



Habib Insurance  
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Habib Insurance Company Ltd.  
**79th Annual Report 2021**

# Habib Insurance Company Limited

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# Habib Insurance Company Limited

## Company Information

### Board of Directors

<b>Chairman</b>	:	Rafiq M. Habib
<b>Directors</b>	:	Abbas D. Habib
		Mansoor G. Habib
		Muhammad Hyder Habib
		Qumail R. Habib
		Aun Mohammad A. Habib
		Shahid Ghaffar
		Ali Fadoo
		Maleeha Humayun Bangash
<b>Chief Executive</b>	:	Shabbir Gulamali
<b>Chief Financial Officer</b>	:	Murtaza Hussain
<b>Company Secretary</b>	:	Muhammad Maaz Akbar
<b>Auditors</b>	:	KPMG Taseer Hadi & Co. Chartered Accountants
<b>Share Registrar</b>	:	M/s. CDC Share Registrar Services Limited CDC House, 99-B, Block-B SMCHS, Main Shahrah-e-Faisal Karachi-74400
<b>Shariah Advisory Board</b>	:	Mufti Imtiaz Alam Mufti Muhammad Ashraf Alam Mufti Muhammad Hanif
<b>Registered Office</b>	:	1st Floor, State Life Bldg. No. 6 Habib Square, M. A. Jinnah Road P.O. Box 5217, Karachi-74000 Pakistan Tel : (92-21) 32424030/38/39 Fax : (92-21) 32421600 UAN : (92-21) 111 03 03 03 Website : <a href="http://www.habibinsurance.net">www.habibinsurance.net</a>

# Habib Insurance Company Limited

## **Review Report by the Chairman on the Overall Performance of the Board**

Alhamdulillah, I am pleased to present a report on the overall performance of the Board and effectiveness of the role played by the Board in achieving the Company's objectives.

Powers for management and control of affairs of the Company rest with the Board of Directors, except for powers expressly required to be exercised by shareholders in general meeting. The Directors delegate day-to-day operations of the Company to the Management, but such delegation remains subject to the control and direction of the Board, to the best of their knowledge. The Directors are required to carry out their fiduciary duties and exercise their independent judgement to the best of their abilities in the interest of the Company.

As required under the Code of Corporate Governance, an annual evaluation of the Board of the Company is carried out. The purpose of this evaluation is to ensure the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

Overall objective of performance evaluation of the Board is to ensure sustainable growth and development of the Company, with focus on the following areas:

- (a) Creating an Effective Board
- (b) Running an Effective Board
- (c) Understanding the Business including Risk
- (d) Performance Evaluation
- (e) Ethical & Values Driven
- (f) Strategic Objectives
- (g) Ideas for Improvement

Accordingly, performance evaluation of the Board was conducted in 2021 as per mechanism approved by the Board. It was concluded that the overall performance of the Board, including effectiveness of the role played by the Board in achieving the Company's objectives, was found to be generally satisfactory.

Lastly, I wish to acknowledge the commitment and diligence of my fellow Directors, the executive team and all the employees of the Company for their hard work and contribution towards the growth of the Company.

Karachi: March 31, 2022

RAFIQ M. HABIB  
*Chairman*

# Habib Insurance Company Limited

## Seventy Ninth Report of the Directors to the Shareholders for the year ended December 31, 2021

The Shareholders,

The Board of Directors take pleasure in presenting the Seventy Ninth Annual Report, alongwith the audited accounts of the Company for the year ended December 31, 2021.

	Rupees in '000
Profit after tax for the year 2021	107,024
Amount available after appropriations for the year 2020	39,425
	<u>146,449</u>
The Board of Directors now propose:	
Payment of dividend at Rs. 0.625 per share of Rs. 5/- each i.e. @ 12.5%	77,422
Transfer to Reserve	50,000
Unappropriated profit carried forward	19,027
	<u>146,449</u>
Basic earnings per share	0.86

The Directors are pleased to recommend payout of 12.5% to shareholders as mentioned above.

By the Grace of Allah, the written gross premium grew by 27% to Rs. 2.3 billion. The net premium revenue was Rs. 806.2 million compared to Rs. 738.7 million of last year despite of substantial increase in amount placed in reserves, the benefit of which will accrue in subsequent period. There was a reclassification of expenses from Other Expenses to Management Expenses this year. The underwriting loss therefore was Rs. 28.7 million.

The investment income for the year was Rs. 141.03 million as against 94.1 million, an increase of 50%. The dividend income rose more than double to Rs. 99.5 million and capital gains also increased substantially. As a result, the profit after tax of the Company for 2021 was Rs. 107.0 million.

The Pakistan Rating Agency has assigned A++ Insurer Financial Strength (IFS) rating to the Company. This denotes strong capacity to meet policy holders and contract obligations.

On the overall performance of the economy for 2020-21, the GDP growth was 5.6% with Current Account Deficit drastically reduced from US\$ 5.95 billion to US\$ 1.92 billion and Foreign Exchange Reserves increased to US\$ 24.40 billion. Inflation also decreased from 10.75% to 8.91% and the discount rate rose to 9.75% in December 2021. The KSE 100 Index closed at 44596 as at December 31, 2021, an increase of 1.9% over the preceding year and is presently around 44929 level as on March 31, 2022.

Looking ahead for the year 2022, the Company will continue its effort to strive for progress to Inshallah attain better underwriting results through focusing on expansion of business, without compromising on its cautious underwriting, alongwith sustained investment income.

As always, we are indeed thankful to all our clients and customers who have placed confidence in our Company. A special mention is made for all the support and guidance we have received from our Reinsurers. The Board of Directors would like to express their appreciation to all staff members of the Company for their dedication and hard work throughout the year.

We pray to Allah for Peace and Prosperity for our Nation, Ameen!

### Composition of Board

The Board of Directors of the Company consist of nine (9) Directors (One Female and Eight Male directors). Composition of Board is as under;

# Habib Insurance Company Limited

Independent Directors - Male	Mr. Shahid Ghaffar Mr. Ali Fadoo
Independent Director - Female	Ms. Maleeha Humayun Bangash
Non-Executive Directors	Mr. Rafiq M. Habib Mr. Abbas D. Habib Mr. Mansoor G. Habib Mr. Muhammad Hyder Habib Mr. Qumail R. Habib
Executive Director	Mr. Aun Mohammad A. Habib

## Corporate Social Responsibility (CSR)

The Company is fully committed to the concept of Corporate Social Responsibility and fulfills this responsibility by engaging in a wide range of activities which include:

- corporate philanthropy amounting to Rs. 3.2 million by way of donations during the year for social and educational development and welfare of lesser privileged sections of society.
- Providing a safe and healthy work environment, energy conservation, environmental protection, and occupational safety and health by restricting unnecessary lighting, implementing tobacco control law and "No Smoking Zone";
- business ethics, requiring all members to comply with the Company's "Code of Conduct", and to ensure the highest levels of business and personal ethics;
- amicable staff relations, recognition of merit and performance, and on-going opportunities for learning and growth of staff, both on-the-job and through formal training programmes;
- employment through a transparent procedure, without discrimination on the basis of religion, caste, language, etc.; and
- contribution to the national exchequer by the Company by way of direct taxes of Rs. 26.9 million during the year; furthermore, an additional amount of over Rs. 382.1 million was deducted/ collected by the Company on account of withholding taxes, sales tax on services and federal excise duties on behalf of and disbursed to the Government of Pakistan.

## Risk Management Framework

The Company has had a Risk Management Framework commensurate with its size nature of business. This framework has developed over the years and continues to be refined and improved, and the process is overseen by the Risk Management Committee. The Company aims to take business risks in a prudent manner, guided by a conservative outlook. Business risks and mitigation factors are described in detail in Notes 36 & 37 of the Notes to the Conventional Financial Statements and Notes 28, 29 & 31 of Window Takaful Operations Financial Statements.

## Board Committees

### Audit Committee

The Audit Committee of the Company comprises of three members with representation of an Independent Director as Chairman who is also financially literate and two Non-Executive Directors. The Audit Committee met four times during the year. Attendance of meetings is as follows:

		No. of Meetings attended
Mr. Shahid Ghaffar	Chairman	1
Mr. Mansoor G. Habib	Member	4
Mr. Qumail R. Habib	Member	3

### Ethics, Nomination, Human Resource & Remuneration Committee

The Ethics, Nomination, Human Resource & Remuneration Committee comprises of four members with representation of an Independent Director as Chairman, two Non-Executive Directors, an Executive Director & Chief Executive.

		No. of Meetings attended
Mr. Ali Fadoo	Chairman	1
Mr. Rafiq M. Habib	Member	1
Mr. Abbas D. Habib	Member	1
Mr. Aun Mohammad A. Habib	Member	1
Mr. Shabbir Gulamali	Member	1

# Habib Insurance Company Limited

## Investment Committee

The Investment Committee comprises of seven members with representation of two Independent Directors, two Non-Executive Directors, an Executive Director, Chief Executive & Chief Financial Officer. The Investment Committee met five times during the year. Attendance of meetings is as follows:

		No. of Meetings attended
Mr. Shahid Ghaffar	Chairman	3
Mr. Mansoor G. Habib	Member	4
Mr. Qumail R. Habib	Member	3
Mr. Aun Mohammad A. Habib	Member	4
Ms. Maleeha Humayun Bangash	Member	2
Mr. Shabbir Gulamali	Member	4
Mr. Murtaza Hussain	Member	4

## Directors Training Programme

Out of nine Directors of the Company, five have already attended the Directors' Training Programme. Two Directors are exempt from this requirement based on their qualification and experience.

## Directors' Remuneration Policy

The Board of Directors has approved a 'Policy and Procedure for Fixing Remuneration of Directors', which states that:

- No director shall determine own remuneration. Remuneration shall be subject to approval of the Board of Directors.
- Remuneration shall be appropriate and commensurate with the level of responsibility and expertise, to attract and retain directors needed to govern the Company successfully and to encourage value addition. However, it shall not be at a level that could be perceived to compromise their independence.

The details of the remuneration of Directors are disclosed in Note 32.

## Auditors

The present auditors, M/s. KPMG Taseer Hadi & Co. Chartered Accountants, retire and offer themselves for reappointment. As suggested by the Audit Committee, the Board of Directors have recommended their appointment as auditors of the Company for the year ending December 31, 2022, at a fee to be mutually agreed.

## Statement on Corporate and Financial Reporting Framework

1. The financial statements, prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements, changes if any, have been adequately disclosed and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards and Islamic Financial Accounting Standards as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8. Key operating and financial data for the last six years is annexed.
9. Information about the taxes and levies is given in the notes to the financial statements.
10. Value of investments and balance in deposit accounts of Provident Fund as at December 31, 2021 is Rs. 95.4 million.
11. During the year four Board meetings were held and the attendance of the Directors is as follows:

# Habib Insurance Company Limited

Date of Meeting	Attended by	
March 31, 2021	Mr. Rafiq M. Habib Mr. Abbas D. Habib Mr. Mansoor G. Habib Mr. Muhammad Hyder Habib Mr. Qumail R. Habib Mr. Aun Mohammad A. Habib Mr. Shahid Ghaffar Mr. Ali Fadool Ms. Maleeha Humayun Bangash Mr. Shabbir Gulamali	Chief Executive
April 29, 2021	Mr. Rafiq M. Habib Mr. Abbas D. Habib Mr. Mansoor G. Habib Mr. Muhammad Hyder Habib Mr. Qumail R. Habib Mr. Aun Mohammad A. Habib Mr. Shahid Ghaffar Mr. Ali Fadool Ms. Maleeha Humayun Bangash Mr. Shabbir Gulamali	Chief Executive
August 26, 2021	Mr. Abbas D. Habib Mr. Mansoor G. Habib Mr. Muhammad Hyder Habib Mr. Qumail R. Habib Mr. Aun Mohammad A. Habib Ms. Maleeha Humayun Bangash Mr. Shabbir Gulamali	Chief Executive
October 28, 2021	Mr. Rafiq M. Habib Mr. Mansoor G. Habib Mr. Muhammad Hyder Habib Mr. Qumail R. Habib Mr. Aun Mohammad A. Habib Mr. Ali Fadool Ms. Maleeha Humayun Bangash Mr. Shabbir Gulamali	Chief Executive

12. The pattern of shareholding and additional information regarding pattern of shareholding is annexed.

13. No trades in the shares of the Company were carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

Purchased	No. of Shares
Mr. Mansoor G. Habib	74,500

On behalf of the Board of Directors

AUN MOHAMMAD A. HABIB  
*Director*

SHABBIR GULAMALI  
*Chief Executive*

Karachi: March 31, 2022



# Habib Insurance Company Limited

## Six Years' Review at a Glance

Years	2021	2020	2019	2018	2017	2016
	(Rupees in '000)					
Gross Written Premium/ Contribution	2,295,087	1,804,618	1,705,935	1,345,436	1,163,365	1,400,881
Net Insurance Premium/ Contribution	911,418	792,021	774,736	532,595	555,977	544,701
Investment Income	141,031	94,145	94,810	196,665	215,224	238,627
Net Insurance/ Takaful Claims	431,983	385,467	432,933	313,987	373,716	281,560
Profit after Tax	107,024	61,663	70,087	105,310	109,956	191,708
Paid-up Capital	619,374	619,374	619,374	619,374	619,374	619,374
Reserves & Retained Earnings	635,700	680,874	629,807	719,185	816,253	1,117,204
Total Assets	4,193,752	4,017,876	3,640,667	3,282,403	3,276,059	3,665,492
Cash Dividend - %	12.5	10	10	15	15	15

# Habib Insurance Company Limited

## Statement of Compliance with Code of Corporate Governance for Insurers, 2016 & Listed Companies (Code of Corporate Governance) Regulations, 2019 for the year ended December 31, 2021

This statement is being presented in compliance with the Code of Corporate Governance for Insurers, 2016 (the Code) and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) for the purpose of establishing a framework of good governance, whereby an insurer is managed in compliance with the best practices of corporate governance.

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

1. The total number of directors are nine as per the following:
  - Male 8
  - Female 1
2. The Insurer encourages representation of independent, non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Independent Directors - Male	Mr. Shahid Ghaffar Mr. Ali Fadoo
Independent Director - Female	Ms. Maleeha Humayun Bangash
Non-Executive Directors	Mr. Rafiq M. Habib Mr. Abbas D. Habib Mr. Mansoor G. Habib Mr. Muhammad Hyder Habib Mr. Qumail R. Habib
Executive Director	Mr. Aun Mohammad A. Habib

Mr. Shabbir Gulamali is the Chief Executive of the Company. Being the Chief Executive of the Company, he is deemed to be a Director.

The independent Directors meets the criteria of independence as laid down under the Code and the Regulations.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
4. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by a stock exchange.
5. No casual vacancy occurred on the Board during the year.
6. 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.
7. 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.
8. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provision of the Act and these regulations. The decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive, other Executive Director and key officers, have been taken by the Board.
9. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board. Written notices of Board meetings, along with agenda and working papers were circulated at least seven days before the meeting.
10. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all the necessary aspects of internal controls given in the Code.

# Habib Insurance Company Limited

11. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and the Regulations.
12. The Board of Directors of the Company consist of nine Directors, out of which following five Directors are certified under the Director's Training Program:
  - a. Mr. Abbas D. Habib
  - b. Mr. Qumail R. Habib
  - c. Mr. Ali Fadool
  - d. Ms. Maleeha Humayun Bangash
  - e. Mr. Shahid Ghaffar

Further, following two of our Directors are exempt from this requirement based on their qualification and experience:

- a. Mr. Rafiq M. Habib
  - b. Mr. Aun Mohammad A. Habib
13. There was no new appointment of CFO, Company Secretary and Head of Internal Audit during the year.
14. 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.
15. Chief Financial Officer and Chief Executive duly endorsed the financial statements before approval of the Board.
16. The Directors, Chief Executive, and other executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
17. The Company has complied with all the corporate and financial reporting requirements of the Code.
18. The Board has formed the following Management Committees:

## **Underwriting, Reinsurance & Co-insurance Committee:**

<b>Name of the Member</b>	<b>Category</b>
Mr. Ali Fadool	Chairman
Mr. Aun Mohammad A. Habib	Member
Mr. Shabbir Gulamali	Member
Mr. Fawwad A. Razzak	Member
Mr. Tariq Awan	Secretary

## **Claims Settlement Committee:**

<b>Name of the Member</b>	<b>Category</b>
Mr. Mansoor G. Habib	Chairman
Mr. Shabbir Gulamali	Member
Mr. Murtaza Hussain	Member
Mr. Murtuza Barristor	Secretary

## **Risk Management & Compliance Committee:**

<b>Name of the Member</b>	<b>Category</b>
Mr. Muhammad Hyder Habib	Chairman
Mr. Aun Mohammad A. Habib	Member
Mr. Shabbir Gulamali	Member
Mr. Murtaza Hussain	Secretary

# Habib Insurance Company Limited

19. The Board has formed the following Board Committees:

## **Investment Committee:**

### **Name of the Member**

Mr. Shahid Ghaffar  
Mr. Mansoor G. Habib  
Mr. Qumail R. Habib  
Mr. Aun Mohammad A. Habib  
Ms. Maleeha Humayun Bangash  
Mr. Shabbir Gulamali  
Mr. Murtaza Hussain

### **Category**

Chairman – Independent Director  
Member – Non-Executive Director  
Member – Non-Executive Director  
Member – Executive Director  
Member – Independent Director  
Member – Chief Executive  
Member – Chief Financial Officer

## **Ethics, Nomination, Human Resource & Remuneration Committee:**

### **Name of the Member**

Mr. Ali Fadoo  
Mr. Rafiq M. Habib  
Mr. Abbas D. Habib  
Mr. Aun Mohammad A. Habib

### **Category**

Chairman – Independent Director  
Member – Non-Executive Director  
Member – Non-Executive Director  
Member – Executive Director

20. The Board has formed an Audit committee. It comprises of three members of whom one is an Independent Director, two Non-Executive Directors. The Chairman of the Committee is an Independent Director. The composition of the Audit Committee is as follows:

### **Name of Member**

Mr. Shahid Ghaffar  
Mr. Mansoor G. Habib  
Mr. Qumail R. Habib

### **Category**

Chairman – Independent Director  
Member – Non-Executive Director  
Member – Non-Executive Director

21. The meetings of the Committees except Ethics Nomination, Human Resource & Remuneration Committee, were held at least once every quarter. The quarterly Meetings of Audit Committee was held prior to approval of interim and final results of the Company.
22. The terms of reference of the aforesaid committees have been formed, documented, and advised to the committee for compliance.
23. The Board has set up an effective internal audit function which is staffed with the resources who are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and are involved in the internal audit function on a regular basis.
24. The Chief Executive, Chief Financial Officer, Company Secretary & Compliance Officer and the Head of Internal Audit possess such qualification and experience as required under the Code. Moreover, the persons heading the Underwriting, Claim, Reinsurance, Risk Management and Grievance Departments possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000).

### **Name of the Person**

Mr. Shabbir Gulamali  
Mr. Murtaza Hussain  
Mr. Muhammad Maaz Akbar  
Syed Fakhar Imam Zaidi  
Mr. Tariq Awan

### **Designation**

Chief Executive  
Chief Financial Officer and Head of Grievance  
Company Secretary and Compliance Officer  
Head of Internal Audit  
Head of Underwriting / Claims / Reinsurance & Risk Management

25. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in term of Section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with

# Habib Insurance Company Limited

International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive, Chief Financial Officer Head of Internal Audit, Company Secretary or Directors of the Company

26. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
27. The Board ensures that the Investment Policy of the Company has been drawn up in accordance with the provisions of the Code.
28. The Board ensures that the Risk Management System of the Company is in place as per the requirements of the Code.
29. The Company has set up a Risk Management function which carries out its tasks as covered under the Code.
30. The Board ensures that as part of the Risk Management System, the Company gets itself rated from the Pakistan Credit Rating Agency which is being used by its Risk Management Function and the respective Committee as a risk monitoring tool. The rating assigned by the said rating agency on December 09, 2021 is A+.
31. The Board has set up a Grievance Function which fully complies with the requirements of the Code.
32. The Company has complied with the requirement relating to maintenance of register of persons having access to inside information by designated Senior Management Official in a timely manner and maintained proper record including basis of inclusion or exclusion of names of persons from the said list.
33. The Company has not obtained any exemption from the Securities and Exchange Commission of Pakistan in respect of requirements of the Code.
34. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

On behalf of the Board of Directors

AUN MOHAMMAD A. HABIB  
*Director*

SHABBIR GULAMALI  
*Chief Executive*

Karachi: March 31, 2022

# Habib Insurance Company Limited

## INDEPENDENT AUDITOR'S REVIEW REPORT

**To the members of Habib Insurance Company Limited**

**Review of the Statement of compliance with the Code of Corporate Governance for Insurers, 2016 & Listed Companies (Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance for Insurer, 2016 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (combined called 'the Code') prepared by the Board of Directors of **Habib Insurance Company Limited** ("the Company") for the year ended 31 December 2021 in accordance with the requirements of the Code.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review 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 and to highlight any non-compliance with the requirements of the Code. 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 a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board 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. 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 procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Code as applicable to the Company for the year ended 31 December 2021.

Date: April 07, 2022  
Karachi

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**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

# Habib Insurance Company Limited

## INDEPENDENT AUDITOR'S REPORT

**To the members of Habib Insurance Company Limited**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the annexed financial statements of **Habib Insurance Company Limited ("the Company")**, which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 31 December 2021 and of the total comprehensive income, the changes in equity and its cash flows for the year then ended.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Habib Insurance Company Limited

Following are the key audit matters:

S.No.	Key audit matter(s)	How the matters were addressed in our audit
1	<p><b>Valuation of Incurred but not reported (IBNR) claims reserves.</b></p> <p>(Refer notes 3.21.3 and 22 of the annexed financial statements)</p> <p>As at December 31, 2021, provision for IBNR amounted to Rs.13.648 million</p> <p>The provision for IBNR claims is calculated by the Company as per the requirement of Securities Exchange Commission of Pakistan under circular No. 9 of 2016, for each class of business under the “Chain Ladder Method “or any other alternate method as allowed under the provisions of the Guidelines.</p> <p>The calculation of provision for IBNR claims involve estimation and judgement. Because of the significance of the impact of these judgements/estimations, we considered the area of IBNR as a key audit matter.</p>	<p>Our audit procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> <li>Assessed the designed and operating effectiveness of the relevant controls over the measurement and calculation of IBNR reserves and evaluated the appropriateness of methodologies and assumptions used.</li> <li>Evaluated the completeness, accuracy and reliability of the underlying data utilized by the management to support the actuarial valuation.</li> <li>Involved an independent actuarial expert to test the assumptions and assess the reasonableness of the assumptions used therein.</li> <li>Assessed whether the financial statements disclosures in relation to the valuation of IBNR reserves are compliant with the relevant accounting and reporting standards applicable in Pakistan.</li> </ul>



# Habib Insurance Company Limited

## Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the Other Information. The Other Information comprises the information included in the Company's Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirements of Insurance Ordinance, 2000 and, Companies Act, 2017 (XIX of 2017), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit, in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

# Habib Insurance Company Limited

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Amyn Pirani.

Date: April 07, 2022

Karachi

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**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

# Habib Insurance Company Limited

## Statement of Financial Position as at December 31, 2021

	Note	2021 (Rupees in '000)	2020
<b>Assets</b>			
Property and equipment	5	68,892	185,179
Intangible assets	6	666	2,191
Investments			
Equity securities	7	1,210,429	985,611
Government securities	8	183,188	329,937
Loans and other receivables	9	178,339	132,031
Insurance/ reinsurance receivables	10	1,181,492	983,879
Reinsurance recoveries against outstanding claims	22	553,170	595,673
Salvage recoveries accrued		51,077	9,205
Deferred commission expense	24	131,216	98,200
Prepayments	13	476,790	445,798
Taxation - provision less payment		3,387	—
Cash and bank	14	88,566	179,541
		<u>4,127,212</u>	<u>3,947,245</u>
<b>Total Assets of Window Takaful Operations - Operator's Fund</b>		<u>66,540</u>	<u>70,631</u>
<b>Total Assets</b>		<u>4,193,752</u>	<u>4,017,876</u>
<b>Equities and Liabilities</b>			
<b>Capital and reserves attributable to Company's equity holders</b>			
Ordinary share capital	15	619,374	619,374
Reserves	16	493,054	588,984
Unappropriated profits		142,646	91,890
<b>Total Equity</b>		<u>1,255,074</u>	<u>1,300,248</u>
<b>Liabilities</b>			
<b>Underwriting provisions</b>			
Outstanding claims including IBNR	22	786,589	819,119
Unearned premium reserves	21	1,002,575	818,033
Premium deficiency reserves		6,324	6,151
Unearned reinsurance commission	24	160,786	127,746
Retirement benefit obligations	11	130,859	119,302
Deferred taxation	12	82,023	124,128
Lease liability against right of use assets	17	37,528	137,642
Premium received in advance		15,992	13,852
Insurance/ reinsurance payables	18	379,589	317,459
Other creditors and accruals	19	298,916	208,040
Taxation - provision less payment		—	2,246
		<u>2,901,181</u>	<u>2,693,718</u>
<b>Total Liabilities of Window Takaful Operations - Operator's Fund</b>		<u>37,497</u>	<u>23,910</u>
<b>Total Liabilities</b>		<u>2,938,678</u>	<u>2,717,628</u>
<b>Total Equity and Liabilities</b>		<u>4,193,752</u>	<u>4,017,876</u>
<b>Contingencies and commitments</b>	20		

The annexed notes from 1 to 43 form an integral part of these financial statements.

RAFIQ M. HABIB <i>Chairman</i>	MANSOOR G. HABIB <i>Director</i>	AUN MOHAMMAD A. HABIB <i>Director</i>	SHABBIR GULAMALI <i>Chief Executive</i>	MURTAZA HUSSAIN <i>Chief Financial Officer</i>
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# Habib Insurance Company Limited

## Statement of Comprehensive Income for the year ended December 31, 2021

	Note	2021 (Rupees in '000)	2020
Net insurance premium	21	806,165	738,670
Net Insurance claims	22	(380,257)	(355,903)
Premium deficiency		(173)	(3,915)
Net commission and other acquisition cost	24	43,963	50,465
Insurance claims and acquisition expense		(336,467)	(309,353)
Management expenses	25	(498,442)	(416,399)
Underwriting results		(28,744)	12,918
Investment income	26	141,031	94,145
Other income	27	74,216	11,668
Other expenses	28	(10,785)	(9,538)
<b>Results of operating activities</b>		<b>175,718</b>	<b>109,193</b>
Finance cost	29	(10,924)	(16,752)
<b>Loss before tax from Window Takaful Operations - Operator's Fund</b>		<b>(17,137)</b>	<b>(3,404)</b>
<b>Profit for the year before tax</b>		<b>147,657</b>	<b>89,037</b>
Income tax expense	30	(40,633)	(27,374)
<b>Profit for the year</b>		<b>107,024</b>	<b>61,663</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit and loss account</i>			
Unrealised (loss) / gain on available-for-sale investments during the year		(106,857)	79,161
Less: Net (loss) / gain transferred to profit and loss on disposal / redemption / impairment of investment		(28,171)	(7,824)
		(135,028)	71,337
Related tax impact		39,158	(20,687)
		(95,870)	50,650
Other comprehensive loss from Window Takaful Operations - Operator's Fund - net of tax		(60)	(66)
<i>Items not to be reclassified to profit and loss account in the subsequent year</i>			
Actuarial gain on defined benefit plan		7,549	1,066
Related tax impact		(1,880)	(309)
		5,669	757
<b>Other comprehensive Income</b>		<b>(90,261)</b>	<b>51,341</b>
<b>Total comprehensive income for the year</b>		<b>16,763</b>	<b>113,004</b>
		<b>(Rupees)</b>	
Earning per share - rupee	31	0.86	0.50

The annexed notes from 1 to 43 form an integral part of these financial statements.

RAFIQ M. HABIB Chairman	MANSOOR G. HABIB Director	AUN MOHAMMAD A. HABIB Director	SHABBIR GULAMALI Chief Executive	MURTAZA HUSSAIN Chief Financial Officer
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# Habib Insurance Company Limited

## Statement of Changes in Equity for the year ended December 31, 2021

	Attributable to equity holders of the Company					
	Share capital	Capital reserves Reserve for exceptional losses	Revenue Reserves		Unappropriated profit	Total Equity
			General reserves	Available-for-sale reserve		
	(Rupees in '000)					
Balance as at January 01, 2020	619,374	9,122	255,000	274,278	91,407	1,249,181
Total comprehensive income for the year ended December 31, 2020						
Profit after tax	—	—	—	—	61,663	61,663
Other comprehensive income - net of tax	—	—	—	50,650	757	51,407
Other comprehensive income for the year from Window Takaful Operations	—	—	—	(66)	—	(66)
Total comprehensive loss for the year	—	—	—	50,584	62,420	113,004
Transaction with owner directly recorded with equity						
Final dividend for the year ended December 31, 2019 of Rs. 0.5 per share	—	—	—	—	(61,937)	(61,937)
Balance as at December 31, 2020	619,374	9,122	255,000	324,862	91,890	1,300,248
Balance as at January 01, 2021	619,374	9,122	255,000	324,862	91,890	1,300,248
Total comprehensive income for the year ended December 31, 2021						
Profit after tax	—	—	—	—	107,024	107,024
Other comprehensive income - net of tax	—	—	—	(95,870)	5,669	(90,201)
Other comprehensive loss for the year from Window Takaful Operations	—	—	—	(60)	—	(60)
Total comprehensive income for the year	—	—	—	(95,930)	112,693	16,763
Transaction with owner directly recorded with equity						
Final dividend for the year ended December 31, 2020 of Rs. 0.5 per share	—	—	—	—	(61,937)	(61,937)
Balance as at December 31, 2021	619,374	9,122	255,000	228,932	142,646	1,255,074

The annexed notes from 1 to 43 form an integral part of these financial statements.

RAFIQ M. HABIB  
Chairman

MANSOOR G. HABIB  
Director

AUN MOHAMMAD A. HABIB  
Director

SHABBIR GULAMALI  
Chief Executive

MURTAZA HUSSAIN  
Chief Financial Officer

# Habib Insurance Company Limited

## Statement of Cash Flow for the year ended December 31, 2021

	2021 (Rupees in '000)	2020
<b>Operating cash flow</b>		
(a) Underwriting activities		
Insurance premium received	1,844,288	1,713,519
Reinsurance premium paid	(1,016,191)	(892,285)
Claims paid	(1,076,729)	(936,857)
Reinsurance and other recoveries received	664,573	564,764
Commission paid	(187,265)	(181,663)
Commission received	286,863	241,580
Net cash flows from underwriting activities	515,539	509,058
(b) Other operating activities		
Income tax paid	(51,093)	(33,556)
Other operating payments	(495,949)	(394,583)
Other operating receipts	4,441	33,633
Loans advanced	(11,834)	(16,183)
Loan repayment received	11,509	15,739
<b>Net cash flows from other operating activities</b>	<b>(542,926)</b>	<b>(394,950)</b>
<b>Total cash flows from all operating activities</b>	<b>(27,387)</b>	<b>114,108</b>
<b>Investment activities</b>		
Profit/ return received	28,733	39,695
Dividend received	99,216	48,828
Payment for investments	(1,116,371)	(363,943)
Proceeds from investments	932,131	397,741
Fixed capital expenditure	(23,912)	(9,455)
Proceeds from sale of property and equipment	162,485	8,688
<b>Total cash flows from investing activities</b>	<b>82,282</b>	<b>121,554</b>
<b>Financing activities</b>		
Rentals paid	(85,169)	(36,864)
Loan paid	—	(80,000)
Dividends paid	(60,701)	(60,373)
<b>Total cash flows from financing activities</b>	<b>(145,870)</b>	<b>(177,237)</b>
<b>Net cash flows from all activities</b>	<b>(90,975)</b>	<b>58,425</b>
Cash and cash equivalents at beginning of year	179,541	121,116
<b>Cash and cash equivalents at end of year</b>	<b>88,566</b>	<b>179,541</b>
<b>Reconciliation to profit and loss account</b>		
Operating cash flows	(27,387)	114,108
Depreciation and amortisation expense	(34,044)	(35,262)
Financial charges expense	(10,924)	(16,752)
Profit on disposal of property and equipment	61,358	3,611
Profit/ return received	34,122	39,695
Capital gain	28,171	8,676
Dividends income	99,216	48,828
Provision for gratuity	(22,203)	(19,956)
Provision for impairment	(1,879)	(1,106)
Gratuity paid	1,464	1,984
Income tax paid	51,093	33,556
Provision of taxation	(40,633)	(27,374)
Increase in assets other than cash	38,010	246,787
Decrease in liabilities other than borrowings	(52,203)	(331,728)
Profit after tax from conventional insurance operations	124,161	65,067
Loss from Window Takaful Operations - Operator's Fund	(17,137)	(3,404)
<b>Profit after taxation</b>	<b>107,024</b>	<b>61,663</b>

The annexed notes from 1 to 43 form an integral part of these financial statements.

RAFIQ M. HABIB Chairman	MANSOOR G. HABIB Director	AUN MOHAMMAD A. HABIB Director	SHABBIR GULAMALI Chief Executive	MURTAZA HUSSAIN Chief Financial Officer
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# Habib Insurance Company Limited

## Notes to the Financial Statements for the year ended December 31, 2021

### 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Habib Insurance Company Limited (the Company) was incorporated as a Public Limited Company in the year 1942 under the Companies Act, 1913 (now the Companies Act, 2017). The registered office of the Company is situated at Habib Square, M.A. Jinnah Road, Karachi and the shares of the Company are quoted on the Pakistan Stock Exchange Limited. The Company is engaged in general insurance business comprising of Fire and property, Marine and transport, Motor, Group hospitalization and other classes.

The Operator was allowed to work as Window Takaful Operator on July 18, 2018 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations (WTO) in Pakistan. The Operator is listed at Pakistan Stock Exchange Limited. The registered office of the Operator is situated at Habib Square, M.A. Jinnah Road, Karachi.

- 1.2 The Company operates through the following locations in Pakistan;

Locations	Address
Head Office	State Life Building No. 6, Habib Square, M.A. Jinnah Road, Karachi.
Karachi Branch	Head Office: State Life Building No. 6A Habib Square, M.A. Jinnah Road, Karachi.
Rawalpindi Branch	1st Floor, Majeed Plaza, Bank Road, Rawalpindi Cantt.
Dera Ghazi Khan Branch	Block No. 17, Jampur Road, Dera Ghazi Khan.
Faisalabad Branch	Fatima Tower, 2nd Floor, Kohinoor Plaza, Faisalabad. P-6161, West Canal Road, adjacent to Toyota Faisalabad Motors & behind HBL Canal Road Branch, Faisalabad.
Multan Branch	Fiesta Gardens, OPP Income, Tax Office, L.M.Q. Road, Multan.
Lahore Branches	320-G3, Main Boulevard, Johar Town, Lahore.

### 2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules 2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012.

In case requirement differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations and Takaful Rules, 2012, shall prevail.

In terms of the requirements of the Takaful Rules 2012, read with SECP Circular 25 of 2015 dated July 09, 2015 the assets, liabilities and profit and loss of the Operator's Fund of the General Takaful Operations of the Company have been presented as a single line item in the financial statement and profit and loss account of the Company respectively.

Further, a separate set of financial statements of the General Takaful operations has been annexed to these financial statements as per the requirements of the Takaful Rules, 2012.



# Habib Insurance Company Limited

## 2.1 Basis of measurement

These financial statements have been prepared on the historical cost basis except for available for sale investments that have been measured at fair value.

## 2.2 Functional and presentation currency

These financial statements are presented in Pak Rupees which is also the Company's functional currency. All financial information presented in Pak Rupees has been rounded to nearest thousand rupees, unless otherwise stated.

## 2.3 Standards, Interpretations and amendments

### 2.3.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 01, 2021 but are considered not to be relevant or do not have any significant effect on the Company and therefore have not been detailed in these financial statements.

### 2.3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after January 01, 2022 amends IAS 1 by mainly adding paragraphs which clarify what comprises the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after January 01, 2022.
- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after January 01, 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the



# Habib Insurance Company Limited

measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 01, 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after January 01, 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
  - Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, OTHER events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after January 01, 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after January 01, 2023 and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after January 01, 2023 with earlier application permitted.

# Habib Insurance Company Limited

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

## Application of IFRS 9 and IFRS 17

Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) - In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the Board issued amendments to IFRS 4 Insurance Contracts in 2017. The two optional solutions raised some considerations which required detailed analysis and management judgement. On the issue of IFRS 17 (Revised) Insurance Contracts in June 2020, the end date for applying the two options under the IFRS 4 amendments was extended to January 01, 2023 aligned with the effective date of IFRS 17.

IFRS 9 'Financial Instruments' is effective for reporting year ended December, 31 2019. It replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, a new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Amendment to IFRS 4 'Insurance Contracts' – Applying IFRS 9 'Financial Instruments' with IFRS 4 addresses issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from July 01, 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.

The Company has determined that it is eligible for the temporary exemption option since the company has not previously applied any version of IFRS 9, its activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the company doesn't engage in significant activities unconnected with insurance based on historical available information. Under the temporary exemption option, the company can defer the application of IFRS 9 until the application IFRS 17.

To determine the appropriate classification of financial assets under IFRS 9, an entity would need to assess the contractual cash flows characteristics of any financial asset. Indeed, the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") i.e. cash flows that are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest.

IFRS 9 defines the terms "principal" as being the fair value of the financial asset at initial recognition, and the "interest" as being compensation for (i) the time value of money, and (ii) the credit risk associated with the principal amount outstanding during a particular period of time.

The table below set out the fair values as at the end of reporting period and the amount of change in the fair value during that period for the following two groups of financial assets separately:

- a) financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis, and

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b) all other financial assets

		December 31, 2021				
		Fail the SPPI test		Pass the SPPI test		
year	Financial assets	Fair value	Change in unrealised gain/(loss) during the year	Fair value	Cost less Impairment	Change in unrealised gain/(loss) during the
		(Rupees in '000)				
	Cash and bank*	—	—	88,313	—	—
	Investment in equity securities					
	- available for sale	1,210,429	(103,124)	—	—	—
	Investment in debt securities					
	available for sale	—	—	183,188	—	(1,093)
	Loans and other receivables	—	—	171,264	—	—
	Insurance reinsurance receivable	—	—	1,181,492	—	—
	Reinsurance recoveries against outstanding claims	—	—	553,170	—	—
	Salvage recoveries accrued	—	—	51,077	—	—
	Windows Takaful operations - operator's Fund	—	—	50,874	—	—
	Total	1,210,429	(103,124)	2,279,378	—	(1,093)

		December 31, 2021				
		Gross carrying amounts of debt instruments that pass the SPPI test				
		AAA	AA+	AA	A	Unrated
		(Rupees in '000)				
	Cash and bank	87,777	50	—	—	486
	Investment in debt securities					
	available for sale	—	—	—	—	183,188
	Loans and other receivables	—	—	—	—	171,264
	Insurance reinsurance receivable	100	20,805	67,608	25,292	1,067,785
	Reinsurance recoveries against outstanding claims	553,170	—	—	—	—
	Salvage recoveries accrued	—	—	—	—	51,077
	Windows Takaful operations - operator's Fund	8,246	—	—	—	42,628
	Total	649,293	20,855	67,608	25,292	1,516,428

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	December 31, 2020				
	Fail the SPPI test		Pass the SPPI test		
	Fair value	Change in unrealised gain/(loss) during the year	Fair value	Cost less Impairment	Change in unrealised gain/(loss) during the year
Financial assets	(Rupees in '000)				
Cash and bank*	—	—	179,232	—	—
Investment in equity securities					
- available for sale	985,611	40,526	—	—	—
Investment in debt securities					
available for sale	—	—	329,937	—	—
Loans and other receivables	—	—	124,209	—	—
Insurance reinsurance receivable	—	—	983,879	—	—
Reinsurance recoveries against outstanding claims	—	—	595,673	—	—
Salvage recoveries accrued	—	—	9,205	—	30,811
Windows Takaful operations - operator's Fund	—	—	61,391	—	—
Total	985,611	40,526	2,283,526	—	30,811

	December 31, 2020				
	Gross carrying amounts of debt instruments that pass the SPPI test				
	AAA	AA+	AA	A	Unrated
	(Rupees in '000)				
Cash and bank	178,931	50	—	—	251
Investment in debt securities					
available for sale	—	—	—	—	329,937
Loans and other receivables	—	—	—	—	124,209
Insurance reinsurance receivable	472,747	—	—	—	511,132
Reinsurance recoveries against					
outstanding claims	595,673	—	—	—	—
Salvage recoveries accrued	—	—	—	—	9,205
Windows Takaful operations -					
operator's Fund	14,734	—	—	—	46,657
Total	1,262,085	50	—	—	1,021,391

The carrying amount of these financial assets measured applying IAS 39 are a reasonable approximation of their fair values.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Property and Equipment

#### 3.1.1 Tangible assets - owned

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment loss. Depreciation on tangible fixed assets except vehicles is charged to income applying the straight line method at the rates specified in note 5.1 to the financial statements after taking into account residual value, if any. The useful live, residual value and depreciation method are reviewed and adjusted if appropriate, at each reporting date. Depreciation on additions is charged for the full month in which as asset is put to use and on deletions up to the month immediately preceding the deletion.

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The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceeds the estimated recoverable amounts the assets are written down to their recoverable amounts.

Capital work-in-progress is stated at cost less any impairment in value. It consists of advances made to suppliers in respect of tangible and intangible assets.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and assets so replaced, if any, are retired. Gain or loss on disposal of fixed asset is included in income currently.

## **3.1.2 Intangible assets**

These are stated at cost less accumulated amortisation and any provision for impairment loss. Amortisation of intangible fixed assets is charged to income applying the straight line method at the rates specified in note 6 to the financial statements after taking into account residual value, if any.

Full month's amortisation is calculated from the month the assets are available for use using the straight-line method, whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortisation method is reviewed, and adjusted if appropriate, at each reporting date.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable, if any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

## **3.1.3 Leases**

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company mainly lease properties for its operations and recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of the right-of-use asset or end of lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate of the Company. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. The Company has elected not to recognise right-of-use assets and lease liabilities for short term and low value assets. The lease payments associated with these leases are recognised as an expense on a straight line basis over the lease term. The right-of-use assets are presented in the same line item as it presents underlying assets for the same nature it owns.

## **3.2 Insurance contracts**

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policy holders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts are classified into following main categories:

These contracts are entered with group companies, corporate clients, and individual residing or located in Pakistan.

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

### **3.2.1 Fire and property**

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

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## **3.2.2 Marine and transport**

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

## **3.2.3 Motor**

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

## **3.2.4 Group hospitalisation**

Group hospitalisation insurance provides cover to compensate personal accident, hospitalisation and outpatient medical coverage to the insured.

## **3.2.5 Other classes**

Other classes includes mainly bankers blanket bond, liability, engineering etc.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them. Those assets and liabilities which can not be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities. Financing, investment and income taxes are managed on an overall basis and are therefore, not allocated to any segment.

## **3.3 Commission**

### **Deferred Commission expense**

Commission expense incurred in obtaining and recording policies is deferred and recognised in profit and loss account as an expense in accordance with the pattern of recognition of premium revenue by applying the 1/24th method.

### **Commission Income**

Commission income from reinsurers is recognised at the time of issuance of the underlying insurance policy. These are deferred and recognised as liability and recognised in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premiums.

Profit commission, if any, under the terms of reinsurance arrangements, is recognised on accrual basis.

## **3.4 Unearned Premium**

Premium under a policy is recognised at the time of date of issuance of the policy.

Administrative surcharge is recognised as income at the time policies are written.

Revenue from premiums is determined after taking into account the unearned portion of premium by applying 1/24th method as prescribed by the Insurance Rules, 2017. The unearned portion of premium income is recognised as liability.

Receivables under insurance contracts are recognised when due, at the fair value of the consideration receivable less provision for doubtful debts, if any.

## **3.5 Premium deficiency**

The Company is required as per Insurance Rules, 2017 and IFRS-4, to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting 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 recorded as an expense in the profit and loss account and the same shall be recognised as a liability.

The Company determines adequacy of liability of premium deficiency by carrying out analysis of expired periods. For this purpose average loss ratio of last three years inclusive of claims settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned premium. Further actuarial valuation has been carried out to determine the amount of premium deficiency reserve in respect of Group hospitalisation insurance as required by SRO 16 (I) / 2012 issued by Securities and Exchange Commission of Pakistan on January 09, 2012.



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Provision has been made for Health business as the unearned premium reserve for the class of business as at the year end is not adequate to meet the expected future liability after reinsurance from claims and other expenses, expected to be incurred after the reporting date in respect of policies in force at reporting date.

## **3.6 Reinsurance contracts held**

Insurance contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued are reinsurance contracts. These reinsurance contracts include both facultative and treaty arrangement contracts and are classified in same categories of insurance contracts for the purpose of these financial statements. The Company recognises the entitled benefits under the contract as various reinsurance assets. Outward reinsurance premiums are accounted for in the same period as the related premiums 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 claims 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 contract are not offset against expenses or income from related insurance assets.

The deferred portion of reinsurance premium ceded is recognised as a prepayment which is calculated by using 1/24th method as prescribed by the Insurance Rules, 2017.

The Company assesses its reinsurance assets for impairment on financial statement date. If there is an objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit and loss account.

## **3.7 Receivables and payables**

### **3.7.1 Receivables related to Insurance contract**

Receivable related to insurance contracts are recognized and due at cost which is the fair value of the consideration given less provision for impairment, if any. If there is an objective evidence that the insurance receivable is impaired, as a result of one or more events that occurred after the initial recognition the company reduces the carrying amount of the insurance receivables accordingly and recognizes that impairment loss in the profit and loss account

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

### **3.7.2 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 the goods and / or services received, whether or not billed to the Company.

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

Provisions are reviewed at each financial statement date and adjusted to reflect the current estimate.

## **3.8 Reinsurance recoveries against outstanding claims**

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

## **3.9 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 segments' results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, for which discrete financial information is available.

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The Company presents segments reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017. The reported operating segments are also consistent with the internal reporting provided to the Board of Directors who assess the performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

The Company has four primary business segments for reporting purposes namely fire and property, marine and transport, motor and other classes. The nature and business activities of these segments are disclosed in note no. 3.2.

## **3.10 Cash and cash equivalents**

Cash and cash equivalents are carried in the financial statement at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, stamps in hand and current and saving accounts with bank.

## **3.11 Revenue recognition**

### **3.11.1 Premium**

The revenue recognition policy for premium is given under note 3.4.

### **3.11.2 Commission income**

The revenue recognition policy for commission from reinsurer is given under note 3.3.

### **3.11.3 Dividend income**

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

### **3.11.4 Gain / loss on sale / redemption of investments**

Gain / loss on sale / redemption of investments is taken to profit and loss account in the year of sale / redemption.

### **3.11.5 Income on held to maturity investment**

Income from held to maturity investments is recognised on a time proportionate basis taking account the effective yield on the investment.

### **3.11.6 Mark-up on bank accounts and deposits**

Mark-up on bank accounts and deposits is recognised on accrual basis.

## **3.12 Investments**

- In equity securities
- In debt securities

### **3.12.1 Recognition**

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs except for held for trading investments in which case transaction costs are charged to the profit and loss account. All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments. These are recognised and classified as follows:

- Investment at fair value through profit and loss (held for trading)
- Available-for-sale
- Held to maturity



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## **3.12.2 Measurement**

### **3.12.2.1 Investment at fair value through profit or loss (held for trading)**

At the time of acquisition, quoted investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or are part of portfolio for which there is a recent actual pattern of short term profit taking are classified as held for trading.

Subsequent to initial recognition these are remeasured at fair value by reference to quoted market prices with the resulting gain or loss being included in net profit or loss for the period in which it arises.

### **3.12.2.2 Available-for-sale**

Available-for-Sale investments are those non-derivative instruments / contracts that are designated as available-for-sale or are not classified in any other category.

At the time of acquisition, investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

Subsequent to initial measurement, the available-for-sale investments are remeasured at fair value. Surplus / (deficit) on revaluation from one reporting date to other is taken to other comprehensive income in the statement of comprehensive income. On derecognition or impairment, the cumulative gain or loss previously reported in other comprehensive income is transferred to profit and loss for period within statement of comprehensive income.

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

### **3.12.2.3 Held-to-maturity**

At the time of acquisition, investments with fixed maturity, where management has both the intent and the ability to hold till maturity, are classified as held-to-maturity.

Subsequently, these are measured at amortised cost less provision for impairment in value, if any. Amortised cost is calculated by taking into account any discount or premium on acquisition by using the effective yield method.

The difference between the redemption value and the purchase price of the held-to-maturity investments is amortised and taken to the profit and loss account over the term of the investment.

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

## **3.13 Off setting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the financial statement, if the Company has a legally enforceable right to set-off and the Company intends either to settle the assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously.

## **3.14 Taxation**

### **3.14.1 Current**

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalised during the current year for such years.

### **3.14.2 Deferred**

Deferred tax is accounted for using the balance sheet liability method, in respect of temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the profit and loss account except in the case of items credited or charged to equity in which case it is included in equity.

## **3.15 Staff retirement benefits**

### **3.15.1 Defined contribution plan**

The Company operates a recognised Provident Fund scheme for all its eligible employees. Equal contributions are made by the Company and the employees at the applicable rate.

### **3.15.2 Defined benefit plan**

The Company operates an unfunded approved gratuity scheme for all of its permanent employees who attain the minimum qualification period for entitlement of gratuity. Gratuity is based on employees' last drawn basic salary.

Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to profit and loss account. The most recent valuation was carried out as of December 31, 2021 using the "Projected Unit Credit Method".

Remeasurement of the defined benefit liability, which comprises actuarial gain and losses are recognised immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual year to the then net defined benefit liability (asset), taking into account any change in the net defined benefit liability (asset) during the year as a result of contribution and benefit payments. Net interest expense and other expense related to defined benefit plans are recognised in profit and loss account.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in profit and loss account. The Company recognises gain and loss on the settlement of a defined benefit plan when the settlement occurs.

### **3.15.3 Employees' compensated absences**

The Company accounts for its liability towards accumulating compensated absences, when the employees render service that increase their entitlement to future compensated absences. An actuarial valuation has been carried out using Projected Unit Credit method to determine the amount of charge and liability to be recognised at the financial statement date.

## **3.16 Impairment of assets**

A financial asset is assessed at each financial statement date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if there is an objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset. If a decline in fair value is significant or prolonged, than there is an objective evidence, of impairment regardless of how long management intends to hold the investment.

The carrying amount of non financial assets is reviewed at each financial statement date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exist, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less cost of sell. An impairment loss is recognised the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognised in the profit and loss account. Provision of impairment are reviewed at each financial statement date and are adjusted to reflect the current best estimates. Change in the provisions are recognised as an income or expense.

## **3.17 Dividend distribution**

Dividend declaration and reserve appropriations are recognized when approved.

## **3.18 Management expenses**

Underwriting expenses have been allocated to various classes of business on a basis deemed equitable by the management. Expenses not attributable to the underwriting business are charged as other expenses.

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## **3.19 Foreign currency translations**

Transactions in foreign currencies are accounted for in rupees at the rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into rupees at the rates of exchange which approximate those prevailing at the financial statement date. Exchange differences are taken to the profit and loss account.

## **3.20 Salvage recoveries accrued**

Salvage recoveries are recognized as an asset and measured at the amount expected to be received.

## **3.21 Provision**

### **3.21.1 Claims**

Insurance claims include all claims incurred during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, and any adjustments to claims outstanding from previous years.

### **3.21.2 Provision for outstanding claims**

The Company recognises liability in respect of all claims incurred up to the financial statement 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 include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates.

### **3.21.3 Claims reported but not settled**

The provision for claims incurred but not reported (IBNR) is made at the financial statement date. In accordance with SECP circular No. 9 of 2016, the Company takes actuarial advice for the determination of IBNR claims. IBNR claims have been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level. Upto 2015 the provision for IBNR was accounted for on the basis whereby all claims incurred before the year end but reported subsequently were aggregated and the ratio of such claims to outstanding claims was applied to outstanding claims at the reporting date (except exceptional losses) to arrive at liability for IBNR. The analysis was carried out separately for each class of business.

## **3.22 Financial instruments**

Financial assets and financial liabilities within the scope of IAS-39 are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and are derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is included in the profit and loss.

Financial instruments carried on the financial statement include bank deposits, investments, premium due but unpaid, premium received in advance, amount due from other insurers / reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amount due to other insurers / reinsurers, accrued expenses, other creditors and accruals, short term running finance and obligation under finance lease. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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## 3.23 Earning per share

The company presents basic and diluted earning per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary share holders of the company by the weighted average no. of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary share holders and the weighted average no. of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

	Note
Property and equipment	3.1
Premium deficiency	3.5
Insurance / reinsurance receivable	3.7.1
Provision for outstanding claims including IBNR	3.21.2
Taxation	3.14
Staff retirement benefits	3.15
Impairment of assets	3.16

## 5. PROPERTY AND EQUIPMENT

	Note	2021 (Rupees in '000)	2020
Property and Equipment	5.1	32,702	124,407
Right of use assets	5.2	36,190	60,772
		<u>68,892</u>	<u>185,179</u>

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## 5.1 Property and Equipment

	2021									
	Cost				Accumulated Depreciation				Written Down Value	Depreciation Rate %
	As at January 01, 2021	Additions	Disposals	As at December 31, 2021	As at January 01, 2021	Charge for the year	Disposals	As at December 31, 2021	As at December 31, 2021	
	(Rupees in '000)									
Computer equipment	15,465	2,867	600	17,732	11,772	2,555	590	13,737	3,995	33
Furniture and fixtures	23,026	9,046	2,716	29,356	14,309	2,259	2,698	13,870	15,486	10
Office equipment	11,903	4,233	545	15,591	7,979	1,838	369	9,448	6,143	20
Motor vehicles - Owned	27,573	7,766	18,444	16,895	10,584	3,909	4,676	9,817	7,078	20
Motor vehicles - Leased	128,139	14,626	142,765	–	37,055	13,227	50,282	–	–	Various over the contract period
	<u>206,106</u>	<u>38,538</u>	<u>165,070</u>	<u>79,574</u>	<u>81,699</u>	<u>23,788</u>	<u>58,615</u>	<u>46,872</u>	<u>32,702</u>	
	2020									
	Cost				Accumulated Depreciation				Written Down Value	Depreciation Rate %
	As at January 01, 2020	Additions	Disposals	As at December 31, 2020	As at January 01, 2020	Charge for the year	Disposals	As at December 31, 2020	As at December 31, 2020	
	(Rupees in '000)									
Computer equipment	12,848	2,980	363	15,465	10,052	2,027	307	11,772	3,693	33
Furniture and fixtures	22,677	349	–	23,026	12,691	1,618	–	14,309	8,717	10
Office equipment	10,730	1,622	449	11,903	6,709	1,591	321	7,979	3,924	20
Motor vehicles - Owned	25,846	8,590	6,863	27,573	11,223	3,044	3,683	10,584	16,989	20
Motor vehicles - Leased	110,094	24,538	6,493	128,139	21,125	16,624	694	37,055	91,084	Various over the contract period
	<u>182,195</u>	<u>38,079</u>	<u>14,168</u>	<u>206,106</u>	<u>61,800</u>	<u>24,904</u>	<u>5,005</u>	<u>81,699</u>	<u>124,407</u>	

# Habib Insurance Company Limited

- 5.1.1** During the year management conducted a review of the method of depreciation of the motor class and changed the depreciation method from reducing balance method to straight line method. The revision has been made after considering the expected pattern of recovery of economic benefits also the use of these assets. The revision has been accounted for as a change in accounting estimates as per International Accounting Standards. This change in estimate does not have any impact on the current year profit. Effect of the above revisios, resulting in the increase in expenses of the future years would be as follows:

Category of assets	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25	Later Years
	(Rupees in '000)				
	(Increase) / Decrease				
<b>Impact on Motor Vehicles</b>	<b>(276)</b>	<b>(558)</b>	<b>(784)</b>	<b>(965 )</b>	<b>578</b>

- 5.1.2 Details of tangible assets disposed off during the year are as follows:**

Category of assets	Cost	Accumulated Depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposals	Sold to
	(Rupees in '000)						
<b>Motor vehicles</b>	77	11	66	75	9	Claim	IGI General Insurance Limited
	40	38	2	14	12	Negotiation	Mr. Mohammad Moazzam Ali Jaffery
	39	28	11	5	(6 )	Negotiation	Mr. Fahim Raza
	38	32	6	8	2	Negotiation	Mr. Zahid Ali
	1,750	321	1,429	1,200	(229 )	Negotiation	Mr. Azam Sabir
	1,238	227	1,011	1,700	689	Negotiation	Mr. Syed Irtiza Hussain
	1,400	705	695	1,400	705	Negotiation	Mr. Shahzad Khan
	2,200	37	2,163	2,550	387	Negotiation	Mr. Roshan Ali Arat
	1,392	689	703	1,900	1,197	Negotiation	Mr. Roshan Ali Arat
	1,800	270	1,530	1,500	(30 )	Negotiation	Mr. Roshan Ali Arat
	1,817	432	1,385	1,500	115	Negotiation	Mr. Muhammad Ali
	1,423	338	1,085	1,300	215	Negotiation	Mr. Darius B Solan
	1,293	662	631	1,400	769	Negotiation	Mr. Ali Raza
	1,207	320	887	2,650	1,763	Negotiation	Mr. Muhammad Azam Sabir Bobi
	1,200	285	915	3,300	2,385	Negotiation	Mr. Nadeem Anwar
	1,530	280	1,250	2,175	925	Negotiation	Mr. Syed Gulshan Abbas
	18,444	4,675	13,769	22,677	8,908		
<b>Office Equipment</b>	357	336	21	71	50	Negotiation	Various
	98	21	77	60	(17 )	Negotiation	IGI General Insurance Limited
	90	12	78	60	(18 )	Negotiation	Mr. Muhammad Omer Zubair
<b>Computer equipment</b>	600	590	10	375	365	Negotiation	IGI General Insurance Limited
<b>Furniture and fixtures</b>	2,716	2,698	18	468	450	Negotiation	Mr. Muhammad Shahbaz
							Farooq/ Bilal Chughtaee
2021	22,305	8,332	13,973	23,711	9,738		
2020	7,675	4,311	3,364	6,478	3,114		

# Habib Insurance Company Limited

**5.1.3** Cost of above assets include cost of tangible operating assets amounting to Rs. 19,256 million having net book value equal to NIL at the reporting date and are still in use. (December 31, 2020 Rs. 20.920 million).

## 5.2 Right of use assets

2021									
Cost				Accumulated Depreciation				Written Down Value	Depreciation Rate %
As at January 01, 2021	Additions	Deletions / Adjustments	As at December 31, 2021	As at January 01, 2021	Charge for the year	Deletions / Adjustments	As at December 31, 2020	As at December 31, 2021	
(Rupees in '000)									
Leasehold property	69,779	6,402	28,428	47,753	9,007	9,258	6,702	11,563	36,190 Various over the contract period
	<u>69,779</u>	<u>6,402</u>	<u>28,428</u>	<u>47,753</u>	<u>9,007</u>	<u>9,258</u>	<u>6,702</u>	<u>11,563</u>	<u>36,190</u>
2020									
Cost				Accumulated Depreciation				Written Down Value	Depreciation Rate %
As at January 01, 2020	Additions	Deletions / Adjustments	As at December 31, 2020	As at January 01, 2020	Charge for the year	Deletions / Adjustments	As at December 31, 2020	As at December 31, 2020	
Leasehold property	51,123	40,402	21,746	69,779	6,693	8,729	6,415	9,007	60,772 Various over the contract period
	<u>51,123</u>	<u>40,402</u>	<u>21,746</u>	<u>69,779</u>	<u>6,693</u>	<u>8,729</u>	<u>6,415</u>	<u>9,007</u>	<u>60,772</u>

# Habib Insurance Company Limited

## 5.2.1 Details of tangible asset disposed off during the year are as follows:

Category of assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposals	Sold to
(Rupees in '000)							
<b>Motor vehicles</b>	3,080	887	2,193	3,850	1,657	Negotiation	Mr. Ammar Habib
	1,288	480	808	1,630	822	Claim	IGI General Insurance Limited
	775	301	474	860	386	Claim	IGI General Insurance Limited
	794	334	460	800	340	Claim	IGI General Insurance Limited
	794	296	498	860	362	Claim	IGI General Insurance Limited
	775	346	429	675	246	Negotiation	Mr. Muhammad Ismail (employee)
	2,881	1,222	1,659	3,200	1,541	Negotiation	Mr. Murtaza Hussain (employee)
	798	336	462	625	163	Negotiation	Mr. Muhammed Naeem (employee)
	2,533	306	2,227	2,350	123	Negotiation	Mr. Muhammad Ahmed (employee)
	2,059	881	1,178	2,050	872	Negotiation	Mr. Fawwad Abdul Razzaq (employee)
	775	346	429	600	171	Negotiation	Mr. S.M. Ahmed Kazmi
	795	318	477	675	198	Negotiation	Mr. Muhammad Javed (employee)
	2,879	1,221	1,658	3,300	1,642	Negotiation	Mr. Zeeshan Bakht (employee)
	1,787	750	1,037	1,900	863	Negotiation	Mr. Muhammad Raza Rupani (employee)
	1,307	562	745	1,525	780	Negotiation	Mr. Asrarullah (employee)
	2,464	984	1,480	2,650	1,170	Negotiation	Mr. Farman Ali (employee)
	2,432	934	1,498	2,800	1,302	Negotiation	Mr. Muhammad Ashraf Rao (employee)
	1,833	728	1,105	2,800	1,695	Negotiation	Syed Ebad Raza (employee)
	794	334	460	675	215	Negotiation	Mr. Wajih ul Hassan (employee)
	1,979	801	1,178	1,775	597	Negotiation	Mr. Awais Razzaq Chaudhary (employee)
	4,029	816	3,213	3,400	187	Negotiation	Mr. Tanveer Ahmed Shahid (employee)
	775	346	429	650	221	Negotiation	Mr. Muhammad Imran Mazhar (employee)
	2,340	1,027	1,313	2,600	1,287	Negotiation	Mr. Roshan Ali Arat
	3,243	834	2,409	2,700	291	Negotiation	Mr. Shabbir Gulamali (employee)
	1,769	554	1,215	1,350	135	Negotiation	Mr. Syed Arsalan Haider Rizvi (employee)
	1,454	214	1,240	1,400	160	Negotiation	Syed Irtiza Hussain (employee)
	2,625	858	1,767	2,100	333	Negotiation	Muhammad Maaz Akbar (employee)
	2,876	1,199	1,677	3,100	1,423	Negotiation	Mr. Mirza Farooq Baig (employee)
	1,288	588	700	1,400	700	Negotiation	Mr. Asim Rasheed (employee)
	1,454	230	1,224	1,350	126	Negotiation	Mr. Sana Sheikh (employee)
	2,258	897	1,361	2,450	1,089	Negotiation	Mr. Gul-e-Erum
	2,485	1,065	1,420	2,850	1,430	Negotiation	Mr. Amir Anjum (employee)
	1,982	675	1,307	1,950	643	Negotiation	Mr. Muhammad Yaqoob (employee)
	2,050	862	1,188	2,750	1,562	Negotiation	Mr. Murtaza Barristor (employee)
	1,288	588	700	1,400	700	Negotiation	Mr. Qamar Jamani (employee)
	1,938	259	1,679	1,700	21	Negotiation	Mr. Rameez Haider (employee)



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Category of assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposals	Sold to
				(Rupees in '000)			
	2,340	1,027	1,313	2,700	1,387	Negotiation	Mr. Tariq Mehmood Awan (employee)
	1,454	175	1,279	1,300	21	Negotiation	Mr. Abid Rawjani (employee)
	2,739	1,204	1,535	3,300	1,765	Negotiation	Mr. Shabbir Gulamali (employee)
	1,746	729	1,017	1,800	783	Negotiation	Mr. Muhammad Imran Khan (employee)
	1,497	485	1,012	1,400	388	Negotiation	Mr. Zeeshan Nusrat (employee)
	1,850	765	1,085	2,600	1,515	Negotiation	Mr. Asif Azeem (employee)
	1,359	574	785	1,450	665	Negotiation	Mr. Mirza Adnan Baig (employee)
	1,454	175	1,279	1,400	121	Negotiation	Mr. Muhammad Junaid Hassan (employee)
	2,059	867	1,192	2,175	983	Negotiation	Mr. Muhammad Azam Siddiqui (employee)
	1,497	485	1,012	1,400	388	Negotiation	Mr. Obaid Ali Shah (employee)
	1,288	588	700	1,400	700	Negotiation	Mr. Muhammad Adnan (employee)
	1,787	760	1,027	1,900	873	Negotiation	Mr. Rizwan Ali (employee)
	1,769	570	1,199	1,500	301	Negotiation	Mr. Sohaib Hassan (employee)
	2,059	866	1,193	2,100	907	Negotiation	Mr. Shahid Hussain (employee)
	1,982	675	1,307	1,950	643	Negotiation	Mr. Bilal Patel (employee)
	2,872	1,177	1,695	3,300	1,605	Negotiation	Mr. Hammad Raza Shirazi (employee)
	1,454	195	1,259	1,400	141	Negotiation	Mr. Muhammad Saad (employee)
	2,435	914	1,521	2,850	1,329	Negotiation	Mr. Muhammad Ejaz (employee)
	2,280	907	1,373	2,750	1,377	Negotiation	Mr. Mirza Abid Hassan Javed (employee)
	1,768	376	1,392	1,650	258	Negotiation	Mr. Liaquat Ali (employee)
	2,280	907	1,373	2,775	1,402	Negotiation	Mr. Muhammad Taqi (employee)
	1,399	579	820	1,525	705	Negotiation	Mr. S. Mohd Hassan Haider Naqvi (employee)
	762	318	444	675	231	Negotiation	Mr. Zahid Hussain (employee)
	2,435	914	1,521	2,850	1,329	Negotiation	Mr. Farooq Mustafa Musadiq (employee)
	2,432	934	1,498	2,850	1,352	Negotiation	Mr. Shams-ul-Haq (employee)
	1,768	376	1,392	1,675	283	Negotiation	Mr. Muhammad Naeem (employee)
	1,768	337	1,431	1,625	194	Negotiation	Mr. Zeghum Hussain (employee)
	1,768	337	1,431	1,625	194	Negotiation	Mr. Saifal Gulzar (employee)
	775	323	452	800	348	Negotiation	Mr. Areesha Zeeshan
	2,292	936	1,356	2,775	1,419	Negotiation	Mr. Zamin Abbas (employee)
	1,768	376	1,392	1,500	108	Negotiation	Syed Abrar Hussain Bukhari (employee)
	1,288	607	681	1,375	694	Negotiation	Mr. Hafiz Ghulam Mustafa (employee)
	2,533	374	2,159	2,350	191	Negotiation	Mr. Muhammad Farooq (employee)
	1,805	217	1,588	1,650	62	Negotiation	Mr. Shahbaz Waris (employee)
	2,396	1,055	1,341	2,200	859	Negotiation	Mr. Muhammad Azhar (employee)
	1,399	595	804	1,450	646	Negotiation	Mr. Muhammad Saleem Raza (employee)
	<b>133,233</b>	<b>46,078</b>	<b>87,155</b>	<b>138,775</b>	<b>51,620</b>		

# Habib Insurance Company Limited

## 6. INTANGIBLE ASSETS

2021										
Owned	Cost				Accumulated Amortisation				Written Down Value	Amortisation Rate %
	As at January 01, 2021	Additions	Write off	As at December 31, 2021	As at January 01, 2021	Charge for the year	Write off	As at December 31, 2021	As at December 31, 2021	
	(Rupees in '000)									
Computer Software	15,091	–	1,397	13,694	12,900	998	870	13,028	666	20
2020										
Owned	Cost				Accumulated Amortisation				Written Down Value	Amortisation Rate %
	As at January 01, 2020	Additions	Write off	As at December 31, 2020	As at January 01, 2020	Charge for the year	Write off	As at December 31, 2020	As at December 31, 2020	
	(Rupees in '000)									
Computer Software	14,366	725	–	15,091	11,271	1,629	–	12,900	2,191	20

- 6.1 Cost of above assets include cost of intangible operating assets amounting to Rs. 9,859 million having net book value equal to NIL at the reporting date and are still in use. (December 31, 2020: Rs. 6.980 million).

# Habib Insurance Company Limited

## 7. INVESTMENT IN EQUITY SECURITIES

	2021					2020			
	No. of Shares/ Units	Cost	Impairment / Provision	Revaluation surplus / (deficit)	Carrying Value	Cost	Impairment Provision	Revaluation surplus / (deficit)	Carrying Value
(Rupees in '000)									
<b>Available-for-sale</b>									
<b>Related parties</b>									
<b>Listed shares</b>									
Bank AL Habib Limited	2,000,000	84,100	—	53,920	138,020	84,100	—	55,100	139,200
Habib Metropolitan Bank Limited	4,036,924	135,800	—	37,101	172,901	106,905	—	20,550	127,455
Indus Motor Company Limited	24,015	17,453	—	12,062	29,515	17,453	—	11,316	28,769
Thal Limited	375,800	70,824	—	72,991	143,815	70,824	—	106,809	177,633
		308,177	—	176,074	484,251	279,282	—	193,775	473,057
<b>Others</b>									
<b>Listed shares</b>									
Packages Limited	45,000	7,514	—	14,863	22,377	7,514	—	19,347	26,861
Dynea Pakistan Limited	62,000	763	—	12,598	13,361	763	—	12,001	12,764
Abbott Laboratories (Pakistan) Limited	55,700	8,956	—	31,009	39,965	8,956	—	33,118	42,074
GlaxoSmithKline Pakistan Limited	50,825	4,943	—	1,995	6,938	4,943	—	4,807	9,750
Nestle Pakistan Limited	150	79	—	780	859	79	—	921	1,000
Shezan International Limited	1,443	84	—	236	320	84	—	376	460
Al-Ghazi Tractors Limited	32,350	7,055	—	3,847	10,902	7,055	—	4,961	12,016
Millat Tractors Limited	30,374	10,018	—	16,171	26,189	10,018	—	14,599	24,617
Atlas Battery Limited	30,332	1,692	—	4,614	6,306	1,692	—	5,331	7,023
Habib Sugar Mills Limited	4,448,758	88,573	—	56,012	144,585	88,573	—	62,285	150,858
Habib Rice Products Limited	200,000	3,042	—	3,608	6,650	3,042	—	3,648	6,690
Pioneer Cement Limited	—	—	—	—	—	9,486	—	844	10,330
Panther Tyres Limited	98,846	5,420	—	(1,292)	4,128	—	—	—	—
Bata Pakistan Limited	6,000	5,440	—	7,587	13,027	5,440	—	3,751	9,191
Pakistan Cables Limited	15,000	1,938	—	420	2,358	1,938	—	78	2,016
The Hub Power Company Limited	3,151,540	260,323	—	(35,492)	224,831	15,826	—	40	15,866
Interloop Limited	101,970	6,966	—	446	7,412	—	—	—	—
Engro Polymers & Chemicals Limited	50,000	2,402	—	309	2,711	2,402	—	(26)	2,376
Engro Polymers & Chemicals Ltd - Preference Shares (note 7.2)	1,836,114	18,971	—	1,502	20,473	18,406	—	4,086	22,492
The Organic Meat Company Limited	—	—	—	—	—	2,884	—	98	2,982
International Steel Limited	5,500	8,484	—	(1,872)	6,612	—	—	—	—
International Industries Limited	100,000	1,527	(764)	—	763	1,527	(556)	—	971
Lucky Cement Limited	25,000	20,775	—	(3,793)	16,982	—	—	—	—
Atlas Insurance Limited	193,600	3,955	—	7,854	11,809	3,955	—	7,959	11,914
Avaceon Limited	6,000	441	—	105	546	—	—	—	—
Kot Addu Power Company Limited	800,000	29,048	—	(3,168)	25,880	2,682	—	38	2,720
EFU Life Assurance Limited	41,100	4,338	—	4,321	8,659	4,338	—	4,253	8,591
IGI Holding Limited	460,000	52,950	—	17,720	70,670	52,950	—	40,632	93,582
Jubilee General Insurance Company Limited	196,871	9,683	—	(1,277)	8,406	9,683	—	(411)	9,272
		565,380	(764)	139,103	703,719	264,236	(556)	222,736	486,416

# Habib Insurance Company Limited

	2021					2020				
	No. of Shares/ Units	Cost	Impairment / Provision	Revaluation surplus / (deficit)	Carrying Value	Cost	Impairment Provision	Revaluation surplus / (deficit)	Carrying Value	
	(Rupees in '000)									
<b>Mutual funds</b>										
NBP Money Market Fund		–	–	–	–	212	–	1	213	
MCB Arif Habib Pakistan Income Fund	8,338	252	–	219	471	226	–	215	441	
National Investment (Unit) Trust	27,500	252	–	1,659	1,911	252	–	1,658	1,910	
NBP Financial Sector Income Fund		–	–	–	–	1,703	–	13	1,716	
		504	–	1,878	2,382	2,393	–	1,887	4,280	
<b>Modaraba certificates</b>										
Orix Modaraba (note 7.1)	2,015,000	1,319	–	421	1,740	1,319	–	590	1,909	
First Habib Modaraba (note 7.1)	108,750	13,695	–	4,642	18,337	13,695	–	6,254	19,949	
		15,014	–	5,063	20,077	15,014	–	6,844	21,858	
		889,075	(764)	322,118	1,210,429	560,925	(556)	425,242	985,611	

## 7.1 Modaraba certificates

Company Name	Chief Executive Officer	Nominal value	Number of certificates / shares
Orix Modaraba	Mr. Raheel Qamar Ahmed	Rs.10	108,750
First Habib Modaraba	Mr. Muhammad Shoaib Ibrahim	Rs.5	2,015,000

## 7.2 Preference shares

Company Name	Chief Executive Officer	Nominal value	Number of certificates / shares
Engro Polymers & Chemical Ltd - Preference Shares	Mr. Jahangir Paracha	Rs.10	1,836,114

Preference shares of Engro Polymer & Chemicals Limited were issued on December 18, 2020 and are perpetual. The dividends are cumulative in nature and will be calculated at 6 Months KIBOR + 3% on the issue date and then repriced at the end of June 30 and December 31, each year. The company has the option to purchase the entire portfolio from investor through 30 days notice after the expiry of 12 months from issue Date. The conversion Option can be exercised by the investor after the expiry of 80 months from the issue date into 1:1 (One preference shares equals to one ordinary share).

# Habib Insurance Company Limited

Note 2021 2020  
(Rupees in '000)

## 8. INVESTMENT IN GOVERNMENT SECURITIES

### Available for sale

Pakistan Investment Bonds (PIBs)	8.1	88,023	329,937
Treasury Bills	8.2	95,165	—
		<u>183,188</u>	<u>329,937</u>

**8.1** PIBs have face value of Rs. 90.0 million (market value of Rs.87.955 million) [December 31, 2020: Rs. 340.0 million (market value of Rs. 329.937 million)]. These carry mark-up ranging from 9.5% to 12% (December 31, 2020: 8.75% to 12%) per annum and will mature between July 19, 2022 to September 19, 2024. These PIBs have been deposited with the State Bank of Pakistan (SBP) as statutory deposit in accordance with the requirements of Section 29 of the Insurance Ordinance, 2000 and circular No. 15 of 2008 dated July 07, 2008 issued by the SECP.

**8.2** Treasury Bills (T-Bills) have face value of Rs. 100.0 million (market value of Rs. 95.270 million). It carries yield at 10.93% and will mature on June 16, 2022. Treasury bills have been held in the IPS account maintained with Bank AL Habib Limited.

Note 2021 2020  
(Rupees in '000)

## 9. LOANS AND OTHER RECEIVABLES - Considered good

Accrued investment income		3,833	13,884
Security deposits		14,231	33,829
Advances	9.1	7,075	7,822
Agent to commission agents		10,836	5,817
Loans to employees	9.2	60,397	57,240
Receivable against sale of investments		—	1,132
Receivable from Window Takaful operations		1,453	3,009
Receivable against sale of vehicle to employees	9.3	75,429	—
Other receivable		5,085	9,298
		<u>178,339</u>	<u>132,031</u>

**9.1** This includes Rs.3.62 million (2020: Rs.1.85 million) receivable from related parties.

**9.2** These loans are secured against provident fund balances or deposit of title documents. These loans are recoverable in monthly instalments over various periods and includes Rs. 4.990 million (2020: Rs. 4.747 million) receivable in 2021 representing current portion of loan to employees.

These loans carry mark-up rate of 4% to 12% (2020: 4% to 12%) per annum.

Note 2021 2020  
(Rupees in '000)

### 9.2.1 Reconciliation of carrying amount of loans

Opening balance	57,240	53,765
Mark-up for the year	2,832	3,031
Disbursements during the year	<u>11,834</u>	<u>16,183</u>
	71,906	72,979
Repayments (including mark-up) during the year	<u>(11,509)</u>	<u>(15,739)</u>
Closing balance	<u>60,397</u>	<u>57,240</u>

**9.3** This represents receivable from employees against the sale of vehicles and has recovered subsequent to the year end. This balance originated from the sale of vehicle to the employees.

# Habib Insurance Company Limited

	Note	2021 (Rupees in '000)	2020
<b>10. INSURANCE / REINSURANCE RECEIVABLES</b>			
<b>Unsecured and considered good</b>			
Due from insurance contract holders			
Considered good		617,232	511,132
Considered doubtful		18,689	17,018
Less: Provision for impairment of receivables from Insurance contract holders		(18,689)	(17,018)
		617,232	511,132
Due from other insurers/ reinsurers			
Considered good		564,260	472,747
Considered doubtful		6,500	6,500
Less: Provision for impairment of due from other insurers/ reinsurers		(6,500)	(6,500)
		564,260	472,747
		<u>1,181,492</u>	<u>983,879</u>
<b>10.1 Movement of considered doubtful</b>			
Opening balance		17,018	17,018
Add: Provision for impairment of due from other insurers / reinsurers		1,671	–
Closing balance		<u>18,689</u>	<u>17,018</u>
<b>11. RETIREMENT BENEFIT OBLIGATIONS</b>			
<b>Defined benefit obligation - unfunded gratuity scheme</b>			
The latest actuarial valuation was carried out on December 31, 2021 by a qualified actuary using "Projected Unit Credit Actuarial Cost Method".			
	Note	2021 Number of Employees	2020
The number of employees covered under the defined benefit scheme are:		<u>197</u>	<u>193</u>
The following principal actuarial assumptions were used for the valuation of above mentioned scheme:			
Financial assumptions			
- Discount rate (per annum compounded)		11.75%	10.25%
- Salary increase per annum		11.75%	10.25%
Demographic assumptions			
- Expected service length of the employees		15 years	15 years
- Normal retirement		60 years	60 years
- Rate of employee turnover		Light	Light
- Mortality rate		SLIC (2001-05) - 1	SLIC 2001-05) - 1
<b>11.3 Liability in financial statement</b>			
Present value of defined benefit obligations		<u>130,859</u>	<u>119,302</u>
<b>11.4 Movement in Defined benefit obligations</b>			
Opening balance		119,302	102,396
Charged to profit and loss account	11.5 & 11.6	22,202	19,956
Benefits paid during the year		(1,464)	(1,984)
Liability transfer to WTO		(1,632)	–
Actuarial gain recognised in other comprehensive income		(7,549)	(1,066)
Closing balance		<u>130,859</u>	<u>119,302</u>

# Habib Insurance Company Limited

Note 2021 2020  
(Rupees in '000)

## 11.5 Reconciliation of defined benefit obligations

Present value of defined benefit obligations as at 01 January	11.6	119,302	102,396
Current service cost		9,626	8,191
Interest cost		12,576	11,765
Benefits paid		(1,464)	(1,984)
Liability transfer to WTO		(1,632)	—
Actuarial gain on obligation		(7,549)	(1,066)
Present value of defined benefit obligations as at 31 December		<u>130,859</u>	<u>119,302</u>

## 11.6 Charge for the defined benefit plan

### Cost recognised in profit and loss

Current service cost	9,626	8,191
Interest cost	12,576	11,765
	<u>22,202</u>	<u>19,956</u>

## 11.7 Actuarial gain on defined benefit obligation recognised in other comprehensive income

Actuarial gain on defined benefit obligation		
- (Gain) / Loss due to change in financial assumptions	892	(539)
- (Gain) / Loss due to change in demographic assumptions	—	1,770
- (Gain) / Loss due to change in experience adjustments	(8,441)	(2,297)
	<u>(7,549)</u>	<u>(1,066)</u>

## 11.8 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations on various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

2021 2020  
(Rupees in '000)

Increase in discount rate by 0.5%	(126,090)	(113,195)
Decrease in discount rate by 0.5%	139,259	125,761
Increase in expected future increment in salary by 0.5%	139,538	126,015
Decrease in expected future increment in salary by 0.5%	(125,781)	(112,912)

### Comparison for Five Years As at December 31,

	2021	2020	2019	2018	2017
			(Rupees in '000)		
Defined benefit obligation	<u>130,859</u>	<u>119,302</u>	<u>88,470</u>	<u>83,629</u>	<u>83,083</u>
Experience adjustment loss on obligation (as percentage of plan obligations)	<u>-6.45%</u>	<u>-1.93%</u>	<u>-3.99%</u>	<u>2.97%</u>	<u>3.48%</u>

# Habib Insurance Company Limited

	Note	2021 (Rupees in '000)	2020
Expected contributions to the fund in the following year		18,348	18,348
Expected benefit payments to retirees in the following year		4,944	4,944
Weighted average duration of the defined benefit obligation (year)		9.92	10.52
<b>12. DEFERRED TAXATION</b>			
<b>Deferred debits arising in respect of</b>			
Provisions		(13,050)	(13,484)
Lease liability - net		(388)	—
		(13,438)	(13,484)
<b>Deferred credits arising in respect of</b>			
Accelerated depreciation		2,364	1,235
Unrealised gain on available-for-sale investments		93,097	132,255
Right of use asset - net of related lease liability		—	4,122
		95,461	137,612
<b>Deferred tax Liability</b>		82,023	124,128
<b>12.1 Reconciliation of deferred tax</b>			
Opening balance		124,128	101,949
Directly recognised in other comprehensive income due to actuarial gain		1,880	309
Directly recognised in other comprehensive income due to unrealised gain on available-for-sale investments		(39,158)	20,687
Charge for the year - recognized in the profit and loss account		(4,827)	1,183
Closing balance		82,023	124,128
<b>13. PREPAYMENTS</b>			
Prepaid reinsurance premium ceded		463,940	434,673
Prepaid insurance on leased vehicles		1,404	2,046
Prepaid employees group/health insurance		8,089	—
Others		3,357	9,079
		476,790	445,798
<b>14. CASH AND BANK</b>			
<b>Cash and cash equivalent</b>			
- Cash in hand		486	249
- Policy stamps		253	309
		739	558
<b>Cash at bank</b>			
- Current accounts		30,349	7,307
- Saving accounts	14.1	57,478	171,676
		87,827	178,983
		88,566	179,541
<b>14.1</b>	This balance is held with related parties and carries mark-up rates ranging between 6.5% to 8.25% (2020: 6.25% to 11.75%) per annum.		



# Habib Insurance Company Limited

		2021 (Rupees in '000)		2020 (Rupees in '000)	
<b>15. SHARE CAPITAL</b>					
<b>Authorised capital</b>					
	2021 (Number of Shares)	2020 (Number of Shares)			
	130,000,000	130,000,000	Ordinary shares of Rs. 5/- each	650,000	650,000
<b>15.1 Issued, subscribed and paid-up share capital</b>					
	123,874,755	123,874,755	Ordinary shares of Rs. 5/- each at the beginning and end of the year	619,374	619,374
<b>15.2</b>	At December 31, 2021 related parties including directors and their dependants held 11.17 million (9.02%) [2020: 10.64 million (8.6%)] number of ordinary shares of Rs.5 each.				
	Note	2021 (Rupees in '000)	2020 (Rupees in '000)		
<b>16. RESERVES</b>					
<b>Capital Reserves</b>					
Reserve for exceptional losses	16.1	9,122	9,122		
<b>Revenue Reserves</b>					
General reserve		255,000	255,000		
Available-for-sale reserve		228,932	324,862		
		483,932	579,862		
		493,054	588,984		
<b>16.1</b>	Under the Income Tax Act, 1922 applicable to insurance companies, the Company set aside in prior years amounts up to ten percent of premium earnings, net of reinsurances of the year as a reserve for exceptional losses, which was treated as an allowable deduction in arriving at the taxable income. This option was withdrawn by the Income Tax Ordinance, 1979 with retrospective effect to the accounting year ended December 31, 1978. Accordingly, the Company has ceased to set aside such amounts, but has retained the reserves created up to December 31, 1978.				
	Note	2021 (Rupees in '000)	2020 (Rupees in '000)		
<b>17. LEASE LIABILITY</b>					
Lease liability	17.1	37,528	137,642		
Total borrowings		37,528	137,642		
Current portion		11,990	24,668		
Non-current portion		25,538	112,974		
		37,528	137,642		
<b>17.1 Lease Liability</b>					
The amount of future lease payments and the period in which these become due are as follows:					
		2021	2020		
	Minimum Lease Payments	Financial Charges	Present value of minimum lease payments	Present value of minimum lease payments	
		(Rupees in '000)			
Not later than one year	15,409	3,419	11,990	24,668	
Later than one year but not later than five years	28,642	3,104	25,538	112,974	
	44,051	6,523	37,528	137,642	

# Habib Insurance Company Limited

	Note	2021 (Rupees in '000)	2020
<b>18. INSURANCE/ REINSURANCE PAYABLES</b>			
Due to other insurers/ reinsurers	18.1	379,589	317,459
<b>18.1 Due to other insurers/ reinsurers</b>			
- Foreign reinsurers		148,418	195,669
- Local reinsurers		94,609	37,820
- Co-insurers		136,562	83,970
		<u>379,589</u>	<u>317,459</u>
<b>19. OTHER CREDITORS AND ACCRUALS</b>			
Agents commission payable		113,900	53,270
Federal excise duty		41,844	34,374
Federal insurance fee		3,860	2,484
Accrued expenses	19.1	38,630	23,129
Withholding tax payable		—	1,673
Unclaimed dividends		62,810	61,574
Sundry creditors	19.2	37,289	30,180
Others		583	1,356
		<u>298,916</u>	<u>208,040</u>

- 19.1** This includes provision for staff compensated absences amounting to Rs. 27.3 million (2020: Rs. 20.6 million). The liability is determined through an actuarial valuation carried out under the projected unit credit (PUC) actuarial cost method (by an actuary). An amount of Rs 7.3 million (2020: reversal of Rs. 1.1 million) has been charged to profit and loss account in the current year based on the actuarial advice.

The following principal actuarial assumptions were used for the valuation

	2021	2020
Financial assumptions		
- Discount rate (per annum compounded)	11.75%	10.25%
- Salary increase per annum	11.75%	10.25%
Demographic assumptions		
- Expected service length of the employees	15 years	15 years
- Normal retirement	60 years	60 years
- Rate of employee turnover	Light	Light
- Mortality rate	SLIC (2001-05)-1	SLIC (2001-05)-1

- 19.2** This includes outstanding claims in respect of which cheques aggregating to Rs. 36.95 million (2020: Rs. 30.180 million) have been issued by the Company for claim settlement but the same have not been encashed by the claimant.

The following is the ageing as required by SECP Circular No. 11 of 2014 dated May 19, 2014:

	2021 (Rupees in '000)	2020
More than 6 months	37,289	30,180
1 to 6 months (Unpresented cheques in respect of claims paid)	10,089	68,714
	<u>47,378</u>	<u>98,894</u>

# Habib Insurance Company Limited

Claims not encashed	Age-wise break-up					Total
	1 to 6 months	7 to 12 months	13 to 24 months (Rupees in '000)	25 to 36 months	Beyond 36 months	
2021	13,818	2,350	8,062	1,669	21,479	47,378
2020	68,714	252	6,092	1,834	22,002	98,894

## 20. CONTINGENCIES AND COMMITMENTS

### 20.1 Contingencies

20.1.1 A Case for the recovery of marine claim for Rs 6.2 million was instituted by M/s wire Manufacturers in December 2020 against the Company before the Honourable Insurance Tribunal , District and Session judge, Lahore. The said case was also filed before the Federal Insurance of Pakistan bearing the complaint No. 547/2017 which was decided in the favour of the company through the order dated 12 April 2019. As per the legal opinion the company has the good prima facie case.

20.1.2 Tax related contingencies are reported in note 30.2 to the financial statements.

### 20.2 Commitments

There are no commitments as at December 31, 2021.

## 21. NET INSURANCE PREMIUM

	2021 (Rupees in '000)	2020 (Rupees in '000)
<b>Written gross premium</b>	2,039,761	1,658,449
Add: Unearned premium reserve opening	818,033	778,636
Less: Unearned premium reserve closing	(1,002,575)	(818,033)
<b>Premium earned</b>	1,855,219	1,619,052
<b>Less: Reinsurance premium ceded</b>	1,078,321	948,479
Add: Prepaid reinsurance premium opening	434,673	366,576
Less: Prepaid reinsurance premium closing	(463,940)	(434,673)
Reinsurance expense	1,049,054	880,382
<b>Net insurance premium</b>	806,165	738,670

## 22. NET INSURANCE CLAIMS

<b>Claims paid</b>	1,076,729	936,857
Add: Outstanding claims including IBNR closing	786,589	819,119
Less: Outstanding claims including IBNR opening	(819,119)	(594,636)
<b>Claims expense</b>	1,044,199	1,161,340
<b>Less: Reinsurance and other recoveries received</b>	664,573	564,764
Add: Reinsurance and other recoveries in respect of outstanding claims net of impairment - closing	604,247	604,878
Less: Reinsurance and other recoveries in respect of outstanding claims net of impairment - opening	(604,878)	(364,205)
<b>Reinsurance and other recoveries revenue</b>	663,942	805,437
<b>Net insurance claims</b>	380,257	355,903

# Habib Insurance Company Limited

## 23. CLAIM DEVELOPMENT

The following table shows the development of claims over a period of time on gross basis. For each class of business the uncertainty about the amount and timings of claims payment is usually resolved within a year.

Accident year	2017	2018	2019	2020	2021
	(Rupees in '000)				
<b>Estimate of ultimate claims costs:</b>					
At end of accident year	2,341,308	652,310	652,310	1,022,555	1,170,579
One year later	744,085	224,201	963,737	908,388	–
Two year later	423,108	387,747	955,231	–	–
Three year later	388,255	385,459	–	–	–
Four year later	327,614	–	–	–	–
Current estimate of	327,614	385,459	955,231	908,388	1,170,579
Cumulative payments to date	(277,137)	(201,697)	(929,406)	(835,084)	(714,678)
Liability for outstanding claims	50,477	183,762	25,825	73,304	455,901

Note 2021 2020  
(Rupees in '000)

## 24. NET COMMISSION INCOME

<b>Commissions paid or payable</b>	247,895	190,476
Add: Deferred commission - opening	98,200	74,039
Less: Deferred commission - closing	(131,216)	(98,200)
<b>Commission expense</b>	214,879	166,315
<b>Less: Commission from reinsurers</b>		
Commission received or receivable	291,882	238,547
Add: Unearned reinsurance commission - opening	127,746	105,979
Less: Unearned reinsurance commission - closing	(160,786)	(127,746)
<b>Commission from reinsurers</b>	258,842	216,780
<b>Net commission income</b>	43,963	50,465

## 25. MANAGEMENT EXPENSES

Employee benefit cost	25.1	338,718	299,552
Travelling expenses		19,098	2,864
Advertisement and sales promotion		699	450
Printing and stationary		4,209	5,130
Depreciation & Amortization		35,462	33,633
Amortisation		998	1,629
Rent, rates and taxes		6,618	3,782
Legal and professional charges		7,534	6,860
Electricity, gas and water		7,582	5,514
Entertainment		5,151	4,357
Vehicle running expenses		39,105	22,942
Office repairs and maintenance		11,628	10,234
Bank charges		413	–
Postages, telegrams and telephone		9,824	7,504
Annual supervision fee of SECP		2,592	2,654
Bad and doubtful debts		1,671	1,106
Miscellaneous		7,140	8,188
		498,442	416,399

25.1 This includes Rs. 215.542 million (2020: Rs. 237.353 million) being salaries and other benefits and Rs. 10.435 million (2020: Rs. 8.278 million) being contribution to employees' provident fund.

# Habib Insurance Company Limited

2021                      2020  
(Rupees in '000)

## 26. INVESTMENT INCOME

### Income from equity securities available-for-sale

- Dividend income	99,473	48,894
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### Income from debt securities - 'held-to-maturity'

- Return on government securities - PIBs	13,790	37,810
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### Net realised gain on investments

available-for-sale

- Equity securities	5,751	8,475
- Mutual funds units	1,233	201
- Debt securities	21,187	(852)
	28,171	7,824

### Total investment income

141,434	94,528
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### Less: Impairment in value of investments available-for-sale

- Equity securities	(208)	-
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### Less: Investment related expenses

(195)	(383)
141,031	94,145

## 27. OTHER INCOME

Return on bank balances	4,635	2,185
Gain on sale of fixed assets	61,358	3,611
Return on loan to employees	2,834	3,030
Miscellaneous	5,389	2,842
	74,216	11,668

## 28. OTHER EXPENSES

Auditor's remuneration	28.1	2,936	2,382
Subscription		4,649	3,956
Donations	28.2	3,200	3,200
		10,785	9,538

### 28.1 Auditor's remuneration

Audit fee	1,032	938
Review of condensed interim financial statements	375	285
Special certifications	835	694
	2,242	1,917
Sindh sales tax	218	153
Out-of-pocket expenses	476	312
	2,936	2,382

28.2 An amount of Rs.3.20 million (2020: Rs.3.20 million) was donated to the following Trusts:

# Habib Insurance Company Limited

Name of Directors	Interest in Donee	Name of Donee	Address of Donee	Amount (Rupees in '000)
Mr. Rafiq M.Habib Mr. Mansoor G.Habib Mr. Aun Mohammad A. Habib	Trustee	Al-Sayyeda Benevolent Trust	UBL Building, I.I.Chundrigar Road, Karachi	640
Mr. Aun Mohammad A. Habib	Trustee	Rehmatbai Habib Widows & Orphans Trust	UBL Building, I.I.Chundrigar Road, Karachi	640
Mr. Aun Mohammad A. Habib	Trustee	Rehmatbai Habib Food & Clothing Trust	UBL Building, I.I.Chundrigar Road, Karachi	640
Mr. Mansoor G.Habib Mr. Aun Mohammad A. Habib	Trustee	Habib Poor Fund	UBL Building, I.I.Chundrigar Road, Karachi	640
Mr. Rafiq M.Habib	Trustee	Habib Medical Trust	UBL Building, I.I.Chundrigar Road, Karachi	640
				<u>3,200</u>
				2021                      2020 (Rupees in '000)
<b>29. FINANCE COST</b>				
Mark-up on short term financing				164                      3,289
Mark-up on lease liabilities				<u>10,760                      13,463</u>
				<u>10,924                      16,752</u>
<b>30. TAXATION</b>				
<b>For the year</b>				
Current				44,194                      26,191
Prior Year				1,266                      –
Deferred				<u>(4,827)                      1,183</u>
				<u>40,633                      27,374</u>
<b>30.1 Relationship between tax expense and accounting profit</b>				
Profit before taxation				<u>147,657                      89,037</u>
Tax at enacted rate of 29% (2020: 29%)				42,821                      25,821
Others				<u>(2,188)                      1,553</u>
				<u>40,633                      27,374</u>

**30.1.1** The tax rate applicable on the Company for Tax Year 2021 is 29% (2020: 29%).

**30.2** The Appeal lies before the Appellate Tribunal Inland Revenue, Karachi, filed against the order Commissioner (Appeals) who confirmed the order passed u/s 161/205 of the Income Tax Ordinance, 2001, for the Tax Year 2020, whereby an unjustified demand of Rs.69,804,739/- was raised u/s 161/205/182 of the Income Tax Ordinance, 2001. The Appeal has not yet been heard. The recovery of demand is, however, stayed by the ATIR till 10.02.2022 or decision appeal, which ever is earlier.

The Appeal filed before the Commissioner (Appeals), Karachi, against the order passed u/s 122(5A) of the Income Tax Ordinance, 2001, for the Tax Year 2019, on issues of unjustified additions on account of Cash withdrawal, Doubtfull receivable, Interest free loans to employees, capitalization of renovation expenses and provisions for gratuity. Consequently, an additional tax demand of Rs.7,020,760/- was raised. The Appeal Order has been received whereby the learned Commissioner (Appeals-III) has Annulled the additions made on account of deemed interest income on loans and account of provision for gratuity. After adjustment of additional tax demand of Rs 7,020,760/- against the refundable tax as per return of Rs.42,498,350/-. The Appeal Order is however decided, vide Appellate order No 44/2021 dated 26.07.2021, which received on 26.08.2021 and thereby annulled the tax demand amounting to Rs 4,660,793/-. This remaining demand has already been adjusted against the Refundable tax of Rs.42,498,350/- as per Return of Tax Year - 2019 therefore, no provision whatsoever is required.

# Habib Insurance Company Limited

The income tax department has made an assessment order for assessment year 2018 by adding back expenses, written off of bad debts, loan to employees, capitalization of renovation expenses and provision for gratuity. The Company had filed appeal before the Commissioner, Inland Revenue (Appeals-I) on which partial relief was allowed to the Company and amount of Rs 1.5 million was payable by the Company. The second appeal filed by the department has not been fixed yet.

The Company has filed return of total income for the tax year 2018 (financial year ended December 31, 2017) against which a notice under section 122(5A) has been served on the Company for amendments in the return filed by the Company for the said tax year. The amendments mainly relate to non withholding of tax on commission paid, addition on amount of cash withdrawal and admissibility of various provision / expenses / credits etc. Furthermore, in respect of tax years 2011 to 2016 the tax authorities have issued orders disallowing certain expenses claimed by the Company. The Company has filed appeals against the said orders before the ATIR which are yet to be fixed for hearing. Based on the opinion of tax advisor, the management believes that the case will be decided in favour of the Company.

The Income Tax department has issued an assessment order for assessment year 2017 by charging taxes on administrative expenses, commission expenses, claim expenses, fixed capital expenditure, rent expenses, and dividend payment. The company had filed appeal before the Commissioner (Appeal-II) which was decided against the company. The company had filed second appeal before the Appellate Tribunal Inland Revenue, Karachi against the Order of Commissioner (Appeal-I), Karachi who has maintained the unjustified demand of Rs 221 million. This case has been settled during the year with the payment of default surcharge to Rs 1.26 million u/s 161 of ITO.2001.

The income tax department has issued an assessment order for assessment year 2011, 2014 and 2015 amounting to Rs. 23 million, Rs. 2.4 million, Rs. 4.4 million respectively by charging tax on dividend and capital gain as single basket, disallowance of provision for IBNR, non-deduction of tax on commission payment, addition of cash withdrawals, provision for impairment, provision for gratuity, provision for workers welfare fund, donations, capital expenditure, renovation of rented premises, bonus shares and loan to employees. The Company has filed an appeal before the Appellate Tribunal Inland Revenue, Karachi. Appeals are yet to be fixed for hearing.

In respect of tax year 2013 consequent to appeal effect a refund of Rs. 9 million is determined. The rectification application u/s 221 is pending with the tax department in respect of tax year 2011, 2014 and 2015.

In respect of tax year 2008 and 2009 Civil Appeals were filed by the Commissioner Inland Revenue, LTU, Karachi against the Consolidated Judgment passed by the Honourable High Court of Sindh, Karachi on the issue of Allocation of Expenses towards Dividend Income u/s 67 of the Income Tax Ordinance, 2001. Civil Appeals were ordered to be heard ex-parte. An application was filed for setting aside the order for ex-parte proceedings and to allow enter appearance to argue the case on merits. The main appeals along with the said applications were last fixed for hearing on March 12, 2020; however, on the said date the matter was adjourned. No further date of hearing has been communicated till date.

In respect of tax year 2005 Company challenged the notice issued by Federal Board of Revenue under section 122(9) for further amendment of assessment under section 122(5A) of the Income Tax Ordinance, 2001. The Honourable High Court has granted an interim stay order and the matter is still pending before the Honourable High Court of Sindh.

In respect of assessment year 1999-2000 and 2000-2001 the department field civil petition leave to appeal against the judgement passed by the Honourable High Court of Sindh in the Honourable Supreme Court of Pakistan. The Civil petition leave to appeal has been granted and converted into Civil Appeal. The proceedings are still pending before the Honourable Supreme Court of Pakistan.

The company received show cause notice from the office of Assistant Commissioner Sindh Revenue Board, Karachi for short payment of sales tax on reinsurance services obtained from July till December 2011 and January 2012 till December 2013. The adjudication proceedings are under process. The Company obtained the interim stay order from Honourable High Court of Sindh, Karachi. If the appeal is decided against the company a tax liability of Rs. 72 million would arise. Based on the opinion of tax advisor, the management believes that the case will be decided in favour of the Company, hence no provision is recorded in the financial statements.

An appeal is pending before the Commissioner Appeals Sindh Revenue Board, Karachi related to sales tax on reinsurance. The Company obtained the interim stay order from Honourable High Court of Sindh, Karachi till the judgement passed by Commissioner Appeals SRB. If the appeal is decided against the company a tax liability of Rs. 190 million would arise. Based on the opinion of tax advisor, the management believes that the case will be decided in favour of the Company, hence no provision is recorded in the financial statements.

Provision against the above matters have not been made in this financial statement as the management believes that the matters are expected to be decided in their favor.



# Habib Insurance Company Limited

	2021 (Rupees in '000)	2020
<b>31. EARNINGS PER SHARE - BASIC AND DILUTED</b>		
Profit after tax for the year	<u>107,024</u>	<u>61,663</u>
	(Number of Shares)	
Weighted average number of ordinary shares of Rs.5 each	<u>123,874,755</u>	<u>123,874,755</u>
	(Rupees)	
Earnings per share	<u>0.86</u>	<u>0.50</u>
<b>31.1</b>	No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.	

## 32. COMPENSATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES / KEY MANAGEMENT PERSONNEL

The aggregate amount charged to in the financial statements, including all benefits, to the Chief Executive Officer, Directors and Executives/ Key Management Personnel of the Company are as follows:

	Note	Chief Executive Officer		Directors		Executives / Key Management Personnel		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
		(Rupees in '000)							
Fee		–	–	690	690	–	–	690	690
Managerial remuneration	32.1	11,904	10,755	19,658	18,731	99,851	58,699	131,413	88,185
Bonus		1,713	1,380	2,750	2,527	11,774	7,271	16,237	11,178
Retirement benefits		669	605	1,100	1,048	5,953	3,382	7,722	5,035
Others		1,553	795	2,482	1,575	15,640	4,757	19,675	7,127
		<u>15,839</u>	<u>13,535</u>	<u>26,680</u>	<u>24,571</u>	<u>133,218</u>	<u>74,109</u>	<u>175,737</u>	<u>112,215</u>
Number of persons		<u>1</u>	<u>1</u>	<u>9</u>	<u>9</u>	<u>52</u>	<u>15</u>	<u>62</u>	<u>25</u>

### 32.1 Managerial remuneration includes basic salary, house rent allowance and utility allowance.

The Chief Executive Officer, Executive director and other executives of the Company are entitled to medical reimbursement upto a prescribed limit as per Company's policy. They are also entitled to avail benefits under the un-funded approved gratuity scheme operated by the Company.

In addition, the Chief Executive Officer, Executive Director and other executives / key management personnel are provided with free use of Company maintained cars in accordance with their entitlement.

## 33. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associated companies, companies with common directors, major shareholders, staff retirement funds, directors and key management personnel.

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



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## **Transactions and balances with associated companies**

	2021	2020
	(Rupees in '000)	
<b>Transactions during the year with associated companies</b>		
Premium written	340,070	242,108
Claims paid	283,377	183,117
Dividend received	33,825	24,317
Dividend paid	4,558	4,557
Investment made	28,895	19,285
Investment sold	—	16,679
Gain on sale of investments	—	9,250
Interest received on bank accounts	4,635	2,185
Bank charges	372	347
Fees paid	690	690
Lease rentals paid	22,504	23,644
Security deposit paid	2,870	5,157
Capital Expenditure	53,736	—
Interest expense	6,485	8,470
Remuneration of key management personnel	175,737	112,215
<b>Balances with associated companies</b>		
Premium due but unpaid	268,350	114,831
Claims outstanding	87,200	126,698
Bank balances	73,687	178,058
Investment held	484,251	473,058
Security deposit	—	25,031
Lease liability	—	76,440
<b>Transactions during the year with other related parties including key management personnel</b>		
Repayment of loans to employees (secured)	6,879	5,509
Brokerage expenses paid	170	313
Contribution to the provident fund	10,442	9,767
<b>Balances with other related parties including key management personnel</b>		
Premium due but unpaid	101	—
Loans to employees (secured)	44,508	21,792

**33.1** Remuneration to the key management personnel are in accordance with the terms of their employment (refer note 32). Contribution to the provident fund is in accordance with the Company's staff services rules and other transactions with the related parties are in accordance with the agreed terms.

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## 34. SEGMENT REPORTING

	2021					
	Fire and property	Marine and transport	Motor	Group Hospitalisation	Other Classes	Aggregate
	(Rupees in '000)					
Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative surcharge)	826,440	405,042	906,846	15,598	194,756	2,348,682
Less: Federal Excise Duty	103,836	45,289	111,565	1,817	26,013	288,520
Federal Insurance Fee	6,992	3,562	7,847	136	1,864	20,401
Gross written premium (inclusive of Administrative Surcharge)	715,612	356,191	787,434	13,645	166,879	2,039,761
Gross direct premium	691,904	343,611	756,087	13,615	163,289	1,968,506
Facultative inward premium	16,872	625	2,506	—	83	20,086
Administrative surcharge	6,836	11,955	28,841	30	3,507	51,169
	715,612	356,191	787,434	13,645	166,879	2,039,761
Insurance premium earned	679,927	343,659	660,865	13,455	157,313	1,855,219
Insurance premium ceded to reinsurers	(585,171)	(184,216)	(200,663)	—	(79,004)	(1,049,054)
<b>Net insurance premium</b>	94,756	159,443	460,202	13,455	78,309	806,165
Premium deficiency reserve	—	—	—	(173)	—	(173)
Commission income	108,365	65,197	71,226	—	14,054	258,842
<b>Net underwriting income</b>	203,121	224,640	531,428	13,282	92,363	1,064,834
Insurance claims	407,987	150,384	343,375	11,125	131,328	1,044,199
Insurance claims recovered from reinsurers	(381,868)	(83,715)	(127,673)	—	(70,686)	(663,942)
<b>Net Claims</b>	26,119	66,669	215,702	11,125	60,642	380,257
Commission expense	(112,475)	(38,457)	(39,932)	(51)	(23,964)	(214,879)
Management expenses	(174,869)	(87,040)	(192,420)	(3,334)	(40,779)	(498,442)
Net insurance claims and expenses	(287,344)	(125,497)	(232,352)	(3,385)	(64,743)	(713,321)
<b>Underwriting result</b>	(110,342)	32,474	83,374	(1,228)	(33,022)	(28,744)
Investment income						141,031
Other income						74,216
Other expenses						(10,785)
<b>Results of operating activities</b>						175,718
Financial charges						(10,924)
Loss from Window Takaful Operations - Operator's Fund						(17,137)
<b>Profit before tax</b>						147,657
<b>Segment assets</b>	898,076	453,920	872,899	17,772	207,786	2,450,453
<b>Unallocated assets</b>						1,676,759
<b>Unallocated assets of General Takaful Operations - Operator's Fund</b>						66,540
						4,193,752
<b>Segment liabilities</b>	861,942	435,655	837,776	17,057	199,425	2,351,855
<b>Unallocated liabilities</b>						549,326
<b>Unallocated liabilities of General Takaful Operations - Operator's Fund</b>						37,497
						2,938,678

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	2020					
	Fire and property	Marine and transport	Motor	Group Hospitalisation	Other Classes	Aggregate
	(Rupees in '000)					
Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative surcharge)	754,286	313,190	653,896	16,026	167,453	1,904,851
Less: Federal Excise Duty	93,120	35,368	78,712	1,823	20,943	229,966
Federal Insurance Fee	6,383	2,733	5,693	141	1,486	16,436
Gross written premium (inclusive of Administrative Surcharge)	654,783	275,089	569,491	14,062	145,024	1,658,449
Gross direct premium	630,208	264,944	546,980	14,019	142,998	1,599,149
Facultative inward premium	18,672	634	1,980	—	—	21,286
Administrative surcharge	5,903	9,511	20,531	43	2,026	38,014
	654,783	275,089	569,491	14,062	145,024	1,658,449
Insurance premium earned	622,873	260,885	559,261	11,876	164,157	1,619,052
Insurance premium ceded to reinsurers	(503,877)	(136,025)	(150,023)	—	(90,457)	(880,382)
<b>Net insurance premium</b>	118,996	124,860	409,238	11,876	73,700	738,670
Premium deficiency reserve	—	—	—	(3,915)	—	(3,915)
Commission income	92,805	54,097	51,668	—	18,210	216,780
<b>Net underwriting income</b>	211,801	178,957	460,906	7,961	91,910	951,535
Insurance claims	635,569	122,601	316,463	15,305	71,402	1,161,340
Insurance claims recovered from reinsurers	(565,887)	(68,673)	(141,424)	—	(29,453)	(805,437)
<b>Net Claims</b>	69,682	53,928	175,039	15,305	41,949	355,903
Commission expense	(87,625)	(33,501)	(23,643)	(60)	(21,486)	(166,315)
Management expenses	(162,969)	(69,461)	(143,799)	(3,551)	(36,619)	(416,399)
Net insurance claims and expenses	(250,594)	(102,962)	(167,442)	(3,611)	(58,105)	(582,714)
<b>Underwriting result</b>	(108,475)	22,067	118,425	(10,955)	(8,144)	12,918
Investment income						94,145
Other income						11,668
Other expenses						(9,538)
<b>Results of operating activities</b>						109,193
Financial charges						(16,752)
Loss from Window Takaful Operations - Operator's Fund						(3,404)
<b>Profit before tax</b>						89,037
<b>Segment assets</b>	888,306	372,059	797,586	16,937	234,111	2,308,999
<b>Unallocated assets</b>						1,638,245
<b>Unallocated assets of General Takaful Operations - Operator's Fund</b>						70,632
						4,017,876
<b>Segment liabilities</b>	808,809	338,763	726,208	15,421	213,160	2,102,361
<b>Unallocated liabilities</b>						591,357
<b>Unallocated liabilities of General Takaful Operations - Operator's Fund</b>						23,910
						2,717,628

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## 35. MOVEMENT IN INVESTMENTS

	Held to Maturity	Available- for-sale (Rupees in '000)	Total
<b>As at January 01, 2020</b>	277,867	987,699	1,265,566
Additions	—	363,943	363,943
Transfer due to reclassification	(277,867)	277,867	—
Disposals (sale and redemption)	—	(387,110)	(387,110)
Fair value net gains (excluding net realised gains)	—	71,337	71,337
Impairment of investments	—	(556)	(556)
Amortisation of premium/ discount	—	2,368	2,368
<b>As at December 31, 2020</b>	—	1,315,548	1,315,548
Additions	—	1,116,371	1,116,371
Disposals (sale and redemption)	—	(932,129)	(932,129)
Fair value net gains (excluding net realised gains)	—	(106,789)	(106,789)
Impairment of investments	—	(208)	(208)
Amortisation of premium/ discount	—	824	824
<b>As at December 31, 2021</b>	—	1,393,617	1,393,617

## 36. MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

The Company issue contracts that transfer insurance risk or financial risk or both. This section summarises the insurance risks and the way the Company manages them.

### 36.1 Insurance risk management

#### 36.1.1 Insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of compensation to the insured. Generally most insurance contracts carry the insurance risk for a period of one year.

The Company accepts insurance through issuance of general insurance contracts. For these general insurance contracts the most significant risks arise from fire, atmospheric disturbance, earthquakes, transit, theft and third party liabilities etc.

Risk associated with general insurance contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the insured events. This has been managed by having in place underwriting strategy, reinsurance arrangements and proactive claim handling procedures.

#### 36.1.2 Frequency and severity of claims

Risk associated with general insurance contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the insured events. This has been managed by having in place underwriting strategy, reinsurance arrangements and proactive claim handling procedures.

The reinsurance arrangements against major risk exposure include excess of loss, quota share, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on Company's net retentions.

#### 36.1.3 Uncertainty in the estimation of future claim payments

Claims on general insurance contracts are payable on a claim occurrence basis. The Company is liable for all insured events as per terms and condition of the insurance contract.

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The key source of estimation uncertainty at the financial statement date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the financial statement date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the financial statement date. The details of estimation of outstanding claims (including IBNR) are given under note 3.20.

There are several variable factors which affect the amount and timing of recognised claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognised amount. Similarly, the provision for claims incurred but not reported is based on historic reporting pattern of the claims; hence, actual amount of incurred but not reported claims may differ from the amount estimated. Outstanding claims are reviewed on a periodic basis.

## 36.1.4 Key assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected income. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate case to case basis with due regard to the claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Core estimates are reviewed regularly and are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of financial statement date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

## 36.1.5 Sensitivity Analysis

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 claims numbers and expected loss ratios. The Company considers that the liability for claims recognized in the financial statement is adequate. However, actual experience may differ from the expected outcome.

The claim liabilities are sensitive to the incidence of insured events and severity / size of claims. 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. The impact of 10% increase / decrease in incidence of insured events on profit before tax and shareholder's equity is as follows:

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	Underwriting results/ profit before tax		Shareholder's equity	
	2021	2020	2021	2020
	(Rupees in '000)			
<b>Impact of change in claims liabilities +10%</b>				
Fire and property	(2,612)	(6,968)	(1,855)	(4,947)
Marine and transport	(6,667)	(5,393)	(4,734)	(3,829)
Motor	(21,570)	(17,504)	(15,315)	(12,428)
Group hospitalisation	(1,113)	(1,531)	(790)	(1,087)
Other classes	(6,064)	(4,195)	(4,305)	(2,978)
	<u>(38,026)</u>	<u>(35,591)</u>	<u>(26,999)</u>	<u>(25,269)</u>
<b>Impact of change in claims liabilities –10%</b>				
Fire and property	2,612	6,968	1,855	4,947
Marine and transport	6,667	5,393	4,734	3,829
Motor	21,570	17,504	15,315	12,428
Group hospitalisation	1,113	1,531	790	1,087
Other classes	6,064	4,195	4,305	2,978
	<u>38,026</u>	<u>35,591</u>	<u>26,999</u>	<u>25,269</u>

## 36.1.6 Concentration of risk

To optimise 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 risk with reference to the geographical location, the most important of which is risk survey.

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the commercial / industrial / residential occupation of the insured. Details regarding the fire separation / segregation with respect to the manufacturing process, storage, utilities, etc. are extracted from the layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters / reinsurance personnel for their evaluation. Reference is made to the standard construction specification as laid down by IAP (Insurance Association of Pakistan). For instance, the presence of perfect party walls, double fire proof iron doors, physical separation between the building within an insured's premises. It is basically the property contained within an area which is separated by another property by sufficient distance to confine insured damage from uncontrolled fire and explosion under the most adverse conditions to that one area.

For marine risks, complete underwriting details such as sums insured, mode of transport (air / inland transit), vessel identification, sailing dates, origin and destination of the shipments, per carry limits, accumulation of sum insured on a single voyage etc. are taken into consideration.

The ability to manage catastrophic risk is tied managing the density of risk within a particular area. For catastrophic aggregates, the system assigns precise geographic CRESTA (Catastrophe Risk Evaluating and standardising Target Accumulations) codes with reference to the accumulation of sum insured in force at any particular location against natural perils.

A number of proportional and non-proportional reinsurance arrangements are in place to protect the net account. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above the said limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the Company.

The Company minimises its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

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The concentration of risk by type of contracts based on single risk with maximum exposure is summarised below.

	Gross sum insured		Reinsurance		Net	
	2021	2020	2021	2020	2021	2020
	(Rupees in ' 000)					
Fire and property	8,827,396	27,851,614	8,823,896	27,848,114	3,500	3,500
Marine and transport	1,600,473	3,014,054	1,598,973	3,012,554	1,500	1,500
Motor	67,500	65,000	48,500	63,000	19,000	2,000
Group hospitalisation	1,500	700	—	—	1,500	700
Other classes	580,395	4,159,952	576,895	4,156,452	3,500	3,500
	<u>11,077,264</u>	<u>35,091,320</u>	<u>11,048,264</u>	<u>35,080,120</u>	<u>29,000</u>	<u>11,200</u>

## 37 FINANCIAL RISK MANAGEMENT

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

### Risk management framework

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

### 37.1 Credit risk

Credit risk is the risk that 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 credit worthiness of counterparties.

#### 37.1.1 Management of credit risk

The Company's policy is to enter into financial contracts in accordance with the guidelines set by the Board of Directors. Credit risk is managed and controlled by the management of the Company in the following manner:

- Credit rating and / or credit worthiness of the counter party is taken into account along with the financial background so as to minimize the risk of default. Collaterals are obtained wherever appropriate / relevant.
- The risk of counterparty exposure due to failed agreements causing a loss to the Company is mitigated by a periodic review of the credit ratings, financial statements, credit worthiness, etc. on a regular basis and makes provision against those balances considered doubtful of recovery.
- Loans given to employees are deductible from the salary of the employees.
- Cash is held with reputable banks only.

To reduce the credit risk the management continuously reviews and monitors the credit exposure towards the policyholders and other insurers/reinsurers and makes provision against those balances considered doubtful of recovery.



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## 37.1.2 Exposure to credit risk

Credit risk of the Company arises principally from the balances with banks, loans to employees, investments (except for investment in government securities and listed equity shares), premium due but unpaid, amount due from other insurers / reinsurers, reinsurance and other recoveries against outstanding claims and sundry receivable (except receivable against FED). In summary, compared to the amount included in statement of assets and liabilities, the maximum exposure to credit risk as at December 31 is as follows:

	2021		2020	
	Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
	(Rupees in ' 000)			
Investment in equity securities	1,210,429	1,210,429	985,611	985,611
Loans and other receivables	178,339	178,339	132,031	132,031
Insurance/ reinsurance receivables	1,181,492	1,181,492	983,879	983,879
Reinsurance recoveries against outstanding claims	553,170	553,170	595,673	595,673
Salvage recoveries accrued	51,077	51,077	9,205	9,205
Balances with banks	87,827	87,827	178,983	178,983
	<u>3,262,334</u>	<u>3,262,334</u>	<u>2,885,382</u>	<u>2,885,382</u>

## 37.1.3 Past due / impaired assets

Age analysis of premium due but unpaid at the reporting date was:

	2021		2020	
	Gross	Impairment	Gross	Impairment
	(Rupees in ' 000)			
Upto 1 year	593,704	—	485,344	—
1-2 years	38,718	13,519	36,658	10,870
2-3 years	3,499	5,170	3,512	3,512
Over 3 years	—	—	2,636	2,636
Total	<u>635,921</u>	<u>18,689</u>	<u>528,150</u>	<u>17,018</u>

Age analysis of amount due from other insurers/ reinsurers at the reporting date was:

	2021		2020	
	Gross	Impairment	Gross	Impairment
	(Rupees in ' 000)			
Upto 1 year	405,454	—	248,476	—
1-2 years	91,501	—	158,517	—
Over 2 years	73,805	6,500	72,254	6,500
Total	<u>570,760</u>	<u>6,500</u>	<u>479,247</u>	<u>6,500</u>



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Age analysis of reinsurance and other recoveries against outstanding claims at the reporting date was:

	2021		2020	
	Gross	Impairment	Gross	Impairment
	(Rupees in ' 000)			
Upto 1 year	30,661	–	316,258	–
1-2 years	194,471	–	44,485	–
Over 2 years	381,795	–	244,135	–
Total	<u>606,927</u>	<u>–</u>	<u>604,878</u>	<u>–</u>

In respect of the aforementioned insurance and reinsurance assets, the Company takes into account its past history / track record of recoveries and financial position of the counterparties while creating provision for impairment. Further, reinsurance recoveries are made when corresponding liabilities are settled.

## 37.1.4 Credit Rating and Collateral

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

	Short/ Long term Rating	Rating Agency	2021 (Rupees in ' 000)	2020
Habib Bank Limited	A1+ / AAA	JCR-VIS	14,140	925
Habib Metropolitan Bank Limited	A1+ / AA+	PACRA	50	50
Bank AL Habib Limited	A1+ / AA+	PACRA	73,637	178,008
			<u>87,827</u>	<u>178,983</u>

The Company enters into re-insurance / co-insurance arrangements with re-insurers / other insurers having sound credit ratings accorded by reputed credit rating agencies. The Company is required to comply with the requirements of circular no. 32 / 2009 dated October 27, 2009 issued by SECP which requires an insurance company to place at least 80% of their outward treaty cessions with reinsurers rated 'A' or above by Standard & Poor's with the balance being placed with entities rated at least 'BBB' by reputable ratings agency. An analysis of all reinsurance assets relating to outward treaty cessions recognised by the rating of the entity from which it is due is as follows:

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	2021	2020
	(Rupees in '000)				
A or above (including PRCL)	564,260	604,247	463,940	1,632,447	1,512,298

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## 37.1.5 Concentration of credit risk

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The company manages concentration of credit risk through diversification of activities among individuals, groups and industry segments.

Sector-wise analysis of premium due but unpaid at the reporting date was:

	2021		2020	
	(Rupees in '000)	%	(Rupees in '000)	%
Automobiles	172,076	27.9	70,391	13.8
Banks, modaraba and leasing	106,463	17.2	74,837	14.6
Textile and composite	73,072	11.8	44,486	8.7
Sugar	26,409	4.3	23,465	4.6
Chemicals and allied industries	22,266	3.6	44,412	8.7
Glass, ceramics and tiles	—	—	8,682	1.7
Cable, engineering and steel	2,665	0.4	33,582	6.6
Food and confectionary	31,879	5.2	31,872	6.2
Pharmaceuticals	7,513	1.2	15,287	3.0
Others	174,889	28.3	164,118	32.1
	<u>617,232</u>	<u>100</u>	<u>511,132</u>	<u>100</u>

## 37.1.6 Settlement risk

The company's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

This risk is addressed more or less in accordance with the parameters set out in the credit risk management above.

## 37.1.7 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or may face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

## 37.1.8 Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfil its obligation; monitoring financial statement liquidity ratios against internal and external requirements and maintaining debt financing plans.

## 37.1.9 Maturity analysis for financial assets and liabilities

The table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the financial statement date to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows (including interest payments):

# Habib Insurance Company Limited

	2021						
	Interest/ Markup bearing			Non-Interest/ Non-markup bearing			Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year (Rs. in '000)	Maturity after one year	Sub Total	
<b>FINANCIAL ASSETS</b>							
Investments							
Equity securities	–	–	–	1,210,429	–	1,210,429	1,210,429
Government securities	–	47,885	183,188	–	–	–	183,188
Loans and other receivables	135,303	55,407	60,397	110,867	–	110,867	171,264
Insurance / reinsurance receivables	4,990	–	–	1,181,492	–	1,181,492	1,181,492
Reinsurance recoveries against outstanding claims	–	–	–	553,170	–	553,170	553,170
Salvage recoveries accrued	–	–	–	51,077	–	51,077	51,077
Cash and bank	57,478	–	57,478	30,835	–	30,835	88,313
Window Takaful Operations - Operator's Fund	–	–	–	50,874	–	50,874	50,874
As at December 31, 2021	197,771	103,292	301,063	3,188,744	–	3,188,744	3,489,807

## FINANCIAL LIABILITIES

Outstanding claims including IBNR	–	–	–	–	786,589	786,589	786,589
Lease liability against right of use asset	–	37,528	37,528	–	–	–	37,528
Retirement benefits obligation	–	–	–	–	130,859	130,859	130,859
Insurance / reinsurance payables	–	–	–	379,589	–	379,589	379,589
Other creditors and accruals	–	–	–	298,916	–	298,916	298,916
Financial Liabilities - OPF	–	–	–	37,497	–	37,497	37,497
As at December 31, 2021	–	37,528	37,528	716,002	917,448	1,633,450	1,670,978

	2020						
	Interest/ Markup bearing			Non-Interest/ Non-markup bearing			Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year (Rs. in '000)	Maturity after one year	Sub Total	
<b>FINANCIAL ASSETS</b>							
Investments							
Equity securities	–	–	–	985,611	–	985,611	985,611
Government securities	–	329,937	329,937	–	–	–	329,937
Loans and other receivables	4,747	52,493	57,240	66,969	–	66,969	124,209
Insurance / reinsurance receivables	–	–	–	983,879	–	983,879	983,879
Reinsurance recoveries against outstanding claims	–	–	–	595,673	–	595,673	595,673
Salvage recoveries accrued	–	–	–	9,205	–	9,205	9,205
Cash and bank	179,232	–	179,232	–	–	–	179,232
Window Takaful Operations - Operator's Fund	–	–	–	61,391	–	61,391	61,391
As at December 31, 2020	183,979	382,430	566,409	2,702,728	–	2,702,728	3,269,137

## FINANCIAL LIABILITIES

Outstanding claims including IBNR	–	–	–	–	819,119	819,119	819,119
Premium deficiency reserves	–	–	–	6,151	–	6,151	6,151
Retirement benefits obligation	–	–	–	–	119,302	119,302	119,302
Lease liability against right of use asset	–	137,642	137,642	–	–	–	137,642
Insurance / reinsurance payables	–	–	–	317,459	–	317,459	317,459
Other creditors and accruals	–	–	–	208,040	–	208,040	208,040
Financial Liabilities - OPF	–	–	–	23,910	–	23,910	23,910
As at December 31, 2020	–	137,642	137,642	555,560	938,421	1,493,981	1,631,623

# Habib Insurance Company Limited

## 37.2 Fair value of financial instruments

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). Adoption of IFRS 13 has not affected the condensed interim financial information.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

The following table shows financial instruments recognized at fair value, analysed between those whose fair value is based on:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2021					Fair value measurement using		
	Available for sale	Loans & receivable	Other financial assets	Other financial liabilities (Rupees in '000)	Total	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>								
Investments								
Equity securities - quoted	1,187,970	—	—	—	1,187,970	1,187,970	—	—
Mutual fund units	2,382	—	—	—	2,382	—	2,382	—
Modaraba certificates	20,077	—	—	—	20,077	—	—	—
Debt securities	183,188	—	—	—	183,188	—	183,188	—
<b>Financial assets not measured at fair value</b>								
Loans and other receivables	—	171,264	—	—	171,264	—	—	—
Insurance / reinsurance receivable	—	1,181,492	—	—	1,181,492	—	—	—
Reinsurance recoveries against outstanding claims	—	553,170	—	—	553,170	—	—	—
Salvage recoveries accrued	—	51,077	—	—	51,077	—	—	—
Cash and bank balances	—	—	88,313	—	88,313	—	—	—
Total assets of Window Takaful Operations - Operator's Fund	35,051	—	15,823	—	50,874	—	—	—
	1,428,668	1,957,003	104,136	—	3,489,807	1,187,970	185,570	—
<b>Financial liabilities not measured at fair value</b>								
Outstanding claims including IBNR	—	—	—	(786,589)	(786,589)	—	—	—
Lease liability against right of use asset	—	—	—	(37,528)	(37,528)	—	—	—
Retirement benefits obligation	—	—	—	(130,859)	(130,859)	—	—	—
Insurance / reinsurance payables	—	—	—	(379,589)	(379,589)	—	—	—
Other creditors and accruals	—	—	—	(298,916)	(298,916)	—	—	—
Total liabilities of Window Takaful Operations - Operator's Fund	—	—	—	(37,497)	(37,497)	—	—	—
	—	—	—	(1,670,978)	(1,670,978)	—	—	—

# Habib Insurance Company Limited

	2020					Fair value measurement using		
	Available for sale	Loans & receivable	Other financial assets	Other financial liabilities (Rupees in '000)	Total	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>								
Investments								
Equity securities - quoted	985,611	–	–	–	985,611	959,473	–	–
Government securities	–	329,937	–	–	329,937	–	329,937	–
<b>Financial assets not measured at fair value</b>								
Investments								
Debt securities	–	124,209	–	–	124,209	–	–	–
Loans and other receivables	–	983,879	–	–	983,879	–	–	–
Insurance / reinsurance receivable	–	595,673	–	–	595,673	–	–	–
Reinsurance recoveries against outstanding claims	–	–	–	–	–	–	–	–
Salvage recoveries accrued	–	–	9,205	–	9,205	–	–	–
Cash and bank balances	–	–	179,232	–	179,232	–	–	–
Total assets of Window Takaful Operations - Operator's Fund	27,208	19,449	14,734	–	61,391	–	–	–
	1,012,819	2,053,147	203,171	–	3,269,137	959,473	329,937	–
<b>Financial liabilities not measured at fair value</b>								
Outstanding claims including IBNR	–	–	–	(819,119)	(819,119)	–	–	–
Premium deficiency reserves	–	–	–	(6,151)	(6,151)	–	–	–
Retirement benefits obligation	–	–	–	(119,302)	(119,302)	–	–	–
Lease liability against right of use asset	–	–	–	(137,642)	(137,642)	–	–	–
Insurance / reinsurance payables	–	–	–	(317,459)	(317,459)	–	–	–
Other creditors and accruals	–	–	–	(208,040)	(208,040)	–	–	–
Total liabilities of Window Takaful Operations - Operator's Fund	–	–	–	(23,910)	(23,910)	–	–	–
	–	–	–	(1,631,623)	(1,631,623)	–	–	–

The carrying values of remaining financial assets and liabilities reflected in these financial statements approximate to their fair value.

# Habib Insurance Company Limited

## 37.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will effect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

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.

### 37.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate exposure arises from balances held in profit and loss sharing accounts with reputable banks and government securities. The Company limits interest rate risk by monitoring changes in interest rates. Other risk management procedures are the same as those mentioned in the credit risk management.

#### 37.3.1.1 Sensitivity analysis

At the financial statement date the interest rate profile of the Company's interest-bearing financial instrument are as follows:

	2021	2020	2021	2020
Financial assets	Effective interest rate (in %)		(Rupees in '000)	
Assets subject to fixed rate				
- Government securities	9.50% - 12.00%	8.75% - 12.00%	88,023	329,937
- Treasury bills	10.93%	—	95,165	—
- Loan to employees	4.00% to 12.00%	4.00% to 12.00%	60,397	57,240
Assets subject to variable rate				
- Bank balances	6.50% - 8.25%	6.25% - 11.75%	57,478	171,676

#### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any 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.

#### Cash flow sensitivity analysis for variable rate instruments

A hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below.

It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

# Habib Insurance Company Limited

	2021		2020	
	Mark-up 100 bps Increase	Decrease	Mark-up 100 bps Increase	Decrease
	(Rupees in '000)			
Cash flow sensitivity - variable rate financial assets	5,748	(5,748)	17,168	(17,168)

## 37.3.1.2 Exposure to interest rate risk

A summary of the Company's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

		2021			
		Mark-up/ return (%)	Less than 1 year	1 year to 5 year	More than 5 year
		(Rupees in '000)			
<b>Assets</b>					
Investment in Government Securities	9.50 to 12.00		40,139	47,884	–
Treasury bills	10.93		95,165	–	–
Loans to employees	3.00 to 12.00		4,990	55,407	–
Bank balances	6.50 to 8.25		57,478	–	–
Total assets			197,772	103,291	–
<b>Liabilities</b>			–	–	–
Total interest sensitivity gap			197,772	103,291	–
		2020			
		Mark-up/ return (%)	Less than 1 year	1 year to 5 year	More than 5 year
		(Rupees in '000)			
<b>Assets</b>					
Investment in Government Securities	8.75 to 12.00		–	329,937	–
Loans to employees	3.00 to 12.00		4,747	52,493	–
Bank balances	6.25 to 11.75		171,676	–	–
Total assets			176,423	382,430	–
<b>Liabilities</b>			–	–	–
Total interest sensitivity gap			176,423	382,430	–

## 37.2.1.2 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 / mark-up 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. Company is exposed to equity price risk since it has investments in quoted equity securities and units of mutual funds at the financial statement date.

# Habib Insurance Company Limited

The Company's strategy is to hold its strategic equity investments for long period of time. Thus, Company's 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. Company strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

Market prices are subject to fluctuation and consequently the amount realized in the subsequent 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. The Company has no significant concentration of price risk.

## 37.3.2.1 Sensitivity analysis

The table below summarizes Company's equity price risk as of 31 December 2021 and 2020 and shows the effects of a hypothetical 10% increase / (decrease) in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse in Company's equity investment portfolio because of the nature of equity markets.

	Fair value (Rupees in '000)	Hypothetical price change	Estimated fair value after change in prices (Rupees in '000)	Increase/ (decrease) in shareholders' equity	Increase (decrease) in profit before tax
2021	1,210,429	10% increase 10% decrease	1,331,472 1,089,386	121,043 (121,043)	121,043 (121,043)
2020	985,611	10% increase 10% decrease	1,084,172 887,050	98,561 (98,561)	98,561 (98,561)

## 37.3.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of 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.

## 37.4 Capital Management

The Company's objective when managing capital is to safe guard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

The Company currently meets the paid-up capital requirement as required by Securities and Exchange Commission of Pakistan.

The statement of solvency is presented in note 39 to the financial statements.



# Habib Insurance Company Limited

## 38. STATEMENT OF SOLVENCY

	2021 (Rupees in '000)	2020
<b>Assets</b>		
Property and equipment	68,892	185,179
Intangible assets	666	2,191
Investments		
Equity securities	1,210,429	985,611
Debt securities	183,188	329,937
Loans and other receivables	178,339	132,031
Insurance/ reinsurance receivable	1,181,492	983,879
Reinsurance recoveries against outstanding claims	553,170	595,673
Salvage recoveries accrued	51,077	9,205
Deferred commission expense	131,216	98,200
Prepayments	476,790	445,798
Taxation - payment less provisions	3,387	—
Cash and bank deposits	88,566	179,541
Total assets - Operator's Fund	66,540	70,631
	<u>4,193,752</u>	<u>4,017,876</u>

### In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance, 2000

Property and equipment	32,702	29,630
Intangible Assets	666	2,191
Investments		
Equity securities	469,707	315,096
Loans and other receivables	13,070	17,354
Insurance / reinsurance receivable	280,949	231,145
<b>Total of In-admissible Assets (B)</b>	<u>797,094</u>	<u>595,416</u>

<b>Total of Admissible Assets (C=A-B)</b>	<u>3,396,658</u>	<u>3,422,460</u>
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### Total Liabilities

Underwriting provisions		
Outstanding claims including IBNR	786,589	819,119
Unearned premium reserves	1,002,575	818,033
Unearned reinsurance commission	160,786	127,746
Premium deficiency reserve	6,324	6,151
Deferred taxation	82,023	124,128
Financial lease liability	37,528	137,642
Premium received in advance	15,992	13,852
Retirement benefit obligations	130,859	119,302
Insurance / reinsurance payables	379,589	317,459
Taxation - provision less payments	—	2,246
Other creditors and accruals	298,916	208,040
Total assets - Operator's Fund	37,497	23,910
<b>Total Liabilities (D)</b>	<u>2,938,678</u>	<u>2,717,628</u>

<b>Total Net Admissible Assets (E= C-D)</b>	<u>457,980</u>	<u>704,832</u>
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<b>Minimum Solvency Requirement</b>	<u>(209,462)</u>	<u>(176,169)</u>
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<b>Excess Solvency</b>	<u>248,518</u>	<u>528,663</u>
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# Habib Insurance Company Limited

## 39. CORRESPONDING FIGURES

Previous year's other expenses have been included in management expenses of the previous year for an appropriate comparison and better presentation

## 40. SUBSEQUENT EVENTS - NON ADJUSTING

In the meeting held on March 31, 2022 the Board of Directors of the Company proposed a final cash dividend of Rs.0.625 per share (2020: Rs.0.5 per share) amounting to Rs.77.422 million (2020: Rs. 61.937 million) for the year ended December 31, 2021, for approval by the members in Annual General Meeting to be held on April 28, 2022.

## 41. NUMBER OF EMPLOYEES

The total average number of employees during the year end as at December 2021 and 2020 are as follows:

	2021	2020
At year end	<u>243</u>	<u>234</u>
Average during the year	<u>238</u>	<u>229</u>

## 42. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on March 00, 2022 by the Board of Directors of the Company.

## 43. GENERAL

Figures has been rounded off to the nearest thousand rupees.

RAFIQ M. HABIB  
*Chairman*

MANSOOR G. HABIB  
*Director*

AUN MOHAMMAD A. HABIB  
*Director*

SHABBIR GULAMALI  
*Chief Executive*

MURTAZA HUSSAIN  
*Chief Financial Officer*

# Habib Insurance Company Limited

## **Financial Statements**

### **Window Takaful Operations**

# Habib Insurance Company Limited

## Shariah Advisory Board's Report to the Board of Directors for the year ended December 31, 2021

The Company, Habib Insurance Company Limited commenced Window Takaful Operations on October 1, 2018. By the grace of Almighty Allah and sincere efforts of Management, the year under review was the third successful year of Window Takaful Operations.

As per the charter of the Company, it is mandatory on the management and employees to ensure application of Shariah guidelines issued by the Shariah Advisory Board and to ensure Shariah compliance in all activities of the Company. The prime responsibility for ensuring Shariah compliance of the Company's operations thus lies with the management.

We acknowledge that as Shariah Advisory Board members of Takaful Operator, it is our responsibility to provide Shariah guidelines and develop framework for assurance that the financial arrangements, contracts and transactions undertaken by the Takaful Operator with its participants and stakeholders are in compliance with the requirements of Shariah rules and principles.

During the year, the Company executed variety of established Takaful transactions which are approved by the Shariah Advisory Board of the company. The Company is offering Shariah Compliant services in the following areas:

- Fire and Property Takaful
- Engineering Takaful
- Marine Takaful
- Motor Takaful
- Miscellaneous Takaful

The Company invests its available funds in the approved Shariah Compliant avenues.

The Takaful Operator's activities and operations are periodically checked and monitored by Shariah Advisory Board. In order to have an independent assessment of the Shariah Governance and Compliance environment of the Takaful operations under taken by the Operator and the conformity of Takaful operations with Shariah rules and principles an external Shariah audit was conducted. Further, Shariah Compliance review through Shariah Compliance officer was conducted as well. Based on their reports and statement of compliance with the Shariah Principles submitted by the Operator/Management to the Board of Director, We hereby present our report as follows:

In our opinion and to the best of our knowledge, the financial arrangements, products and transactions entered into by the Company and the Waqf, as the case may be, for the year ended December 31, 2021 are in compliance with the requirements of the Shariah rules and guidelines as prescribed by the Shariah Advisory Board and Allah knows the best. However, the following are recommended:

- The Operator/ management should take concrete measures to play pivotal role in sound and transparent growth of Takaful countrywide.
- Necessary steps should be taken to educate all staff including business development staff about the concept and practice of Takaful.

May Allah bless us with the best Tawfeeq to achieve these precious tasks and bestow us with success in world and in the world hereafter, and forgive us for our mistakes. A'ameen.

**Mufti Muhammad Hanif**  
Shariah Advisor & Member  
Shariah Advisory Board

**Mufti Muhammad Ashraf Alam**  
Member  
Shariah Advisory Board

**Mufti Imtiaz Alam**  
Chairman & Member  
Shariah Advisory Board

Karachi: March 31, 2022

# Habib Insurance Company Limited

## **Independent Reasonable Assurance Report to the Board of Directors on the Statement of Management's Assessment of Compliance with the Shariah Principles**

We were engaged by the Board of Directors of **Habib Insurance Company Limited** ("the Company") to report on the management's assessment of compliance of the Window Takaful Operations ("Takaful Operations") of the Company, as set out in the annexed statement prepared by the management for the year ended 31 December 2021, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

### **Applicable Criteria**

The criteria against which the subject matter information (the Statement) is assessed comprise of the provisions of Takaful Rules, 2012.

### **Responsibilities of the Management**

The Board of Directors / management of the Company are responsible for designing, implementing and maintaining internal controls relevant to the preparation of the annexed statement that is free from material misstatement, whether due to fraud or error. It also includes ensuring the overall compliance of the Takaful Operations with the Takaful Rules, 2012.

The Board of Directors / management of the Company are also responsible for preventing and detecting fraud and for identifying and ensuring that the Takaful Operations comply with laws and regulations applicable to its activities. They are also responsible for ensuring that the management, where appropriate, those charged with governance, and personnel involved with the Takaful Operations compliance with the Takaful Rules, 2012 are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Our responsibilities**

Our responsibility is to examine the annexed statement and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Takaful Rules, 2012, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Takaful Operations compliance with the Takaful Rules, 2012, in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the Takaful Operations' compliance with the Takaful Rules, 2012. Reasonable assurance is less than absolute assurance.

# Habib Insurance Company Limited

A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with Takaful Rules, 2012, and consequently cannot provide absolute assurance that the objective of compliance with Takaful Rules, 2012, will be met. Also, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail.

The procedures performed included:

- Evaluate the systems, procedures and practices in place with respect to the Takaful operations against the Takaful Rules, 2012 and Shariah advisor's guidelines;
- Evaluating the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shariah Advisor and the board of directors;
- Test for a sample of transactions relating to Takaful operations to ensure that these are carried out in accordance with the laid down procedures and practices including the regulations relating to Takaful operations as laid down in Takaful Rules, 2012; and
- Review the statement of management's assessment of compliance of the Takaful transactions during the year ended 31 December 2021 with the Takaful Rules, 2012.

## Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, for the year ended 31 December 2021, presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

Date: April 07, 2022

Karachi

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**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

# Habib Insurance Company Limited

## **Statement of Compliance with the Takaful Rules, 2012 and Sharia Rules and Principles**

The financial arrangements, contracts and transactions, entered into by Habib Insurance Company Limited - Window Takaful Operations (the Operator) for the year ended December 31, 2021 are in compliance with the Takaful Rules, 2012 and the Shariah Rules and Principles determined by the Shariah Advisory Board of the Operator, (Shariah Rules and Principles).

Further, we confirmed that:

- The Company has developed and implemented all the policies and procedures in accordance with the Takaful Rules, 2012 and rulings of the Shariah Advisory Board along with a comprehensive mechanism to ensure compliance with such rulings and Takaful Rules, 2012 in their overall operations. Further, the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shariah Advisory Board and Board of Directors have been implemented;
- The Operator has imparted trainings/ orientations and ensured availability of all manuals/ agreements approved by Shariah Advisory Board/ Board of Directors to maintain the adequate level of awareness, capacity and sensitization of the staff, management;
- All the products and policies have been approved by Shariah Advisory Board and the financial arrangement including investments made, policies, contracts and transactions entered into by Window Takaful Operations are in accordance with the policies approved by Shariah Advisory Board; and
- The assets and liabilities of Window Takaful Operations (Participant Takaful Fund and Operator's fund) are segregated from its other assets and liabilities, at all times in accordance with provisions of the Takaful Rules, 2012

This has been duly confirmed by the Shariah Advisory Board of the Operator.

Karachi: March 31, 2022

SHABBIR GULAMLI  
*Chief Executive*

# Habib Insurance Company Limited

## INDEPENDENT AUDITOR'S REPORT

### To the members of Habib Insurance Company Limited – Window Takaful Operations

#### Report on the Audit of the Financial Statements

##### Opinion

We have audited the annexed financial statements of **Habib Insurance Company Limited** - Window Takaful Operations ("the Operator"), which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Operator's affairs as at 31 December 2021 and of the total comprehensive income, the changes in fund and its cash flows for the year then ended.

##### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Operator in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the Other Information. The Other Information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.



# Habib Insurance Company Limited

## **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirements of Insurance Ordinance, 2000 and, Companies Act, 2017 (XIX of 2017), and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Operator's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Operator or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Operator's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit, in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Operator's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Operator's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Operator to cease to continue as a going concern.

# Habib Insurance Company Limited

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## **Report on other legal and regulatory requirements**

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Operator as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Operator's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Aryn Pirani.

Date: April 07, 2022

Karachi

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

# Habib Insurance Company Limited

## Statement of Financial Position as at December 31, 2021

		Operator's Fund		Participant's Fund	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	Note		(Rupees in '000)		
<b>Assets</b>					
Investments					
Equity	5	—	36,448	—	—
Musharika certificate	6	35,051	—	80,116	—
Loans and other receivables	7	249	10,209	1	448
Takaful/ retakaful receivable	8	—	—	142,414	75,486
Retakaful recoveries against outstanding claims	15	—	—	21,618	39,731
Deferred Wakala expense	19	—	—	13,019	3,754
Deferred commission expense	17	14,423	8,028	—	—
Receivable from PTF		7,577	—	—	5,011
Taxation - payments less provision		694	462	803	—
Prepayments	9	300	750	43,143	32,671
Cash and bank	10	8,246	14,734	45,081	65,465
<b>Total Assets</b>		<b>66,540</b>	<b>70,631</b>	<b>346,195</b>	<b>222,566</b>
<b>EQUITIES AND LIABILITIES</b>					
<b>Capital Reserves Attributable to Company's Shareholders</b>					
Share capital		50,000	50,000	—	—
Retained earnings		(20,957)	(3,820)	—	—
Reserves		—	541	—	—
<b>Total Shareholders Equity</b>		<b>29,043</b>	<b>46,721</b>	<b>—</b>	<b>—</b>
<b>Participants' Takaful Fund (PTF)</b>					
Ceded money		—	—	500	500
Accumulated surplus		—	—	76,011	16,875
Reserves		—	—	(342)	(342)
<b>Balance of Participants' Takaful Fund</b>		<b>—</b>	<b>—</b>	<b>76,169</b>	<b>17,033</b>
<b>Qard-e-Hasna</b>	7	<b>—</b>	<b>—</b>	<b>—</b>	<b>10,209</b>
<b>Liabilities</b>					
<b>PTF Underwriting provisions</b>					
Outstanding claims including IBNR	15	—	—	48,618	59,783
Unearned contribution reserve	14	—	—	130,184	75,074
Reserve for unearned retakaful rebate	18	—	—	8,646	6,240
		—	—	187,448	141,097
Unearned Wakala Fee	19	13,019	3,754	—	—
Contribution received in advance		—	—	7,328	5,787
Takaful/ retakaful payable	13	—	—	63,136	44,684
Other creditors and accrual	11	22,846	15,120	4,537	3,733
Payable to OTF		—	5,011	7,577	—
Retirement benefit oblation	12	1,632	—	—	—
Taxation - payments less provision		—	—	—	23
Deferred taxation	23	—	25	—	—
<b>Total liabilities</b>		<b>37,497</b>	<b>23,910</b>	<b>82,578</b>	<b>54,227</b>
<b>Total Equity and liabilities</b>		<b>66,540</b>	<b>70,631</b>	<b>346,195</b>	<b>222,566</b>
<b>Contingencies and commitments</b>	24				

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

RAFIQ M. HABIB Chairman	MANSOOR G. HABIB Director	AUN MOHAMMAD A. HABIB Director	SHABBIR GULAMALI Chief Executive	MURTAZA HUSSAIN Chief Financial Officer
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# Habib Insurance Company Limited

## Statement of Comprehensive Income for the year ended December 31, 2021

	Note	December 31, 2021 (Rupees in '000)	December 31, 2020 (Rupees in '000)
<b>Participants' Takaful Fund</b>			
Contribution earned	14	184,486	99,162
Less: Contribution ceded to retakaful	14	(94,963)	(59,813)
Net contribution revenue		89,523	39,349
Retakaful rebate earned	18	16,138	10,071
<b>Net Underwriting Income</b>		105,661	49,420
Net Claims - reported / settled - IBNR	15	(45,472) (6,254)	(27,143) (2,421)
		(51,726)	(29,564)
Surplus before investment income		53,935	19,856
Provision for impairment	8	(424)	(1,564)
Investment income	21	116	1,909
Profit on bank balances		5,509	1,184
<b>Surplus transferred to accumulated surplus</b>		59,136	21,385
<b>Other comprehensive income</b>			
Unrealised loss on available-for-sale investments during the year		—	(1,955)
Net gain transferred to profit and loss on disposal / redemption / impairment of investments		—	1,474
		—	(481)
Related Tax Impact		—	139
Other comprehensive loss for the year		—	(342)
<b>Total comprehensive income for the year</b>		59,136	21,043
<b>Operator's Takaful Fund</b>			
Wakala fee	19	15,730	14,002
Commission expense	17	(22,675)	(11,993)
General administrative and management expenses	20	(12,103)	(9,312)
		(19,048)	(7,303)
Investment income	21	2,581	4,588
Profit on bank balances		486	356
Other expenses	22	(1,156)	(1,045)
<b>Loss before taxation</b>		(17,137)	(3,404)
Taxation		—	—
<b>Loss after taxation attributable to shareholders</b>		(17,137)	(3,404)
<b>Other comprehensive income:</b>			
Unrealised loss on available-for-sale investments during the year		(1,555)	(1,639)
Net gain transferred to profit and loss on disposal / redemption / impairment of investments		1,470	1,144
		(85)	(495)
Related Tax Impact		25	429
Other comprehensive loss for the year		(60)	(66)
<b>Total comprehensive loss for the year</b>		(17,197)	(3,470)

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

RAFIQ M. HABIB <i>Chairman</i>	MANSOOR G. HABIB <i>Director</i>	AUN MOHAMMAD A. HABIB <i>Director</i>	SHABBIR GULAMALI <i>Chief Executive</i>	MURTAZA HUSSAIN <i>Chief Financial Officer</i>
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# Habib Insurance Company Limited

## Statement of Changes in Fund for the year ended December 31, 2021

	Operator's Fund			Total
	Statutory Fund	Accumulated (Deficit)	Available-for-sale reserve	
	(Rupees in '000)			
Balance as at January 01, 2020	50,000	(416)	607	50,191
Loss after tax for the year	–	(3,404)	–	(3,404)
Other comprehensive loss	–	–	(495)	(495)
Related tax impact	–	–	429	429
Balance as at December 31, 2020	<u>50,000</u>	<u>(3,820)</u>	<u>541</u>	<u>46,721</u>
Balance as at January 01, 2021	50,000	(3,820)	541	46,721
Loss after tax for the year	–	(17,137)	–	(17,137)
Other comprehensive loss	–	–	(85)	(85)
Related tax impact	–	–	25	25
Less: Net gain transferred to profit and loss on disposal of investments	–	–	(481)	(481)
Balance as at December 31, 2021	<u>50,000</u>	<u>(20,957)</u>	<u>–</u>	<u>29,043</u>

  

	Participants' Takaful Fund			Total
	Ceded Money	Accumulated (Deficit)/ Surplus	Available-for-sale reserve	
	(Rupees in '000)			
Balance as at January 01, 2020	500	(4,510)	–	(4,010)
Profit for the year	–	21,385	–	21,385
Other Comprehensive loss	–	–	(481)	(481)
Related tax impact	–	–	139	139
Balance as at December 31, 2020	<u>500</u>	<u>16,875</u>	<u>(342)</u>	<u>17,033</u>
Balance as at January 01, 2021	500	16,875	(342)	17,033
Profit for the year	–	59,136	–	59,136
Other Comprehensive loss	–	–	–	–
Balance as at December 31, 2021	<u>500</u>	<u>76,011</u>	<u>(342)</u>	<u>76,169</u>

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

RAFIQ M. HABIB <i>Chairman</i>	MANSOOR G. HABIB <i>Director</i>	AUN MOHAMMAD A. HABIB <i>Director</i>	SHABBIR GULAMALI <i>Chief Executive</i>	MURTAZA HUSSAIN <i>Chief Financial Officer</i>
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# Habib Insurance Company Limited

## Statement of Cash Flow for the year ended December 31, 2021

	OPF		PTF	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	(Rupees in '000)			
<b>Operating activities</b>				
(a) Takaful activities				
Contribution received	—	—	189,824	115,381
Retakaful contribution paid	—	—	(86,983)	(65,412)
Claims paid	—	—	(70,882)	(41,191)
Retakaful and other recoveries received	—	—	26,104	24,375
Commission paid	(19,990)	(7,194)	—	—
Wakala fee	12,407	33,499	(12,407)	(33,499)
Commission received	—	—	18,544	12,776
Net cash inflows from takaful activities	(7,583)	26,305	64,200	12,430
(b) Other operating activities				
Other operating payments	(13,544)	(11,170)	—	634
Other operating receipts	—	—	—	—
<b>Net cash flows from other operating activities</b>	(13,544)	(11,170)	—	634
<b>Total cash flows from all operating activities</b>	(21,127)	15,135	64,200	13,064
<b>Investment activities</b>				
Profit / return received	486	1,509	5,625	2,802
Dividend received	2,581	3,444	—	435
Qard-e-hasna	10,209	(6,557)	(10,209)	6,557
Payments for investments	(35,000)	(77,927)	(80,000)	(20,370)
Proceeds from investments	36,363	78,937	—	41,844
<b>Total cash flows from investing activities</b>	14,639	(594)	(84,584)	31,268
<b>Financing activities</b>				
Statutory capital injected	—	—	—	—
Ceded money received	—	—	—	—
<b>Total cash flows from financing activities</b>	—	—	—	—
<b>Net cash flows from all activities</b>	(6,488)	14,541	(20,384)	44,332
Cash and cash equivalents at beginning of year	14,734	193	65,465	21,133
<b>Cash and cash equivalents at end of period</b>	<u>8,246</u>	<u>14,734</u>	<u>45,081</u>	<u>65,465</u>
<b>Reconciliation to profit and loss account</b>				
Operating cash flows	(21,127)	15,135	64,200	13,064
Leave encashment	58	380	—	—
Profit / return received	486	1,509	5,625	2,802
Provision for impairment	—	—	(424)	(1,564)
Dividends received	1,111	3,444	—	—
Capital gain	1,470	1,144	—	1,474
(Increase)/ decrease in assets other than cash	6,751	(17,250)	64,460	73,648
(Decrease)/ Increase in liabilities	(5,886)	(7,766)	(74,725)	(68,039)
<b>Profit/ (loss) after taxation</b>	<u>(17,137)</u>	<u>(3,404)</u>	<u>59,136</u>	<u>21,385</u>
<b>Attributed to:</b>				
Operator's Fund	(17,137)	(3,404)	—	—
Participants' Takaful Fund	—	—	59,136	21,385
	<u>(17,137)</u>	<u>(3,404)</u>	<u>59,136</u>	<u>21,385</u>

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

RAFIQ M. HABIB Chairman	MANSOOR G. HABIB Director	AUN MOHAMMAD A. HABIB Director	SHABBIR GULAMALI Chief Executive	MURTAZA HUSSAIN Chief Financial Officer
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# Habib Insurance Company Limited

## Notes to or Forms Part of Financial Statements for the year ended December 31, 2021

### 1 STATUS AND NATURE OF BUSINESS

- 1.1 Habib Insurance Company Limited (the Operator) was incorporated in Pakistan in 1942 as a public limited company under the Companies Act, 2017 to carry on general insurance business. The Operator was allowed to work as Window Takaful Operator on July 18, 2018 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations (WTO) in Pakistan. The Operator is listed at Pakistan Stock Exchange Limited. The registered office of the Operator is situated at Habib Square, M.A. Jinnah Road, Karachi.
- 1.2 The Operator transferred statutory fund of Rs. 50 million in a separate bank account for the Window Takaful Operations as per the requirement of circular 8 of 2014. The Operator has formed a Waqf for Participants' Fund by executing the Waqf deed dated June 12, 2018 and deposited a cede money of Rs. 0.5 million. The cede money is required to be invested in Shari'ah compliant remunerative instrument which may be used to acquire immovable Waqf property if Shari'ah and law so warrants. Waqf Deed governs the relationship of Operator and participants for management of takaful operations, investments of participants' funds and investments of the Operator's funds approved by the shari'ah advisor of the Operator.

### 2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements are prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Takaful Rules 2012 and the General Takaful Accounting Regulations, 2019. In case requirements differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, the Takaful Rules 2012 and the General Takaful Accounting Regulations, 2019 shall prevail. These financial statements reflect the financial position and results of operations of both the company and PTF in a manner that the assets, liabilities, income and expenses of the company and PTF remain separately identifiable.

#### 2.1 Basis of measurement

These financial statements have been prepared on the historical cost basis except for available for sale investments that have been measured at fair value.

#### 2.2 Functional and presentation currency

These financial statements are presented in Pak Rupees which is also the Operator's functional currency. All financial information presented in Pak Rupees has been rounded to nearest Thousand Rupees, unless otherwise stated.

#### 2.3 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new and standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning or after January 01, 2021 but are considered not to be relevant or do not have any significant effect on the Company and therefore have not been detailed in these financial statements.

#### 2.4 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 1, 2022:



# Habib Insurance Company Limited

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after January 1, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after January 1, 2022:
- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after January 1, 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after January 1, 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
- requiring companies to disclose their material accounting policies rather than their significant accounting policies;



# Habib Insurance Company Limited

- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, OTHER events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after January 1, 2023 and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

## Application of IFRS 9 and IFRS 17

Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) - In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the Board issued amendments to IFRS 4 Insurance Contracts in 2017. The two optional solutions raised some considerations which required detailed analysis and management judgement. On the issue of IFRS 17 (Revised) Insurance Contracts in June 2020, the end date for applying the two options under the IFRS 4 amendments was extended to January 01 2023, aligned with the effective date of IFRS 17.

Amendment to IFRS 4 'Insurance Contracts' – Applying IFRS 9 'Financial Instruments with IFRS 4 addresses issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from July 1, 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.

The Company has determined that it is eligible for the temporary exemption option since the company has not previously applied any version of IFRS 9, its activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the company doesn't engage in significant activities unconnected with insurance based on historical available information. Under the temporary exemption option, the company can defer the application of IFRS 9 until the application IFRS 17.

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To determine the appropriate classification of financial assets under IFRS 9, an entity would need to assess the contractual cash flows characteristics of any financial asset. Indeed, the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") i.e. cash flows that are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest.

IFRS 9 defines the terms "principal" as being the fair value of the financial asset at initial recognition, and the "interest" as being compensation for (i) the time value of money, and (ii) the credit risk associated with the principal amount outstanding during a particular period of time.

The table below set out the fair values as at the end of reporting period and the amount of change in the fair value during that period for the following two groups of financial assets separately:

- financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis, and

- all other financial assets

December 31, 2021					
OPF	Fail the SPPI test		Pass the SPPI test		
	Fair value	Change in unrealized gain or loss during the period	Fair value	Cost less Impairment	Change in unrealized gain or loss during the period
<b>Financial assets</b>			(Rupees in '000)		
Cash and bank*	—	—	8,246	—	—
Investment in equity securities					
- available for sale	—	—	—	—	—
Investment in debt securities					
- available for sale	—	—	35,051	—	—
Receivables from PTF	—	—	7,577	—	—
	<u>—</u>	<u>—</u>	<u>50,874</u>	<u>—</u>	<u>—</u>

December 31, 2021				
Gross carrying amounts of debt instruments that pass the SPPI test				
	AAA	AA+	A+	Unrated
	(Rupees in '000)			
Cash and bank	8,246	—	—	—
Investment in debt securities				
- available for sale	—	—	—	35,051
Receivable from PTF	—	—	—	7,577
	<u>8,246</u>	<u>—</u>	<u>—</u>	<u>42,628</u>

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OPF	December 31, 2020				
	Fail the SPPI test		Pass the SPPI test		
	Fair value	Change in unrealized gain or loss during the period	Fair value	Cost less Impairment	Change in unrealized gain or loss during the period
<b>Financial assets</b>					
			(Rupees in '000)		
Cash and bank*	–	–	14,734	–	–
Investment in equity securities					
- available for sale	36,363	85	–	–	–
Investment in debt securities					
- available for sale	–	–	–	–	–
Loans and other receivables	–	–	10,209	–	–
Receivables from PTF	–	–	5,011	–	–
	<u>36,363</u>	<u>85</u>	<u>29,954</u>	<u>–</u>	<u>–</u>

	December 31, 2020			
	Gross carrying amounts of debt instruments that pass the SPPI test			
	AAA	AA+	A+	Unrated
	(Rupees in '000)			
Cash and bank	14,734	–	–	–
Investment in debt securities				
- available for sale	–	–	–	36,448
Loans and other receivables	–	–	–	10,209
Receivable from PTF	–	–	–	5,011
	<u>14,734</u>	<u>–</u>	<u>–</u>	<u>51,668</u>

\* The carrying amount of these financial assets measured applying IAS 39 are a reasonable approximation of their fair values.

PTF	December 31, 2021				
	Fail the SPPI test		Pass the SPPI test		
	Fair value	Change in unrealized gain or loss during the period	Fair value	Cost less Impairment	Change in unrealized gain or loss during the period
<b>Financial assets</b>					
			(Rupees in '000)		
Cash and bank*	–	–	45,076	–	–
Investment in equity securities					
- available for sale	–	–	–	–	–
Investment in debt securities					
- available for sale	–	–	80,116	–	–
Takaful/Retakaful receivable	–	–	142,414	–	–
Retakaful recoveries against outstanding claims	–	–	21,618	–	–
	<u>–</u>	<u>–</u>	<u>289,224</u>	<u>–</u>	<u>–</u>

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PTF	December 31, 2020			
	Gross carrying amounts of debt instruments that pass the SPPI test			
	AAA	AA+ (Rupees in '000)	A+	Unrated
Cash and bank	45,076	–	–	–
Investment in debt securities - available for sale	–	–	–	80,116
Takaful/Retakaful receivable	142,414	–	–	–
Retakaful recoveries against outstanding claims	21,618	–	–	–
	<u>209,108</u>	<u>–</u>	<u>–</u>	<u>80,116</u>

	December 31, 2020				
	Fail the SPPI test		Pass the SPPI test		
	Fair value	Change in unrealized gain or loss during the period	Fair value	Cost less Impairment	Change in unrealized gain or loss during the period
	(Rupees in '000)				
<b>Financial assets</b>					
Cash and bank*	–	–	65,465	–	–
Investment in equity securities - available for sale	–	–	–	–	–
Investment in debt securities - available for sale	–	–	–	–	–
Loans and other receivables	–	–	448	–	–
Takaful/Retakaful receivable	–	–	75,486	–	–
Retakaful recoveries against outstanding claims	–	–	39,731	–	–
	<u>–</u>	<u>–</u>	<u>181,130</u>	<u>–</u>	<u>–</u>

	December 31, 2020			
	Gross carrying amounts of debt instruments that pass the SPPI test			
	AAA	AA+ (Rupees in '000)	A+	Unrated
Cash and bank	65,465	–	–	–
Investment in debt securities - available for sale	–	–	–	–
Loans and other receivables	–	–	–	448
Receivable from PTF	–	–	–	–
Takaful/Retakaful receivable	75,486	–	–	–
Retakaful recoveries against outstanding claims	39,731	–	–	–
	<u>180,682</u>	<u>–</u>	<u>–</u>	<u>448</u>

## 3 SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Takaful contracts

The takaful contracts are based on the principles of Wakala. The takaful contracts so agreed usually inspire concept of tabarru (to donate for benefit of others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty.

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A separate Participants Takaful Fund (PTF) is created in which all contribution received under general takaful contribution net off any government levies and administrative surcharge are credited. The role of takaful operator is of the management of the PTF. At the initial stage of the setup of the PTF, the takaful operator makes an initial donation to the PTF. The terms of the takaful contracts are in accordance with the generally accepted principles and norms of insurance business suitably modified with guidance by the Shariah Advisor of the Takaful operator.

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

The Operator underwrites non-life takaful contracts that can be categorised into Fire and Property , Marine and transport, Motor, Group hospitalisation and Other classes contracts. Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration. Takaful contracts entered into by the Operator under which the contract holder is another Takaful Operator (inwards retakaful) of a facultative nature are included within the individual category of takaful contracts, other than those which fall under Treaty. The takaful risk involved in these contracts is similar to the contracts undertaken by the Operator as takaful operator.

Fire and Property takaful contracts mainly compensate the customers for damage suffered to their property. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the covered properties in their business activities (business interruption cover).

Marine and transport class of business provides coverage against loss and damage to goods in transit by any means of conveyance, physical loss or damage to aircraft, ships and liabilities to third parties and passengers arising from their use.

Motor takaful covers physical loss or damage to the vehicle and liabilities to third parties as provided under the requirements of the Motor Vehicle Ordinance, 1965.

Group hospitalisation takaful provides cover to compensate personal accident, hospitalisation and outpatient medical coverage to the insured.

All other takaful contracts like cash in hand, cash in transit, personal accident, infidelity, public liabilities, health, crop, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, workers compensation etc. are included under Other classes takaful cover.

## 3.2 Unearned Contribution

Contribution income net off administrative surcharge under a policy is recognised over the period of takaful from the date of inception of the policy to which it relates to its expiry as follows:

Administrative surcharge is recognised as income at the time policies are written in OPF.

Contribution income net off administrative surcharge under a policy is recognised after taking into account the unearned portion of premium by applying 1/24th method as prescribed by the Insurance Rules, 2017. The unearned portion of contribution is recognised as liability.

Contribution due but unpaid under takaful contracts are recognised 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 Operator reduces the carrying amount of the receivable accordingly and recognizes it as impairment loss.

## 3.3 Re-takaful contracts

Re-takaful expense is recognised evenly in the period of indemnity. The portion of retakaful contribution not recognised as an expense is shown as a prepayment which is calculated in the same manner as of unearned contribution.

Rebate from retakaful operators is recognised at the time of issuance of the underlying takaful policy by the Operator. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the retakaful contribution to which it relates. Receivable against claims from the retakaful operators are recognised as an asset at the same time as the claims which gives rise to the right of recovery are recognised as a liability and are measured at the amount expected to be recovered after considering an impairment in relation thereto.

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Amount due from other takaful / re-takaful are carried at cost less provision for impairment, if any. Cost represents the fair value of consideration to be received in the future.

Amount due to takaful / re-takaful companies represent the balance due to re-takaful companies.

Re-takaful assets or liabilities are derecognised when the contractual rights are extinguished or expired.

## **3.4 Salvage recoveries accrued**

Salvage recoveries are recognized as an asset and measured at the amount expected to be received.

## **3.5 Provision**

### **Claims**

Takaful claims include all claims incurred during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, and any adjustments to claims outstanding from previous years.

### **Provision for outstanding claims including IBNR**

The PTF recognises liability in respect of all claims incurred upto the financial statement 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 a takaful contract.

### **Claims reported but not settled**

The provision for claims incurred but not reported (IBNR) is made at the financial statement date. In accordance with SECP circular no. 9 of 2016, the Operator takes actuarial advice for the determination of IBNR claims. Provision for IBNR claims is estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level.

## **3.6 Retakaful recoveries against outstanding claims**

Claims recoveries against outstanding claims from the retakaful operator and salvage are recognised as an asset at the same time as the claims which give rise to the right of recovery are recognised as a liability and are measured at the amount expected to be received.

## **3.7 Commission**

### **Deferred commission expense**

Commission expense incurred in obtaining and recording policies is deferred and recognised in profit and loss account as an expense in accordance with the pattern of recognition of contribution revenue by applying 1/24th method.

### **Rebate income**

Rebate income from retakaful is recognised at the time of issuance of the underlying takaful policy. These are deferred and recognised as liability and recognised in the profit and loss account as revenue in accordance with the pattern of recognition of the retakaful contributions.

## **3.8 Contribution deficiency reserve**

The PTF is required as per Insurance Rules, 2017 and IFRS - 4, to maintain a provision in respect of contribution deficiency for the class of business where the unearned contribution reserve is not adequate to meet the expected future liability, after retakaful, from claims and other expenses, including retakaful expense, commissions and other underwriting 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 contribution deficiency reserve is recorded as an expense in the profit and loss account and the same shall be recognised as a liability.

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For this purpose, loss ratios for each class are estimated based on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, contribution deficiency is determined. Further actuarial valuation has been carried out to determine the amount of contribution deficiency reserve in respect of Health insurance as required by SRO 16 (I) / 2012 issued by Securities and Exchange Commission of Pakistan on January 09, 2012.

## **3.9 Wakala and Mudarib fees**

The Takaful operator manages the general takaful operations for the Participants. The wakala fee has been fixed at 10% (2020 : 5%) of the gross contribution on all classes of business as per approval of Shariah Advisory Board . Wakala fee is recognised on the same basis on which the related revenue is recognised. Unexpired portion of wakala fee is recognised as liability of OPF and asset of PTF.

The Takaful operator also manages the participants' investment as Mudarib and charges 25% of the investment / deposit income earned by the Participants' Takaful Fund as Mudarib's share. However, management based on approval of Shariah Advisor has decided that no mudarib fees will be charged on the investment income of Participants' Takaful Fund for the period of three years from the date of start of Window Takaful Operations.

Administrative surcharge is included in Wakala Fee at the date of inception of policy to which it relates.

## **3.10 Revenue recognition**

### **3.10.1 Contribution**

The revenue recognition policy for contributions is given under note 3.2.

### **3.10.2 Rebate from retakaful**

The revenue recognition policy for rebate from retakaful is given under note 3.6.

### **3.10.3 Dividend income**

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

### **3.10.4 Gain / loss on sale / redemption of investments**

Gain / loss on sale / redemption of investments is taken to profit and loss account in the year of sale / redemption.

### **3.10.5 Income on held to maturity investment**

Income from held to maturity investments is recognised on a time proportionate basis taking account the effective yield on the investment.

### **3.10.6 Profit on bank accounts and deposits**

Profit on bank accounts and deposits is recognised on accrual basis.

## **3.11 Management expenses**

Underwriting expenses have been allocated to various classes of business on a basis deemed equitable by the management. Expenses not attributable to the underwriting business are charged as administrative expenses.

## **3.12 Takaful surplus**

Takaful surplus attributable to the participants is calculated after charging all direct cost and setting aside various reserves. Allocation to participants, if applicable, is made after adjustment of claims paid to them during the year.

## **3.13 Qard-e-Hasna**

Qard-e-hasna is provided by Operators' Fund to Participants Takaful Fund in case of deficit in PTF. Qard-e-Hasna is recognised at the amount provided to Participant Takaful Fund less impairment, if any.



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## **3.14 Receivables and payables**

### **3.14.1 Receivables and payables related to takaful contract**

Receivable and payables related to takaful contracts are recognized and due at cost which is the fair value of the consideration given less provision for impairment, if any. If there is an objective evidence that the takaful receivable is impaired, as a result of one or more events that occurred after the initial recognition the company reduces the carrying amount of the takaful receivables accordingly and recognizes that impairment loss in the profit and loss account

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

### **3.14.2 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 the goods and / or services received, whether or not billed to the Operator.

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

Provisions are reviewed at each balance sheet date and adjusted to reflect the current estimate.

## **3.15 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, stamps in hand and deposits with banks.

## **3.16 Impairment of assets**

A financial asset is assessed at each financial statement date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if there is an objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset. If a decline in fair value is significant or prolonged, than there is an objective evidence, of impairment regardless of how long management intends to hold the investment.

The carrying amount of non financial assets is reviewed at each financial statement date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exist, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less cost of sell. An impairment loss is recognised the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognised in the profit and loss account. Provision of impairment are reviewed at each financial statement date and are adjusted to reflect the current best estimates. Change in the provisions are recognised as an income or expense.

## **3.17 Taxation**

### **3.17.1 Current**

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalised during the current year for such years.

### **3.17.2 Deferred**

Deferred tax is accounted for using the balance sheet liability method, in respect of temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.



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The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the profit and loss account except in the case of items credited or charged to equity in which case it is included in equity.

## **3.18 Staff retirement benefits**

### **3.18.1 Defined benefit plan**

The Company operates an unfunded approved gratuity scheme for all of its permanent employees who attain the minimum qualification period for entitlement of gratuity. Gratuity is based on employees' last drawn basic salary.

Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to profit and loss account. The most recent valuation was carried out as of December 31, 2021 using the "Projected Unit Credit Method".

Remeasurement of the defined benefit liability, which comprises actuarial gain and losses are recognised immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual year to the then net defined benefit liability (asset), taking into account any change in the net defined benefit liability (asset) during the year as a result of contribution and benefit payments. Net interest expense and other expense related to defined benefit plans are recognised in profit and loss account.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in profit and loss account. The Company recognises gain and loss on the settlement of a defined benefit plan when the settlement occurs.

### **3.18.2 Employees' compensated absences**

The Company accounts for its liability towards accumulating compensated absences, when the employees render service that increase their entitlement to future compensated absences. An actuarial valuation has been carried out using Projected Unit Credit method to determine the amount of charge and liability to be recognised at the financial statement date.

## **3.19 Investments**

In equity securities  
In debt securities

### **3.19.1 Recognition**

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs except for held for trading investments in which case transaction costs are charged to the profit and loss account. All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments. These are recognised and classified as follows:

- Investment at fair value through profit and loss (held for trading)
- Available-for-sale
- Held to maturity

### **3.19.2 Measurement**

#### **3.19.2.1 Investment at fair value through profit or loss (held for trading)**

At the time of acquisition, quoted investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or are part of portfolio for which there is a recent actual pattern of short term profit taking are classified as held for trading.

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Subsequent to initial recognition these are remeasured at fair value by reference to quoted market prices with the resulting gain or loss being included in net profit or loss for the period in which it arises.

## 3.19.2.2 Available-for-sale

Available for Sale investments are those non-derivative instruments / contracts that are designated as available for sale or are not classified in any other category.

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

Subsequent to initial measurement, these are remeasured at fair value. Surplus / (deficit) on revaluation from one reporting date to other is taken to other comprehensive income in the statement of comprehensive income. On derecognition or impairment of available-for-sale investments, the cumulative gain or loss previously reported in other comprehensive income is transferred to profit and loss for period within statement of comprehensive income.

These are reviewed for impairment at year end. The Operator considers that available-for-sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. The Operator considers that a decline of 30% in the market value of any script below its cost shall constitute as a significant decline and where market value remains below the cost for a period of one year shall constitute as a prolonged decline. Any losses arising from impairment in values are charged to the profit and loss account.

## 3.19.2.3 Held-to-maturity

At the time of acquisition, 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 amortised cost less provision for impairment in value, if any. Amortised cost is calculated by taking into account any discount or premium on acquisition by using the effective yield method.

The difference between the redemption value and the purchase price of the held-to-maturity investments is amortised and taken to the profit and loss account over the term of the investment.

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

## 3.20 Financial instruments

Financial assets and financial liabilities within the scope of IAS - 39 are recognised at the time when the Operator becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognised in the profit and loss account of the current year.

Financial instruments carried on the balance sheet include bank deposits, investments, contribution due but unpaid, contribution received in advance, amount due from other takaful / retakaful operator, accrued investment income, retakaful recoveries against outstanding claims, sundry receivables, advances and deposits, provision for outstanding claims, amount due to other takaful / retakaful operators, accrued expenses, other creditors and accruals, short term running finance and obligation under finance lease. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

## 3.21 Off setting of financial assets and financial liabilities

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

## 3.22 Foreign currency translations

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

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## 3.23 Segments reporting

An operating segment is a component of the Operator that engages in business activities from which it may earn revenues and incur expenses. The Operator presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017 as the primary reporting format.

The Operator has five primary business segments for reporting purposes namely, fire and property, marine and transport, motor, and other classes. The nature and business activities of these segments are disclosed in note no. 3.1.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Operator's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. In the process of applying the Operator's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

	Note
- Takaful and retakaful receivable	3.14
- Provision for outstanding claims including IBNR	3.5
- Contribution deficiency reserve	3.8
- Impairment of assets	3.16
- Taxation	3.17

## 5. INVESTMENT IN EQUITY SECURITIES

	2020				2019			
Available-for-sale	Cost	Impairment / provision	Revaluation surplus	Carrying Value	Cost (Rupees in '000)	Impairment / provision	Revaluation surplus	Carrying Value
<b>Mutual funds OPF</b>								
First Habib Islamic Income Fund	—	—	—	—	36,363	—	85	36,448

## 6. INVESTMENT IN MUSHARKA CERTIFICATES

### HELD TO MATURITY

Company Name	Chief Executive Officer	Date of Issue	Date of Maturity	Profit Rate	Payment of Profit	Amount of Investment (Rupees in '000)	Value as at Dec 31, 2021
<b>PTF</b>							
First Habib Modaraba	Mr. Muhammad Shoaib Ibrahim	Dec 27, 2021	Mar 28, 2022	10.60%	On Maturity	80,000	80,116
<b>OTF</b>							
First Habib Modaraba	Mr. Muhammad Shoaib Ibrahim	Dec 27, 2021	Mar 28, 2022	10.60%	On Maturity	35,000	35,051

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The company made an investment in Certificates of Musharka having Face Value of Rs. 80 Million and Rs. 35 Million from Participants and Operators Fund respectively. The investment is made for the period of 03 months having profit rate of 10.60% and will mature on March 28, 2022.

## 7. LOANS AND OTHER RECEIVABLES

	Note	2021			2020		
		OPF	PTF	Total (Rupees in '000)	OPF	PFT	Total
Qard e Hasna	7.1	–	–	–	10,209	–	10,209
Agent commission receivable		249	–	249	–	–	–
Others		–	1	1	–	448	448
		<u>249</u>	<u>1</u>	<u>250</u>	<u>10,209</u>	<u>448</u>	<u>10,657</u>

- 7.1** In accordance with the Takaful Rules, 2012, if at any point in time, assets in participant takaful fund are not sufficient to cover its liabilities, the deficit shall be funded by way of an interest free loan (Qard-e-Hasna) from Operator Fund. In the event of future surplus in the Participant Takaful Fund to which a Qard-e-Hasna has been made, the Qard-e-Hasna shall be repaid prior to distribution of surplus to participants.

## 8. TAKAFUL / RETAKAFUL RECEIVABLE

	Note	2021 (Rupees in '000)	2020 (Rupees in '000)
Due from Takaful contract holders			
Considered good		73,638	33,184
Considered doubtful	8.1	1,988	1,564
Less: Provision for impairment of receivables from takaful contract holders		(1,988)	(1,564)
		<u>73,638</u>	<u>33,184</u>
Due from other takaful / retakaful operators - Considered good		68,776	42,302
		<u>142,414</u>	<u>75,486</u>

### 8.1 Movement of considered doubtful

Opening balance	1,564	1,564
Add: Provision for impairment of due from other insurers / reinsurers	424	–
Closing balance	<u>1,988</u>	<u>1,564</u>

## 9. PREPAYMENTS

	2021			2020		
	OPF	PTF	Total (Rupees in '000)	OPF	PFT	Total
Prepaid						
- Retakaful contribution ceded	–	43,143	43,143	–	32,671	32,671
- Wakala fee	–	–	–	–	–	–
- Others	300	–	300	750	–	750
	<u>300</u>	<u>43,143</u>	<u>43,443</u>	<u>750</u>	<u>32,671</u>	<u>33,421</u>

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## 10. CASH AND BANK

		2021			2020		
		OPF	PTF	Total (Rupees in '000)	OPF	PFT	Total
<b>Cash and cash equivalent</b>							
– Policy stamps		–	5	5	–	2	2
<b>Cash at bank</b>							
– Profit and loss sharing (PLS) accounts	10.1	8,246	45,076	53,322	14,734	65,463	80,197
		<u>8,246</u>	<u>45,081</u>	<u>53,327</u>	<u>14,734</u>	<u>65,465</u>	<u>80,199</u>

10.1 These balances are held with a related party and carry profit at a rate of 8.2% (2020: 9.25%).

## 11. OTHER CREDITORS AND ACCRUALS

		2021			2020		
		OPF	PTF	Total (Rupees in '000)	OPF	PFT	Total
Federal insurance fee		–	454	454	–	167	167
Federal Excise Duty		–	4,083	4,083	–	2,719	2,719
Commission payable		20,009	–	20,009	10,680	–	10,680
Taxes and duties payable		–	–	–	–	1	1
Provision for leave encashment	11.1	438	–	438	380	–	380
Withholding tax payable		–	–	–	–	–	–
Payable to Habib Insurance	11.2	1,453	–	1,453	3,009	–	3,009
Other creditors		170	–	170	–	–	–
Auditor's remuneration		776	–	776	1,051	–	1,051
		<u>22,846</u>	<u>4,537</u>	<u>27,383</u>	<u>15,120</u>	<u>2,887</u>	<u>18,007</u>

11.1 This includes provision for staff compensated absences amounting to Rs. 437.7 thousand (2020: Rs. 380 thousand). The liability is determined through an actuarial valuation carried out under the projected unit credit (PUC) actuarial cost method (by an actuary). An amount of Rs. 57.7 thousand (2020: Rs. 0) has been charged to profit and loss account in the current year based on the actuarial advice.

11.2 This represents payable to Habib Insurance Company Limited to meet expenses and in respect of loans provided to employees that are solely employed for window takaful operations.

## 12. RETIREMENT BENEFIT OBLIGATION

This includes provision for gratuity amounting to Rs. 1.6 million (2020: Rs. 0). The liability is determined through an actuarial valuation carried out under the projected unit credit (PUC) actuarial cost method (by an actuary). An amount of Rs. 1.6 million (2020: Rs. 0) has been charged to profit and loss account in the current year based on the actuarial advice.

		2021 (Rupees in '000)	2020
<b>13. TAKAFUL RETAKAFUL PAYABLE</b>			
Due to other takaful/ retakaful		<u>63,136</u>	<u>44,684</u>
<b>13.1 Due to other takaful/ retakaful</b>			
– Foreign retakaful		29,550	21,235
– Local retakaful		13,225	17,124
– Co-takaful		20,361	6,325
		<u>63,136</u>	<u>44,684</u>

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	2021 (Rupees in '000)	2020
<b>14. NET CONTRIBUTION</b>		
<b>Written gross contribution</b>	255,326	146,169
Less: Wakala Fee	(15,730)	(14,002)
<b>Contribution Net of Wakala Fee</b>	<u>239,596</u>	<u>132,167</u>
Add: Unearned contribution reserve opening	75,074	42,069
Less: Unearned contribution reserve closing	(130,184)	(75,074)
<b>Contribution earned</b>	<u>184,486</u>	<u>99,162</u>
<b>Retakaful contribution ceded</b>	105,435	71,674
Add: Prepaid retakaful contribution opening	32,671	20,810
Less: Prepaid retakaful contribution closing	(43,143)	(32,671)
<b>Retakaful expense</b>	<u>94,963</u>	<u>59,813</u>
<b>Net contribution</b>	<u>89,523</u>	<u>39,349</u>

<b>15. TAKAFUL CLAIMS EXPENSE</b>		
<b>Claims paid</b>	70,882	41,191
Add: Outstanding claims including IBNR closing	48,618	59,783
Less: Outstanding claims including IBNR opening	(59,783)	(17,825)
<b>Claims expense</b>	<u>59,717</u>	<u>83,149</u>
<b>Retakaful and other recoveries received</b>	26,104	24,375
Add: Retakaful and other recoveries in respect of outstanding claims net of impairment - closing	21,618	39,731
Less: Retakaful and other recoveries in respect of outstanding claims net of impairment - opening	(39,731)	(10,521)
<b>Retakaful and other recoveries revenue</b>	<u>7,991</u>	<u>53,585</u>
<b>Net claim expense</b>	<u>51,726</u>	<u>29,564</u>

## 16. CLAIM DEVELOPMENT - PTF

The following table shows the development of claims over a period of time on gross basis. For each class of business the uncertainty about the amount and timings of claims payment is usually resolved within a year.

Accident year	2017	2018	2019	2020	2021
			(Rupees in '000)		
<b>Estimate of ultimate claims costs:</b>					
At end of accident year	<u>—</u>	<u>1,931</u>	<u>27,242</u>	<u>87,248</u>	<u>82,069</u>
One year later	<u>—</u>	<u>1,213</u>	<u>23,328</u>	<u>64,951</u>	<u>—</u>
Two year later	<u>—</u>	<u>1,028</u>	<u>23,233</u>	<u>—</u>	<u>—</u>
Three year later	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Four year later	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Estimate of cumulative claims	<u>—</u>	<u>—</u>	<u>23,328</u>	<u>64,951</u>	<u>82,069</u>
Cumulative payments made to date	<u>—</u>	<u>(1,058)</u>	<u>(21,750)</u>	<u>(57,416)</u>	<u>(42,469)</u>
Liability for outstanding claims	<u>—</u>	<u>—</u>	<u>1,483</u>	<u>7,535</u>	<u>39,600</u>

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	Note	2021 (Rupees in '000)	2020
<b>17. COMMISSION EXPENSE</b>			
Commissions paid or payable		29,070	15,899
Add: Deferred commission - opening		8,028	4,122
Less: Deferred commission - closing		(14,423)	(8,028)
<b>Commission expense</b>		<u>22,675</u>	<u>11,993</u>
<b>18. RETAKAFUL REBATE</b>			
Retakaful rebate received		18,544	12,776
Add: Unearned retakaful rebate - opening		6,240	3,535
Less: Unearned retakaful rebate - closing		(8,646)	(6,240)
Retakaful rebate		<u>16,138</u>	<u>10,071</u>
<b>19. WAKALA FEE</b>			
Gross Wakala Fee		24,995	7,238
Add: Deferred wakala fee - opening		3,754	10,518
Less: Deferred wakala fee - closing		(13,019)	(3,754)
Net wakala fee		<u>15,730</u>	<u>14,002</u>
<b>20. MANAGEMENT EXPENSES - OPF</b>			
Employee benefit cost	20.1	5,152	3,353
Traveling expenses		211	348
Subscription		—	594
Utilities - electricity and water		895	501
Printing and stationary		—	3
Repairs and maintenance		3,386	2,584
Vehicle running expenses		234	99
Rent, rates and taxes		—	200
Legal and professional charges		1,475	1,211
Postages, telegrams and telephone		185	107
Miscellaneous		565	312
		<u>12,103</u>	<u>9,312</u>
<b>20.1</b> This includes Rs.2.718 million (2020: Rs. 2.233 million) being salaries and other benefits Rs.0.134 million (2020: Rs. 0.114) being contribution to employees' provident fund.			
<b>21. INVESTMENT INCOME</b>			
		OPF	PTF
		2021	2020
		2020	2020
		(Rupees in '000)	
<b>Income from mutual fund units - 'available-for-sale'</b>			
Dividend income		1,060	3,444
Capital gain		1,470	1,144
<b>Income from mutual fund units - 'held to maturity'</b>			
Profit on certificate of Musharika		51	—
<b>Total investment income</b>		<u>2,581</u>	<u>4,588</u>
		<u>116</u>	<u>1,909</u>



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Note      2021      2020  
(Rupees in '000)

## 22. OTHER EXPENSES - OPF

Additors remuneration		1,122	871
Miscellaneous		34	174
		<u>1,156</u>	<u>1,045</u>

## 23. DEFERRED TAXATION

DEFERRED TAXATION		OTF		PTF	
	Note	2021	2020	2021	2020
		(Rupees in '000)			
Deferred credits arising in respect of: Unrealized gain on available-for-sale investment	23.1	—	25	—	—

### 23.1 Reconciliation of deferred tax

Opening balance	25	454	–	139
Directly recognised in other comprehensive income due to unrealised gain on available-for-sale investments	(25)	(429)	–	(139)
Closing balance	<u>–</u>	<u>25</u>	<u>–</u>	<u>–</u>

## 24. CONTINGENCIES AND COMMITMENTS

### 24.1 Contingencies

There are no contingencies outstanding as at December 31, 2021.

### 24.2 Commitments

There are no commitments as at December 31, 2021.

## 25. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of directors, major share holders, key management personnel, associated companies, entities with common directors and employee retirement benefit funds. The transactions with related parties are carried out at commercial terms and conditions. The transactions and balances with related parties are as follows:

2021      2020  
(Rupees in '000)

### 25.1 Operator's Fund

#### Transactions

Wakala fee charged during the year	<u>24,995</u>	<u>7,238</u>
Qard-e-Hasna paid during the year	<u>–</u>	<u>25,000</u>
Qard-e-Hasna repayment received during the year	<u>10,209</u>	<u>18,443</u>
Interest received on bank accounts	<u>486</u>	<u>356</u>

#### Balances

Bank balance	<u>8,246</u>	<u>14,734</u>
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	2021 (Rupees in '000)	2020 (Rupees in '000)
<b>25.2 Participants' Takaful Fund</b>		
<b>Transactions</b>		
Associated companies		
- Contribution written	12,560	10,808
- Claim paid	9,040	3,029
- Profit on bank accounts	5,270	1,184
Others		
- Qard-e-Hasna received during the year	—	25,000
- Qard-e-Hasna repaid during the year	10,209	18,443
<b>Balances</b>		
Associated companies		
- Contribution due but unpaid	9,774	7,011
- Claim outstanding	3,227	5,024
- Bank balance	19,779	64,086
	OPF	
	Held to Maturity	Available for sale Total (Rupees in '000)
<b>26. MOVEMENT IN INVESTMENTS</b>		
<b>As at January 01, 2020</b>	—	36,809
Additions	—	77,927
Disposals (sale and redemption)	—	(78,937)
Fair value net gains (excluding net realized gains)	—	649
Impairment of investments	—	—
<b>As at December 31, 2020</b>	—	36,448
Additions	35,000	—
Disposals (sale and redemption)	—	(36,363)
Fair value net gains (excluding net realized gains)	—	(85)
Impairment of investments	—	—
Amortisation of premium / discount	51	51
<b>As at December 31, 2021</b>	35,051	35,051

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	PTF		Total
	Held to Maturity	Available for sale (Rupees in '000)	
<b>27. MOVEMENT IN INVESTMENTS</b>			
<b>As at January 01, 2020</b>	–	20,481	20,481
Additions	–	20,370	20,370
Disposals (sale and redemption)	–	(41,844)	(41,844)
Fair value net gains (excluding net realized gains)	–	993	993
Impairment of investments	–	–	–
<b>As at December 31, 2020</b>	–	–	–
Additions	80,000	–	80,000
Disposals (sale and redemption)	–	–	–
Fair value net gains (excluding net realized gains)	–	–	–
Impairment of investments	–	–	–
Amortisation of premium / discount	116	–	116
<b>As at December 31, 2021</b>	<u>80,116</u>	<u>–</u>	<u>80,116</u>

## 28 MANAGEMENT OF TAKAFUL AND FINANCIAL RISK

The Operator issue contracts that transfer takaful risk or financial risk or both. This section summarises the takaful risks and the way the Operator manages them.

### 28.1 Takaful risk management

#### 28.1.1 Takaful risk

The risk under any takaful contract is the possibility that the insured event occurs and the uncertainty of the amount of compensation to the participant. Generally most takaful contracts carry the takaful risk for a period of one year.

The Operator's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk. This framework includes implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate retakaful is arranged to mitigate the effect of the potential loss to the PTF from individual to large or catastrophic insured events. Further, the Operator adopts strict claim review policies including active management and prompt pursuing of the claims and regular detailed review of claim handling procedures and frequent investigation of possible false claims to reduce the takaful risk.

#### 28.1.2 Frequency and severity of claims

Risk associated with general takaful contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the covered events. This has been managed by having in place underwriting strategy, retakaful arrangements and proactive claim handling procedures.

The retakaful arrangements against major risk exposure include excess of loss, quota share, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on PTF's net retentions.

#### 28.1.3 Uncertainty in the estimation of future claim payments

Claims on takaful contracts are payable on a claim occurrence basis. The PTF is liable for all covered events that occur during the term of the takaful contracts respectively, including the event reported after the expiry of the takaful contract term.

An estimated amount of the claim is recorded immediately on the intimation to the Operator. The estimation of the amount is based on management judgement or preliminary assessment by the independence surveyor appointed for the purpose. The initial estimates include expected settlement cost of the claims. Provision for IBNR claims is determined based on actuary advice and is estimated using Chain Ladder (CL) methodology.

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The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level.

There are several variable factors which affect the amount and timing of recognised claim liabilities. The Operator takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognised amount. Outstanding claims are reviewed on a periodic basis.

## 28.1.4 Key assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected income. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate case to case basis with due regard to the claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Core estimates are reviewed regularly and are updated as and when new information is available.

The principal assumption underlying the liability estimation of IBNR and Contribution Deficiency Reserves is that the PTF's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgement to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgement includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Operator, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The details of estimation of outstanding claims (including IBNR) are given under note 3.4.

## 28.1.5 Sensitivity analysis

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

The claim liabilities are sensitive to the incidence of covered events and severity / size of claims. As the Operator enters into short term takaful 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 retakaful. The impact of 10 % increase / decrease in incidence of covered events on gross claim liabilities, underwriting results, net claim liabilities, profit before tax and shareholder's equity is as follows:

	2021		2020	
	PTF			
	Underwriting results	Fund balance (Rupees in '000)	Underwriting results	Fund balance
<b>Average claim cost</b>				
Fire and property	1,211	848	3,458	2,421
Marine and transport	(89)	(62)	790	553
Motor	4,742	3,319	3,882	2,717
Other classes	108	75	185	129
	5,972	4,180	8,315	5,820

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## 28.1.6 Concentration of risk

To optimise 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 risk with reference to the geographical location, the most important of which is risk survey.

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the insured property.

The adequate event limit is a multiple of the treaty capacity or the primary recovery from excess of loss treaty, which is very much in line with the risk management philosophy of the Operator.

Retakaful ceded does not relieve the Operator from its obligation towards participants and, as a result the Operator remains liable for the portion of outstanding claims retakaful to the extent that retakaful operator fails to meet the obligation under the retakaful agreements.

The Operator minimises its exposure to significant losses by obtaining retakaful from a number of retakaful, who are dispersed over several geographical regions.

The concentration of risk by type of contracts based on single risk with maximum exposure is summarised below:

	2021		
	Gross sum covered	Retakaful	Net
	(Rupees in '000)		
Fire and property	1,030,551	1,011,795	18,756
Marine and transport	680,064	672,441	7,623
Motor	26,000	24,500	1,500
Other classes	35,116	26,337	8,779
	<u>1,771,731</u>	<u>1,735,073</u>	<u>36,658</u>
	2020		
	Gross sum covered	Retakaful	Net
	(Rupees in '000)		
Fire and property	762,696	732,696	30,000
Marine and transport	297,314	284,867	12,447
Motor	26,000	24,500	1,500
Other classes	144,634	108,476	36,158
	<u>1,230,644</u>	<u>1,150,539</u>	<u>80,105</u>

## 29 FINANCIAL RISK MANAGEMENT

The Board of Directors of the Operator has overall responsibility for the establishment and oversight of the Operator's risk management framework. The Operator has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

### Risk management framework

The Operator's risk management policies are established to identify and analyse the risks faced by the Operator, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Operator's activities.

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## 30. SEGMENT INFORMATION

### 30.1 Participants' Takaful Fund

	2021				
	Fire and property	Marine and transport	Motor	Other classes	Aggregate
	(Rupees in '000)				
Contribution receivable (inclusive of federal excise duty and administrative surcharge)	89,157	31,236	166,892	6,435	293,720
Less: Federal Excise Duty	(11,465)	(3,788)	(19,831)	(786)	(35,870)
Federal Insurance Fee	(768)	(270)	(1,430)	(56)	(2,524)
Gross written contribution (inclusive of administrative surcharge)	76,924	27,178	145,631	5,593	255,326
Wakala fees	(4,739)	(1,674)	(8,972)	(345)	(15,730)
Takaful contribution earned	64,773	26,924	102,387	6,132	200,216
Takaful contribution ceded to retakaful operators	(54,566)	(22,070)	(13,585)	(4,742)	(94,963)
Net takaful contribution	5,468	3,180	79,830	1,045	89,523
Retakaful rebate	10,371	4,757	75	935	16,138
<b>Net underwriting income</b>	15,839	7,937	79,905	1,980	105,661
Takaful claims	(12,112)	885	(47,414)	(1,076)	(59,717)
Takaful claims recovered from retakaful	9,277	(632)	(1,421)	767	7,991
<b>Net claims</b>	(2,835)	253	(48,835)	(309)	(51,726)
Surplus before investment income	13,004	8,190	31,070	1,671	53,935
Provision for impairment					(424)
Net investment income	27	18	67	4	116
Profit on bank balances					5,509
Surplus transferred to balance of PTF	13,031	8,208	31,137	1,675	59,136
Segment assets	71,235	29,611	112,604	6,744	220,194
Unallocated assets					126,001
<b>Total assets</b>					346,195
Segment liabilities	85,889	35,702	135,767	8,131	265,489
Unallocated liabilities					4,537
<b>Total liabilities</b>					270,026

### 30.2 Operator's Fund

Wakala fee	5,089	2,115	8,044	482	15,730
Commission expense	(9,768)	(3,847)	(8,437)	(623)	(22,675)
Management expenses	(3,646)	(1,288)	(6,904)	(265)	(12,103)
<b>Underwriting result</b>	(8,325)	(3,020)	(7,297)	(406)	(19,048)
Investment income					2,581
Other expenses					(1,156)
<b>Loss before taxation</b>					(17,623)
Profit on bank balance					486
Other income					—
Loss after tax for the period					(17,137)
Segment assets	7,116	2,958	11,250	674	21,998
Unallocated assets					44,542
<b>Total assets</b>					66,540
Segment liabilities	4,212	1,751	6,658	399	13,020
Unallocated liabilities					24,477
<b>Total liabilities</b>					37,497

# Habib Insurance Company Limited

## SEGMENT INFORMATION

### Participants' Takaful Fund

	2020				
	Fire and property	Marine and transport	Motor	Other classes	Aggregate
	(Rupees in '000)				
Contribution receivable (inclusive of federal excise duty and administrative surcharge)	58,319	21,185	79,814	8,145	167,463
Less: Federal Excise Duty	(7,255)	(2,477)	(9,389)	(761)	(19,882)
Federal Insurance Fee	(498)	(184)	(676)	(54)	(1,412)
Gross written contribution (inclusive of administrative surcharge)	50,566	18,524	69,749	7,330	146,169
Wakala fees	(4,845)	(1,774)	(6,681)	(702)	(14,002)
Takaful contribution earned	43,185	16,430	49,017	4,532	113,164
Takaful contribution ceded to retakaful operators	(35,879)	(13,265)	(6,996)	(3,673)	(59,813)
Net takaful contribution	2,461	1,391	35,340	157	39,349
Retakaful rebate	6,328	2,891	91	761	10,071
<b>Net underwriting income</b>	8,789	4,282	35,431	918	49,420
Takaful claims	(34,581)	(7,899)	(38,820)	(1,849)	(83,149)
Takaful claims recovered from retakaful	31,289	6,738	14,100	1,458	53,585
<b>Net claims</b>	(3,292)	(1,161)	(24,720)	(391)	(29,564)
Surplus before investment income	5,497	3,121	10,711	527	19,856
Provision for impairment					(1,564)
Net investment income	528	300	1,030	51	1,909
Profit on bank balances					1,184
Surplus transferred to balance of PTF	6,025	3,421	11,741	578	21,385
Segment assets	59,781	22,744	67,854	6,274	156,653
Unallocated assets					65,913
<b>Total assets</b>					222,566
Segment liabilities	77,000	29,296	87,400	8,081	201,777
Unallocated liabilities					3,756
<b>Total liabilities</b>					205,533
<b>Operator's Fund</b>					
Wakala fee	5,343	2,033	6,065	561	14,002
Commission expense	(6,594)	(2,357)	(2,541)	(501)	(11,993)
Management expenses	(1,916)	(702)	(2,645)	(278)	(5,541)
<b>Underwriting result</b>	(3,167)	(1,026)	879	(218)	(3,532)
Investment income					4,588
Other expenses					(1,045)
<b>Profit before taxation</b>					11
Income tax expense					356
Profit after tax for the period					367
Segment assets	3,063	1,166	3,477	322	8,028
Unallocated assets					62,603
<b>Total assets</b>					70,631
Segment liabilities	3,344	1,273	3,797	351	8,765
Unallocated liabilities					15,145
<b>Total liabilities</b>					23,910

# Habib Insurance Company Limited

## 31 MANAGEMENT OF INSURANCE AND FINANCIAL RISK

Insurance and financial risk management objectives and policies are consistent with those disclosed in financial statements for the year ended December 31, 2020.

### 31.1 Credit risk

Credit risk is the risk that 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 Operator 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 credit worthiness of counterparties.

#### 31.1.1 Management of credit risk

The Operator's policy is to enter into financial contracts in accordance with the guidelines set by the Board of Directors. Credit risk is managed and controlled by the management of the Operator in the following manner:

- Credit rating and / or credit worthiness of the counter party is taken into account along with the financial background so as to minimize the risk of default. Collaterals are obtained wherever appropriate / relevant.
- The risk of counterparty exposure due to failed agreements causing a loss to the Operator is mitigated by a periodic review of the credit ratings, financial statements, credit worthiness, etc. on a regular basis and makes provision against those balances considered doubtful of recovery.
- Loans given to employees are deductible from the salary of the employees.
- Cash is held with reputable banks only.

To reduce the credit risk the management continuously reviews and monitors the credit exposure towards the policyholders and other insurers/reinsurers and makes provision against those balances considered doubtful of recovery.

#### 31.1.2 Exposure to credit risk

In summary, compared to the amount included in statement of assets and liabilities, the maximum exposure to credit risk as at December 31, 2021 is as follows:

	2021			
	OPF		PTF	
	Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
	(Rupees in '000)			
Other receivables including				
Qard-e-Hasna to PTF	—	—	1	1
Takaful / retakaful receivable	—	—	142,414	142,414
Retakaful recoveries against outstanding claims	—	—	21,618	21,618
Receivable from PTF	7,577	7,577	—	—
Bank balances	8,246	8,246	45,081	45,081
	<u>15,823</u>	<u>15,823</u>	<u>209,114</u>	<u>209,114</u>
	2020			
	OPF		PTF	
	Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
	(Rupees in '000)			
Investment non government securities	36,448	36,448	—	—
Loans and other receivables	10,209	10,209	448	448
Takaful / retakaful receivable	—	—	75,486	75,486
Retakaful recoveries against outstanding claims	—	—	39,731	39,731
Receivable from PTF	—	—	5,011	5,011
Bank balances	14,734	14,734	65,465	65,465
	<u>61,391</u>	<u>61,391</u>	<u>186,141</u>	<u>186,141</u>



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## 31.1.3 Past due / impaired assets

Age analysis of contribution due but unpaid at the reporting date was:

	2021		2020	
	Gross (Rupees in '000)	Impairment	Gross (Rupees in '000)	Impairment
Upto 1 year	70,122	—	32,603	—
Over 1 year	5,055	1,988	2,145	1,564
2-3 year	496	—	—	—
Over 3 year	(47)	—	—	—
Total	<u>75,626</u>	<u>1,988</u>	<u>34,748</u>	<u>1,564</u>

## 31.1.4 Credit Rating and Collateral

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

Rating Long term	Rating Agency	OTF	PTF	OTF	PTF
		December 31, 2021 (Rupees in '000)		December 31, 2020 (Rupees in '000)	
AA+	PACRA	<u>8,246</u>	<u>45,081</u>	<u>14,734</u>	<u>65,465</u>

The Operator enters into re-takaful / co-takaful arrangements with re-takaful / other takaful operators having sound credit ratings accorded by reputed credit rating agencies. The Operator is required to comply with the requirements of circular no. 32 / 2009 dated October 27, 2009 issued by SECP which requires an insurance company to place at least 80% of their outward treaty cessions with reinsurers rated 'A' or above by Standard & Poors with the balance being placed with entities rated at least 'BBB' by reputable ratings agency. An analysis of re-takaful assets relating to outward treaty cessions recognised by the rating of the entity from which it is relates is as follows:

	Rating	PTF	
		2021 (Rupees in '000)	2020 (Rupees in '000)
Prepaid re-takaful ceded	A or above	<u>43,143</u>	<u>32,671</u>

## 31.1.5 Concentration of credit risk

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The Operator manages concentration of credit risk through diversification of activities among individuals, groups and industry segments.

Sector-wise analysis of contribution due but unpaid at the reporting date was:

	PTF 2021		PTF 2020	
	(Rupees in '000)	%	(Rupees in '000)	%
Automobiles	34,004	46.18	6,449	19.43
Banks, modaraba and leasing	7,833	10.64	5,067	15.27
Textile and composite	9,940	13.50	2,229	6.72
Chemicals and allied industries	526	0.71	961	2.90
Glass, ceramics and tiles	—	—	—	0.00
Cable, engineering and steel	3,792	5.15	4,111	12.39
Food and confectionary	2,558	3.47	287	0.86
Fuel and energy	—	—	5	0.02
Sugar	2,898	3.94	1,668	5.03
Pharmaceuticals	2,130	2.89	650	1.96
Others	9,957	13.52	11,757	35.43
	<u>73,638</u>	<u>100</u>	<u>33,184</u>	<u>100</u>



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## 31.1.6 Settlement risk

The Operator's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed on sale.

This risk is addressed more or less in accordance with the parameters set out in the credit risk management above.

## 31.2 Liquidity risk

Liquidity risk is the risk that the Operator will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Operator could be required to pay its liabilities earlier than expected or may face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

### 31.2.1 Management of liquidity risk

The Operator's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Operator's reputation. Due to nature of the business, the Operator maintains flexibility in funding by maintaining committed credit lines available. The Operator's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfil its obligation; monitoring balance sheet liquidity ratios against internal and external requirements and maintaining debt financing plans.

### 31.2.2 Maturity analysis for financial assets and liabilities

The table below analyses the Operator's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows (including interest payments):

	2021						
	Interest/ Markup bearing			Non-Interest/ Non-markup bearing			Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year (Rupees in '000)	Maturity after one year	Sub Total	
<b>OPF</b>							
<b>FINANCIAL ASSETS</b>							
Investments							
Musharika certificates	35,051	–	35,051	–	–	–	35,051
Loans and other receivables	–	–	–	–	–	–	–
Receivable from PTF	–	–	–	7,577	–	7,577	7,577
Cash and bank	8,246	–	8,246	–	–	–	8,246
As at December 31, 2021	43,297	–	43,297	7,577	–	7,577	50,874
<b>FINANCIAL LIABILITIES</b>							
Other creditors and accrual	–	–	–	22,846	–	22,846	22,846
As at December 31, 2021	–	–	–	22,846	–	22,846	22,846

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OPF	2020						
	Interest/ Markup bearing			Non-Interest/ Non-markup bearing			Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year (Rupees in '000)	Maturity after one year	Sub Total	
<b>FINANCIAL ASSETS</b>							
Investments							
Equity securities	–	–	–	36,448	–	–	–
Musharika certificates	–	–	–	–	–	36,448	36,448
Loans and other receivables	–	–	–	10,209	–	10,209	10,209
Cash and bank	14,734	–	14,734	–	–	–	14,734
Receivable from PTF	5,011	–	5,011	–	–	–	5,011
As at December 31, 2020	19,745	–	19,745	46,657	–	46,657	66,402
<b>FINANCIAL LIABILITIES</b>							
Other creditors and accruals	–	–	–	15,120	–	15,120	15,120
As at December 31, 2020	–	–	–	15,120	–	15,120	15,120
PTF	2021						
	Interest/ Markup bearing			Non-Interest/ Non-markup bearing			Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year (Rupees in '000)	Maturity after one year	Sub Total	
<b>FINANCIAL ASSETS</b>							
Investments							
Equity securities	–	–	–	–	–	–	–
Musharika securities	80,116	–	80,116	–	–	–	80,116
Takaful/retakaful receivables	–	–	–	142,414	–	142,414	142,414
Retakaful recoveries against outstanding claims	–	–	–	21,618	–	21,618	21,618
Cash and bank	45,076	–	45,076	–	–	–	45,076
As at December 31, 2021	125,192	–	125,192	164,032	–	164,032	289,224
<b>FINANCIAL LIABILITIES</b>							
Contribution received in advance	–	–	–	7,328	–	7,328	7,328
Outstanding claims including IBNR	–	–	–	48,618	–	48,618	48,618
Takaful / retakaful payables	–	–	–	63,136	–	63,136	63,136
Other creditors and accruals	–	–	–	5,242	–	5,242	5,242
As at December 31, 2021	–	–	–	124,324	–	124,324	124,324

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	2020						
	Interest/ Markup bearing			Non-Interest/ Non-markup bearing			
PTF	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year (Rupees in '000)	Maturity after one year	Sub Total	Total
<b>FINANCIAL ASSETS</b>							
Investments							
Equity securities	–	–	–	448	–	448	448
Loans and other receivables	–	–	–	–	–	–	–
Takaful/retakaful receivables	–	–	–	75,486	–	75,486	75,486
Retakaful recoveries against outstanding claims	–	–	–	39,731	–	39,731	39,731
Cash and bank	65,465	–	65,465	–	–	–	65,465
As at December 31, 2020	65,465	–	65,465	115,665	–	115,665	181,130
<b>FINANCIAL LIABILITIES</b>							
Contribution received in advance	–	–	–	5,787	–	5,787	5,787
Outstanding claims including IBNR	–	–	–	59,783	–	59,783	59,783
Takaful / retakaful payables	–	–	–	44,684	–	44,684	44,684
As at December 31, 2020	–	–	–	110,254	–	110,254	110,254

## 31.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will effect the Operator's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Operator is exposed to interest rate risk, currency risk and other price risk.

### 31.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate exposure arises from balances held in profit and loss sharing accounts with reputable banks and government securities. The Operator limits interest rate risk by monitoring changes in interest rates. Other risk management procedures are the same as those mentioned in the credit risk management.

#### 31.3.1.1 Sensitivity analysis

At the balance sheet date the interest rate profile of the Operator's interest-bearing financial instrument are as follows:

Financial assets	OPF		OPF	
	2021		2020	
	Effective interest rate in %	(Rupees in '000)	Effective interest rate in %	(Rupees in '000)
Assets subject to variable rate				
- Bank balances	6.50%-8.25%	8,246	9.25%	14,734
Financial assets	PTF		PTF	
	2021		2020	
	Effective interest rate in %	(Rupees in '000)	Effective interest rate in %	(Rupees in '000)
Assets subject to variable rate				
- Bank balances	6.50%-8.25%	45,076	9.25%	65,463

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## Fair value sensitivity analysis for fixed rate instruments

The Operator does not account for any 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 Fund of the Operator.

## Cash flow sensitivity analysis for variable rate instruments

The Operator is exposed to cash flow interest rate risk in respect of its balances with profit and loss sharing account with banks. A hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below.

It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	2021		2020	
	Profit and loss 100 bps		Profit and loss 100 bps	
	OPF		OPF	
	Increase (Rupees in '000)	Decrease (Rupees in '000)	Increase (Rupees in '000)	Decrease (Rupees in '000)
Cash flow sensitivity	825	(825)	1,473	(1,473)
	PTF		PTF	
	Increase (Rupees in '000)	Decrease (Rupees in '000)	Increase (Rupees in '000)	Decrease (Rupees in '000)
Cash flow sensitivity	4,508	(4,508)	6,547	(6,547)

## Exposure to interest rate risk

A summary of the Operator's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

		OPF				Total
		Mark-up / return (%)	less than 1 year	1 year to 5 years (Rupees in '000)	More than 5 years	
<b>Assets</b>						
Bank balance	6.50%-8.25%	8,246	—	—	8,246	
<b>Total assets</b>		8,246	—	—	8,246	
<b>Liabilities</b>	—	—	—	—	—	
<b>Total interest sensitivity gap</b>		8,246	—	—	8,246	
		OPF				Total
		Mark-up / return (%)	less than 1 year	1 year to 5 years (Rupees in '000)	More than 5 years	
<b>Assets</b>						
Bank balance	9.25%	14,734	—	—	14,734	
<b>Total assets</b>		14,734	—	—	14,734	
<b>Liabilities</b>	—	—	—	—	—	
<b>Total interest sensitivity gap</b>		14,734	—	—	14,734	

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		PTF			
		2021			
	Mark-up / return (%)	less than 1 year	1 year to 5 years (Rupees in '000)	More than 5 years	Total
<b>Assets</b>					
Bank balance	6.50%-8.25%	45,076	—	—	45,076
<b>Total assets</b>		45,076	—	—	45,076
<b>Liabilities</b>					
	—	—	—	—	—
<b>Total interest sensitivity gap</b>		45,076	—	—	45,076
		PTF			
		2020			
	Mark-up / return (%)	less than 1 year	1 year to 5 years (Rupees in '000)	More than 5 years	Total
<b>Assets</b>					
Bank balance	9.25%	65,463	—	—	65,463
<b>Total assets</b>		65,463	—	—	65,463
<b>Liabilities</b>					
	—	—	—	—	—
<b>Total interest sensitivity gap</b>		65,463	—	—	65,463

## 31.3.2 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 / mark up 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 Operator is not exposed to any price risk at the balance sheet date as it has no financial instrument that is linked to market price.

## 31.3.3 Foreign currency risk

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

## 31.4 Fund management

The Operator's objective when managing capital is to safe guard the Operator's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Operator manages its fund structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

## 32. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 defines fair value as an exit price. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised with in the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

The following table shows financial instruments recognized at fair value, analysed between those whose fair value is based on:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2: Valuation techniques for which the lowest level input that in significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value.

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Following are the assets where fair value is only disclosed and different from their carrying value.

	2021					Fair value measurement using		
	Available for sale	Loans & receivable	Other financial assets	Other financial liabilities (Rupees in '000)	Total	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>								
Investments								
Certificate of Investments	115,167	–	–	–	115,167	–	–	–
<b>Financial assets not measured at fair value</b>								
Loans and other receivables	–	–	250	–	250	–	–	–
Takaful / retakaful receivable	–	–	142,414	–	142,414	–	–	–
Retakaful recoveries against outstanding claims	–	21,618	–	–	21,618	–	–	–
Cash and bank balances	–	–	53,327	–	53,327	–	–	–
	115,167	21,618	195,991	–	332,776	–	–	–
<b>Financial liabilities not measured at fair value</b>								
Takaful / retakaful payables	–	–	–	(63,136)	(63,136)	–	–	–
Other creditors and accruals	–	–	–	(5,242)	(5,242)	–	–	–
	115,167	21,618	195,991	(68,378)	264,398	–	–	–

	2020					Fair value measurement using		
	Available for sale	Loans & receivable	Other financial assets	Other financial liabilities  (Rupees in '000)	Total	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>								
Investments								
Mutual fund units	–	36,448	–	–	36,448	–	36,448	–
<b>Financial assets not measured at fair value</b>								
Loans and other receivables	–	–	10,657	–	10,657	–	–	–
Retakaful recoveries against outstanding claims	–	39,731	–	–	39,731	–	–	–
Cash and bank balances	–	–	80,199	–	80,199	–	–	–
	–	76,179	90,856	–	167,035	–	36,448	–
<b>Financial liabilities not measured at fair value</b>								
Outstanding claims including IBNR	–	–	–	(59,783)	(59,783)	–	–	–
Contribution received in advance	–	–	–	(5,787)	(5,787)	–	–	–
Takaful / retakaful payables	–	–	–	(44,684)	(44,684)	–	–	–
Other creditors and accruals	–	–	–	(18,853)	(18,853)	–	–	–
	–	76,179	90,856	(129,107)	37,928	–	36,448	–

The carrying values of remaining financial assets and liabilities reflected in these financial statements approximate to their fair value.

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	2021 (Rupees in '000)	2020
<b>33. STATEMENT OF SOLVENCY</b>		
Investments		
Musharika certificate	80,116	–
Loans and other receivables	1	448
Takaful / retakaful receivable	142,414	75,486
Retakaful recoveries against outstanding claims	21,618	39,731
Deferred Wakala expense	13,019	3,754
Receivable from OTF	–	5,011
Taxation - payments less provision	803	–
Prepayments	43,143	32,671
Cash and bank	45,081	65,465
<b>Total Assets (A)</b>	<b>346,195</b>	<b>222,566</b>
<b>In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance, 2000</b>		
Contribution due since more than three months	(30,098)	(11,949)
Investments	–	–
<b>Total In-admissible assets (B)</b>	<b>(30,098)</b>	<b>(11,949)</b>
<b>Total Admissible Assets C= A-B</b>	<b>316,097</b>	<b>210,617</b>
<b>Liabilities</b>		
<b>PTF underwriting provisions</b>		
Outstanding claims including IBNR	48,618	59,783
Unearned contribution reserve	130,184	75,074
Reserve for unearned retakaful rebate	8,646	6,240
Contribution received in advance	7,328	5,787
Qard-e-Hasna	–	10,209
Takaful / retakaful payable	63,136	44,684
Taxation - payment less provision	–	23
Other creditors and accrual	4,537	3,733
Payable to OTF	7,577	–
<b>Total Liabilities (D)</b>	<b>270,026</b>	<b>205,533</b>
<b>Net Surplus as at December 31 (E=C-D)</b>	<b>46,071</b>	<b>5,084</b>

## 34 CORRESPONDING FIGURES

Previous year's other expenses have been included in management expenses of the previous year for an appropriate comparison and better presentation.

## 35 GENERAL

Figures have been rounded off to the nearest Thousand Rupees.

## 36 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorised for issue on March 31, 2022 by the Board of Directors.

RAFIQ M. HABIB Chairman	MANSOOR G. HABIB Director	AUN MOHAMMAD A. HABIB Director	SHABBIR GULAMALI Chief Executive	MURTAZA HUSSAIN Chief Financial Officer
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# Habib Insurance Company Limited

## Pattern of Shareholding as at December 31, 2021

Number of Shareholders	Shareholdings' Slab			Total Shares Held
862	1	to	100	12,232
265	101	to	500	79,777
185	501	to	1000	145,542
433	1001	to	5000	1,182,996
144	5001	to	10000	1,075,932
98	10001	to	15000	1,225,656
45	15001	to	20000	804,447
36	20001	to	25000	844,970
29	25001	to	30000	808,839
15	30001	to	35000	489,790
11	35001	to	40000	414,478
11	40001	to	45000	470,830
19	45001	to	50000	928,524
6	50001	to	55000	316,045
3	55001	to	60000	176,813
22	60001	to	65000	1,373,213
3	65001	to	70000	203,046
2	70001	to	75000	143,242
3	75001	to	80000	235,094
3	80001	to	85000	244,193
7	85001	to	90000	611,284
2	90001	to	95000	187,592
9	95001	to	100000	890,446
2	100001	to	105000	208,241
2	105001	to	110000	213,388
3	110001	to	115000	337,486
2	115001	to	120000	232,573
7	120001	to	125000	866,986
2	125001	to	130000	254,144
6	130001	to	135000	788,975
3	135001	to	140000	414,703
2	140001	to	145000	286,542
2	145001	to	150000	299,840
2	150001	to	155000	307,400
4	155001	to	160000	627,654
1	160001	to	165000	161,523
1	165001	to	170000	166,856
4	170001	to	175000	689,288
1	185001	to	190000	185,807
3	190001	to	195000	575,756
4	195001	to	200000	795,223
3	205001	to	210000	627,078
2	210001	to	215000	423,610
7	220001	to	225000	1,563,278
3	225001	to	230000	681,296
2	235001	to	240000	475,000
1	240001	to	245000	242,750
8	245001	to	250000	1,986,553
1	250001	to	255000	250,058
2	255001	to	260000	519,500
1	265001	to	270000	267,317
1	270001	to	275000	270,885
1	275001	to	280000	275,863
3	280001	to	285000	844,406
1	300001	to	305000	300,183
2	305001	to	310000	615,670
2	320001	to	325000	643,392
3	330001	to	335000	994,060
2	340001	to	345000	685,604
1	345001	to	350000	348,986
1	355001	to	360000	357,992
1	385001	to	390000	387,848
1	410001	to	415000	410,721
1	420001	to	425000	420,300
1	425001	to	430000	428,312
1	430001	to	435000	432,318
2	445001	to	450000	894,016
1	480001	to	485000	481,010
1	490001	to	495000	493,416
1	495001	to	500000	500,000
1	500001	to	505000	505,000



# Habib Insurance Company Limited

## Pattern of Shareholding as at December 31, 2020

Number of Shareholders	Shareholdings' Slab			Total Shares Held
1	520001	to	525000	524,175
1	525001	to	530000	526,915
3	540001	to	545000	1,627,944
1	550001	to	555000	550,303
1	580001	to	585000	584,046
1	590001	to	595000	591,650
2	600001	to	605000	1,205,543
2	615001	to	620000	1,238,710
1	620001	to	625000	620,360
1	625001	to	630000	625,654
1	630001	to	635000	633,270
1	665001	to	670000	666,091
1	690001	to	695000	693,695
1	705001	to	710000	707,263
1	710001	to	715000	712,500
1	735001	to	740000	736,117
1	740001	to	745000	743,246
1	755001	to	760000	757,323
1	770001	to	775000	774,830
1	800001	to	805000	800,219
1	805001	to	810000	809,452
1	810001	to	815000	813,114
1	815001	to	820000	817,570
1	840001	to	845000	841,785
3	880001	to	885000	2,648,592
1	925001	to	930000	927,692
1	930001	to	935000	930,194
1	990001	to	995000	990,198
1	995001	to	1000000	1,000,000
1	1005001	to	1010000	1,006,162
1	1025001	to	1030000	1,028,157
1	1060001	to	1065000	1,064,758
2	1085001	to	1090000	2,177,874
1	1090001	to	1095000	1,092,797
1	1135001	to	1140000	1,137,623
1	1195001	to	1200000	1,200,000
1	1205001	to	1210000	1,208,386
1	1215001	to	1220000	1,219,590
1	1225001	to	1230000	1,227,082
1	1245001	to	1250000	1,248,800
1	1395001	to	1400000	1,399,918
1	1610001	to	1615000	1,610,364
1	1810001	to	1815000	1,813,828
1	1875001	to	1880000	1,877,462
1	2350001	to	2355000	2,353,618
1	2410001	to	2415000	2,414,237
1	2650001	to	2655000	2,654,452
1	2720001	to	2725000	2,721,386
1	2990001	to	2995000	2,994,651
1	4975001	to	4980000	4,979,761
1	5360001	to	5365000	5,363,772
1	5415001	to	5420000	5,419,516
1	5735001	to	5740000	5,735,396
1	6220001	to	6225000	6,222,926
2,383				123,874,755

Categories of Shareholders	Numbers	Shares Held	Percentage
1. Individuals	2,354	88,554,597	71.49
2. Insurance companies	6	6,840,091	5.52
3. Charitable trusts	12	19,212,555	15.51
4. Government institutions	1	30	0.00
5. Foreign investors	10	9,267,482	7.48
	2,383	123,874,755	100.00

# Habib Insurance Company Limited

## Pattern of Shareholding as at December 31, 2021

### Additional Information

Shareholders' Category	Number of shareholders/ folios	Number of shares held
<b>Associated Companies, undertakings and related parties</b>		
Thal Limited	1	5,735,396
IBDL (ICP Unit)	1	30
<b>Directors</b>		
Mr. Rafiq Habib	1	166,856
Mr. Abbas D. Habib	3	890,808
Mr. Mansoor G. Habib	2	79,500
Mr. Muhammad Hyder Habib	2	734,803
Mr. Qumail R. Habib	2	588,675
Mr. Aun Mohammad A. Habib	2	1,190,194
Mr. Shahid Ghaffar	1	2,000
Mr. Ali Fadoo	1	2,000
Ms. Maleeha Humayun Bangash	1	2,000
<b>Directors and their spouse(s) and minor children</b>		
Mrs. Jamila Rafiq w/o Mr. Rafiq M. Habib	3	1,116,797
Mrs. Niamat-e-Fatima w/o Mr. Abbas D. Habib	1	20,877
Ms. Farah Fatima Habib w/o Mr. Muhammad Hyder Habib	3	600,961
<b>Individuals/ Others</b>	2,336	78,000,895
<b>Charitable Trusts, Societies and Government Institutions</b>	12	19,212,555
<b>Foreign Investors</b>	10	9,267,482
<b>Shareholders holding 5% or more</b>	1	6,222,926
	<hr/> 2,383 <hr/>	<hr/> 123,874,755 <hr/>

# Habib Insurance Company Limited

## Notice of Annual General Meeting

NOTICE is hereby given that the 79th Annual General Meeting of the Shareholders of the Company will be held at Institute of Bankers Pakistan located at Moulvi Tamizuddin Khan Road, Sultanabad, Karachi on Thursday, April 28, 2022 at 11:00 am to transact the following business. The shareholders may also attend the meeting through video conference facility managed by the Company as per instructions given in the notes section.

### Ordinary Business

1. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended December 31, 2021 together with the Directors' and Auditors' Report thereon.
2. To consider and approve payment of cash dividend @ 12.5% i.e., Rs. 0.625 per share of Rs. 5/- each for the year ended December 31, 2021 as recommended by the Board of Directors.
3. To appoint Auditors for the year ending December 31, 2022 and to fix their remuneration M/s. KPMG Taseer Hadi & Co., Chartered Accountants, being eligible, offer themselves for re-appointment.
4. To consider any other business of the Company with the permission of the Chair.

### Special Business

5. To consider and pass the following resolution for authorizing investment by way of purchase of units of mutual funds managed by our associated company, AL Habib Asset Management Limited.

**"RESOLVED** that the Company be and is hereby authorised to invest upto Rs. 500 million in the units of Funds, managed by AL Habib Asset Management Limited within a period of two years.

**FURTHER RESOLVED** that the Chief Executive and the Chief Financial Officer be and are hereby authorised jointly to make the aforesaid investments as and when deemed appropriate and to delegate the aforesaid powers to any officers of the Company as he may deem fit."

6. To consider and pass the following resolutions for authorizing investment by way of purchase of Term Finance Certificates of our associated company Bank AL Habib Limited.

**"RESOLVED** that the Company be and is hereby authorised to invest upto Rs. 250 million in the Term Finance Certificates of Bank AL Habib Limited within a period of two years.

**FURTHER RESOLVED** that the Chief Executive and the Chief Financial Officer be and are hereby authorised jointly to make the aforesaid investments as and when deemed appropriate and to delegate the aforesaid powers to any officers of the Company as he may deem fit."

For item # 5 and # 6, a statement under Section 160 of the Companies Act, 2017 relating to the aforesaid Special Business to be transacted at the said Annual General Meeting is being sent to all shareholders.

By order of the Board

Karachi: April 7, 2022

Muhammad Maaz Akbar  
Company Secretary

# Habib Insurance Company Limited

## Notes:

### 1. Participation in the Annual General Meeting through Video Link Facility:

The entitled shareholders who are interested to attend AGM through online platform and whose names appeared in the Books of the Company by the close of business on April 13, 2022 are hereby requested to get themselves registered with the Company Secretary Office by providing the following details at the earliest but not later than 48 hours before the time of AGM (no account shall be taken of any part of the day that is not a working day) at [agm@habibinsurance.net](mailto:agm@habibinsurance.net).

Name of shareholder	CNIC No.	Folio No. / CDS No.	Cell Number	Email address

Upon receipt of the above information from interested shareholders, the Company will send the login details at their email addresses. On the AGM day, shareholders will be able to login and participate in the AGM proceedings through their smartphones or computer devices from any convenient location.

The login facility will be opened 30 minutes before the meeting time to enable the participants to join the meeting after identification and verification process.

The entitled shareholders (whose names appeared in the Books of the Company by the close of business on April 13, 2022) along with the details mentioned above may send their comments/suggestions for the proposed Agenda items at the above email address at least 48 hours before the time of AGM (no account shall be taken of any part of the day that is not a working day).

- The share transfer books of the Company will remain closed from Thursday, April 14, 2022 to Thursday, April 28, 2022 (both days inclusive) for the purpose of Annual General Meeting and payment of final dividend.
- A member entitled to attend and vote at this meeting is entitled to appoint another member of the Company as his/her proxy to attend and vote on his/her behalf. Proxy form, in order to be effective, must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the meeting.
- The entitled shareholders are requested to keep with them their original Computerized National Identity Cards (CNICs) / Passport along with their folio numbers / participant(s) ID numbers and CDC account numbers at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders. The proxy shall also produce his/her original CNIC or Passport at the time of the meeting. In case of a corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signatures shall be submitted along with Proxy Form.
- Members are requested to promptly communicate any change in their address to our Share Registrar, M/s. CDC Share Registrar Services Limited.
- Pursuant to the directive of the Securities and Exchange Commission of Pakistan (SECP), it is mandatory to mention CNIC number of members on members' register and other statutory returns. Those shareholders who have not submitted copy of their CNIC to the Company are once again requested to submit copy of their CNIC, otherwise the Company will be constrained under section 243(2)(a) of the Companies Act, 2017 to withhold dividend of such shareholders.
- The Government of Pakistan through Finance Act, 2021 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:
  - For filers of income tax returns 15%
  - For non-filers of income tax returns 30%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30% all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of cash dividend i.e., April 28, 2022; otherwise, tax on their cash dividend will be deducted @ 30% instead of 15%.

According to FBR, withholding tax will be determined separately on 'Filer/Non-Filer' status of principal shareholder as well as joint-shareholder(s) based on their shareholding proportions, in case of joint accounts. Members that hold shares with joint-shareholder(s) are requested to provide shareholding proportions of principal shareholder and joint-shareholder(s) in respect of shares held by them to the Company's Share Registrar in writing in the following format.

In case the required information is not provided to our Share Registrar latest by April 13, 2022, it will be assumed that the shares are equally held by them.

In case of corporate entity, withholding tax exemption from dividend income shall only be allowed if copy of valid tax exemption certificate is made available to our Share Registrar latest by April 13, 2022, whereas physical shareholders should send a copy of their NTN certificate to the Company or Company's Share Registrar, M/s. CDC Share Registrar Services Limited. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

# Habib Insurance Company Limited

Company Name	Folio/CDC Account No.	Total shares	Principal Shareholder		Joint Shareholder	
			Name and CNIC#	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (No. of Shares)

As per instructions of SECP and Central Depository Company of Pakistan (CDC) circular No. 6 of 2018, the shareholders are hereby informed that the CDC has developed Centralized Cash Dividend Register (CCDR) on eServices Web Portal which contains details of cash dividend such as either paid or unpaid, withheld by the Bank, total amount of cash dividend, tax and zakat deductions and net amount credited into designated bank account of shareholders. The shareholders are requested to register themselves to CDC's eServices Portal link, <https://eservices.cdcaccess.com.pk> to obtain the aforesaid information.

The Corporate shareholders having CDC account are required to have their National Tax number (NTN) updated with their respective participants, whereas physical shareholders should send a copy of their NTN certificate to the Company or Company's Share Registrar, M/s. CDC Share Registrar Services Limited. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

## 8. Payment of Cash Dividend through Electronic Mode

Under the provision of Section 242 of Companies Act, 2017 and Companies (Distribution of Dividends) Regulations, 2017, it is mandatory for a listed company to pay cash dividend to their shareholders only through electronic mode directly into the bank account designated by the entitled shareholders instead of issuing physical dividend warrants.

In order to receive cash dividend directly into the designated bank account, members who have not yet provided the bank account details are requested to fill and sign the "E-Dividend Mandate Form" available on the Company's website [www.habibinsurance.net](http://www.habibinsurance.net) and send to the relevant Participants/Investor Account Services of the CDC/Share Registrar of the Bank (as the case may be) latest by April 13, 2022 along with a copy of their valid CNICs.

In case of non-receipt or incorrect International Bank Account Number (IBAN) with other related details or non-availability of valid CNICs, the Bank will withhold cash dividend of such members.

## 9. Deposit of Physical Shares into CDC Accounts

As per section 72 of the Companies Act, 2017 every existing shareholder shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of Companies Act, 2017.

The shareholder having physical shareholding may open CDC sub-account with any of the brokers or investor account directly with CDC to place their physical shares into scrip less form, this will facilitate them in many ways including safe custody and sale of shares, anytime they want as the trading of physical shares is not permitted as per existing regulations of Pakistan Stock Exchange.

## 10. Unclaimed/Unpaid Dividend and Share Certificates

Shareholders who could not collect their dividend /physical shares are advised to contact Share Registrar or our Registered Office to enquire and collect their unclaimed dividend/shares, if any. In compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all such unclaimed dividend and shares for a period of 3 years or more from the date it is due and payable shall be deposited to the credit of Federal Government in case of unclaimed dividend and in case of shares, shall be delivered to Securities and Exchange Commission of Pakistan (SECP).

## 11. Transmission of Financial Statements & Notices through email

The Securities and Exchange Commission of Pakistan (SECP) through its Notification S.R.O. 787(I)/2014 dated September 8, 2014 has permitted companies to circulate Audited Financial Statements along with Notice of Annual General Meeting to its members through e-mail. Accordingly, members are requested to send their consent and e-mail addresses for receiving Audited Financial Statements and Notices through e-mail. In order to avail this facility, a standard request form is available at the Company's website.

For any query / clarification / information, the shareholder may contact the Share Registrar at the following address:

**M/s. CDC Share Registrar Services Limited**  
 CDC House, 99-B, Block-B  
 SMCHS, Main Shahrah-e-Faisal  
 Karachi-74400

# Habib Insurance Company Limited

## STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

The statement is annexed to the Notice of the 79<sup>th</sup> Annual General Meeting to be held on April 28, 2022 at which certain business are to be transacted. The purpose of this statement is to set forth material facts concerning such special business.

### ITEM NUMBER 5 OF THE AGENDA

As recommended by the Board of Directors in their meeting held on March 31, 2022, it is proposed to make investment by way of purchase of Term Finance Certificates of our associated companies. In this regard the Company seeks the approval of the shareholders under section 208 of the Companies Act, 2017.

In compliance with Regulations No. 8 of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012 the following information is annexed with the notice for approval of investment in associated companies.

#### Bank AL Habib Limited

#### Regulation No. 3(1)a

Sr. No.	Description	Information Required
1	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	Bank AL Habib Limited being associated on the basis of common directorship. Mr. Abbas D.Habib and Mr. Qumail R. Habib, Directors of the Company are also Chairman and Director of Bank AL Habib Limited.
2	Purpose, benefits and period of investment	Long term investment to earn dividend income as well as prospective capital gains
3	Maximum amount of investment	Rs. 250 million
4	Maximum price at which securities will be acquired	Not more than the price quoted on the stock exchange
5	Maximum number of securities to be acquired	Equivalent to the amount of investment
6	Number of securities and percentage thereof held before and after the proposed investment	Not Applicable
7	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired	Not Applicable
8	In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6(1)	Not Applicable
9	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements	Not Applicable
10	Earning per share of the associated company or associated undertaking for the last three years	2021: Rs. 16.83 per share 2020: Rs. 16.03 per share 2019: Rs. 10.05 per share
11	Sources of fund from which securities will be acquired	Own source

# Habib Insurance Company Limited

Sr. No.	Description	Information Required
12	Where the securities are intended to be acquired using borrowed funds:  i) Justification for investment through borrowings; and ii) Detail of guarantees and assets pledged for obtaining such funds	Not Applicable
13	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	Not Applicable
14	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	No Director or Chief Executive has any interest in the proposed investment, except in their individual capacities as Directors/ Chief Executive and/ or as shareholders of the Company
15	Any other important details necessary for the members to understand the transaction	None
16	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely:  i) Description of the project and its history since conceptualisation; ii) Starting and expected dates of completion of work; iii) Time by which such project shall become commercially operational; and iv) Expected time by which the project shall start paying return on investment	Not Applicable
17	In case of investment in the form of loans, advances and guarantees, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made:  i) category-wise amount of investment; ii) average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period;	Term Finance Certificates 7.85%
18	rate of interest, mark up, profit, fees or commission etc. to be charged by investing company;	Not Applicable
19	particulars of collateral or security to be obtained in relation to the proposed investment;	Not Applicable
20	if the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable; and	Not Applicable
21	repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking.	6 Months KIBOR + 1.65%

## Regulation No. 3(3)

Sr. No.	Description	Information Required
	The directors of the investing company while presenting the special resolution for making investment in its associated company or associated undertaking shall submit an undertaking to the members of the investing company that they have carried out necessary due diligence for the proposed investment	The Directors of the Company submit that they have carried out necessary due diligence for the proposed investment in Term Finance Certificates of Bank AL Habib Ltd.



# Habib Insurance Company Limited

## ITEM NUMBER 6 OF THE AGENDA

As recommended by the Board of Directors in their meeting held on March 31, 2022, it is proposed to make investment by way of purchase of shares of units of mutual funds managed by our associated company, Habib Asset Management Limited. In this regard the Company seeks the approval of the shareholders under section 208 of the Companies Act, 2017.

In compliance with Regulations No. 8 of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012 the following information is annexed with the notice for approval of investment in associated companies. Hence the same is set out below:

Sr. No.	Description	Information Required
1	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	AL Habib Asset Management Limited being the associated Company on the basis of common directorship. Mr. Abbas D. Habib Non Executive Director of Habib Insurance Company Limited is also a Chairman of AL Habib Asset Management Limited
2	Purpose, benefits and period of investment	Long term investment to earn dividend income as well as prospective capital gains
3	Maximum amount of investment	Upto Rs. 500 million
4	Maximum price at which securities will be acquired	At prevailing Net Asset Value (NAV)
5	Maximum number of securities to be acquired	Equivalent to the amount of investment
6	Number of securities and percentage thereof held before and after the proposed investment	Number of securities and percentage after proposed investment will depend on the prevailing prices at the time of actual acquisition of units of mutual funds which could vary with the NAV at which funds are purchased in future
7	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired	N/A
8	In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6(1)	N/A
9	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements	Various
10	Earning per share of the associated company or associated undertaking for the last three years	Various
11	Sources of fund from which securities will be acquired	Own source



# Habib Insurance Company Limited

Sr. No.	Description	Information Required
12	Where the securities are intended to be acquired using borrowed funds: i) Justification for investment through borrowings; and ii) Detail of guarantees and assets pledged for obtaining such funds	Not Applicable
13.	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	Not Applicable
14	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	No Director or Chief Executive has any interest in the proposed investment, except in their individual capacities as Directors/ Chief Executive and/ or as shareholders of the Company
15	Any other important details necessary for the members to understand the transaction	None
16.	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely:  i) Description of the project and its history since conceptualisation; ii) Starting and expected dates of completion of work; iii) Time by which such project shall become commercially operational; and iv) Expected time by which the project shall start paying return on investment	Not Applicable

# Habib Insurance Company Limited

## Status of approvals for investments in associated companies

### Bank AL Habib Limited

Sr. No.	Description	Information Required
1	<p>Information to be disclosed to the members:-</p> <p>If the associate Company or associated undertaking in which the investment is being made or any of its sponsors or directors is also a member of the investing company, the information about interest of the associated company or associated undertaking and its sponsors and directors in the investing company shall be disclosed in the notice of general meeting called for seeking members' approval pursuant to section 208 of the Ordinance</p>	Bank AL Habib Limited being the associated company on the basis of common directorship of Mr. Abbas D. Habib and Mr. Qumail R. Habib Director of the Company are also Chairman and Director of Bank AL Habib Limited
2	<p>In case any decision to make investment under the authority of a resolution passed pursuant to provisions of section 208 of the Ordinance is not implemented either fully or partially till the holding of subsequent general meeting(s), the status of the decision must be explained to the members through a statement having the following details namely:</p> <p>a) total investment approved:</p>	Rs. 75 million approved by the shareholders at Annual General Meeting held on April 29, 2021
b)	amount of investment made to date:	Nil
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time:	Remaining amount may be invested on availability of shares at reasonable price within the period specified in the earlier resolution
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company	Various

# Habib Insurance Company Limited

## Status of approvals for investments in associated companies

### Habib Metropolitan Bank Limited

Sr. No.	Description	Information Required
1	<p>Information to be disclosed to the members:-</p> <p>If the associate Company or associated undertaking in which the investment is being made or any of its sponsors or directors is also a member of the investing company, the information about interest of the associated company or associated undertaking and its sponsors and directors in the investing company shall be disclosed in the notice of general meeting called for seeking members' approval pursuant to section 208 of the Ordinance</p>	Habib Metropolitan Bank Limited being associated company on the basis of common directorship of Mr. Muhammad Hyder Habib, Director of the company is also Director of Habib Metropolitan Bank Limited.
2	<p>In case any decision to make investment under the authority of a resolution passed pursuant to provisions of section 208 of the Ordinance is not implemented either fully or partially till the holding of subsequent general meeting(s), the status of the decision must be explained to the members through a statement having the following details namely:</p>	Rs. 75 million approved by the shareholders at Annual General Meeting held on April 29, 2021
a)	total investment approved:	
b)	amount of investment made to date:	Rs. 43.953 million
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time:	Remaining amount may be invested on availability of shares at reasonable price within the period specified in the earlier resolution
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company	Various

# Habib Insurance Company Limited

## Status of approvals for investments in associated companies

### Indus Motor Company Limited

Sr. No.	Description	Information Required
1	<p>Information to be disclosed to the members:-</p> <p>If the associate Company or associated undertaking in which the investment is being made or any of its sponsors or directors is also a member of the investing company, the information about interest of the associated company or associated undertaking and its sponsors and directors in the investing company shall be disclosed in the notice of general meeting called for seeking members' approval pursuant to section 208 of the Ordinance</p>	Indus Motor Company Limited being the associated company on the basis of common directorship of Mr. Muhammad Hyder Habib, Director of the Company is also a Director of Indus Motor Company Limited.
2	<p>In case any decision to make investment under the authority of a resolution passed pursuant to provisions of section 208 of the Ordinance is not implemented either fully or partially till the holding of subsequent general meeting(s), the status of the decision must be explained to the members through a statement having the following details namely:</p> <p>a) total investment approved:</p>	Rs. 75 million approved by the shareholders at Annual General Meeting held on April 29, 2021
b)	amount of investment made to date:	Nil
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time:	Remaining amount may be invested on availability of shares at reasonable price within the period specified in the earlier resolution
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company	Various

# Habib Insurance Company Limited

## Status of approvals for investments in associated companies

### Shabbir Tiles & Ceramics Limited

Sr. No.	Description	Information Required
1	<p>Information to be disclosed to the members:-</p> <p>If the associate Company or associated undertaking in which the investment is being made or any of its sponsors or directors is also a member of the investing company, the information about interest of the associated company or associated undertaking and its sponsors and directors in the investing company shall be disclosed in the notice of general meeting called for seeking members' approval pursuant to section 208 of the Ordinance</p>	Shabbir Tiles & Ceramics Limited being associated company on the basis of common directorship of Mr. Rafiq M. Habib, Chairman of the company is also Chairman of Shabbir Tiles & Ceramics Limited
2	<p>In case any decision to make investment under the authority of a resolution passed pursuant to provisions of section 208 of the Ordinance is not implemented either fully or partially till the holding of subsequent general meeting(s), the status of the decision must be explained to the members through a statement having the following details namely:</p> <p>a) total investment approved:</p>	Rs. 25 million approved by the shareholders at Annual General Meeting held on April 29, 2021
b)	amount of investment made to date:	Nil
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time:	Remaining amount may be invested on availability of shares at reasonable price within the period specified in the earlier resolution
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company	Various

# Habib Insurance Company Limited

## Status of approvals for investments in associated companies

### Thal Limited

Sr. No.	Description	Information Required
1	<p>Information to be disclosed to the members:-</p> <p>If the associate Company or associated undertaking in which the investment is being made or any of its sponsors or directors is also a member of the investing company, the information about interest of the associated company or associated undertaking and its sponsors and directors in the investing company shall be disclosed in the notice of general meeting called for seeking members' approval pursuant to section 208 of the Ordinance</p>	Thal Limited being associated company on the basis of common directorship of Mr. Rafiq M. Habib, Chairman of the company is also Chairman of Thal Limited
2	<p>In case any decision to make investment under the authority of a resolution passed pursuant to provisions of section 208 of the Ordinance is not implemented either fully or partially till the holding of subsequent general meeting(s), the status of the decision must be explained to the members through a statement having the following details namely:</p>	Rs. 100 million approved by the shareholders at Annual General Meeting held on April 29, 2021
a)	total investment approved:	
b)	amount of investment made to date:	Nil
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time:	Remaining amount may be invested on availability of units at reasonable price within the period specified in the earlier resolution
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company	Various

# Habib Insurance Company Limited

۱۳۔ درج بالا کے علاوہ ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکریٹری اور ان کے شریک حیات و نابالغ بچوں کی جانب سے کمپنی کے شیئرز کی کوئی خرید و فروخت نہیں کی گئی۔

شیئرز کی تعداد

74,500

خریدار

جناب منصور جی۔ حبیب

منجانب بورڈ آف ڈائریکٹرز

شبیر غلام علی  
چیف ایگزیکٹو

عمون محمد اے۔ حبیب  
ڈائریکٹر

کراچی: ۳۱ مارچ ۲۰۲۲ء

# Habib Insurance Company Limited

۲۹ اپریل ۲۰۲۱ء	جناب رفیق ایم۔ حبیب جناب عباس ڈی۔ حبیب جناب منصور جی۔ حبیب جناب محمد حیدر حبیب جناب گمیل آر۔ حبیب جناب عون محمد اے۔ حبیب جناب علی فدو محترمہ ملیحہ ہمایوں بگلش جناب شبیر غلام علی	چیف ایگزیکٹو
۲۶ اگست ۲۰۲۱ء	جناب عباس ڈی۔ حبیب جناب منصور جی۔ حبیب جناب محمد حیدر حبیب جناب گمیل آر۔ حبیب جناب عون محمد اے۔ حبیب محترمہ ملیحہ ہمایوں بگلش جناب شبیر غلام علی	چیف ایگزیکٹو
۲۸ اکتوبر ۲۰۲۱ء	جناب رفیق ایم۔ حبیب جناب منصور جی۔ حبیب جناب محمد حیدر حبیب جناب گمیل آر۔ حبیب جناب عون محمد اے۔ حبیب جناب علی فدو محترمہ ملیحہ ہمایوں بگلش جناب شبیر غلام علی	چیف ایگزیکٹو

۱۲۔ شیئر ہولڈنگ کا طرز اور شیئر ہولڈنگ کے طرز سے متعلق اضافی معلومات منسلک شدہ ہے۔



# Habib Insurance Company Limited

## کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کا بیان

- ۱۔ کمپنی کی جانب سے تیار کردہ مالیاتی حسابات شفاف انداز میں اس کے کاروباری امور، اس کے آپریشنز کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلیوں کو واضح کرتے ہیں۔
- ۲۔ کمپنی کے کھاتوں کی باقاعدہ کتب تیار کی گئی ہیں۔
- ۳۔ درست اکاؤنٹنگ پالیسیاں مالیاتی حسابات کی تیاری میں مستقل طور پر لاگو کی جاتی ہیں۔ اگر ان میں کوئی تبدیلی کی جاتی ہے تو مناسب طور پر اسے واضح کر دیا جاتا ہے جبکہ اکاؤنٹنگ کے تخمینہ جات مناسب اور محتاط فیصلوں پر مبنی ہوتے ہیں۔
- ۴۔ بین الاقوامی مالیاتی رپورٹنگ اسٹینڈرڈ اور اسلاک فنانشل اکاؤنٹنگ اسٹینڈرڈز، جیسا کہ پاکستان میں نافذ العمل ہیں، ان پر مالیاتی حسابات کی تیاری میں عمل درآمد کیا جاتا ہے اور ان سے کسی بھی قسم کی روگردانی کو باقاعدہ واضح کر دیا جاتا ہے۔
- ۵۔ انٹرنل کنٹرول کا نظام مستحکم طور پر تیار کیا گیا ہے اور موثر طور پر نافذ العمل اور زیر نگرانی رہتا ہے۔
- ۶۔ اس امر میں کوئی شبہ نہیں کہ کمپنی میں آگے بڑھنے کی صلاحیت موجود ہے۔
- ۷۔ کارپوریٹ گورننس کے بہترین طریقہ کار سے کوئی روگردانی نہیں کا جاتی جیسا کہ لسٹنگ ریگولیشنز میں مفصل طور پر درج ہے۔
- ۸۔ گزشتہ ۶ سال کیلئے کلیدی آپرینٹنگ اور مالیاتی تفصیل منسلک ہے۔
- ۹۔ ٹیکسز اور لیویز کے بارے میں معلومات مالیاتی حسابات کیلئے نوٹس میں درج ہیں۔
- ۱۰۔ ۳۱ دسمبر ۲۰۲۱ء کے مطابق پراویڈنٹ فنڈ کے ڈپازٹ اکاؤنٹس میں سرمایہ کاریاں اور بیلنس کی مالیت ۹۵.۴ ملین روپے ہے۔
- ۱۱۔ سال کے دوران بورڈ کے ۱۲ اجلاس منعقد ہوئے اور اس میں ڈائریکٹرز کی شرکت درج ذیل کے مطابق رہی:

### شرکت کردہ منجانب

### اجلاس کی تاریخ

- جناب رفیق ایم۔ حبیب  
 جناب عباس ڈی۔ حبیب  
 جناب منصور جی۔ حبیب  
 جناب محمد حیدر حبیب  
 جناب گمیل آر۔ حبیب  
 جناب عون محمد اے۔ حبیب  
 جناب شاہد غفار  
 جناب علی فدو  
 محترمہ بلیمہ ہمایوں بگلش  
 جناب شبیر غلام علی

۳۱ مارچ ۲۰۲۱ء

چیف ایگزیکٹو

# Habib Insurance Company Limited

## انویسٹمنٹ کمیٹی

انویسٹمنٹ کمیٹی کے ممبران پر مشتمل ہے جس کی نمائندگی ۲ انڈیپنڈنٹ ڈائریکٹرز، ۲ نان-ایگزیکٹو ڈائریکٹرز، ایک ایگزیکٹو اور چیف فنانس آفیسر کرتے ہیں۔ انویسٹمنٹ کمیٹی نے سال کے دوران ۴ اجلاس طلب کئے اور اس میں شرکت درج ذیل کے مطابق تھی:

### شرکت کردہ اجلاسوں کی تعداد

جناب شاہد غفار	چیئر مین	3
جناب منصور جی۔ حبیب	ممبر	4
جناب نگیل آر۔ حبیب	ممبر	3
جناب عون محمد اے۔ حبیب	ممبر	4
محترمہ ملیحہ ہمایوں بگٹش	ممبر	2
جناب شبیر غلام علی	ممبر	4
جناب مرتضیٰ حسین	ممبر	4

## ڈائریکٹرز کا تربیتی پروگرام

کمپنی کے ۹ ڈائریکٹرز میں سے ۵ پہلے ہی ڈائریکٹرز کے ٹریننگ پروگرام میں شرکت کر چکے ہیں۔ ۲ ڈائریکٹرز اپنی قابلیت اور تجربے کی بنیاد پر اس شرط سے مستثنیٰ ہیں۔

## ڈائریکٹرز کی ری میونریشن پالیسی

بورڈ آف ڈائریکٹرز نے ”ڈائریکٹرز کے معاوضوں کے تعین کے لئے ایک پالیسی اور طریقہ کار“ کی منظوری دی ہے جس میں واضح کیا گیا ہے:

- کوئی بھی ڈائریکٹر ذاتی معاوضے کا تعین نہیں کرے گا۔ یہ معاوضہ بورڈ آف ڈائریکٹرز کی منظوری سے ہوگا۔
- معاوضوں کی ادائیگی ذمہ داریوں اور صلاحیتوں کے پیمانے کے مطابق موزوں اور مناسب سطح پر کی جاتی ہے تاکہ ڈائریکٹرز کی حوصلہ افزائی ہو اور وہ کمپنی سے منسلک رہتے ہوئے کمپنی کو کامیابی سے چلائیں اور اس کی قدر میں اضافہ کریں تاہم یہ اس سطح پر نہیں جس سے ان کی آزادی پر کسی سمجھوتے یا مفاہمت کا تصور اُجاگر ہو۔

ڈائریکٹرز کے معاوضے کی تفصیلات نوٹ ۳۲ میں واضح کی گئی ہیں۔

## آڈیٹرز

موجودہ آڈیٹرز میسرز کے پی ایم جی تاثیر بادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس سکدوش ہو رہے ہیں اور انہوں نے خود کو دوبارہ تقرری کیلئے پیش کیا ہے۔ جیسا کہ آڈٹ کمیٹی کی جانب سے تجویز کیا گیا ہے، بورڈ آف ڈائریکٹرز نے ۳۱ دسمبر ۲۰۲۲ کو ختم ہونے والے سال کیلئے باہمی طے کردہ معاوضے پر بطور آڈیٹرز ان کی تقرری کی سفارش کی ہے۔

# Habib Insurance Company Limited

- عملے کے ساتھ خوشگوار تعلقات، میرٹ اور کارکردگی کو تسلیم کرنا اور اسٹاف کیلئے سیکھنے اور ترقی کے جاری مواقع، دونوں جاب کے دوران اور باقاعدہ تربیتی پروگراموں کے ذریعے فراہم کرنا۔
- شفاف طریقہ کار کے ذریعے بلا کسی مذہبی، ذات پات اور لسانی بنیاد پر امتیاز کے بغیر روزگار کی فراہمی۔
- کمپنی کی جانب سے سال کے دوران ۲۶.۹ ملین روپے سے زائد کے براہ راست بینکوں کے ذریعے قومی خزانے میں شرکت۔ مزید برآں ۳۸.۲۱ ملین روپے کی ایک اضافی رقم کمپنی کے ذریعے حکومت پاکستان کو دودھولڈنگ ٹیکسز، سروسز پریسلز ٹیکس اور فیڈرل ایکسائز ڈیوٹیز کی مد میں منہا/ وصول کی گئی۔

## رسک مینجمنٹ فریم ورک

کمپنی کاروبار کی نوعیت اور حجم کے مطابق رسک مینجمنٹ فریم ورک کی حامل ہے۔ یہ فریم ورک کئی سال قبل تشکیل دیا گیا تھا اور وقتاً فوقتاً بہتری کے ساتھ جاری ہے اور تمام امور کی نگرانی رسک مینجمنٹ کمیٹی کی جانب سے کی جاتی ہے۔ کمپنی اپنے کاروباری خطرات کو ایک محتاط طریقے سے قدامت پسند نظریے کی رہنمائی سے نمٹانے پر یقین رکھتی ہے۔ کاروباری خطرات اور ان سے نمٹنے کے عناصر کی وضاحت تفصیل کے ساتھ کنوشل فنانشل اسٹیٹمنٹ کیلئے نوٹس ۳۶ اور ۳۷ اور ونڈو کنافل آپریشنز فنانشل اسٹیٹمنٹس کے نوٹس ۲۸، ۲۹ اور ۳۱ میں واضح کر دی گئی ہے۔

## بورڈ کی کمیٹیاں

### آڈٹ کمیٹی

کمپنی کی آڈٹ کمیٹی ایک انڈیپنڈنٹ ڈائریکٹر بطور چیئرمین کی نمائندگی کے ساتھ ۳ ممبران پر مشتمل ہے جو کہ مالیاتی امور سے بھی واقف ہیں اور ۲ نان۔ ایگزیکٹو ڈائریکٹرز ہیں۔ آڈٹ کمیٹی نے سال میں ۴ مرتبہ اجلاس منعقد کئے۔ اجلاسوں میں شرکت درج ذیل کے مطابق رہی:

### شرکت کردہ اجلاسوں کی تعداد

جناب شاہد غفار	چیئرمین	1
جناب منصور جی۔ حبیب	ممبر	4
جناب گمیل آر۔ حبیب	ممبر	3

## ضابطہ اخلاق، نامزدگی، ہیومن ریسورس اور ری میوزیشن کمیٹی

ضابطہ اخلاق، نامزدگی، ہیومن ریسورس اور ری میوزیشن کمیٹی ۴ ممبران پر مشتمل ہے جس کی نمائندگی ایک انڈیپنڈنٹ ڈائریکٹر بطور چیئرمین، ۲ نان۔ ایگزیکٹو ڈائریکٹرز، ایگزیکٹو ڈائریکٹر اور چیف ایگزیکٹو کرتے ہیں۔

### شرکت کردہ اجلاسوں کی تعداد

جناب علی فدو	چیئرمین	1
جناب رفیق ایم۔ حبیب	ممبر	1
جناب عباس ڈی۔ حبیب	ممبر	1
جناب عون محمد اے۔ حبیب	ممبر	1
جناب شبیر غلام علی	ممبر	1

# Habib Insurance Company Limited

ہمیشہ کی طرح ہم دل کی گہرائیوں سے اپنے تمام تر کلائنٹس اور صارفین کا شکریہ ادا کرتے ہیں جنہوں نے کمپنی پر اپنا اعتماد برقرار رکھا۔ ہم اپنے ری انشوررز کی رہنمائی اور سرپرستی و معاونت کیلئے خصوصی طور پر ان کے شکر گزار ہیں۔ بورڈ آف ڈائریکٹرز کمپنی کے تمام اسٹاف ممبران کو بھی خراج تحسین پیش کرنا چاہتے ہیں جنہوں نے سال بھر انتہائی خلوص اور جانفشانی سے اپنے فرائض انجام دیئے۔

ہم اللہ تعالیٰ سے اپنی قوم اور ملک کے امن و استحکام کے لئے دعا گو ہیں، آمین!

## بورڈ کی تشکیل

کمپنی کا بورڈ آف ڈائریکٹرز نو (9) ڈائریکٹرز (ایک خاتون اور 8 مرد ڈائریکٹرز) پر مشتمل ہے۔ بورڈ کی تشکیل درج ذیل کے مطابق ہے:

کمیٹری	نام
انڈیپنڈنٹ ڈائریکٹرز - مرد	جناب شاد غفار جناب علی فدا
انڈیپنڈنٹ ڈائریکٹر - خاتون	محترمہ ملیحہ ہمایوں بگلش
نان۔ ایگزیکٹو ڈائریکٹرز	جناب رفیق ایم۔ حبیب جناب عباس ڈی۔ حبیب جناب منصور جی۔ حبیب جناب محمد حیدر حبیب جناب گمیل آر۔ حبیب
ایگزیکٹو ڈائریکٹر	جناب عون محمد اے۔ حبیب

## کارپوریٹ سوشل ریسپانسیبلٹی (CSR)

کمپنی کا کارپوریٹ سوشل ریسپانسیبلٹی کے تصور پر مکمل کاربند ہے اور مختلف نوعیت کی وسیع تر سرگرمیوں کے ذریعے اپنی یہ ذمہ داری بخوبی پوری کر رہی ہے۔ ان اقدامات میں شامل ہیں:

- سماج کے پسماندہ طبقات کی ترقی اور فلاح و بہبود کے لئے سماجی اور تعلیمی سرگرمیوں کے سلسلے میں سال کے دوران عطیات کے ذریعے ۲۲ ملین روپے مالیت کے کام انجام دیئے گئے۔
- غیر ضروری بجلی کے استعمال سے گریز کرتے ہوئے توانائی کی بچت، ماحولیاتی تحفظ اور پیشہ ورانہ سیفٹی اور صحت کے ساتھ تباہ کنوشی سے گریز کے قانون کے نفاذ اور ”نوا سونگ زون“ کے قیام اور کام کرنے کیلئے ایک محفوظ اور صحت مند ماحول فراہم کیا گیا۔
- کاروباری اقدار پر عملدرآمد کمپنی کے ”ضابطہ اخلاق“ کے مطابق تمام ممبران کیلئے لازم ہے تاکہ کاروبار اور ذاتی اقدار کے بلند تر درجات کو یقینی بنایا جاسکے۔

# Habib Insurance Company Limited

## سال ختمہ ۳۱ دسمبر ۲۰۲۱ء کیلئے ڈائریکٹرز کی ۷۹ ویں رپورٹ برائے شیئر ہولڈرز

شیئر ہولڈرز،

بورڈ آف ڈائریکٹرز بمسرت سال ختمہ ۳۱ دسمبر ۲۰۲۱ء کے لئے کمپنی کے سالانہ آڈٹ شدہ اکاؤنٹس بشمول ۷۹ ویں سالانہ رپورٹ پیش کر رہے ہیں۔

(000 روپے میں)

107,024
39,425
146,449

سال ۲۰۲۱ء کیلئے منافع بعد از ٹیکس

سال ۲۰۲۰ء کیلئے مختص کے بعد دستیاب رقم

بورڈ آف ڈائریکٹرز نے تجویز کیا:

77,422
50,000
19,027
146,449

۶۲.۵ روپے فی شیئر کے منافع منقسمہ کی ادائیگی بابت ۵ روپے فی شیئر یعنی ۱۲.۵ فیصد

ریزرو کی منتقلی

غیر مختص کردہ منافع آگے لے جانے والا

0.86

فی شیئر بنیادی آمدنی

ڈائریکٹرز نے بمسرت شیئر ہولڈرز کو ۱۲.۵ فیصد کی ادائیگی کے لئے سفارش کی ہے جیسا کہ اوپر بیان کیا گیا ہے۔

اللہ تعالیٰ کے فضل و کرم سے مجموعی زیر تحریر پریمیم ۲۷ فیصد بڑھ کر ۳۳.۳ بلین روپے ہو گیا، خالص پریمیم کی آمدنی ۸۰.۶ بلین روپے تھی جو اس کے مقابلے میں گزشتہ سال ریزرو میں رکھی گئی رقم میں مناسب اضافے کے باوجود ۳۸.۷ بلین روپے تھی جس کا فائدہ باقی ماندہ مدت میں حاصل ہوگا۔ اس سال دیگر اخراجات سے انتظامی اخراجات کی حد تک اخراجات کی نئی درجہ بندی کی گئی۔ انڈر رائٹنگ خسارہ ۲۸.۷ بلین روپے تھا۔

اس سال کے لئے سرمایہ کاری کی آمدنی ۱۴۱.۳ بلین روپے تھی جو اس کے برعکس ۹۴.۱ بلین روپے تھا اور اس طرح ۵۰ فیصد کا اضافہ ہوا۔ منافع منقسمہ کی آمدنی ڈگنی سے زیادہ بڑھ کر ۹۹.۵ بلین روپے ہو گئی اور کیپٹل فوائڈ میں بھی نمایاں اضافہ ہوا۔ اس کے نتیجے میں ۲۰۲۱ء کے لئے کمپنی کا منافع بعد از ٹیکس ۱۰.۷ بلین روپے رہا۔

پاکستان کریڈٹ رینٹنگ ایجنسی نے کمپنی کے لئے A++ (ای پلس پلس) انشورر فنانشل اسٹریٹج (IFS) رینٹنگ تفویض کی۔ اس کا مقصد پالیسی ہولڈرز اور معاہدے کی مالیاتی ذمہ داریوں کو پورا کرنے کی مستحکم گنجائش کا حامل ہونا ہے۔

۲۰۲۰ء۔ ۲۰۲۱ء کیلئے معیشت کی مجموعی کارکردگی کے لحاظ سے جی ڈی پی گروتھ ۵.۶ فیصد رہی اس کے کرنٹ اکاؤنٹ خسارہ نمایاں حد تک کم ہو کر ۵.۹ بلین امریکی ڈالر سے ۹۲ بلین امریکی ڈالر رہ گیا جبکہ غیر ملکی زرمبادلہ کے ذخائر ۲۴.۴ بلین امریکی ڈالر تک بڑھ گئے۔ افراط زر بھی ۵.۷۵ فیصد سے کم ہو کر ۹.۱ فیصد رہ گیا جبکہ دسمبر ۲۰۲۱ء میں ڈسکاؤنٹ ریٹ بڑھ کر ۵.۷۵ فیصد ہو گیا۔ ۳۱ دسمبر ۲۰۲۱ء کے مطابق کے ایس ای ۱۰۰ انڈیکس ۴۴۵۹۶ پر بند ہوا اور اس طرح گزشتہ سال کے مقابلے میں ۹ فیصد کا اضافہ دیکھنے میں آیا اور یہ ۳۱ مارچ ۲۰۲۲ء کے مطابق موجودہ طور پر لگ بھگ ۴۴۹۲۹ پوائنٹس کی سطح پر ہے۔

سال ۲۰۲۲ء میں آگے بڑھتے ہوئے کمپنی ترقی اور فروغ کے ضمن میں اپنی کوششیں جاری رکھے گی، اور کسی سمجھوتے کے بغیر انشاء اللہ اپنی ہمتا انڈر رائٹنگ کے ذریعے کاروبار کی توسیع پر توجہ دیکر بہترین انڈر رائٹنگ نتائج حاصل کرے گی، سرمایہ کاری سے آمدنی کو برقرار رکھنے کی بھی کوشش کی جائے گی۔

## Form of Proxy

I/We \_\_\_\_\_ of \_\_\_\_\_

being a member(s) of Habib Insurance Company Limited and holding \_\_\_\_\_

ordinary shares, as per Register Folio No./CDC Account and Participant's I.D. No. \_\_\_\_\_

do hereby appoint \_\_\_\_\_ Folio No./CDC Account and Participant's I.D.

No. \_\_\_\_\_ of \_\_\_\_\_

or failing him/her \_\_\_\_\_ Folio No./CDC Account and Participant's I.D.

No. \_\_\_\_\_ of \_\_\_\_\_

another member of the Habib Insurance Company Limited as my/our proxy to vote for me/us and on my/our behalf at the Seventy Ninth Annual General Meeting of the Company to be held on April 28, 2022 and at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2022.

REVENUE  
STAMP  
RS. 5

SIGNATURE OF MEMBER (S)

(The signature of the shareholder should agree with the specimen signature registered with the Company or as per CNIC/ Passport in case the share(s) is/ are registered in CDC account).

Witnesses:

1. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC/Passport No. \_\_\_\_\_

2. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC/Passport No. \_\_\_\_\_

A member entitled to attend the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/ her. No person shall act as proxy (except for a corporation) unless he/ she is entitled to be present and vote in his/ her own right.

CDC account holder or sub-account holder appointing a proxy should furnish attested copies of his/ her own as well as the proxy's CNIC/ Passport with the proxy form. The proxy shall also produce his/ her original CNIC/ Passport at the time of the meeting. In case of corporate entity, the Board of Directors resolution/ power of attorney with specimen signature shall be submitted along with proxy form.

The instrument appointing a proxy should be signed by the member or by his/ her attorney duly authorised in writing. If the member is a corporation, its common seal (if any) should be affixed to the instrument.

The proxy forms, together with the power of attorney (if any), under which it is signed or a notarially certified copy thereof, shall be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.



## مختار نامہ (پراکسی فارم)

میں/ہم \_\_\_\_\_ ساکن \_\_\_\_\_ بحیثیت ممبر (رکن) حبیب انشورنس کمپنی لمیٹڈ اور حامل \_\_\_\_\_ عام حصص، بمطابق شیئر رجسٹرڈ فوئیو نمبر/سی ڈی سی اکاؤنٹ اور پارٹیسپنٹ آئی ڈی نمبر \_\_\_\_\_ ممبر (رکن) محترم/محترمہ \_\_\_\_\_ فوئیو نمبر/سی ڈی سی اکاؤنٹ اور پارٹیسپنٹ آئی ڈی نمبر \_\_\_\_\_ کو یا اُن کی غیر حاضری میں ممبر (رکن) محترم/محترمہ \_\_\_\_\_ فوئیو نمبر/سی ڈی سی اکاؤنٹ اور پارٹیسپنٹ آئی ڈی نمبر \_\_\_\_\_ کو اپنے/ہمارے ایماء پر بروز جمعرات ۲۸ اپریل ۲۰۲۲ء کو حبیب انشورنس کمپنی لمیٹڈ کے رجسٹرڈ آفس میں منعقد ہونے والے ۷۹ ویں سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور مختار (پراکسی) مقرر کرتا/کرتی ہوں/کرتے ہیں۔

آج بروز \_\_\_\_\_ بتاریخ \_\_\_\_\_ ۲۰۲۲ء کو دستخط کئے گئے۔

پانچ روپے مالیت کا  
رسمی دستخط

دستخط ممبر (رکن)

ممبر (رکن) کے دستخط بینک میں رجسٹرڈ شدہ دستخط سے مماثلت رکھتے ہوں اور سی ڈی سی اکاؤنٹ ہولڈرز کے دستخط اُن کے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کے نمونہ دستخط سے مماثل ہونا ضروری ہے۔

گواہان:

۱۔ دستخط _____	۲۔ دستخط _____
نام _____	نام _____
پتہ _____	پتہ _____
کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر _____	کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر _____

ممبر (رکن) جو اجلاس میں شرکت اور ووٹ دینے کا مجاز ہوا اپنی جگہ کسی اور ممبر (رکن) کو بطور مختار (پراکسی) شرکت کرنے اور ووٹ دینے کا حق تفویض کر سکتا ہے۔ سی ڈی سی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کو مختار نامہ (پراکسی فارم) کے ہمراہ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول بھی منسلک کرنی ہوگی۔ مختار (پراکسی) کو اجلاس کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔ کارپوریٹ ادارہ ہونے کی صورت میں بحیثیت ممبر (رکن)، بورڈ آف ڈائریکٹرز کی منظور شدہ قرارداد/پاور آف اٹارنی بمعہ نمونہ دستخط ہمراہ مختار نامہ (پراکسی فارم) جمع کرانا ہونگے۔

مختار نامہ (پراکسی فارم) پر ممبر (رکن) یا اُن کے اٹارنی کے دستخط ہونا لازمی ہے۔ کارپوریٹ ادارہ ہونے کی صورت میں مختار نامہ (پراکسی فارم) پر کمپنی کی مہر ہونا بھی ضروری ہے۔

مختار نامہ (پراکسی فارم) بمعہ نامزد کرنے والے شخص کی تصدیق شدہ پاور آف اٹارنی (حسب ضرورت) کمپنی کے رجسٹرڈ آفس میں اجلاس کے مقررہ وقت سے کم از کم ۴۸ گھنٹے قبل جمع کرانا ضروری ہے۔

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