>	<b>19.38</b>	<b>(2,644)</b>	<b>(10.00)</b>	<b>40,509</b>	<b>9.09</b>

# Shareholders' Information

## Registered Office

96-A, Sindhi Muslim Co-operative Housing Society Karachi.

## Head Office

Reliance Insurance House, 181-A, Sindhi Muslim Co-operative Housing Society, Karachi.

## Share Registrar Office

C&K Management Associates (Pvt.) Ltd. 404-Trade Tower, Abdulrahman Road, Near Hotel Metropole, Karachi-75530.  
Tel: (021) 35687839 & 53685930

## Listing on Stock Exchanges

RCL equity shares are listed on Karachi Stock Exchange (KSE) and Lahore Stock Exchange (LSE)

## Listing Fees

The annual listing fee for the financial year 2013-2014 has been paid to both the stock exchanges within the prescribed time limit.

## Stock Code

The stock code for dealing in equity shares of RCL at KSE and in LSE is RCL.

## Statutory Compliance

During the year the Company has complied with all applicable provisions, filed all returns/forms and furnished all relevant information as required under the Companies Ordinance, 1984 and allied laws and rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the Listing Regulations.

## Book Closure Dates

The register of Member and share transfer books of the Company will remain closed from 19th April 2014 to 29th April 2014, (both days inclusive).

## 32nd Annual General Meeting

Date : 29th April, 2014

Time : 12:30 pm

Venue : Reliance Insurance House, 181-A, SM CHS, Karachi

## Website of the Company

A website of your Company has been developed which allows the users to get the Company related information about its financial history, types of insurance available with the Company and list of reinsurers etc.

An online complaint system is also available to improve the efficiency.

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

Annual, half yearly and quarterly financial statements of the Company are available at <http://www.relianceins.com>

Disclosures to the Stock Exchanges on strategic events are made as and when required.

## CNIC Number

Securities and Exchange Commission of Pakistan (SECP) has directed vide Notification No SRO 831 (I)/2012 of July 5, 2012 in supersession of earlier Notification No SRO 779 (I) 2911 of August 18, 2011 to issue dividend warrants only crossed as "A/c Payee only" and should bear the valid Computerized National Identity card (CNIC) number of the registered members, those members who have not yet submitted photocopy of their valid CNIC are requested to send the same at the earliest directly to the Company Share Registrar.

## Dividend Mandate Option

As directed by SECP vide Circular No 18 of 2012 dated June 5, 2012 we give the shareholders the opportunity to authorize the Company to directly credit in their bank account with Cash dividend, if any, declared by the Company in future. If they wish that the cash dividend if declared by the Company be directly credited into their bank account, instead of issuing a dividend warrant. Please provide the following details to our Registrar M/s. C&K Management Associates (Pvt.) Ltd.:

Title of Bank Account	Branch Name and address
Bank Account Number	Cell number of Shareholder
Bank's Name	Landline number of Shareholder, if any

## Change of Address

Members are requested to immediately notify the change of address, if any, to the Company's Registrar.

# Financial Calendar

## Date

26th March, 2013	Meeting of the Board of Directors for approval of the audited financial statements for the year ended December 31, 2012.
30th April, 2013	The Annual General Meeting of the Company was held at the Registered Office for approval of annual audited financial statement for the year ended December 31, 2012, appointment of auditors, approval of Bonus Shares Entitlement @ 15% for every 100 ordinary shares.
30th April, 2013	Election of Directors of the Company to elect Directors for next term of three years.
30th April, 2013	Meeting of the Board of Directors for approval of the unaudited first quarter financial statements for the period ended March 31, 2013.
25th May, 2013	Issuance of Bonus Shares. advised Central Depository Company, to credit participant Account.
25th May, 2013	Bonus Shares Certificates issued to Physical Share holders.
29th August, 2013	Meeting of the Board of directors for approval of the half yearly Unaudited financial statements for the period ended June 30, 2013.
31st October, 2013	Meeting of the Board of Directors for approval of the unaudited financial statements for the nine months period ended September 30, 2013.



# Categories of Shareholding

as at December 31, 2013

## Information required under the Code of Corporate Governance

Categories of share holders	Number of share holders	Number of shares held	Percentage of shares held
<b>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b>			
Anam Fabrics	1	160,328	0.44%
<b>NIIT / CP / DBP</b>			
Investment Corporation of Pakistan, DBP CP Units	6	613	0.00%
<b>DIRECTORS, CEO &amp; OTHER SPOUSES AND MINOR CHILDREN</b>	22	10,741,758	29.29%
The details are as under:			
M. R. EMAL H. ZAKARIA	1	371,761	
M. R. MOHD. AMIN AHMED BAWANY	1	42,887	
M. R. A. AZIZ AYOUB	1	156,911	
M. R. IRFAN ZAKARIA BAWANY	1	2,282,818	
M. R. MOHD. OMER BAWANY	1	220,890	
M. R. ZOHAIR ZAKARIA	1	167,499	
M. R. AHMED ALIBAWANY	1	59,021	
M. R. NOORM. ZAKARIA	1	147,741	
M. R. YASN SDDIK	1	4,654	
M. R. ABDUL JABBAR	1	5,750	
M. R. SARINA BAI EMAL	1	342,321	
M. R. ROSHANARA AMIN	1	689,582	
M. R. MEHRUNNISA A. AZIZ	1	174,257	
M. R. SHEHLA IRFAN	1	2,208,542	
M. R. RUKHSANA BAIOMER	1	750,884	
M. R. AMBREEN AHMED ALI	1	1,434,725	
M. R. SHAHNAZ NOORMOHAMMAD	1	231,392	
ANAM IRFAN ZAKARIA	1	196,449	
BILAL OMER	1	54,475	
RABEEHA OMER	1	42,177	
ALTAMASH AHMED ALI	1	86,168	
MOIN NOORMOHAMMAD	1	1,070,854	
<b>EXECUTIVE</b>	-	-	
<b>PUBLIC SECTOR COMPANIES AND CORP.</b>	-	-	
<b>BANK DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTION, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS</b>	3	582	0.00%
<b>JOINT STOCK COMPANIES</b>	21	6,425,556	17.52%
<b>INDIVIDUALS</b>	1,025	18,937,114	51.63%
<b>STOCK EXCHANGE</b>			
Islamabad Stock Exchange Limited	1	1,345	
<b>WAKFALALAUHAD</b>			
Trustees Mhammad Amin	1	366,667	1.00%
<b>WAKF WELFARE SOCIETY</b>			
Pakistan Memorial Educational	1	43,663	0.12%
<b>TRADE</b>			
Haral Sons (Pvt.) Limited	1	442	0.00%
<b>TOTAL :-</b>	<b>1,082</b>	<b>36,678,068</b>	<b>100%</b>
<b>Shareholders holding 5% or more voting interest</b>			
M/s. Irfan Ashfaq & Company (Pvt.) Ltd.,	1	5,212,556	14.21%
M. r. Irfan Zakaria Bawany	1	2,282,818	6.22%
M. r. Shehla Irfan	1	2,208,542	6.02%

# Pattern of Shareholding

as at December 31, 2013

Number of Shareholders	Shareholdings		Total shares held
	From	To	
327	1	100	6,273
161	101	500	44,171
102	501	1000	73,891
246	1001	5000	600,051
70	5001	10000	485,661
34	10001	15000	416,224
19	15001	20000	322,885
11	20001	25000	247,246
7	25001	30000	194,211
7	30001	35000	225,399
6	35001	40000	224,468
7	40001	45000	299,826
4	45001	50000	188,792
3	50001	55000	158,493
3	55001	60000	174,052
2	60001	65000	124,462
4	70001	75000	290,419
5	75001	80000	385,916
2	80001	85000	164,511
1	85001	90000	86,168
1	90001	95000	90,562
1	95001	100000	97,011
1	100001	105000	102,223
2	105001	110000	214,386
4	130001	135000	529,975
1	135001	140000	135,744
1	140001	145000	144,068
1	145001	150000	147,741
3	150001	155000	458,944
5	155001	160000	791,053
1	160001	165000	160,328
1	165001	170000	167,499
1	170001	175000	174,257
1	175001	180000	178,413
1	185001	190000	188,315
1	195001	200000	196,449
1	220001	225000	220,890
3	230001	235000	692,621
1	245001	250000	248,404
3	275001	280000	828,192
1	305001	310000	308,965
1	340001	345000	342,321
1	365001	370000	366,667
1	370001	375000	371,761
2	385001	390000	775,106
1	400001	405000	404,936
1	450001	455000	452,926
1	490001	495000	493,730
1	520001	525000	523,597
1	525001	530000	527,164
1	555001	560000	559,998
1	580001	585000	583,155
1	660001	665000	661,513
1	685001	690000	689,582
1	750001	755000	750,884
1	850001	855000	853,365
1	960001	965000	962,500
1	1070001	1075000	1,070,854
1	1105001	1110000	1,107,290
1	1175001	1180000	1,175,528
1	1370001	1375000	1,370,228
1	1410001	1415000	1,412,984
1	1430001	1435000	1,434,725
1	1575001	1580000	1,578,150
1	2205001	2210000	2,207,389
1	5210001	5215000	5,212,556
1082			36,678,068

Sr. No.	Categories of share holders	Number of share holders	Number of shares held	Percentage of shares held
1	INDIVIDUALS	1046	29,678,679	80.92%
2	INVESTMENT COMPANIES	6	525	0.00%
3	INSURANCE COMPANIES	1	431	0.00%
4	JOINT STOCK COMPANIES	22	6,585,884	17.96%
5	FINANCIAL INSTITUTIONS	2	431	0.00%
6	STOCK EXCHANGE	1	1,345	0.00%
7	WELFARE SOCIETY	1	43,663	0.12%
8	MODARABA MANAGEMENT COMPANIES	1	1	0.00%
9	WAKF ALAULAD	1	366,667	1.00%
10	TRADE	1	442	0.00%
		1082	36,678,068	100%

# Directors' Report

Your Directors take pleasure in presenting the Thirty Second Annual Report along with the Audited Accounts of the Company for the year ended December 31, 2013.

## OVERVIEW

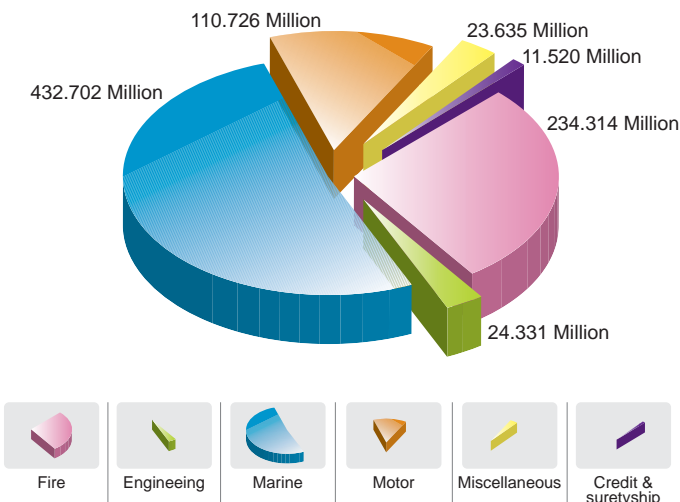
Year 2013 was yet another difficult and challenging year, as economic growth continued to remain under pressure due to various reasons including heightened security concerns, escalating prices particularly of food items, upward revision of electricity, gas and fuel tariffs, energy crisis, unsatisfactory law and order situation, frequent closures of business and trade activities – all contributing to below performance of economy of its potential. The primary driver for the growth continues to be Agricultural and Service Sector. Value of Pak Rupee continued to depreciate and remained under pressure vis-à-vis US\$. Forex reserves also remained under pressure. However despite these challenging and adversary environment, your Company managed to increase the Gross Premium by over Rs 837,228 million – an increase of 36.42% over previous year.

## OPERATIONAL RESULTS FOR THE YEAR 2013

The comparative financial highlights of your Company for the year ended 31st December, 2013 are as follows:

	2013	2012
	Rs. in Million	
Gross Premium	837,228	613,725
Net Premium	260,757	240,703
Net Incurred Claims including BNR	87,893	83,096
Management Expenses	116,698	106,778
Underwriting Profit	19,599	17,044
Investment Income	97,437	110,252
Profit before Taxation	81,205	93,905
Profit after Taxation	74,705	87,205
Earnings per Share (EPS)	2.03	2.38

## Gross Premium by Class of Business - 2013

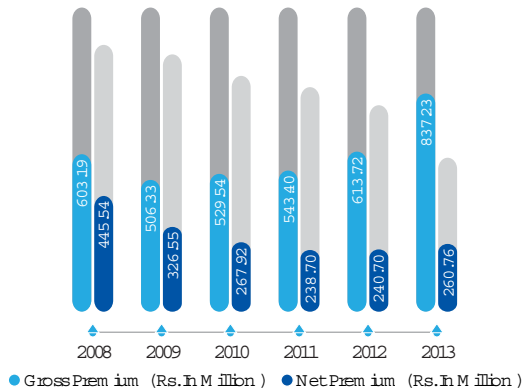


Your Company underwrote gross premium of Rs. 837,228 million against Rs 613,725 million of the last year showing an increase of 36.42%. The net premium has marginally increased to Rs 260,757 from Rs 240,703 million, i.e. 8.33%.

Claims incurred during the year were Rs. 87,892 million against Rs 83,096 million of the previous year, showing an increase of 5.77%. However Management Expenses and General & Administration Expenses increased from Rs 142,759 million to 155,431 – an increase of 8.88%.

Over the years, we have been constantly highlighting the unilateral and arbitrary fixing of the so called 'Bank Limits' and delisting / non listing / prequalifying by some Banks, DFIs, Financial institutions and various Authorities / Organizations, thus depriving level playing field to all the market participants. This discriminatory scenario needs to be addressed seriously and immediately by the relevant quarters for the larger and best interest of the industry.

Gross & Net Premium



INVESTMENT

The year 2013 was another excellent year for the KSE Index and was one of the best performing equity markets in the world. An upward trend was set which persisted throughout the year reaching all time high of 100 index 25261.14 points thanks to improved corporate results and handsome payouts by blue chip scrips.

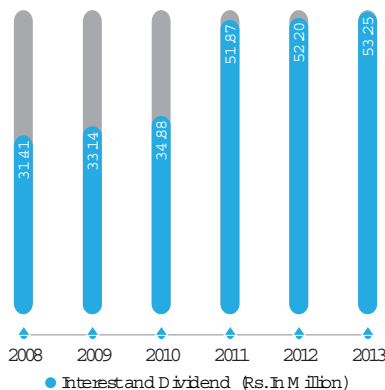
The investment policy of your company continues to be unchanged emphasizing preference to Shariah Compliant long term investment securing risk-free returns.

Considering the volatile nature of stock market, the shares portfolio of RCL is well spread and diversified amongst various sectors primarily focusing on blue chip scrips paying historically regular cash dividend and bonus shares and growth prospects. The portfolio remains under constant surveillance of the investment committee.

Dividend Income had increased to Rs 38,664 million in 2013 compared with previous year of Rs 36,623 showing an increase of 5.57%. Your company has also realized capital gain of Rs 5,516 million and booked unrealized gain for Rs 37,876 million for year 2013.

Your company continues to endeavour generating a significant portion of its investment income from sustainable sources such as interest & dividends, capital gain-generating healthy cash flow. The market value of Investment portfolio stood at Rs 507,157 million as at 31st December, 2013 and investment in Bank Deposits Accounts stood at Rs 25,741 million.

Interest and Dividend



Reliance Insurance Company Limited

Appropriation of Profit :

Amount brought forward from previous years	Rs.	51,932,118
Profit after tax for the year ended 31st December 2013	Rs.	74,705,410
Un-appropriated amount available for appropriation	Rs.	1,26,637,528

Your directors recommended that the profit be appropriated in the following manner:

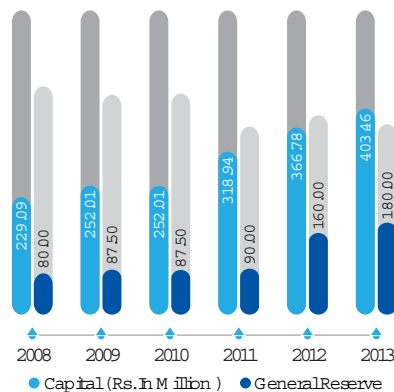
Appropriation :

Proposed bonus shares @ 10% (2012:15%)	Rs.	36,678,068
Final cash dividend @ 5% (2012:NIL)	Rs.	18,339,034
Transfer to General Reserve	Rs.	20,000,000
Un-appropriated balance carried forward	Rs.	51,620,426
	Rs.	1,26,637,528

ENHANCED PAID-UP CAPITAL AND GENERAL RESERVES

Your directors strongly believe in strengthening the Capital base and Reserves commensurate with the growth and future prospects of the Company. In line with this strategy, the Board of Directors have approved above appropriations increasing Paid-up Capital to Rs. 403,459 million and General Reserve to Rs. 180,000 million.

Capital & Reserves



## INFORMATION TECHNOLOGY (IT)

Computerization work continues to be in progress on an ongoing basis with a view to meeting ever growing needs of the present day requirements and to optimize quality and standard of services to our valued clients. Your company has already implemented Oracle based General Insurance Accounting (GIS) software which is an integrated management information system bringing branches on-line through web base system. The new software system would ensure regular reporting and timely MIS reports facilitating real time-based and meaningful decision making.

## REINSURANCE

Your Company has successfully concluded the reinsurance program for the year 2014 with sound and reputed reinsurers, despite stressed global reinsurance market particularly in view of worldwide natural calamities/ catastrophes events. Underwriting capacity for traditional lines of business have increased further in 2014, thus your Company will now be able to underwrite larger risks. We are thankful to our re-insurers for their unwavering confidence and continued support.

## INSURER FINANCIAL STRENGTH RATING (IFSR)

JCR VISA Credit Rating Company Limited – an affiliate of Japan Credit Rating Agency Limited has upgraded your Company's Insurer Financial Strength (IFS) Rating at A (single A). Outlook on the assigned Rating is Stable. The up-gradation takes into account improved capitalization level and market value of investments.

## RELATED PARTY TRANSACTIONS

All related party transactions are put up before the Audit Committee and Board for their review and approval. These transactions have been reviewed / recommended by the Audit Committee and approved by the Board of Directors in their respective meetings. All transactions executed with related parties are on arms length basis.

## CORPORATE GOVERNANCE LEADERSHIP SKILL PROGRAM :

Following directors have already completed Corporate Governance Leadership skills (CGLS) program of Pakistan Institute of Corporate Governance (PICG).

1. Mr. Irfan Zakaria Bawany
2. Mr. Zohair Zakaria
3. Mr. Ahmed Ali Bawany

Appropriation would increase  
Paid up Capital **Rs. 403.459 Million**  
and General Reserve to **Rs. 180.00 Million**

## STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchanges in their listing Rules, relevant to the year ended December 31, 2013 have been duly complied with. A statement to this effect is annexed with the report.

## CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Company has been in compliance with the provision set out by the Securities and Exchange Commission of Pakistan and the listing rules of the Stock Exchanges of Karachi and Lahore. There has been no material departure from best practices of the Corporate Governance, as detailed in the listing regulation.

- a) The financial statements prepared by the management of the company fairly present its state of affairs, the results of the operations, cash flow and changes in equity.
- b) Proper books of account of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statement and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting standards, as applicable in Pakistan, have been followed in preparation of financial statement and any departure therefrom has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) The pattern of shareholding as at 31st December, 2013 is annexed to the accounts.
- g) There are no significant doubts upon the Company's ability to continue as a going concern.
- h) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.

i) Key operating and financial data for the last Ten years in summarized form is annexed.

j) The Value of investments based on the unaudited accounts as at 31st December 2013, in respect of the Provident Fund stands at Rs 28.05 million.

#### BOARD OF DIRECTORS

The Board was actively involved during the year in performing its duties including those to be performed under various relevant Law and Memorandum and Article of Association of the Company, with the ultimate objectives of safeguarding the interest of the Shareholders, increase in profitability of the Company and ultimate goal to increase shareholders wealth and promoting market confidence.

All the directors represent rich exposure of diverse field of business and professions and possess all the necessary skills and understanding to deal with the various business and Corporate issues and have the ability to review, analyze and challenge the management performance. They have contributed immensely in terms of their experience and practical advice.

During the year Election of Directors was held on 30th April 2013. All the outgoing directors except Mr. Ashfaq Patel who did not contest, were re-elected. The Chairman thanked Mr. Ashfaq Patel for his contribution. Mr. Abdul Jabbar was elected on the vacant seat of Mr. Ashfaq Patel.

#### BOARD COMMITTEES

The Board has constituted Audit, Investment and Human Resource & Remuneration Committees, comprising of the following Non Executive Directors.

The following are the members of Audit committee.

#### AUDIT COMMITTEE

1. Mr. Abdul Jabbar	Chairman (Independent Director)
2. Mr. Irfan Zakaria Bawany	Member (Non Executive Director)
3. Mr. Zohair Zakaria	Member (Non Executive Director)
4. Mr. Sabem Memon	Secretary to the Committee.

The terms of reference of the Audit Committee shall include the following :

- Recommending to the Board of Directors the appointment of External Auditors and consider any questions of audit fee; the provision by the external auditors of any service in addition to the audit.
- Consideration of questions regarding resignation or removal of External Auditors
- Determination of appropriate measures to safeguard the company's assets.

iv. Review of quarterly, half yearly and annual financial statements of the Company, prior to the approval by the Board of Directors.

v. Review of adjustments resulting from audit.

vi. Review of preliminary announcement of results prior to publication.

vii. Review and recommend significant related party transactions.

viii. Compliance with applicable accounting standards.

ix. Compliance with listing regulations and other statutory and regulatory requirements.

x. Monitoring compliance with the best practices of corporate governance and identification of any significant violations thereof

xi. Focusing on the going concern assumption, and any changes in accounting policies and practices

xii. Review of the scope and extent of internal audit.

xiii. Consideration of major findings of internal investigation of activities characterized by fraud, corruption and abuse of power.

xiv. Consideration of any other issue or matter as may be assigned by the board of directors.

#### INVESTMENT COMMITTEE

Investment Committee consists of four members including Chief Executive Officer.

1. Mr. Irfan Zakaria Bawany	Chairman (Non Executive Director)
2. Mr. Zohair Zakaria	Member (Non Executive Director)
3. Mr. Ahmed Ali Bawany	Member (Non Executive Director)
4. Mr. A. Razak Ahmed	Member (Chief Executive Officer)

The terms of reference of this Committee shall include the following :-

- It reviews the Investment Portfolio every quarter
- The Committee recommends for the investments to be made in equities, mutual funds, fixed income securities, Shariah compliant and Government (Sukuk) Securities.
- Review purchase and sale of investments made during the quarter the income accruing from each sector
- Establish the benchmarks against which performance of the overall investment portfolio and its sectors are to be assessed.



## HUMAN RESOURCE & REMUNERATION COMMITTEE

The Committee comprises of three members including the Chairman of this committee and two Non Executive Directors, one Executive Director and Head of HR Department as Secretary to Chairman.

1. Mr. Zohair Zakaria	Chairman (Non Executive Director)
2. Mr. Irfan Zakaria Bawany	Member (Non Executive Director)
3. Mr. A. Razak Ahmed	Member (Executive Director)
4. Mr. Masood Alam	Secretary to the Committee

The Committee shall be responsible for:-

- Recommend human resource management policies to the board.
- Recommend to the board the selection and compensation (including retirement benefits) of CEO, CFO/Co. Secretary and Head of Internal Audit
- Periodic reviews of the amount and form of reimbursement for terminal benefits in case of retirement and death of any employee in relation to current norms.
- Consideration and approval on the recommendation of CEO on such matters for key management positions who report directly to CEO.
- Review recruitment policy and procedures for hiring of executives.
- Review and recommend annual appraisal and salary revision of Senior Executives of the company and staff members.
- Review and approve any changes required in perquisites and benefits of senior executives and employees.
- Approve termination and acceptance of resignations of senior executives
- Any other issue or matter as may be assigned by the Board of Directors.

## Management Committees

The Board has also constituted three Management Committees - namely Underwriting, Claims, Reinsurance and Co-insurance committees. These committees meet on regular basis and headed by the Chief Executive Officer. The functions and composition of the committees are given below :-

### Underwriting Committee

The functions of the Committee includes:-

- The Underwriting Committee formulates the underwriting policy of the Company.
- It sets out the criteria for assessing various types of insurance risks and determines the premium policy of different insurance covers.

- It regularly reviews the underwriting and premium policies of the Company with due regards to relevant factors such as the business portfolio and the market scenario.

The Committee consists of the following members:-

1. Mr. A. Razak Ahmed	Chairman
2. Mr. Rizwan Akhtar	Member
3. Mr. Shaque Azeem	Member
4. Mr. Muhamad Amin Bawany	Member

### Reinsurance & Co-Insurance Committee

The functions of the Committee includes:-

- This committee ensures that adequate re-insurance arrangements are made for company's business.
- The Committee pursues the proposed re-insurance arrangements prior to their execution, review the arrangements from time to time and subject to the consent of the participating reinsurers, suggest appropriate adjustments from time to time.
- The Committee also assesses the effectiveness of the re-insurance programme for future reference.

The Committee consists of the following members:-

1. Mr. A. Razak Ahmed	Chairman
2. Mr. Rizwan Akhtar	Member
3. Mr. Shaque Azeem	Member
4. Mr. AbdulRahim	Member

### Claims Committee

The functions of the Committee includes:-

- It reviews the class wise aging of outstanding claims
- The Committee determines the circumstances under which claim disputes shall be brought to its attention and decide how to deal with such claim disputes.
- The Committee shall review matters relating to management of claims. It oversees the claim position of the company and ensure the adequate claim reserves are made.
- The Committee pays attention to significant claim cases or event which give rise to a series of claim and oversees the implementation of the measures for combating claims.

The Committee consists of the following members:-

1. Mr. A. Razak Ahmed	Chairman
2. Mr. Rizwan Akhtar	Member
3. Mr. Haroon A. Shakoor	Member
4. Mr. Sadruddin Hussain	Member

## Board of Director's Meetings

During the year Four (4) meetings of the Board of Directors were held and the number of meetings attended by each Director is given hereunder:

Name of Director Attendance	No. of meetings attended
1. Mr. Imail H. Zakaria	3
2. Mr. Moham mad Amin Ahmed Bawany	2
3. Mr. A. Aziz Ayoub	4
4. Mr. Rifan Zakaria Bawany	4
5. Mr. Moham mad Om er Bawany	4
6. Mr. Zohair Zakaria	2
7. Mr. Ahmed Ali Bawany	3
8. Mr. Noor M. Zakaria	4
9. Mr. Ashfaq Patel	1
10. Mr. Yash Siddik	1
11. Mr. Abdul Jabbar (elected with effect from 30th Apr 2013)	1

Leave of absence was granted to the Directors who could not attend some of the Board meetings due to their busy schedules/prior engagements.

## TRADING OF COMPANY'S SHARES

No trading in the shares of the Company was carried-out by the Directors, CEO, CFO / Company Secretary and their spouses and minor children.

## STATEMENT OF THE ETHICS AND BUSINESS PRACTICES

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

## AUDITORS

Our present Auditors, M/s. BDO Ebrahim & Co., Chartered Accountants, retire at the conclusion of the Annual General Meeting and being eligible, offer themselves for re-appointment for the financial year ending 31st December 2014, at a fee to be mutually agreed. The Audit Committee has recommended and the Board has endorsed the reappointment of M/s. BDO Ebrahim & Co., Chartered Accountants as auditors for the year ending 31st December 2014.

Karachi: 29th March, 2014

## FUTURE OUTLOOK

The year 2013 was another crucial year for Pakistan as the economy continued to be under stress due to domestic as well as external factors. The challenges being faced by the country can be successfully tackled provided urgent and concrete policy decisions and actions are taken. The present Government needs to take urgent action to avert energy crises to boost Pakistan's depressed economy. The GDP growth rate for the year 2013-14 is expected to be 3.5%. We are however optimistic about the improvement in economic scenario of the country in view of the government's resolve for tackling the energy crises and in proving the Law and Order situation. Your Company will focus on long-term profitable growth through consolidation, improvement in systems and quality management information systems facilitating prudent and real time decisions.

## ACKNOWLEDGMENT

We would like to thank our valued customers for their continued patronage and support. We also avail this opportunity to thank all our Reinsurers including Pakistan Reinsurance Company Limited and Brokers for extending their guidance and valuable support.

We are also thankful for the continued co-operation and assistance extended by the Securities & Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) for their professional guidance, assistance and support over the years.

The Directors also wish to record their appreciation for the untiring efforts put in by Officers, Field Force and Staff for their dedication, sincerity and hard work for their contribution to the growth of the Company. Your Directors are also grateful to the shareholders for the confidence, support and understanding.

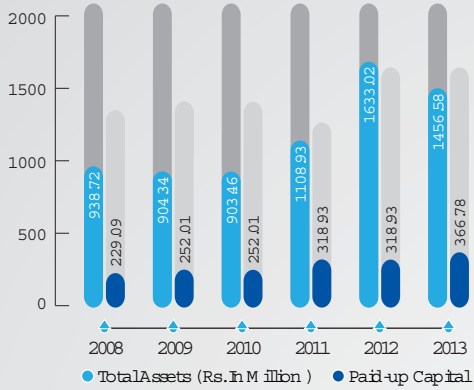
By Order of the Board



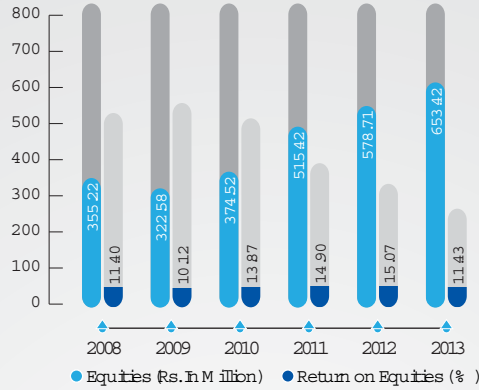
A. Razak Ahmed  
Chief Executive & Managing Director

# Graphical Presentation

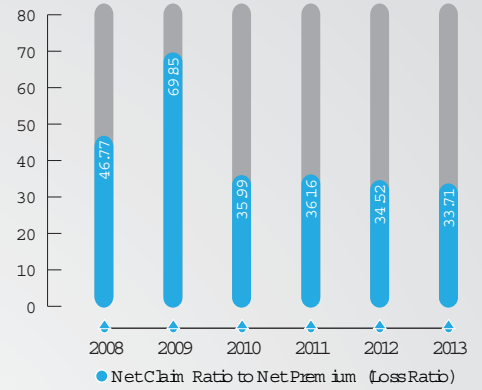
Total Assets & Paid-up Capital  
(Rs. In Million)



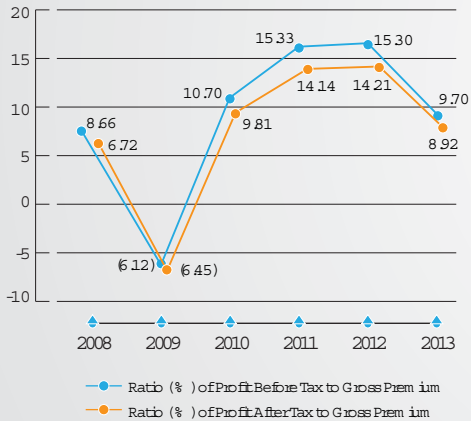
Equities & Return on Equities



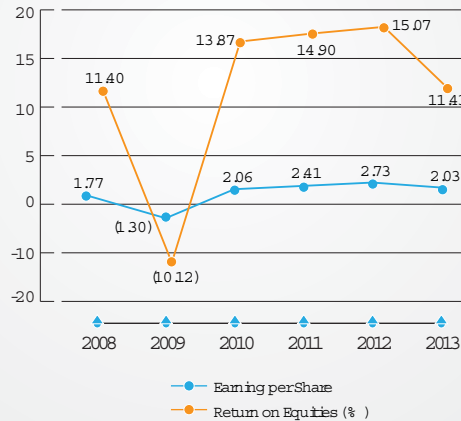
Net Claim Ratio to Net Premium  
(Loss Ratio)



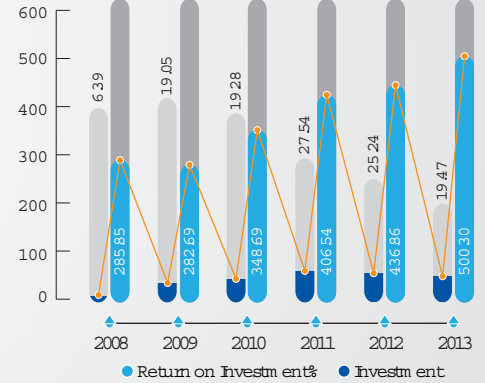
Ratio of Profit Before & After Tax to Gross Premium



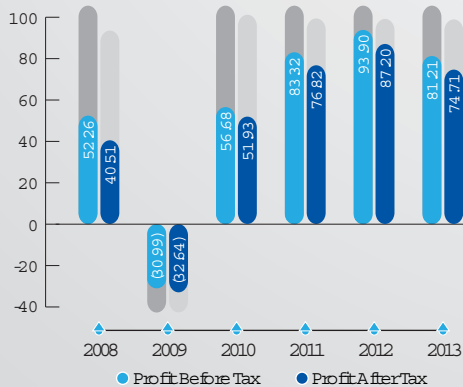
Return on Equity & Earning per Share



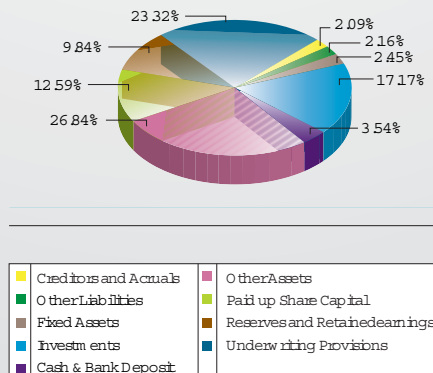
Return on Investment



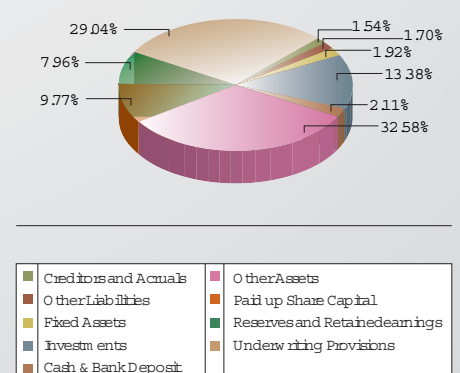
Profit Before Tax & After Tax



Assets, Liabilities & Equities - 2013



Assets, Liabilities & Equities - 2012



# Statement of Compliance with the Code of Corporate Governance

for the year ended December 31, 2013

This statement is being presented to comply with the Code of Corporate Governance, (the Code) contained in Regulation No 35 of listing regulations of Karachi & Lahore Stock Exchanges Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

- The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes 8 non-executive directors and two independent non-executive directors representing minority shareholders and one Executive Director.

Sr. No	Directors		Sr. No	Directors	
1	M r. Im ail H. Zakaria	Non-Executive	7	M r. Ahmed Ali Baw any	Non-Executive
2	M r. M oham m ad Am in Ahmed Baw any	Non-Executive	8	M r. Noor M . Zakaria	Non-Executive
3	M r. A . Aziz Ayoo b	Non-Executive	9	M r. Yasin Siddik	Independent
4	M r. Irfan Zakaria Baw any	Non-Executive	10	M r. Abdul Jabbar	Independent
5	M r. M oham m ad Om er Baw any	Non-Executive	11	M r. A . Razak Ahmed	Executive
6	M r. Zohair Zakaria	Non-Executive			

M r. Abdul Jabbar was elected in the AGM held on 30th April 2013, in place of M r. Ashfaq Patel, who did not contest the Election.

- The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
- All the resident directors of the Company are registered taxpayer and none of them has defaulted in payment of any loan to a banking company, a DFIO or an NBFIO or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- No casual vacancy arose in the Board during the year under consideration.
- 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.
- 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.
- All the powers of the Board has been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
- 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 one in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- The Board has been provided information and presentation on the Code of Corporate Governance 2012. Three directors have successfully completed Corporate Governance Leadership Skills (CGLS) program of the Pakistan Institute of Corporate Governance (PICG). Three directors meet the criteria of exemption under Clause (xi) of the Code and are accordingly exempted from Directors Training Program (DTP)
- The Board has approved appointments of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. No new appointment of Company Secretary or Head of Internal Audit was made during the year.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
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 the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of (2) two non-executive directors and one Independent Director who is the Chairman of the Committee.
16. The underwriting claims settlement and reinsurance and co-insurance committees have been formed.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code the terms of reference of the Committee have been formed and advised to the Committee for compliance.
18. The Board has formed a Human Resource & Remuneration Committee. It comprises of three members of whom two are non-executive directors including the Chairman of the Committee.
19. The Board has set-up an effective internal audit function, manned by experienced and qualified staff who are fully conversant with the policies and procedures of the Company.
20. The statutory auditors of the Company have confirmed that they have been given satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics are adopted by Institute of Chartered Accountants of Pakistan.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The closed period, prior to the announcement of interim /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.
23. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
24. We confirm that all other material principles contained in the Code have been complied with.



ISMAIL H. ZAKARIA  
Chairman



A. RAZAK AHMED  
Chief Executive & Managing Director

Karachi: 29 March 2014

# Review Report to the Members on Statement of Compliance

## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Reliance Insurance Company Limited for the year ended December 31, 2013 to comply with the requirements of Listing Regulation No. 35 of Karachi Stock Exchange and Lahore Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code 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 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 system sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2013.

Karachi: 29 March 2014



BDO Ebrahim & Co.  
CHARTERED ACCOUNTANTS  
Engagement Partner: Zu Ifkar Ali Causar



# Auditor's Report to the Members

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. statement of premiums;
- vii. statement of claims;
- viii. statement of expenses; and
- ix. statement of investment income.

of RELANCE INSURANCE COMPANY LIMITED ("the Company") as at December 31, 2013 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 Standards on Auditing as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- 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, 2013 and of the profit, its comprehensive income, 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) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Karachi: 29 March 2014



BDO Ebrahim & Co.

CHARTERED ACCOUNTANTS

Engagement Partner: Zuifkar Ali Causer

# Financial Statements

# Balance Sheet

as at December 31, 2013

	Note	December 31, 2013 Rupees	December 31, 2012 Rupees
<b>Share Capital and Reserves</b>			
Authorised capital		500,000,000	500,000,000
Issued, subscribed and Paid-up capital	6	366,780,680	318,939,720
Retained earnings		126,637,528	169,773,078
Reserves	7	160,000,000	90,000,000
		653,418,208	578,712,798
<b>Underwriting provisions</b>			
Provision for outstanding claims (including BNR)		230,065,262	628,606,536
Provision for unearned premium		417,925,283	288,385,550
Commission income unearned		31,635,038	30,905,965
		679,625,583	947,898,051
<b>Total Underwriting Provision</b>			
<b>Creditors and accruals</b>			
Amounts due to other insurers/reinsurers		60,269,449	53,489,751
Accrued expenses		1,994,434	1,452,148
Taxation - provision less payments		-	556,401
Other creditors and accruals		60,723,104	50,342,685
		122,986,987	105,840,985
<b>Short Term Borrowings</b>			
Running Finance	8	-	-
<b>Other liabilities</b>			
Unclaimed dividend		549,395	572,523
<b>Contingencies and Commitments</b>			
<b>9</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,456,580,173</b>	<b>1,633,024,357</b>

The annexed notes from 1 to 32 form an integral part of these financial statements.

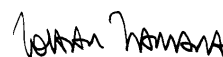
	Note	December 31, 2013 Rupees	December 31, 2012 Rupees
<b>Cash and bank deposits</b>			
Cash and other equivalent		303,146	203,898
Current and other accounts		77,034,390	43,214,130
Deposit maturing within 12 months		25,741,393	25,342,411
	10	103,078,929	68,760,439
<b>Loans</b>			
To employees	11	1,516,839	1,565,607
<b>Investments</b>			
	12	500,322,322	436,862,458
<b>Current Assets - others</b>			
Premium due but unpaid	14	188,969,504	209,872,122
Amounts due from other insurers/reinsurers		37,972,300	22,171,296
Accrued investment income		6,964,797	6,324,203
Reinsurance recoveries against outstanding claims		198,190,087	586,678,431
Deferred commission expense		53,499,436	46,561,733
Prepaid reinsurance premium ceded		293,290,287	189,196,255
Taxation - provision less payments		226,193	-
Trade deposits and prepayments		848,069	780,319
Sundry receivables		420,281	450,839
		780,380,954	1,062,035,198
<b>Fixed Assets</b>			
<b>Tangible</b>			
Land and buildings	15.1	11,377,277	12,641,419
Furniture, fixtures and office equipment		7,122,632	8,109,490
Motor vehicles		52,781,220	41,890,471
		71,281,129	62,641,380
<b>Intangible</b>			
Computer software	15.3	-	1,159,275
<b>TOTAL ASSETS</b>		<b>1,456,580,173</b>	<b>1,633,024,357</b>



Imail H. Zakaria  
Chairman



Moham mad Om erBaw any  
Director



Zohair Zakaria  
Director



A. Razak Ahmad  
Chief Executive & Managing Director

Karachi 29 March 2014

# Profit & Loss Account

for the year ended December 31, 2013

	Note	Fire & Property	Marine Aviation & Transport	Motor	Miscellaneous	2013 Aggregate	2012 Aggregate
(Amount in Rupees)							
<b>Revenue Account</b>							
Net Premium Revenue		82,846,738	57,237,264	100,741,534	19,932,278	260,757,814	240,702,856
Net Claims		(12,125,751)	(21,803,328)	(52,212,155)	(1,751,516)	(87,892,750)	(83,096,429)
Management Expenses	16	(3,076,619)	(25,615,543)	(45,085,124)	(8,920,345)	(116,697,631)	(106,778,272)
Net Commission		(19,983,465)	(2,620,583)	(13,091,266)	(872,933)	(36,568,247)	(33,784,069)
		<u>13,660,903</u>	<u>7,197,810</u>	<u>(9,647,011)</u>	<u>8,387,484</u>	<u>19,599,186</u>	<u>17,044,086</u>
<b>Underwriting result</b>							
Investment Income						97,436,723	110,252,604
Other Income	17					2,902,767	2,590,110
Financial Charges						(87,629)	(624,667)
General and administration expenses	18					(38,645,637)	(35,357,043)
<b>Profit before tax</b>						<u>81,205,410</u>	<u>93,905,090</u>
<b>Provision for Taxation</b>							
Current	19					(6,500,000)	(6,700,000)
<b>Profit after tax</b>						<u>74,705,410</u>	<u>87,205,090</u>
<b>Profit and Loss Appropriation Account</b>							
Balance at Commencement of the year						169,773,078	106,488,467
Profit after tax for the year						74,705,410	87,205,090
Cash dividend for the year						-	(23,920,479)
Transfer to reserves (General Reserve)						(70,000,000)	-
Bonus Shares for the year 2012 :15%						(47,840,960)	-
<b>Balance accumulated at the end of the period</b>						<u>126,637,528</u>	<u>169,773,078</u>
<b>Earnings per Share - Basic and Diluted</b>	20					<u>2.03</u>	<u>2.38</u>

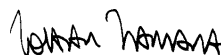
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Imail H. Zakaria  
Chairman



Moham mad Omar Baw any  
Director



Zohair Zakaria  
Director



A. Razak Ahmed  
Chief Executive & Managing Director

Karachi: 29 March, 2014

# Statement of Comprehensive Income

for the year ended December 31, 2013

	2013 Rupees	2012 Rupees
Profit after tax	74,705,410	87,205,090
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>74,705,410</b>	<b>87,205,090</b>

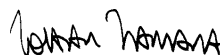
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Imail H. Zakaria  
Chairman



Mohammad Omar Bawany  
Director



Zohair Zakaria  
Director



A. Razak Ahmed  
Chief Executive & Managing Director

Karachi: 29 March 2014



# Statement of Changes in Equity

for the year ended December 31, 2013

	Share Capital	General Reserves	Unappropriated profit	Total
(Amount in Rupees)				
Balance as at January 01, 2012	318,939,720	90,000,000	106,488,467	515,428,187
Total comprehensive income for the year	-	-	87,205,090	87,205,090
<b>Transactions with owners:</b>				
Cash dividend	-	-	(23,920,479)	(23,920,479)
Balance as at December 31, 2012	318,939,720	90,000,000	169,773,078	578,712,798
Total comprehensive income for the year	-	-	74,705,410	74,705,410
	318,939,720	90,000,000	244,478,488	653,418,208
Transfer to general reserve	-	70,000,000	(70,000,000)	-
<b>Transactions with owners:</b>				
Issuance of bonus shares	47,840,960	-	(47,840,960)	-
Balance as at December 31, 2013	366,780,680	160,000,000	126,637,528	653,418,208

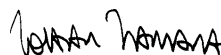
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Karachi: 29 March 2014

# Statement of Cash Flow

for the year ended December 31, 2013

FORM GC  
January to December

	December 31, 2013 Rupees	December 31, 2012 Rupees
<b>Operating Cash Flow</b>		
<b>a) Underwriting activities</b>		
Premium received	857,967,729	618,151,122
Reinsurance premium paid	(560,046,280)	(393,316,020)
Claim paid	(596,196,188)	(484,920,379)
Reinsurance and other recoveries received	498,250,508	392,262,874
Commission paid	(111,778,921)	(101,684,880)
Commission received	69,165,422	68,467,017
Net cash generated from underwriting activities	157,362,270	98,959,734
<b>b) Other operating activities</b>		
Income tax paid	(7,282,594)	(5,933,229)
General management expenses paid	(116,697,631)	(106,778,272)
Other operating payments	(27,624,308)	(24,759,772)
Loans advanced / repayment received	48,768	(644,018)
Other payments on operating assets	10,922,705	(18,615,955)
Other receipts in respect of operating assets	(37,192)	342,739
Net cash used in other operating activities	(140,670,252)	(156,388,507)
Net cash generated / (used) in operating activities	16,692,018	(57,428,773)
<b>Investment activities</b>		
Interest / Dividend received	52,510,443	51,100,629
Payments for investments	(87,324,016)	(61,555,444)
Proceeds from disposal of investments	68,149,837	89,474,429
Fixed Capital Expenditures	(23,224,036)	(13,823,664)
Proceeds from disposal of fixed assets	7,625,000	5,249,100
Net cash generated from investing activities	17,737,228	70,445,050
<b>Financing activities</b>		
Dividend paid	-	(23,455,447)
Unclaimed dividend paid	(23,128)	-
Financial charges	(87,628)	(624,667)
Net cash flow used in financing activities	(110,756)	(24,080,114)
Net increase / (decrease) in cash and cash equivalent	34,318,490	(11,063,837)
Cash and cash equivalent at the beginning of the period	68,760,439	79,824,276
Cash and cash equivalent at the end of the period	103,078,929	68,760,439

# Statement of Cash Flow

for the year ended December 31, 2013

FORM GC  
January to December

	December 31, 2013 Rupees	December 31, 2012 Rupees
<b>Reconciliation to profit and loss account</b>		
Operating cash flow	16,692,018	(57,428,773)
Depreciation / amortization expense	(11,021,329)	(10,597,271)
Financial charges	(87,629)	(624,667)
Profit on disposal of fixed assets	2,902,767	2,590,110
Increase in assets other than cash	(282,343,606)	503,353,411
Increase in liabilities other than running finance	251,126,466	(460,340,324)
Investment income	97,436,723	110,252,604
<b>Profit after taxation</b>	<b>74,705,410</b>	<b>87,205,090</b>

## Definition of cash

Cash in hand and at banks, stamps in hand and short term placements with banks

Cash for the purposes of the statement of cash flows consists of:

Cash and other equivalents	303,146,	203,898
Current and other accounts	77,034,390	43,214,130
Deposits maturing within 12 months	25,741,393	25,342,411
	<b>103,078,929</b>	<b>68,760,439</b>

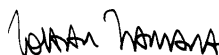
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A. Razak Ahmed  
Chief Executive & Managing Director

Karachi: 29 March 2014

# Statement of Premiums

for the year ended December 31, 2013

FORM GD

Business underwritten inside Pakistan.

(Amount in Rs.)

Class	Premium written	Unearned Premium		Premium earned	Reinsurance ceded	Prepaid Reins Premium		Reinsurance expenses	2013 Net Premium revenue	2012 Net Premium revenue
		Opening	Closing			Opening	Closing			
<b>Direct and facultative</b>										
Fire and property damage	258,645,573	124,771,437	147,086,415	236,330,595	157,537,985	87,034,334	91,088,462	153,483,857	82,846,738	74,997,430
Marine, aviation & transport	432,701,688	100,789,455	200,186,040	333,305,103	377,446,040	92,729,357	194,107,558	276,067,839	57,237,264	56,421,324
Motor	110,725,776	45,992,321	53,362,865	103,355,232	3,324,930	944,915	1,656,147	2,613,698	100,741,534	98,377,876
Miscellaneous	35,155,452	16,832,337	17,289,963	34,697,826	12,716,019	8,487,649	6,438,120	14,765,548	19,932,278	10,906,226
<b>Grand Total</b>	<b>837,228,489</b>	<b>288,385,550</b>	<b>417,925,283</b>	<b>707,688,756</b>	<b>551,024,974</b>	<b>189,196,255</b>	<b>293,290,287</b>	<b>446,930,942</b>	<b>260,757,814</b>	<b>240,702,856</b>

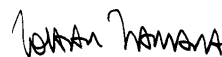
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Chief Executive & Managing Director

Karachi: 29 March 2014

# Statement of Claims

for the year ended December 31, 2013

Business underwritten inside Pakistan.

FORM GE  
(Amount in Rs.)

Class	Claims paid	Outstanding Claims		Claims Expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	2013 Net Claims expenses	2012 Net Claims expenses
		Opening	Closing			Opening	Closing			
<b>Direct and facultative</b>										
Fire and property damage	72,886,982	88,920,574	95,883,322	79,849,730	59,392,324	75,120,385	83,452,040	67,723,979	12,125,751	13,373,094
Marine, aviation & transport	457,403,702	521,779,673	122,752,103	58,376,132	433,925,687	508,819,654	111,466,771	36,572,804	21,803,328	14,658,164
Motor	60,598,083	145,094,011	8,068,114	54,156,796	2,241,641	854,826	557,826	1,944,641	52,212,155	53,513,814
Miscellaneous	5,307,421	3,396,888	3,361,723	5,272,256	2,690,856	1,883,566	2,713,450	3,520,740	1,751,516	1,551,357
<b>Grand Total</b>	<b>596,196,188</b>	<b>628,606,536</b>	<b>230,065,262</b>	<b>197,654,914</b>	<b>498,250,508</b>	<b>586,678,431</b>	<b>198,190,087</b>	<b>109,762,164</b>	<b>87,892,750</b>	<b>83,096,429</b>

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Chief Executive & Managing Director

Karachi: 29 March 2014

# Statement of Expenses

for the year ended December 31, 2013

FORM GF  
(Amount in Rs.)

Business underwritten inside Pakistan.

Class	Commissions paid or payable	Opening Deferred commission	Closing Deferred commission	Net commission Expense	Other Management Expenses	Underwriting Expenses	Commission from reinsurers	2013 Net underwriting expense	2012 Net underwriting expense
<b>Direct and facultative</b>									
Fire and property damage	67,152,972	33,466,195	39,455,930	61,163,237	37,076,619	98,239,856	41,179,772	57,060,084	48,921,971
Marine, aviation & transport	24,723,032	3,166,869	2,926,883	24,963,018	25,615,543	50,578,561	22,342,435	28,236,126	30,248,754
Motor	14,347,434	6,898,848	8,004,430	13,241,852	45,085,124	58,326,976	150,586	58,176,390	58,146,145
Miscellaneous	5,718,861	3,029,821	3,112,193	5,636,489	8,920,345	14,556,834	4,763,556	9,793,278	3,245,471
<b>Grand Total</b>	<b>111,942,299</b>	<b>46,561,733</b>	<b>53,499,436</b>	<b>105,004,596</b>	<b>116,697,631</b>	<b>221,702,227</b>	<b>68,436,349</b>	<b>153,265,878</b>	<b>140,562,341</b>

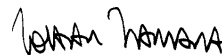
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Chief Executive & Managing Director

Karachi: 29 March 2014



# Statement of Investment Income

for the year ended December 31, 2013

Form GG  
(Amount in Rs.)

	December 31, 2013 Rupees	December 31, 2012 Rupees
<b>Income from non-trading investments</b>		
<b>Held to maturity</b>		
Return on government securities	9,081,418	10,374,264
Return on other fixed income, securities and deposits	4,892,214	4,714,793
Amortization of premium-net	614,112	488,488
	<u>14,587,744</u>	<u>15,577,545</u>
<b>Available for sale</b>		
Dividend income	1,343,291	1,322,466
Gain on sale of available for sale investments	1,370,846	686,127
Impairment reversal	893,266	1,180,955
	<u>3,607,403</u>	<u>3,189,548</u>
<b>Income from trading investments</b>		
<b>Held for trading</b>		
Dividend Income	37,320,957	35,300,140
Gain on sale of investments	4,145,424	9,302,378
Unrealized gain on held for trading investments	37,876,150	47,071,224
	<u>79,342,531</u>	<u>91,673,742</u>
Less: Investments related expenses	(100,955)	(188,231)
	<u>97,436,723</u>	<u>110,252,604</u>

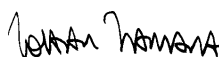
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Director



Zohair Zakaria  
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A. Razak Ahmed  
Chief Executive & Managing Director

Karachi: 29 March 2014

# Notes to the Financial Statements

for the year ended December 31, 2013

## 1. STATUS AND NATURE OF BUSINESS

Reliance Insurance Company Limited (the Company) was incorporated in Pakistan as a public limited company on November 4, 1981. The Company is engaged in general insurance business. The shares of the Company are quoted on Stock Exchanges of Karachi and Lahore. The registered office of the Company is situated at 96-A, Sindhi Muslim Co-operative Housing Society, Karachi. JCR-VIS Credit Rating Company Limited has assessed the Insurer Financial Strength (IFS) rating of the Company as A' (Single A). Outlook on the assigned rating is Stable.

## 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Insurance Ordinance, 2000 and the form as prescribed under Insurance Rules vide SRO 938 (I) dated December 12, 2002.

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, and approved accounting standards as applicable to insurance companies in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by IASB as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Insurance Ordinance, 2000, the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Insurance Ordinance, 2000, Companies Ordinance, 1984 or the requirements of the said directives shall take precedence.

The SECP has allowed the 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.

### 2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except certain investments which have been measured at fair value. No adjustment for the effect of inflation has been accounted for in the financial statements.

### 2.3 Functional and presentation currency

These financial statements have been presented in Pak Rupees, which is the functional and presentation currency of the Company.

## 3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

### 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:

# Notes to the Financial Statements

for the year ended December 31, 2013

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 2 Share-based Payment - Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of vesting condition)	July 01, 2014
IFRS 3 Business Combinations - Amendments resulting from Annual Improvements 2010-2012 Cycle (accounting for contingent consideration) and 2011-2013 Cycle (scope exception for joint ventures)	July 01, 2014
IFRS 7 Financial Instruments: Disclosures - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2015
IFRS 7 Financial Instruments: Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	January 01, 2017
IFRS 8 Operating Segments - Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)	July 01, 2014
IFRS 9 Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	Not yet notified by ASB
IFRS 9 Financial Instruments - Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the own credit gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	Not yet notified by ASB
IFRS 10 Consolidated Financial Statements - Amendments for investment entities	January 01, 2014
IFRS 12 Disclosure of Interests in Other Entities - Amendments for investment entities	January 01, 2014
IFRS 13 Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)	July 01, 2014
IAS 16 Property, Plant and Equipment - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 19 Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	July 01, 2014

# Notes to the Financial Statements

for the year ended December 31, 2013

	Effective date (annual periods beginning on or after)
IAS24 Related Party Disclosures -Am endm ents resulting from Annual Improvements 2010-2012 Cycle (in anagement entities)	July 01, 2014
IAS27 Separate Financial Statements -Am endm ents for investm entities	January 01, 2014
IAS32 Financial Instruments -Presentation -Am endm ents relating to the offsetting of assets and liabilities	January 01, 2014
IAS36 Impairment of Assets -Am endm ents arising from recoverable amount disclosures for non financial assets	January 01, 2014
IAS38 Intangible Assets -Am endm ents resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS39 Financial Instruments: Recognition and Measurement -Am endm ents for novations of derivatives	January 01, 2014
IAS39 Financial Instruments: Recognition and Measurement: Am endm ents to permit an entity to elect to continue to apply the	January 01, 2017
IAS40 Investment Property -Am endm ents resulting from Annual Improvements 2011-2013 Cycle (in relationship between IFRS 3 and IAS 40)	July 01, 2014

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. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The judgments, estimates and assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on periodic basis. Revisions to accounting estimates are recognized in the period in which the revision has been made.

Significant areas where assumptions and estimates were exercised in application of accounting policies relate to:

# Notes to the Financial Statements

for the year ended December 31, 2013

## 4.1 Classification of investments

In classifying investments as held to maturity, the Company has determined financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investment to maturity.

In classifying investments as held for trading, the Company has determined securities, which are acquired with the intention to trade, taking advantage of short-term market / interest rate movements.

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available for sale. Subsequent to the initial recognition at cost, quoted investments are stated at the lower of cost or market value (in accordance with the requirements of SRO 938 issued by the SECP in December 12, 2002).

## 4.2 Income tax

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax laws and the decision of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Company's future taxable profits are taken into account.

## 4.3 Fixed assets and depreciation

In making estimates of the depreciation method, the management uses the method which reflects pattern in which economic benefits are expected to be consumed by the Company. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimate in accordance with International Accounting Standard 8 "Changes in Accounting Policies, Changes in accounting Estimates and Errors".

## 4.4 Impairment in available for sale investments

The Company determines that available for sale 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, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

## 4.5 Premium deficiency reserve

The Company carries out an analysis of loss / combined ratios for the expired period, such ratio being calculated after taking into account the relevant BNR provision for the determination of premium deficiency reserve for each class of business.

## 4.6 Outstanding claims including incurred but not reported (BNR)

The Company estimates the liability for claims, which include amounts relating to unpaid, reported claims, claims incurred but not reported (BNR) and expected claims settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Provision for BNR is based on the management's best estimate which takes into account the past trends, expected future pattern of reporting of claims and the claims actually reported subsequent to the balance sheet date.

# Notes to the Financial Statements

for the year ended December 31, 2013

## 5. SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Insurance contracts

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.

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

In addition to direct insurance, at times the Company also participates in risks under co-insurance from other companies and also accepts risks through reinsurance inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the Company.

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

#### 5.1.1 Premiums

Premium written under a policy is recognized as income over the period of insurance from the date of issuance of the policy to which it relates to its expiry. Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk.

#### Provision for unearned premium

The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the Company. The unearned portion of premium income is recognized as a liability. The liability is calculated by applying 1/24 method as specified in the Securities and Exchange Commission (Insurance) Rules, 2002.

#### Administration surcharge

Premium income includes administrative surcharge that represents documentation and other charges recovered by the Company from policyholders in respect of policies issued, at the rate of 5% of the premium written restricted to a maximum of Rs. 2,000 per policy.

#### Premiums due but unpaid

Receivables under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognizes that impairment loss in the profit and loss account.



# Notes to the Financial Statements

for the year ended December 31, 2013

## 5.1.2 Reinsurance ceded

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premium is accounted for in the same period as the related premium for the direct or accepted reinsurance business being reinsured. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claim or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contract.

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

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired. The Company assesses its reinsurance assets for impairment on balance sheet date. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the profit and loss account. In addition, the Company also monitors the financial ratings of its reinsurers on each reporting date.

## 5.1.3 Claim expense

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

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

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Provision for BNR is based on the management's best estimate which takes into account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date.

## 5.1.4 Reinsurance recoveries against outstanding claims

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

## 5.1.5 Commission

Commission and other acquisition costs incurred in obtaining and recording on direct, facultative and reinsurance cessions has been deferred and recognized as assets and liability as under:

### (a) Commission income

Commission income is being taken to profit and loss account on a time proportion basis in accordance with the pattern of recognition of reinsurance premium to comply with the requirements of SRO 938 issued by the SECP in 2002.

# Notes to the Financial Statements

for the year ended December 31, 2013

## b) Deferred commission expense

Commission expenses are deferred and recognized as an asset in correlation with unearned premium that will be recognized in the subsequent reporting period to comply with the requirements of SRO 938 issued by the SECP in 2002.

## 5.1.6 Premium deficiency reserve

The Company is required to maintain a provision in respect of premium deficiency for the individual class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recognized as an expense in the profit and loss account. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims.

The management considers that the unearned premium reserve for all classes of business as at the year end is adequate to meet the expected future liability after reinsurance, from claims and other expenses, expected to be incurred after the balance sheet date in respect of policies in those classes of business in force at the balance sheet date. Hence, no reserve for the same has been made in these financial statements.

## 5.2 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and/or services received. Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

## 5.3 Cash and bank balances

Cash and bank balances are defined as cash in hand and at banks, stamps in hand and short-term placements with banks and are carried in the balance sheet at nominal amount.

## 5.4 Taxation

### 5.4.1 Current

Provision for taxation is based on taxable income at current rates of taxation, under the relevant provisions of the Income Tax Ordinance, 2001, after taking into account rebates and tax credits available, if any.

### 5.4.2 Deferred

Deferred tax, if any, is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax assets and liabilities, if any, are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted, or substantially enacted, at the balance sheet date.

Deferred tax assets, if any, are recognized only to the extent that it is probable that future taxable profit will be available against which the assets can be utilized.

# Notes to the Financial Statements

for the year ended December 31, 2013

## 5.5 Staff retirement benefits

The Company maintains recognized contributory provident fund for all permanent employees for which contribution equal to one month basic pay plus cost of living allowance per annum is charged to profit and loss account.

## 5.6 Investments

All investments are initially recognized at cost being the fair value of the consideration given and include transaction costs, except for investments at fair value through profit or loss in which case transaction costs are charged to the profit and loss account. These are recognized and classified as follows:

### 5.6.1 Held to maturity

Investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held to maturity.

Subsequently, these are measured at amortized cost less provision for impairment, if any. Any premium paid or discount availed on acquisition of held to maturity investment is deferred and amortised over the term of investment using the effective yield.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the profit and loss account.

### 5.6.2 Available for sale

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available for sale.

#### Quoted

Subsequent to initial recognition at cost, quoted investments are stated at the lower of cost or market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the requirements of the Securities and Exchange Commission (Insurance) Rules, 2002 vide SRO 938 dated December 12, 2002. The Company uses stock exchange quotations at the balance sheet date to determine the market value.

#### Unquoted

Unquoted investments are recorded at cost less accumulated impairment losses, if any.

### 5.6.3 Investment at fair value through profit or loss - held for trading

Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading. These are measured at fair value through profit or loss upon initial recognition.

Subsequent to initial recognition, these investments are measured at fair value. Gains or losses on investments on remeasurement of these investments are recognised in profit and loss account.

# Notes to the Financial Statements

for the year ended December 31, 2013

## 5.7 Operating fixed assets

### (a) Tangible

These are stated at cost less accumulated depreciation computed on the reducing balance method on yearly basis applying the rates as mentioned in note 15.

Depreciation on addition to fixed assets during the year is provided from the date of purchase while no depreciation is charged on disposal of assets during the year. Gains and losses on disposal of fixed assets is taken to profit and loss account.

Maintenance and normal repairs are charged to profit and loss account as and when incurred, whereas major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

### (b) Intangible

Computer software license acquired is capitalized on the basis of cost incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three years using the straight line method. Impairment losses, if any, are deducted from the carrying amount of the intangible assets.

Costs associated with maintaining computer software programs are recognized as an expense when incurred.

The assets' residual values, useful lives and method for amortization are reviewed at each financial year end and adjusted if impairment on amortization is significant.

### (c) Capital work in progress

Capital work in progress is stated at cost. Transfers are made to operating assets when the assets are available for use.

## 5.8 Revenue recognition

Premium including administrative surcharge under a policy are recognised as revenue at the time of issuance of insurance policy.

Dividend income is recognized when right to receive the same is established.

Entitlement of bonus shares is recognized when the right to receive the same is established by increasing the number of shares to which the Company is entitled without giving any monetary effect in the financial statements either in terms of cost or value thereof.

Gains and losses on sale of investments is charged to profit and loss account for the year at the time of disposal/sale.

Income on bank deposits and Defence Saving Certificates is recognized on accrual basis.

Income on held to maturity investments is recognized on time proportion basis using effective interest method.

## 5.9 Management expenses

Management expenses are allocated to various class of business in proportion of the respective net premium income for the year. Expenses not allocable to the underwriting business are charged as administrative expenses.

# Notes to the Financial Statements

for the year ended December 31, 2013

## 5.10 Dividend, bonus shares and reserves appropriation

Dividend to shareholders is recognized as liability in the period in which it is declared. Similarly, reserve for issue of bonus share is recognized in the year in which such issue is declared. Reserve appropriation are recognized when approved.

## 5.11 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. All operating segment's results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Securities and Exchange Commission (Insurance) Rules, 2002. The reported segments are also consistent with the internal reporting provided to Strategy Committee and Board of Directors which are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

The Company has four primary business segments, namely, fire, marine, motor and miscellaneous.

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

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

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

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

Financing, investment and income taxes are managed on an overall basis and are therefore, not allocated to any segment. The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

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

## 5.12 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amount and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

## 5.13 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or loss on de-recognition of the financial assets and financial liabilities are taken to the profit and loss account.

# Notes to the Financial Statements

for the year ended December 31, 2013

## 5.14 Impairment

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The carrying amount of non-financial assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such an indication exists, the recoverable amount of such assets is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognized in the profit and loss account. Provision for impairment is reviewed at each balance sheet date and adjusted to reflect the current best estimates.

## 5.15 Receivables and payables related to insurance contracts

Receivables and payables relating to insurance contracts are recognized when due. These include premiums due but unpaid, premium received in advance, premium due and claim payable to insurance contract holders. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any.

If there is an objective evidence that any premium due but unpaid is impaired, the Company reduces the carrying amount of that insurance receivable and recognizes the loss in profit and loss account.

Provision for impairment in premium receivables is estimated on a systematic basis after analyzing the receivables as per their ageing.

## 5.16 Related party transactions and transfer pricing

Transactions with related parties of the Company mainly consist of entering into the insurance contracts. The Company follows the "Comparable Uncontrolled Price Method" to measure and value the transactions with the related parties. For transactions carried out other than at arm's length approval is obtained from the Board of Directors under the Listing Regulations.

## 5.17 Foreign currency translations

Transactions in foreign currency, if any, are converted into Rupees at the rate of exchange prevailing on the date of transaction.

## 5.18 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at nominal amount. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash and stamps in hand, cash at bank in current and saving accounts, bank deposits and other short term highly liquid investments in the balance sheet.

## 5.19 Earnings per share

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

# Notes to the Financial Statements

for the year ended December 31, 2013

			2013 Rupees	2012 Rupees
6.	<b>ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL</b>			
	2013 (Number of shares)	2012 (Number of shares)		
	1,156,680	1,156,680	Ordinary shares of Rs.10 each issued as fully paid in cash	11,566,800
				11,566,800
	35,521,388	30,737,292	Ordinary shares of Rs.10 each issued as fully paid bonus shares	355,213,880
				307,372,920
	<u>36,678,068</u>	<u>31,893,972</u>		<u>366,780,680</u>
				<u>318,939,720</u>

6.1 160,328 (2012:4,672,074) ordinary shares of Rs.10 each are held by associates amounting to Rs.1,603 million (2012:Rs.46,720 million).

## 7. RESERVES

	General reserve	7.1	<u>16,000,000</u>	<u>90,000,000</u>
7.1	The movement of general reserve is as follows:			
	Balance as at January 01		90,000,000	90,000,000
	Transfer from unappropriated profit		70,000,000	-
	Balance as at December 31		<u>160,000,000</u>	<u>90,000,000</u>

## 8. SHORT TERM BORROWINGS

	Secured			
	From banking companies			
	Running finances	8.1	<u>-</u>	<u>-</u>

8.1 These facilities are secured against lien marking /pledge of advantage account with 9.9% margin and lien over GOP Tjah Sukuk amounting to Rs.10 million with a margin of 10% over and above the mark to market value of GOP Tjah Sukuk. The facilities carry markup at rates of 2% over from the profit rate to be paid on the advantage account and 3 months KIBOR plus 175bps. Total sanctioned limit of the facilities amounts to Rs.20.00 million (2012:Rs.20.00 million).

## 9. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at the balance sheet date.



# Notes to the Financial Statements

for the year ended December 31, 2013

	Note	2013 Rupees	2012 Rupees
<b>10. CASH AND BANK DEPOSITS</b>			
Cash and other equivalent			
Policy stamps and bond paper in hand		303,146	203,898
Current and other accounts			
Current accounts		42,694,892	9,243,877
PLS saving accounts	10.1	34,339,498	33,970,653
		77,034,390	43,214,130
Deposit maturing within 12 months	10.2	25,741,393	25,342,411
		<u>103,078,929</u>	<u>68,760,439</u>
10.1 Profit on PLS saving accounts carry mark-up at rates range from 6% to 6.5% per annum (2012: 5% to 6% per annum).			
10.2 The rate of return on term deposit certificates issued by various banks range from 6.50% to 9% per annum (2012: 5.8% to 12% per annum) due on maturity. These deposits include an advantage account amounting to Rs. 11.10 million (2012: Rs. 11.10 million) which is pledged against the running finance facility availed from a commercial bank.			
<b>10. LOANS</b>			
(Secured - considered good)			
To employees	11.1	<u>1,516,839</u>	<u>1,565,607</u>
11.1 These represents interest free loans to employees in accordance with the terms of their employment secured against their retirement benefits and are recoverable in monthly installments.			
<b>12. INVESTMENTS</b>			
Held to maturity			
Government securities	12.1	103,353,924	91,572,979
Term finance certificates - quoted	12.2	1,496,400	6,790,950
Certificate of investment	12.3	2,500,000	2,500,000
		<u>107,350,324</u>	<u>100,863,929</u>
Available for sale			
Related parties	12.4	6,558,148	6,558,148
Others	12.5	62,749,322	10,935,448
Provision for impairment - net of reversal	12.6	(2,716,964)	(3,610,230)
		<u>66,590,506</u>	<u>13,883,366</u>
Investments at fair value through profit or loss - held for trading			
Quoted shares		326,381,492	322,115,163
		<u>500,322,322</u>	<u>436,862,458</u>

# Notes to the Financial Statements

for the year ended December 31, 2013

	Note	2013 Rupees	2012 Rupees
<b>12.1 Government securities</b>			
Pakistan Investment Bonds			
WAPDA Sukuk Bonds	12.1.1	20,320,592	29,706,313
GOP Ijara Sukuk Bonds	12.1.2	3,333,332	4,166,666
	12.1.3	79,700,000	57,700,000
		<u>103,353,924</u>	<u>91,572,979</u>

## 12.1.1 Pakistan Investment Bonds

Particular	Face Value (Rupees)	Coupon rate %	Maturity date	2013 Rupees	2012 Rupees
Pakistan Investment Bond - 5 years	10,000,000	11.50	30/08/2013	-	9,826,471
Pakistan Investment Bond - 5 years	4,000,000	11.50	03/09/2014	3,979,829	3,952,593
Pakistan Investment Bond - 5 years	5,000,000	11.50	22/07/2015	4,812,137	4,711,332
Pakistan Investment Bond - 5 years	11,000,000	11.50	22/07/2015	10,563,253	10,276,777
Pakistan Investment Bond - 5 years	1,000,000	11.50	22/07/2015	965,373	939,140
				<u>20,320,592</u>	<u>29,706,313</u>

The market value of Pakistan Investment Bonds amounted to Rs.21,173 million (2012:Rs.31,683 million). The profit on PBs are received on semi-annual basis.

## 12.1.2 WAPDA Sukuk Bonds

Particular	Value per Certificate (Rupees)	Profit rate %	Profit payment	2013 Rupees	2012 Rupees
WAPDA Second Sukuk Certificates - 7 years	5,000	6 months KEBOR minus 25bp	Semi annually	3,333,332	4,166,666
				<u>3,333,332</u>	<u>4,166,666</u>

The market value of WAPDA Sukuk Bonds amounted to Rs.3,265 million (2012:Rs.4,087 million).

## 12.1.3 GOP Ijara Sukuk Bonds

Particular	Value per Certificate (Rupees)	Profit rate %	Profit payment	Maturity date	2013 Rupees	2012 Rupees
GOP Ijara Sukuk Bond - 3 years	100,000	9.464	Semi annually	16/05/2014	17,500,000	17,500,000
GOP Ijara Sukuk Bond - 3 years	100,000	9.464	Semi annually	16/05/2014	15,000,000	15,000,000

# Notes to the Financial Statements

for the year ended December 31, 2013

Particular	Value per Certificate (Rupees)	Profit rate %	Profit payment	Maturity date	2013 Rupees	2012 Rupees
GOP Ijara Sukuk Bond -3 years	100,000	9.979	Semi annually	26/12/2014	5,000,000	5,000,000
GOP Ijara Sukuk Bond -3 years	100,000	8.989	Semi annually	02/03/2015	7,200,000	7,200,000
GOP Ijara Sukuk Bond -3 years	100,000	8.989	Semi annually	02/03/2015	10,000,000	10,000,000
GOP Ijara Sukuk Bond -3 years	100,000	8.989	Semi annually	02/03/2015	10,000,000	-
GOP Ijara Sukuk Bond -3 years	100,000	9.050	Semi annually	18/09/2015	10,000,000	-
GOP Ijara Sukuk Bond -3 years	100,000	9.050	Semi annually	18/09/2015	5,000,000	-
GOP Ijara Sukuk Bond -3 years	100,000	9.284	Semi annually	15/11/2013	-	3,000,000
					<u>79,700,000</u>	<u>57,700,000</u>

The market value of GOP Ijara Sukuk amounted to Rs.81,986 million (2012:Rs.59,260 million).

12.1.4 Pakistan Investment Bonds with market value to Rs.19,362 million (2012:Rs.19,362 million) and GOP Ijara Sukuk Bonds with market value to Rs.17,500 million (2012:Rs.17,500 million) are placed with State Bank of Pakistan under section 29 of Insurance Ordinance, 2000.

## 12.2 Term finance certificates -quoted

2013	2012	Face value per certificates (Rs)	Name of investee	Profit rate (note 12.2.1)	Maturity date	2013	2012
Number of certificates						(Rupees)	
600	600	5000	Askari Bank Limited	Base rate plus 1.5% per annum	31/10/2013	-	2,991,600
379	379	5000	Standard Chartered bank Limited	Base rate plus 2.0% per annum	01/02/2013	-	473,750
400	400	5000	Pakistan Mobile Communication Limited	Base rate plus 2.85% per annum	31/05/2013	-	332,800
600	600	5000	Allied Bank Limited	Base rate plus 1.90% per annum	06/12/2014	1,496,400	2,992,800
						<u>1,496,400</u>	<u>6,790,950</u>

12.2.1 Profit on these term finance certificates are on semi annual basis and have base rate of 6 months KIBOR.

12.2.2 Market value of quoted term finance certificates amounted to Rs.1,503 million (2012:Rs.6,874 million).

# Notes to the Financial Statements

for the year ended December 31, 2013

## 12.3 Certificate of investment

2013	2012	Face value per certificates (Rs)	Name of investee	Profit rate %	Maturity date	2013 (Rs)	2012 (Rs)
Number of certificates							
05	05	500,000	Orix Leasing Pakistan Limited	17.30	14/02/2014	2,500,000	2,500,000
						<u>2,500,000</u>	<u>2,500,000</u>

12.3.1 The Certificate of investment is due to mature on February 14, 2014.

## 12.4 Related parties

Investment in associated companies

2013	2012	Face Value per share (Rupees)	Name of investee	2013	2012
Number of share / units				Book Value (Rupees)	
521,220	521,220	10	Al-Noor Modaraba	5,212,200	5,212,200
115,724	115,724	10	B.F.M Odaraba	512,566	512,566
17,457	15,870	10	Faran Sugar Mills Ltd.	369,220	369,220
23,551	23,551	10	Shahm urad Sugar Mills Ltd.	464,162	464,162
<u>677,952</u>	<u>676,365</u>			<u>6,558,148</u>	<u>6,558,148</u>

Market value of these shares / units amounted to Rs.4,073 million (2012:Rs.3,728 million).

## 12.5 Others

2013	2012	Face Value per share (Rupees)	Name of investee	2013	2012
Number of share / units				Book Value (Rupees)	
300,000	300,000	10	Meezan Balanced Funds	3,000,000	3,000,000
69,763	69,763	10	PTIC Investment Fund	825,469	825,469
12,767	127,666	100	JS-Growth Fund*	1,423,853	1,423,853
-	66,741	100	Askari Islamic Income Fund*	-	5,686,126
517,272	-	50	Meezan Sovereign Fund*	25,000,000	-
282,708	-	100	MCB Islamic Income Fund*	27,500,000	-
52,033	-	100	JS-Islamic GovSec Fund*	5,000,000	-
<u>1,234,543</u>	<u>564,170</u>			<u>62,749,322</u>	<u>10,935,448</u>

\*This represents units in open end mutual fund.

Market value of these shares / units amounted to Rs66,302 million (2012:Rs11,736 million).

# Notes to the Financial Statements

for the year ended December 31, 2013

	Note	2013 Rupees	2012 Rupees
<b>12.6 Provision for impairment</b>			
Opening balance as at January 01		3,610,230	4,791,185
Charge for the year		-	-
		<u>3,610,230</u>	<u>4,791,185</u>
Reversal during the year		<u>(893,266)</u>	<u>(1,180,955)</u>
		<u><u>2,716,964</u></u>	<u><u>3,610,230</u></u>
<b>13. DEFERRED TAXATION</b>			
Deferred tax arising due to timing differences calculated at current rate of taxation amounts to Rs.22,361 million debit (2012:Rs.26,767 million debit). Deferred tax asset has not been recognized in these financial statements as in the opinion of the management there is no certainty regarding realizability of the amount.			
<b>14. PREMIUMS DUE BUT UNPAID</b>			
Unsecured		188,969,504	209,872,122
Considered good		10,000,000	10,000,000
Considered doubtful		198,969,504	219,872,122
Provision for doubtful balances	14.1	<u>(10,000,000)</u>	<u>(10,000,000)</u>
		<u><u>188,969,504</u></u>	<u><u>209,872,122</u></u>
<b>14.1 Provision for doubtful balances</b>			
Opening balance as at January 01		10,000,000	10,000,000
Provision made during the year		-	-
		<u><u>10,000,000</u></u>	<u><u>10,000,000</u></u>
<b>14.2 Age analysis of premium due but unpaid</b>			
The age analysis of Premiums due but unpaid is as follows:			
Upto one year	14.2.1	145,514,458	167,798,832
More than one year	14.2.2	43,455,046	42,073,290
		<u><u>188,969,504</u></u>	<u><u>209,872,122</u></u>
<b>14.2.1 Related parties</b>			
Others		41,876,998	46,509,168
		<u>103,637,460</u>	<u>121,289,664</u>
		<u><u>145,514,458</u></u>	<u><u>167,798,832</u></u>
<b>14.2.2 Related parties</b>			
Others		4,616,937	1,616,883
		<u>38,838,109</u>	<u>40,456,407</u>
		<u><u>43,455,046</u></u>	<u><u>42,073,290</u></u>

# Notes to the Financial Statements

for the year ended December 31, 2013

## 15. FIXED ASSETS

### 15.1 Tangible assets

	Land and buildings	Furniture and fixtures	Motor vehicles	Office equipments	Office computers	Total
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#### Net carrying value basis as at

December 31, 2013

Opening netbook value (NBV)	12,641,419	2,895,173	41,890,471	3,498,323	1,715,994	62,641,380
Addition (at cost)	-	27,400	22,678,118	356,203	162,315	23,224,036
Disposal	-	-	(4,722,233)	-	-	(4,722,233)
Depreciation	(1,264,142)	(435,303)	(7,065,136)	(556,872)	(540,601)	(9,862,054)
Closing netbook value	<u>11,377,277</u>	<u>2,487,270</u>	<u>52,781,220</u>	<u>3,297,654</u>	<u>1,337,708</u>	<u>71,281,129</u>

#### Gross carrying value basis as at

December 31, 2013

Cost	30,218,901	11,261,127	87,179,898	12,455,122	6,785,350	147,900,398
Accumulated depreciation	(18,841,624)	(8,773,857)	(34,398,678)	(9,157,468)	(5,447,642)	(76,619,269)
Netbook value	<u>11,377,277</u>	<u>2,487,270</u>	<u>52,781,220</u>	<u>3,297,654</u>	<u>1,337,708</u>	<u>71,281,129</u>

#### Net carrying value basis as at

December 31, 2012

Opening netbook value (NBV)	14,046,021	3,361,088	38,542,735	3,863,252	1,101,607	60,914,703
Addition (at cost)	-	40,500	12,523,775	227,500	1,031,889	13,823,664
Disposal	-	-	(2,658,990)	-	-	(2,658,990)
Depreciation	(1,404,602)	(506,415)	(6,517,049)	(592,429)	(417,502)	(9,437,997)
Closing netbook value	<u>12,641,419</u>	<u>2,895,173</u>	<u>41,890,471</u>	<u>3,498,323</u>	<u>1,715,994</u>	<u>62,641,380</u>

#### Gross carrying value basis as at

December 31, 2012

Cost	30,218,901	11,233,727	75,376,866	12,098,919	6,623,035	135,551,448
Accumulated depreciation	(17,577,482)	(8,338,554)	(33,486,395)	(8,600,596)	(4,907,041)	(72,910,068)
Netbook value	<u>12,641,419</u>	<u>2,895,173</u>	<u>41,890,471</u>	<u>3,498,323</u>	<u>1,715,994</u>	<u>62,641,380</u>

Depreciation rate per annum	10%	15%	15%	15%	30%	
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# Notes to the Financial Statements

for the year ended December 31, 2013

## 15.2 Disposal of assets - by negotiation

Serial Number	Particulars	Original cost	Accumulated depreciation	Written down value	Sale proceed	Gain / (loss)	Sold to
<b>Motorcars</b>							
1	Toyota Corolla -AUF-017	1,451,325	1,121,617	329,708	525,000	195,292	Am ar Bin Shoab S/O Muham m ad Shoab
2	Honda City -U-8083	887,500	539,654	347,846	600,000	252,154	Sohail N iazi S/O AbdulSabem N iazi
3	Suzuki Mehran -LRE-6227	74,300	55,311	18,989	210,000	191,011	Khunam M ehmo od S/O Tariq M ehmo od
4	Suzuki Culus -LXV-7215	108,000	89,353	18,647	300,000	281,353	Rizwan Ali S/O AbdulGhafor
5	Honda City ALA-625	1,060,850	728,215	332,635	400,000	67,365	Mubarak Hussain S/O Alif Hussain
6	Coupe LEE-2814	548,480	274,819	273,661	310,000	36,339	Bilal Sajid S/O Muham m ad Sajid
7	Toyota Corolla LEE-9900	1,254,921	648,975	605,946	850,000	244,054	Muham m ad In ran Ali S/O Muham m ad Ali Bhatti
8	Honda City ANG-905	846,000	520,675	325,325	880,000	554,675	Am tul Rafiq S/O Munaw war Ahm ed
9	Toyota Corolla LZX-295	931,020	687,873	243,147	750,000	506,853	Hassan Elahi Bin Nadeem S/O Muham m ad Nadeem Um ar
10	Suzuki Auro AW Z-456	801,000	100,125	700,875	710,000	9,125	Claim Theft
11	Honda City AHQ-942	979,000	738,060	240,940	648,000	407,060	Claim Theft
12	Honda Civic ATZ-965	1,833,180	591,487	1,241,693	1,400,000	158,307	In ran S/O AbdulRazzaq
<b>Motorcycles</b>							
1	Dhoom KEK-9034	45,500	16,736	28,764	20,000	(8,764)	Alif S/O Ghulam Abbas
2	Honda FSJ-1282	54,000	39,943	14,057	22,000	7,943	Claim Theft
Total-Rupees		<u>10,875,076</u>	<u>6,152,843</u>	<u>4,722,233</u>	<u>7,625,000</u>	<u>2,902,767</u>	



# Notes to the Financial Statements

for the year ended December 31, 2013

## 15.3 Intangible assets

2013		2012	
Computer software	Total	Computer software	Total
(Rupees)		(Rupees)	

### Net carrying value basis as at December 31

Opening netbook value (NBV)	1,159,275	1,159,275	2,318,549	2,318,549
Additions (at cost)	-	-	-	-
Amortization	(1,159,275)	(1,159,275)	(1,159,274)	(1,159,274)
Closing netbook value	-	-	1,159,275	1,159,275

### Gross carrying value basis as at December 31

Cost	3,477,823	3,477,823	3,477,823	3,477,823
Accumulated amortization	(3,477,823)	(3,477,823)	(2,318,548)	(2,318,548)
Netbook value	-	-	1,159,275	1,159,275
Amortization rate per annum	33%		33%	

	Note	2013 Rupees	2012 Rupees
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## 16. MANAGEMENT EXPENSES

Salaries, wages and other benefits	16.1	64,753,271	54,726,125
Rent, taxes, electricity, gas etc.		7,759,307	6,800,007
Com m unication		3,851,290	3,506,002
Printing and stationery		2,100,681	2,403,063
Travelling and entertainment		4,734,714	4,688,186
Repairs and maintenance		2,846,755	2,727,981
Advertisement and sales promotion		6,634,810	4,196,147
Fees and subscription		1,230,607	1,040,150
Gifts and donation		208,972	156,380
Vehicle running and maintenance		17,930,857	21,636,603
Others		4,432,985	4,727,771
Books and periodicals		213,382	169,857
		<u>116,697,631</u>	<u>106,778,272</u>

16.1 This includes salaries, wages and benefits amounting to Rs.2,137 million (2012:Rs.1,892 million) in respect of provident fund contribution paid by the Company.

## 17. OTHER INCOME

Gain on sale of tangible fixed assets		<u>2,902,767</u>	<u>2,590,110</u>
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# Notes to the Financial Statements

for the year ended December 31, 2013

	Note	2013 Rupees	2012 Rupees
<b>18. GENERAL AND ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and other benefits		16,599,280	14,316,684
Depreciation expense	15.1	9,862,054	9,437,997
Amortization of computer software	15.3	1,159,275	1,159,274
Auditor's remuneration	18.1	425,000	375,000
Fees and subscription		2,345,301	2,537,141
Workers' Welfare Fund		1,657,253	1,779,696
Directors' fee		145,000	145,000
Bonus to staff		5,942,996	5,387,791
Legal and professional expense		396,300	218,460
Miscellaneous expenses		113,178	-
		<u>38,645,637</u>	<u>35,357,043</u>
<b>18.1 Auditor's remuneration</b>			
Audit fee		350,000	300,000
Interim review		75,000	75,000
		<u>425,000</u>	<u>375,000</u>
<b>19. PROVISION FOR TAXATION</b>			
Current		<u>6,500,000</u>	<u>6,700,000</u>
Income tax assessment of the Company has been finalized up to the Tax Year 2013.			
<b>19.1 Relationship between tax expense and accounting profit</b>			
Profit before taxation		<u>81,205,410</u>	<u>93,905,090</u>
Tax at the applicable rate of 35% (2012: 35%)		28,421,893	32,866,782
Tax effect of expenses that are not allowable in determining taxable income		636,580	1,132,848
Tax effect of capital gains exempt from tax		(15,499,990)	(20,552,467)
Tax effect of income subject to lower rates		(9,666,062)	(9,155,651)
Others - minimum tax		2,607,579	2,408,488
		<u>6,500,000</u>	<u>6,700,000</u>
<b>20. EARNINGS PER SHARE - BASIC AND DILUTED</b>			
Basic earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares as at the year end as follows:			
Profit after tax for the year		<u>74,705,410</u>	<u>87,205,090</u>

# Notes to the Financial Statements

for the year ended December 31, 2013

	Number of shares	Number of shares
Weighted average number of shares of Rs.10 each	<u>36,678,068</u>	<u>36,678,068</u>
	Rupees	Rupees
Basic earnings per share of Rs.10 each	<u>2.03</u>	<u>2.38</u>

No figures for diluted earnings per share has been presented as the Company has not issued any instrument which would have dilutive effect on earnings per share when exercised.

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

	Chief Executive		Directors		Executives		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Fees	-	-	145,000	145,000	-	-	145,000	145,000
Managerial remuneration	3,999,600	3,999,600	-	-	4,614,300	3,759,300	8,613,900	7,758,900
Bonus	999,900	999,900	-	-	891,375	946,725	1,891,275	1,946,625
House rental allowance	1,794,420	1,794,420	-	-	2,058,000	1,691,600	3,852,420	3,486,020
Others	199,980	199,980	-	-	2,445,192	2,146,792	2,645,172	2,346,772
	<u>6,993,900</u>	<u>6,993,900</u>	<u>145,000</u>	<u>145,000</u>	<u>10,008,867</u>	<u>8,544,417</u>	<u>17,147,767</u>	<u>15,683,317</u>
Number of persons	<u>1</u>	<u>1</u>	<u>10</u>	<u>10</u>	<u>6</u>	<u>6</u>	<u>17</u>	<u>17</u>

21.1 In addition, Chief Executive and some executives are provided with company maintained cars and residential telephone.

## 22. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise companies having common directorship, group companies, directors, key management personnel and retirement benefit funds. Investment in related parties have been disclosed in the relevant notes. Directors fees and remuneration to the key management personnel are included in note 21 to these financial statements and are determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in the financial statements, are as follows:

# Notes to the Financial Statements

for the year ended December 31, 2013

Relation with the Company	Nature of transaction	Note	2013 Rupees	2012 Rupees
<b>Transactions during the year</b>				
Associated companies	Premium underwritten		50,083,756	46,940,063
	Premium collected		68,511,900	46,531,775
	Claim paid		23,945,716	29,026,359
	Dividend received		324,899	549,840
	Dividend paid		-	3,729,468
Key management personnel	Remuneration and other benefits	21	17,147,767	15,683,317
Staff retirement benefits	Contribution to provident fund		2,137,007	1,892,086
<b>Balances as at the year end</b>				
Associated companies	Premium due but unpaid		46,493,935	48,126,051
	Provision for outstanding claims		10,588,587	10,908,852

## 23. MANAGEMENT OF FINANCIAL AND INSURANCE RISK

### 23.1 Financial risk management objectives and policies

The Company is exposed to a variety of financial risks: market risk (comprising currency risk, interest rate risk, and other price risk), liquidity risk and credit risk that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize its potential adverse effects on the Company's financial performance.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. There are Board Committees and Management Committees for developing risk management policies and its monitoring.

### 23.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and other equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. All transactions are carried in Pak Rupees therefore, the Company is not exposed to currency risk. However, the Company is exposed to interest rate risk and other price risk.

The Company is exposed to market risk with respect to its investments. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity market. The market risks associated with the Company's business activities are interest rate risk and price risk. The Company is not exposed to material currency risk.

### 23.3 Interest rate risk

Interest rate risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the reporting date, the interest rate profile of Company's interest-bearing financial instruments was:

# Notes to the Financial Statements

for the year ended December 31, 2013

	2013 Effective interest rate%	2012 Effective interest rate%	2013 Rupees	2012 Rupees
<b>Fixed rate instruments</b>				
Government securities	8.90 to 11.50	9.22 to 11.50	103,353,924	91,572,979
Term deposits	6.00 to 08.75	5.80 to 12.00	25,741,393	25,342,411
Certificate of investment	14.00 to 17.30	12.00 to 17.30	2,500,000	2,500,000
<b>Variable rate instruments</b>				
Term finance certificate	11.00 to 11.50	11.00 to 12.50	1,496,400	6,790,950
PLS accounts	6.50 to 07.00	05.00 to 06.00	34,339,498	33,970,653

## Sensitivity analysis for fixed rate instruments

The Company does not account for fixed rate financial assets at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account and equity of the Company.

## Sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates would have decreased the profit and loss by the amounts shown below. Reduction in interest rates by 100 basis points would have a vice versa impact. This analysis assumes that all variables remain constant. The analysis is performed on the same basis for the comparative period.

Profit and loss		Equity	
100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
(Rupees)			

As at December 31, 2013				
Cash flow sensitivity	358,359	(358,359)	232,933	(232,933)
As at December 31, 2012				
Cash flow sensitivity	407,616	(407,616)	264,950	(264,950)

## 23.4 Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in foreign exchange rates. The Company, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pak Rupees.

## 23.5 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Company is exposed to equity price risk since it has investments in quoted securities amounting to Rs. 392,971 million (2012: Rs. 335,998 million) as at the balance sheet date.

# Notes to the Financial Statements

for the year ended December 31, 2013

The Company's strategy is to hold its strategic equity investments for long term. Thus management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favorable. The Company strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. The Company manages price risk by monitoring exposure in quoted equity securities and in implementing strict discipline in internal risk management and investment policies.

The carrying value of investments subject to equity price risk is based on quoted market prices as of the balance sheet date and available for sale equity instruments which are stated at lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirements of SRO 938 issued by the Securities and Exchange Commission of Pakistan on December 12, 2002.

Market prices are subject to fluctuation, consequently, the amount realized by the sale of an investment may significantly differ from the reported market value. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

## Sensitivity analysis

The analysis summarizes Company's price risk as at 2013 and 2012 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be best or worst case scenarios. Indeed, results could be worse in Company's equity investment portfolio because of the nature of equity markets.

Sensitivity analysis of investments as at the reporting date is as follows:

For held for trading investments, in case of 10% increase or decrease in prices at the reporting date, the net income and equity would have been higher or lower by Rs. 32,638 million (2012: Rs. 32,212 million).

For available for sale investments, in case of 10% decrease in prices at the reporting date, the net income and equity would have been lower by Rs. 6,600 million (2012: Rs. 1,388 million) if the decline is considered permanent.

## 23.6 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due as a result of policy holder benefit payments, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. To guard against the risk, the Company has diversified funding sources and assets are managed with liquidity in mind maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

	2013			Total
	Within one year	Over one year to five years	Over five years	
(Rupees)				

### Financial liabilities

Provision for outstanding claims	230,065,262	-	-	230,065,262
Amounts due to other insurers/reinsurers	60,269,449	-	-	60,269,449
Accrued expenses	1,994,434	-	-	1,994,434
Other creditors and accruals	60,723,104	-	-	60,723,104
Unclaimed dividend	549,395	-	-	549,395
	<u>353,601,644</u>	<u>-</u>	<u>-</u>	<u>353,601,644</u>

# Notes to the Financial Statements

for the year ended December 31, 2013

2012			
Within one year	Over one year to five years	Over five years	Total

(Rupees)

## Financial liabilities

Provision for outstanding claims	628,606,536	-	-	628,606,536
Amounts due to other insurers/reinsurers	53,489,751	-	-	53,489,751
Accrued expenses	1,452,148	-	-	1,452,148
Other creditors and accruals	50,342,685	-	-	50,342,685
Unclaimed dividend	572,523	-	-	572,523
	734,463,643	-	-	734,463,643

## 23.7 Credit risk

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

### Exposure to credit risk

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

	Note	2013 Rupees	2012 Rupees
Cash and bank deposits	10	103,078,929	68,760,439
Loans to employees	11	1,516,839	1,565,607
Investments	12	500,322,322	436,862,458
Premiums due but unpaid	14	188,969,504	209,872,122
Amounts due from other insurers/reinsurers		37,972,300	22,171,296
Accrued investment income		6,964,797	6,324,203
Reinsurance recoveries against outstanding claims		198,190,087	586,678,431
Trade deposits		618,069	574,069
Sundry receivables		420,281	450,839
		<u>1,038,053,128</u>	<u>1,333,259,464</u>



# Notes to the Financial Statements

for the year ended December 31, 2013

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

	Rating		Rating agency
	Short term	Long term	
<b>Bank</b>			
Habib Bank Limited	A-1+	AAA	JCR-VIS
National Bank of Pakistan	A-1+	AAA	JCR-VIS
M CB Bank Limited	A1+	AA+	PACRA
Allied Bank Limited	A1+	AA+	PACRA
United Bank Limited	A-1+	AA+	JCR-VIS
Faysal Bank Limited	A1+	AA	PACRA
NB Bank Limited	AA-		PACRA
Bank Alfalah Limited	A1+	AA	PACRA
Habib Metropolitan Bank Limited	A1+	AA+	PACRA
The Bank of Punjab	A1+	AA-	PACRA
Askari Bank Limited	A1+	AA	PACRA
Al-Baraka Bank (Pakistan) Limited	A1+	AA	PACRA
Bank Al-Habib Limited	A1+	AA+	PACRA
Faysal Bank Limited	A1+	AA	PACRA
The Bank of Khyber	A2	A-	PACRA
Soneri Bank Limited	A1+	AA-	PACRA
Summit Bank Limited	A-2	A-	JCR-VIS
JS Bank Limited	A1	A+	PACRA
Barclays Bank PLC, Pakistan	A-1	A+	Standard & Poor's
Standard Chartered Bank Limited	A1+	AAA	PACRA

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

	Rating	Rating agency
<b>Name of investee company</b>		
Askari Bank Limited (II)	AA-	PACRA
Standard Chartered Bank Limited (III)	AAA	JCR-VIS
Pakistan Mobile Communication Limited (I)	AA-	PACRA
Allied Bank Limited (I)	AA	JCR-VIS

## Concentration of credit risk

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would affect the ability to meet contractual obligations in similar manner. Sector-wise analysis of premium due but unpaid at the reporting date was:

# Notes to the Financial Statements

for the year ended December 31, 2013

	2013 Rupees	2012 Rupees
<b>Sector</b>		
Chemical and pharmaceutical	13,536,089	3,340,366
Textile composite and garments	19,050,492	7,469,818
Paper and board	16,822,716	7,255,326
Communication and information technology	4,730,858	1,920,120
Engineering industry	10,174,629	2,024,965
Sugar industry	46,753,122	17,902,926
Banks, FIs and DFIs	2,699,571	8,116,573
Cement	9,039,970	3,409,164
Food, oil and edibles	12,143,505	26,018,602
Fertilizer	5,720,228	76,060
Miscellaneous and others	48,298,324	132,338,202
	<u>188,969,504</u>	<u>209,872,122</u>

## Impaired assets

During the year no assets have been impaired other than premium due but unpaid and available for sale investments amounting to Rs.10,000 million and Rs.2,716 million respectively against which provision of Rs.12,716 million has been held.

## 23.8 Financial instruments

	Interest / mark-up bearing			Non-interest bearing			2013 Total	2012 Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity within one year	Maturity after one year	Sub Total		
----- (Rupees) -----								
<b>Financial assets</b>								
Held to maturity investments	3,333,332	104,016,992	107,350,324	-	-	-	107,350,324	100,863,929
Available for sale investments	-	-	-	392,971,998	-	392,971,998	392,971,998	335,998,529
<b>Loans &amp; Receivables</b>								
Loans	-	-	-	1,516,839	-	1,516,839	1,516,839	1,565,607
Premium due but unpaid	-	-	-	188,969,504	-	188,969,504	188,969,504	209,872,122
Amount due from other insurers and re-insurers	-	-	-	37,972,300	-	37,972,300	37,972,300	22,171,296
Accrued investments income	-	-	-	6,964,797	-	6,964,797	6,964,797	6,324,203
Reinsurance recoveries and outstanding claims	-	-	-	198,190,087	-	198,190,087	198,190,087	586,678,431
Sundry receivables	-	-	-	420,281	-	420,281	420,281	450,839
Cash and bank deposits	60,080,891	-	60,080,891	42,998,038	-	42,998,038	103,078,929	68,760,439
	<u>63,414,223</u>	<u>104,016,992</u>	<u>167,431,215</u>	<u>870,003,844</u>	<u>-</u>	<u>870,003,844</u>	<u>1,037,435,059</u>	<u>1,332,685,395</u>

# Notes to the Financial Statements

for the year ended December 31, 2013

Interest / mark-up bearing			Non-interest bearing			2013 Total	2012 Total
Maturity upto one year	Maturity after one year	Sub Total	Maturity within one year	Maturity after one year	Sub Total		

(Rupees)

## Financial liabilities

### Financial liabilities at amortized cost

Provision for outstanding claims (including BNR)	-	-	-	230,065,262	-	230,065,262	230,065,262	628,606,536
Amounts due to other insurers/reinsurers	-	-	-	60,269,449	-	60,269,449	60,269,449	53,489,751
Other creditors and accruals	-	-	-	60,723,104	-	60,723,104	60,723,104	50,342,685
Unclaimed dividend	-	-	-	549,395	-	549,395	549,395	572,523
	-	-	-	351,607,210	-	351,607,210	351,607,210	733,011,495
<b>On balance sheet gap</b>	<b>63,414,223</b>	<b>104,016,992</b>	<b>167,431,215</b>	<b>518,396,634</b>	<b>-</b>	<b>518,396,634</b>	<b>685,827,849</b>	<b>599,673,900</b>

## 23.9 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements are appropriate to their fair values except for non-trading investments. Fair value is determined on the basis of the objective evidence at each required date.

## 24. SEGMENT REPORTING

Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirement of Insurance Ordinance, 2000 and Securities and Exchange Commission (Insurance) Rules, 2002. The following table presents information regarding segment assets, liabilities as at December 31, 2013 and December 31, 2012, unallocated capital expenditure and non-cash expenses during the year:

Fire and property		Marine aviation and transport		Motor		Miscellaneous		Total	
2013	2012	2013	2012	2013	2012	2013	2012	2013	2012

(Rupees)

### SEGMENT ASSETS

Segment assets	152,471,453	282,171,219	105,339,679	212,280,258	185,405,104	370,138,086	36,683,441	41,033,714	479,899,677	905,623,277
Uncollected corporate assets									976,680,496	727,401,080
Consolidated total assets									1,456,580,173	1,633,024,357

### SEGMENT LIABILITIES

Segment liabilities	255,002,265	328,320,656	176,176,303	246,998,945	310,082,449	430,674,608	61,351,553	47,744,827	802,612,570	1,053,739,036
Uncollected corporate liabilities									549,395	572,523
Consolidated total liabilities									803,161,965	1,054,311,559

### CAPITAL EXPENDITURE

Uncollected capital expenditure									23,224,036	13,823,664
Consolidated capital expenditure									23,224,036	13,823,664
Unallocated depreciation / amortization									11,021,329	10,597,271

# Notes to the Financial Statements

for the year ended December 31, 2013

## 25. INSURANCE RISK

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, the risk is random and therefore unpredictable. The principal risk that the Company faces under its insurance contracts is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random, and the actual number and amount of claims will vary from year to year from the level established.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

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

### (a) Frequency and severity of claims

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

Insurance contracts which are divided into direct and facultative arrangements are further subdivided into four segments: fire, marine, motor and miscellaneous. The insurance risk arising from these contracts is concentrated in the territories in which the Company operates, and there is a balance between commercial and personal properties/assets in the overall portfolio of insured properties/assets. The Company underwrites insurance contracts in Pakistan.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claim handling.

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

The Company has entered into reinsurance cover/arrangements, with local and foreign reinsurers having good credit rating by reputable rating agencies, as prescribed by the Securities and Exchange Commission of Pakistan to reduce its exposure to risks and resulting claims. Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional facultative reinsurance arrangements are in place to protect the net account in case of a major catastrophe.

The effect of such reinsurance arrangements is that the Company recovers the share of claims from reinsurers thereby reducing its exposure to risk. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional reinsurance arrangements, any loss over and above the said limit would be recovered under non-proportional treaty which is very much in line with the risk management philosophy of the Company.

# Notes to the Financial Statements

for the year ended December 31, 2013

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

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

## b) Sources of uncertainty in the estimation of future claim payments

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

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

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

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

## c) Process used to decide on assumptions

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

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

The choice of selected results for each accident year in respect of each class of business depends upon the assessment of technique that has been most appropriate to observe historical developments. Through this analysis, the Company determines the need for an BNR or an unexpired risk liability to be held at each reporting date.

# Notes to the Financial Statements

for the year ended December 31, 2013

(d) **Changes in assumptions**

The Company has not changed its assumptions for the insurance contracts as disclosed above in (b) and (c).

(e) **Sensitivity analysis**

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

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company makes various assumptions and techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claim numbers and expected loss ratios. The Company considers that the liability for insurance claims recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

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

Pre tax profit		Shareholders' equity	
2013 (Rupees)	2012 (Rupees)	2013 (Rupees)	2012 (Rupees)

**10% increase in loss**

Fire and property	(1,212,575)	(1,337,309)	(788,174)	(869,251)
Marine, aviation and transport	(2,180,333)	(1,465,816)	(1,417,216)	(952,780)
Motor	(5,221,216)	(5,351,381)	(3,393,790)	(3,478,398)
Miscellaneous	(175,152)	(155,136)	(113,845)	(100,838)
	<b>(8,789,276)</b>	<b>(8,309,642)</b>	<b>(5,713,025)</b>	<b>(5,401,267)</b>

**10% decrease in loss**

Fire and property	1,212,575	1,337,309	788,174	869,251
Marine, aviation and transport	2,180,333	1,465,816	1,417,216	952,780
Motor	5,221,216	5,351,381	3,393,790	3,478,398
Miscellaneous	175,152	155,136	113,845	100,838
	<b>8,789,276</b>	<b>8,309,642</b>	<b>5,713,025</b>	<b>5,401,267</b>

**Concentration of insurance risk**

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

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

# Notes to the Financial Statements

for the year ended December 31, 2013

The concentration of risk by type of contracts is summarised below by reference to liabilities.

	Gross sum insured		Reinsurance		Net Amount	
	2013	2012	2013	2012	2013	2012
----- (Rupees in 000) -----						
Fire and property	153,063,933	126,406,566	114,905,334	109,807,529	38,158,599	16,599,037
Marine, aviation						
and transport	3,002,063,634	1,254,690,684	2,955,947,592	1,211,060,763	46,116,042	43,629,921
Motor	4,361,013	3,773,873	54,243	43,393	4,306,770	3,730,480
Miscellaneous	7,330,159	8,615,576	2,004,811	3,150,580	5,325,348	5,464,996
	<u>3,166,818,739</u>	<u>1,393,486,699</u>	<u>3,072,911,980</u>	<u>1,324,062,265</u>	<u>93,906,759</u>	<u>69,424,434</u>

## Claim development tables

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

2009	2010	2011	2012	2013	Total
----- (Rupees in 000) -----					

## Analysis on gross basis

### Accident year

Estimate of ultimate claim cost:

At the end of accident year	113,966	207,095	215,277	553,997	38,653	1,128,988
One year later	83,337	96,689	15,294	135,474	-	330,794
Two year later	24,878	21,987	9,354	-	-	56,219
Three year later	16,961	18,053	-	-	-	35,014
Four year later	11,543	-	-	-	-	11,543
Current state of cumulative claims	22,823	21,567	15,689	603,054	146,138	809,271
Cumulative payment to date	(11,280)	(3,514)	(6,335)	(467,580)	(1,07,458)	(596,194)
Liability recognised in the balance sheet	<u>11,543</u>	<u>18,053</u>	<u>9,354</u>	<u>135,474</u>	<u>38,653</u>	<u>213,077</u>
Liability in respect of prior years						<u>16,988</u>
Total liability recognised in balance sheet						<u>230,065</u>



# Notes to the Financial Statements

for the year ended December 31, 2013

## Sensitivity analysis

The insurance claim provision is sensitive to the above key assumptions. The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant showing the impact on liabilities and revenue account.

	Change in Claims Assumption	Impact on gross liabilities (Rupees)	Impact on revenue account (Rupees)
December 31, 2013			
Current claims	+10%	1,128,988	(1,128,988)
	-10%	(1,128,988)	1,128,988
December 31, 2012			
Current claims	+10%	127,484	(127,484)
	-10%	(127,484)	127,484

## 26. REINSURANCE RISK

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

To minimize its exposure to significant losses from reinsurer insolvencies, the Company obtains reinsurance rating from a number of reinsurers, who are dispersed over several geographical regions.

An analysis of all reinsurance assets recognized by the rating of the entity from which it is due are as follows:

Rating	Amount due from other insurer/reinsurers	Reinsurance recoveries against outstanding claims	Pre reinsurance premium ceded	2013	2012
----- (Rupees in 000) -----					
A or above including Pakistan Reinsurance Company Limited	37,923,298	196,777,296	283,795,019	518,495,613	792,826,983
BBB	49,002	1,412,791	9,495,268	10,957,061	5,218,999
	<u>37,972,300</u>	<u>198,190,087</u>	<u>293,290,287</u>	<u>529,452,674</u>	<u>798,045,982</u>

# Notes to the Financial Statements

for the year ended December 31, 2013

## 27. CAPITAL RISK MANAGEMENT

The management's policy is to maintain a strong capital base for the confidence of stakeholders and to sustain future development of the business. The management closely monitors the return on capital along with the level of distributions to ordinary shareholders. The Company meets minimum paid up capital requirements as required by Securities and Exchange Commission of Pakistan.

## 28. DEFINED CONTRIBUTION PLAN

The Company has contributory provident fund scheme for benefit of all its permanent employees under the title of "Company name) - Employees Contributory Provident Fund". The Fund is maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees independent of the Company.

28.1 The Trustees have intimated that the size of the Fund at year end was Rs. 28.05 million.

28.2 As intimated by the Trustees, the cost of the investments made at year end was Rs. 28.05 million which is equal to 100% of the total fund size. The category wise break up of investments as per section 227 of the Companies Ordinance, 1984 is given below :

	Rupees in thousand	Percentage %
Pakistan Investment Bonds	13,027	46
WAPDA First Sukuk Bonds	1,000	6
GOP Ijara Sukuk	5,047	18
Term Finance Certificates	4,688	17
Investment in Shares	550	2
Units of Mutual Funds	3,739	13
	<u>28,051</u>	<u>100</u>

28.3 According to the Trustees, investments out of provident fund have been made in accordance with the provisions of section 227 of Companies Ordinance, 1984 and the rules made thereunder.

## 29. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the Board of Directors in its meeting held on March 29, 2014 has announced bonus shares at 10% (December 31, 2012: 15%) amounting to Rs. 36.678 million and cash dividend at 5% (December 31, 2012: nil). The Board has also approved transfer of Rs. 20 million (December 31, 2012: Rs. 70 million) to general reserve from unappropriated profits. These financial statements for the year ended December 31, 2013 do not include the effect of appropriations which will be accounted for subsequent to the year end.

# Notes to the Financial Statements

for the year ended December 31, 2013

	2013	2012
30. <b>NUMBER OF EMPLOYEES</b>		
As at December 31	205	226
Average number of employees during the year	216	231

## 31. **DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been authorized for issue on 29th March, 2014 by the Board of Directors of the Company.

## 32. **GENERAL**

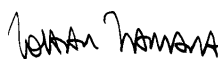
Figures have been rounded off to the nearest rupee.



Enail H. Zakaria  
Chairman



Mohammad Omar Bawany  
Director



Zohair Zakaria  
Director



A. Razak Ahmed  
Chief Executive & Managing Director

Karachi 29 March 2014

# Offices

## Head Office

"Reliance Insurance House"  
181-A, Sindhi Muslim Co-operative  
Housing Society,  
Karachi.

PABX : 34539415-17  
Fax : 34539412  
E-mail : [reli-ins@cybernetpk.com](mailto:reli-ins@cybernetpk.com)  
[ric-re@cybernetpk.com](mailto:ric-re@cybernetpk.com)  
Web : [www.relianceins.com](http://www.relianceins.com)

**Mr. A. Razak Ahmed**  
Chief Executive & Managing Director

Direct : 34539413, 34539414  
Extension : 204

**Mr. Haroon A. Shakoor**  
Chief Accountant &  
Company Secretary

Direct : 34539409  
Extension : 203

**Mr. Rizwan Akhtar**  
Executive Vice President (Operations)

Direct : 34304067  
Extension : 210

**Mr. M. Amin Bawany**  
Vice President (Marine & Accident)

Direct : 34557079  
Extension : 201

**Mr. Muhammad Ishaque Azin**  
Vice President (Fire)

Direct : 34304068  
Extension : 212

**Mr. Sadmuddin Hussain**  
Vice President (Claims)

Direct : 34550403  
Extension : 208

**Mr. Ghulam Mujaddid**  
Chief Manager (Accounts)

Extension : 205

**Mr. AbdulRahim Patni**  
Deputy Chief Manager (Reinsurance)

Direct : 34539411  
Extension : 215

**Mr. Muhammad Saleem Meemon**  
Deputy Chief Manager (Investment/shares)

Extension : 214

**Mr. Muhammad Masood Ali**  
Deputy Chief Manager (IT Deptt.)

Extension : 202

**Mr. Muhammad Masood Alam**  
Manager (Administration)

Direct : 34539411  
Extension : 206

**Mr. Mahmood Shuza Baij**  
Internal Auditor

Extension : 209

## South Zone Offices & Branches

### Business Plaza Branch

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**Mr. Muhammad Iqbal Hedhi**  
Executive Vice President

Ph (021) 32419581, 32419582  
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### Tariq Road Branch

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**Mr. Zafar A. Pasha**  
Executive Vice President

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# Offices

## Namco Centre Branch

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Vice President

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## M.A. Jinnah Road Branch

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## Hyderabad Branch

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Tilak Road, Hyderabad.

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Regional Manager

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## North Zone Offices & Branches

### Zonal Office, Lahore (North Zone)

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Mr. Hassan Sabih  
Chief Manager

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37234255, 37351353  
Direct (042) 37354689  
Fax (042) 37312526

### Regional Office, Lahore

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Gulberg-II, Lahore.

Mr. Fahd Barlas  
Vice President

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Fax (042) 35761235

### Gulberg Branch

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Gulberg-III, Lahore.

Mr. Tehseen Ahmad Khan  
Executive Vice President

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Fax (042) 35756217

### Al-Rehman Branch

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Mr. Nisar Ahmad Chughtai  
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37354848  
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### Garden Town Branch

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Executive Vice President

Ph (042) 35889258, 35889259  
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### Eden Centre Branch

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Vice President

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### Empress Tower Branch

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Assistant Vice President

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# Offices

## Gujrat Branch

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Mr. M uham m ad Naw az

Ph (053) 3522127

## Faisal Complex Branch

3rd Floor, Faisal Complex,  
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Mr. A. M ajeed Abid  
Senior Vice President

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2626480  
Fax (041) 2621033

## Taj Plaza Branch

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Kotwali Road, Faisalabad.

Mr. M uham m ad Akh laq  
Vice President

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2615922  
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## Rawalpindi Branch

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Sham sabad, Munee Rd. Rawalpindi.

Mr. Abdul Karim Siddiqi  
Vice President

Ph (051) 4854200  
Fax (051) 4580008

## Peshawar Branch

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Peshawar Cantt.

-

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5250830  
Fax (091) 5284683

## Regional Office Multan

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Assistant Manager

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## Khanpur Branch

Old Ghalia Mandi, Khanpur,  
Distt. Rahinyar Khan.

Mr. Abdul Razzak Choudhry  
Vice President

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Fax (068) 5572772

## Hasilpur Branch

27-B, 1st Floor, Main Bazar,  
Hasilpur.

Mr. M uham m ad Shafi Anjum  
Senior Vice President

Ph (062) 2442473  
Fax (062) 2448073

## Sialkot Branch

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Mughal Plaza, Kutchery Road,  
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Mr. Ghulam Rasool Fannukh Zahidi  
Branch Manager

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Fax (052) 4296077

## Goja Branch

P-132, Post Office Road,  
Goja.

Ms. Shahnaz Akhtar  
Branch Manager

Ph (046) 3511917  
Fax (046) 3513111

## Rahinyar Khan

Gulshan-e-Iqbal

Mr. Sham ul Haq Chaudhry  
Resident Representative

Ph (068) 5887770  
Cell 0300-8717172

## Sukkur

Maina Road, Sukkur

Mr. Anees Memon  
Resident Representative Sukkur

Ph (071) 5622619  
Cell 0300-3138090

# Notes:

Annual General Meeting

on Tuesday the 29th April 2014 at 12:30 p.m.

at "RELIANCE INSURANCE HOUSE"

181-A Sindhi Muslim Co-operative Housing Society Karachi







**Reliance Insurance Company Limited**

181-A, Sindhi Muslim Co-operative Housing Society, Karachi - 74400.