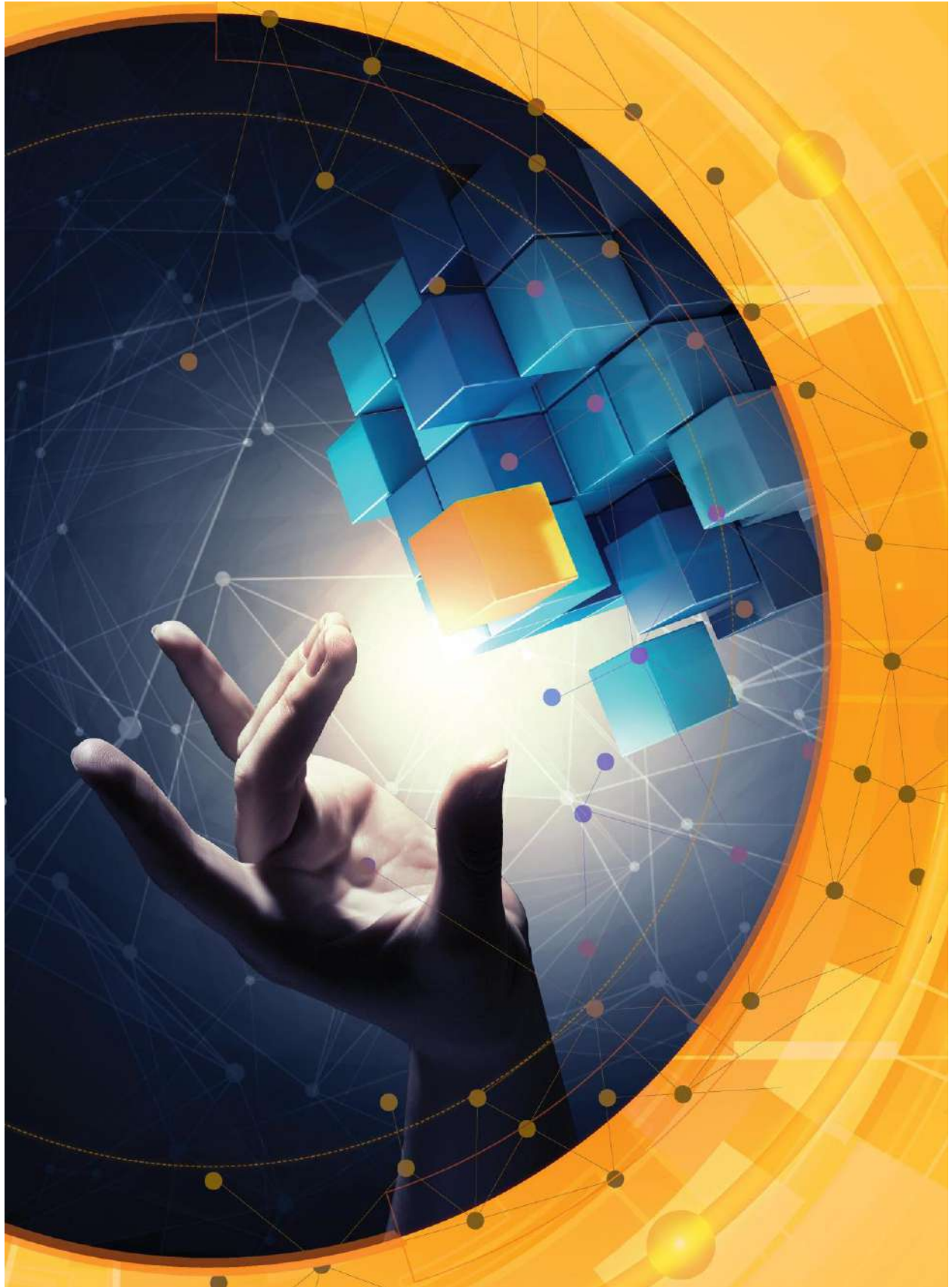




**TRANSFORMING IMAGINATION  
THROUGH DIGITIZATION**



**ANNUAL REPORT 2017**





## DIGITAL HIGH GROUND

TPL Insurance has platforms designed to capture customers across all market segments. The Company is focused on leveraging new technologies and driving innovation through digital applications. TPL Insurance's Innovative Infrastructure is designed to attain technological leadership in the global insurance industry. With customer convenience at the heart of its technological innovations, the Company continues to revolutionize the general insurance industry by taking cutting-edge digital technologies into use.



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# COMPANY INFORMATION

- 1.1 Vision and Mission
- 1.2 Strategic Objectives
- 1.3 Company Profile
- 1.4 Geographical Presence
- 1.5 Product Portfolio
- 1.6 SWOT Analysis
- 1.7 Other Information





## DIGITAL TRANSFORMATION

TPL Insurance's business model is based on digital transformation, paving way for convenient and fast paced processes that make insurance hassle free for all. The Company is shaping this transformation with a clear focus on customers' needs and requirements. The digital transformation is a continuous endeavor whereby the Company continues to invest in high end technology and technical expertise.









## 1.1 - VISION & MISSION

### VISION

To evolve as a dominant insurance player in Pakistan by exploiting profitable niches through deployment of cutting-edge technology and proficient human capital.

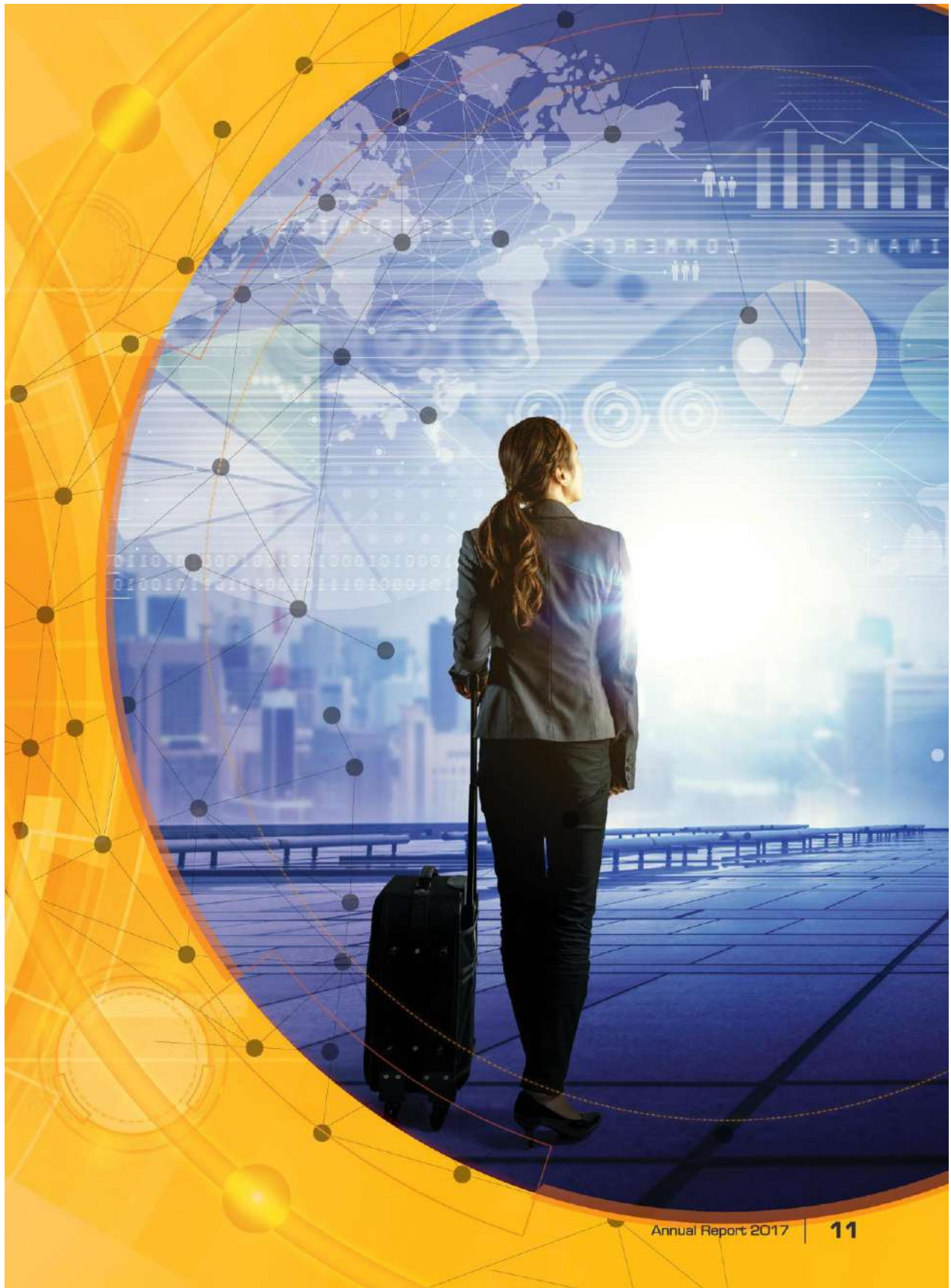
### MISSION

To combine aggressive strategic marketing with effective and efficient execution; providing incomparable services and product innovations to continuously create sustainable value for our stakeholders.



## MOVING AHEAD WITH NEW TRENDS

Developing new trends in the industry has always been the hallmark of TPL Insurance. From innovative products to never before seen value additions and maximizing ease of use, the company has lived the mission to provide peace of mind in the easiest of manners. It is indeed the pursuit of excellence with zero compromise. TPL Insurance renews its vow to be at the forefront of providing exquisite solutions to those who seek quality services and the best value for their money.

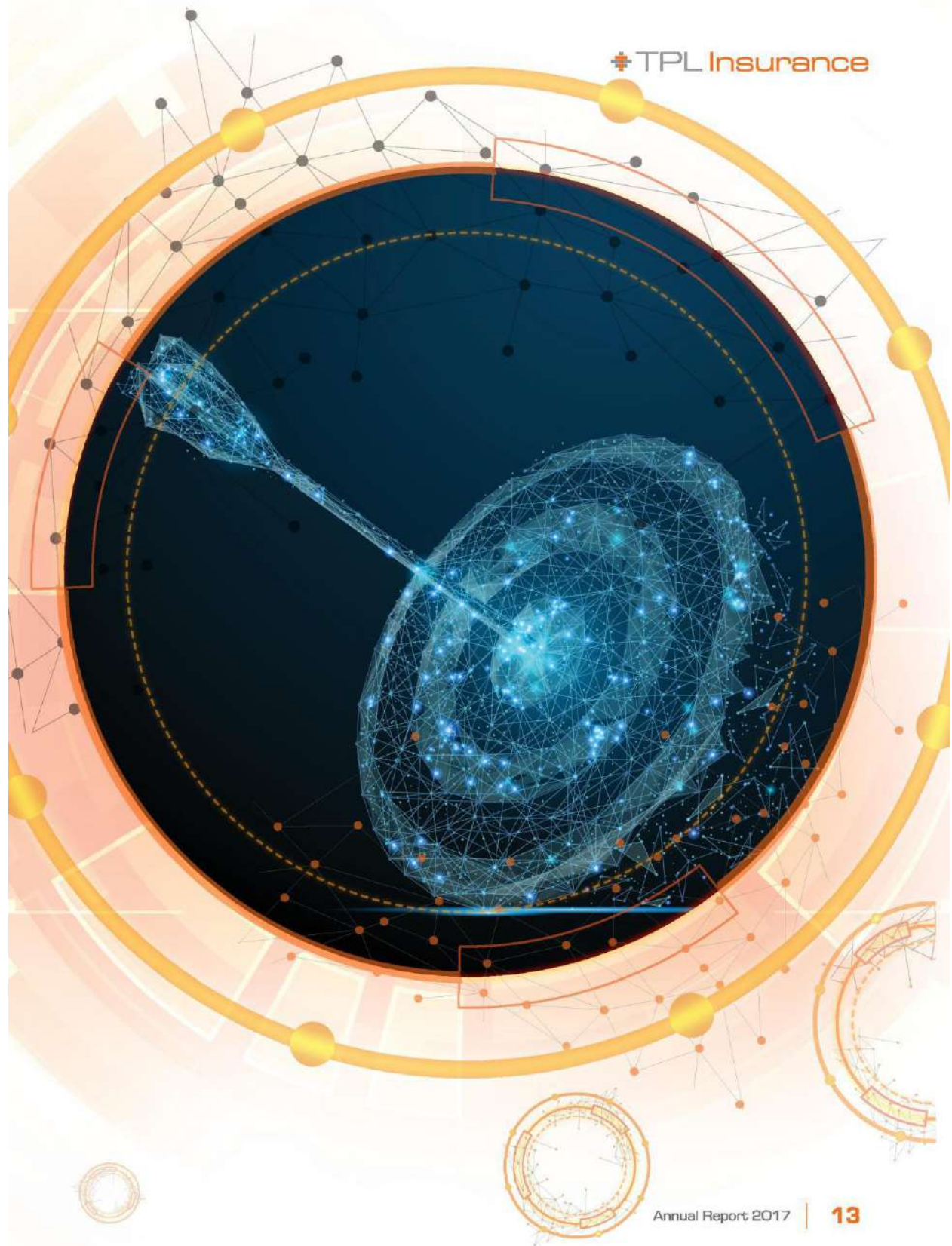






## 1.2 - STRATEGIC OBJECTIVE

To ensure hassle-free claim settlement expertise which guarantees speed, transparency, convenience and reliability to ensure higher standards of customer relations whilst following a set of programmatic core values which are reflected in our attitudes, decisions and behaviors.





## WELCOMING NEW SERVICE ERA

Intelligent service era is here and TPL Insurance has embraced the age of Insure Tech and IoT. As the leading Insurance service provider, TPL Insurance has revolutionized and upgraded the insurance industry every year. We have left no stone unturned to seize the opportunities brought about by the new era. We aim to build a robust, yet flexible, network that satisfies different customer needs and at the same time infuses intelligence into operations & management, to enhance efficiency and return.





### 1.3 - COMPANY PROFILE

TPL Insurance Limited is the first insurance company in Pakistan to sell general insurance products directly to the consumer. The Company was launched in 2005 and since then has grown strength-to-strength, delivering superior and hassle-free risk management services to individual clients.

The Company partnered with Greenoaks Global Holdings Limited (GGH) in 2015, who acquired a 69.2% stake in the business. The relationship bolstered the Company's position in the market, with robust and sustainable financial backing, administration processes and technology driven innovation that reinforces our ability to lead the way in the insurance industry in Pakistan.

As of December 2017, TPL Corp Limited, which is an associated company of TPL Insurance Limited, acquired the equity stake of the Company from GGH, thus becoming the Parent of the Company holding 94.24% of shares in the Company.









## 1.4 - GEOGRAPHICAL PRESENCE

### KARACHI OFFICE

#### Head Office

TPL Insurance Ltd.  
11 & 12 Floor, Centrepont,  
Off Shaheed-e-Millat Expressway,  
Adjacent K.P.T. Interchange, Karachi - 74900  
Tel: 021.37130223  
Fax: 021.35316031-2  
UAN: 021.111.000.301

### LAHORE

Branch Office Lahore  
51-M, Denim Road,  
Quaid-e-Azam Industrial Estate,  
Kot Lakhpat, Lahore.  
UAN: 042.111.000.300  
Fax: 042.35157233

### ISLAMABAD

Branch Office Islamabad  
55-B, 10th Floor (South) ISE Tower,  
Jinnah Avenue, Blue Area, Islamabad.  
UAN: 051.111.000.300  
Fax: 051.2895073

### FAISALABAD

Branch Office Faisalabad  
Office No. 4-02, 4th Floor,  
Meezan Executive Tower,  
Civil Lines, Faisalabad.  
UAN: 051.111.000.300  
Tel: 041.8501471-3  
Fax: 041.8501470

### MULTAN

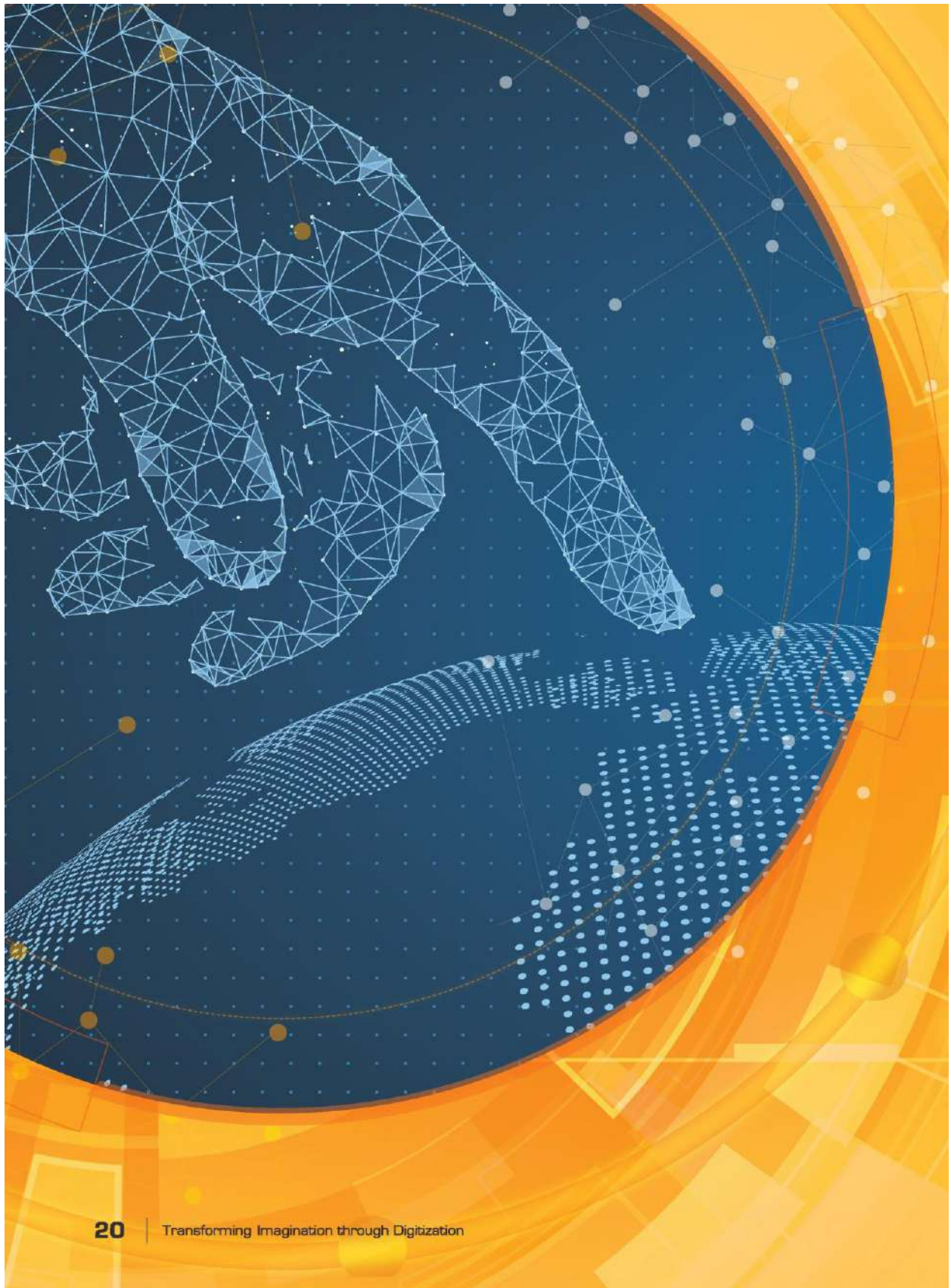
Branch Office Multan  
Haider Street, Shalimar Colony  
Northern Bypass-Boson Road,  
Multan.  
UAN: 061.111.000.300  
Fax: 061.44243451

### HYDERABAD

Branch Office Hyderabad  
A-8, District Council Complex,  
Hyderabad.  
Tel: 022.2728676











## DRIVING INNOVATION

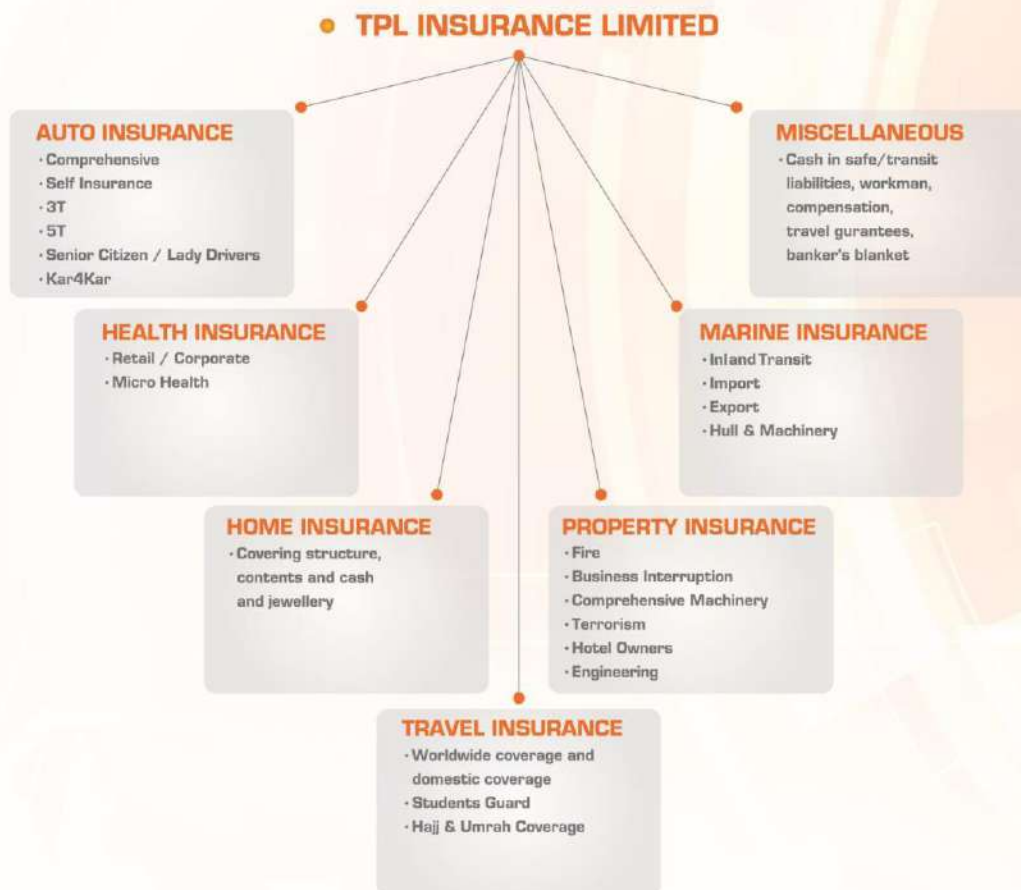
TPL Insurance is a platform designed to capture customers across all market segments. The Company is focused on leveraging new technologies and driving innovation. TPL Insurance's Innovative Infrastructure is designed to attain technological leadership in the global insurance industry. TPL Insurance is already one of the Pakistan's most digital company. The Company continues to make ever greater use of cutting-edge digital technologies to support service industry of the country.

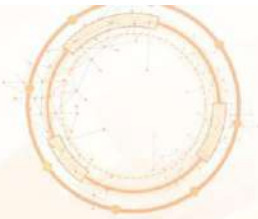
## 1.5 - PRODUCT PORTFOLIO

TPL Insurance (TPU), capitalizes on cutting edge technology and innovative products. With a mission to provide incomparable services and creating sustainable value for its stakeholders, TPL has introduced unparalleled standards of service to its customers for over a decade.

TPL creates new and innovative methods to understand its customers' needs, ensuring a hassle-free claim settlement experience. Capitalizing on speed, transparency, convenience and reliability to ensure high standards of customer relations, it follows a set of pragmatic core values reflected in attitudes, decisions and behavior of the exceptional human capital.

The only insurer in Pakistan that gives customers the ability to lodge, and monitor progress of claims through a free to use mobile app, TPL has introduced ease and convenience backed by innovation and technology like noother. Claims lodging in 60 seconds, processing in 45 minutes and settlement in 7 days for its flagship Auto Insurance, coupled with a 24x7 helpline, it is known as the fastest insurer in the industry.





TPL offers a wide range of personal lines and commercial lines products including coverage for Fire, Marine, Engineering, Health, Auto, Home and Travel Insurance. All these products are available through TPL's Window Takaful Operation as well.

TPL has been conferred with the 'Brands of the Year Award' every consecutive year since 2007 and the company is currently rated as 'A+' by PACRA. The Company has ascended from 34th position in 2005 in Pakistan's auto insurance industry to top 3rd position.

TPL is a public limited listed company with 92.24% equity held by TPL Corp Limited. TPL Corp is a conglomerate engaged in a variety of businesses; including Vehicle Tracking, Real Estate, Insurance and Oil and Gas sector.

### • TPL INSURANCE LIMITED - WINDOW TAKAFUL OPERATIONS





## 1.6 - SWOT ANALYSIS

S

### STRENGTHS

- Positive trend of Cash flows
- Holds a large share particularly in luxury cars
- A+ Rating by PACRA
- Established geographical network
- Competent & skilled human resource
- Preferred insurance provider
- Window Takaful Operations
- Digitization Environment
- Comprehensive product portfolio
- Claim Settlement with speed
- Launching new products
- Moving towards Digitization
- Ability to execute and deliver quickly
- Continuous growth since inception i.e. 2005-

W

### WEAKNESSES

- Focused only on Motor
- Comparatively young in the industry
- Under-penetration in corporate lines

O

### OPPORTUNITIES

- Value addition in product line covering other line of business
- High barriers to entry in the industry
- Potential to grow business with foreign clients
- Buyer concentration on insurance increases
- Expansion of other lines (marine, home, travel etc)
- Potential to partner with Foreign/Global insurers

T

### THREATS

- Law & Order situation
- Competitive rivalry
- Economic conditions
- Imposition of additional taxes

## 1.7 - OTHER INFORMATION

### BANKERS

Al-Baraka Bank  
Bank Al Habib Ltd.  
Bank Islami Pakistan Ltd.  
Dubai Islamic Bank  
Faysal Bank Ltd.  
Habib Bank Ltd.  
Habib Metropolitan Bank  
JS Bank Ltd.  
MCB Bank Ltd.  
Meezan Bank Ltd.  
Mobilink Micro Finance Bank Ltd.  
National Bank of Pakistan  
Silk Bank  
Summit Bank  
Telenor Micro Finance Bank Ltd.  
United Bank Ltd

### AUDITORS

Ernst & Young Ford Rhodes  
Chartered Accountants

### LEGAL ADVISOR

Lari & Co. Maritime & Insurance Advocates

### SHARE REGISTRAR

THK Associates (Pvt) Limited  
1st Floor, 40-C, Block-6, P.E.C.H.S  
Karachi-75400, Pakistan.  
Tel: 021.34168270  
UAN: 021.111.000.322  
Fax: 021.34168271

### REGISTERED OFFICE

11th & 12th Floor, Centrepont,  
Off Shaheed-e-Millat Expressway,  
Adjacent KPT Interchange Flyover,  
Karachi, Postal Code: 74900  
Fax: 021.35318032  
UAN: 021.111.000.301  
Tel: 021.37130223

### WEB PRESENCE

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









# CEO'S MESSAGE

## CEO'S MESSAGE

It gives me great pleasure to announce that TPL Insurance Ltd. (TPLI) has completed another year of growth in financial year 2017. Gross Written Premium crossed Rs. 2.3 billion mark churning a growth rate of 12%, thus keeping the compound annual growth rate (CAGR) at 24% percentage during the past three years.

There were two main drivers for our growth; further geographic expansion into Central and Northern region as well as consciously soliciting FIG business. FIG business enlistment was maintained at same level as last year. However the business registered growth of 22% year on year. During the year, we ventured into Tier 2 Cities of Central & North regions further increasing our penetration, both for sales and better customer service. Our strategy is continually driven with an aggressive approach to sales, premium risk based pricing to ensure underwriting profits and most importantly, transparent and swift claim services that is the hallmark of TPLI success. During 2017, we have initiated digital strategy along with outbound call center initiative to develop an independent channel.

Our non-motor business continued its growth trajectory with Gross Written Premium reaching Rs. 196 million. Property and Marine business registered growth of 97% year on year. This segment continues to show promise and with penetration into other distribution channels, we are poised to take this to the next level with innovation and delivery on promise.

With law & order continuously improving in the country, I am most confident that we will see much better underwriting results going forward.

We are extremely optimistic about the future of Pakistan and TPLI will ensure to strive forward with the same zeal and fervor as we have in the past. I look forward to further develop our non-motor products to be ready for the next phase of our journey with the help of our extremely dedicated, supportive and hardworking teams. Our primacy is to create maximum value for our stakeholders, who have aided TPLI tremendously with their support and loyalty.



**SAAD NISSAR**  
CHIEF EXECUTIVE OFFICER

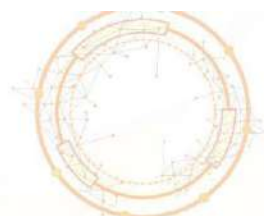






# STAKEHOLDERS' INFORMATION

- 3.1 Horizontal Analysis
- 3.2 Vertical Analysis
- 3.3 Cashflow Analysis
- 3.4 DuPONT Analysis
- 3.5 Ratio Analysis
- 3.6 Comments on Financial Analysis
- 3.7 Performance at a Glance
- 3.8 Share Price Sensitivity Analysis
- 3.9 Statement of Value Addition
- 3.10 Statement of Charity Account
- 3.11 Policy and Procedures  
for Stakeholders' Engagement
- 3.12 Issues raised in Last AGM



### 3.1 - HORIZONTAL ANALYSIS

Statement of Financial Position	2017	2016	2015	2014	2013	2012
	Rupees in million					
Property and equipment	91.39	361.16	384.71	313.54	188.14	168.05
Investments	1,069.46	821.77	726.98	49.94	153.24	149.27
Loans and other receivables	274.37	106.72	8.36	272.80	118.46	130.92
Insurance / reinsurance receivables	258.49	284.89	148.06	87.47	88.24	48.66
Reinsurance recoveries against outstanding claims	61.72	39.94	24.32	23.64	5.14	11.22
Deferred commission expense	61.62	60.87	59.56	80.29	57.43	32.55
Deferred taxation	21.24	-	1.31	-	-	-
Prepayments	193.24	109.54	309.96	351.70	356.55	279.85
Taxation - payments less provision	-	-	-	-	-	4.78
Cash and bank balances	133.59	176.42	16.65	8.95	108.35	17.77
Total Assets of general takaful operations	335.50	318.93	190.68	81.40	-	-
<b>Total Assets</b>	<b>2,500.62</b>	<b>2,280.24</b>	<b>1,870.59</b>	<b>1,269.75</b>	<b>1,075.54</b>	<b>843.07</b>
Issued, subscribed and paid up share capital	893.84	893.84	893.84	452.31	452.31	452.31
Unappropriated profits	253.92	148.89	45.72	12.44	(13.49)	(65.01)
Available-for-sale reserve	(26.45)	2.27	1.63	-	-	-
<b>Total Shareholders' Equity</b>	<b>1,121.31</b>	<b>1,044.99</b>	<b>941.19</b>	<b>464.76</b>	<b>438.83</b>	<b>387.30</b>
Provision for outstanding claims (including IBNR)	129.52	126.59	121.20	152.84	126.09	76.69
Provision for unearned premium	671.87	699.87	572.65	543.04	441.91	328.15
Deferred commission income	4.36	4.57	-	-	-	-
Deferred taxation	-	2.39	-	15.14	7.28	3.40
Premiums received in advance	2.78	1.61	1.79	2.23	2.50	2.29
Insurance / reinsurance payables	114.67	56.96	18.48	12.55	15.35	10.64
Other creditors and accruals	219.12	164.77	101.38	48.96	33.89	34.60
Taxation - provision less payments	2.73	0.35	8.21	2.69	9.69	-
Total Liabilities of general takaful operations	234.27	178.13	106.69	27.54	-	-
<b>Total Shareholders' Equity and Liabilities</b>	<b>2,500.62</b>	<b>2,280.24</b>	<b>1,870.59</b>	<b>1,269.75</b>	<b>1,075.54</b>	<b>843.07</b>

Statement of Comprehensive Income	2017	2016	2015	2014	2013	2012
	Rupees in million					
Net insurance premium	1,299.46	1,204.42	1,129.28	1,042.93	733.46	619.85
Net Insurance claims	(502.05)	(507.90)	(531.77)	(527.03)	(314.17)	(253.89)
Management expenses	(584.28)	(525.05)	(400.78)	(292.73)	(227.45)	(213.54)
Net commission expense	(113.93)	(120.76)	(141.85)	(145.36)	(78.26)	(84.96)
<b>Underwriting results</b>	<b>99.21</b>	<b>50.70</b>	<b>54.88</b>	<b>77.80</b>	<b>113.58</b>	<b>87.46</b>
Investment income	15.16	43.84	9.84	13.77	6.99	6.18
Other income	156.19	137.87	130.65	79.36	67.35	76.44
Financial charges	(0.77)	(0.40)	(0.53)	(0.57)	(0.77)	(1.24)
Other expenses	(153.96)	(118.50)	(159.62)	(134.62)	(108.79)	(106.65)
<b>Profit before tax</b>	<b>115.83</b>	<b>113.30</b>	<b>35.23</b>	<b>35.74</b>	<b>78.36</b>	<b>62.19</b>
Profit before tax from Window Takaful Operations	47.53	35.53	10.39	3.21	-	-
<b>Profit before tax for the year</b>	<b>163.36</b>	<b>148.83</b>	<b>45.62</b>	<b>38.95</b>	<b>78.36</b>	<b>62.19</b>
Taxation	(58.34)	(45.66)	(12.34)	(13.02)	(26.64)	(19.48)
<b>Profit after tax</b>	<b>105.03</b>	<b>103.17</b>	<b>33.28</b>	<b>25.93</b>	<b>51.52</b>	<b>42.71</b>



## 3.2 - VERTICAL ANALYSIS

Statement of Financial Position	2017	2016	2015	2014	2013	2012
Property and equipment	3.7%	15.8%	20.6%	24.7%	17.5%	18.9%
Investments	42.8%	36.0%	38.9%	3.9%	14.2%	17.7%
Loans and other receivables	11.0%	4.7%	0.4%	21.5%	11.0%	15.5%
Insurance / reinsurance receivables	10.3%	12.5%	7.9%	8.9%	8.2%	5.8%
Reinsurance recoveries against outstanding claims	2.5%	1.8%	1.3%	1.9%	0.5%	1.3%
Deferred commission expense	2.5%	2.7%	3.2%	6.3%	5.3%	3.9%
Deferred taxation	0.8%	0.0%	0.1%	0.0%	0.0%	0.0%
Prepayments	7.7%	4.8%	16.6%	27.7%	33.2%	33.2%
Taxation - payments less provision	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%
Cash and bank balances	5.3%	7.7%	0.9%	0.7%	10.1%	2.1%
Total Assets of general takeful operations	13.4%	14.0%	10.2%	6.4%	0.0%	0.0%
<b>Total Assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Issued, subscribed and paid up share capital	35.7%	39.2%	47.8%	35.6%	42.1%	53.7%
Unappropriated profits	10.2%	6.5%	2.4%	1.0%	-1.3%	-7.7%
Available-for-sale reserve	-1.1%	0.1%	0.1%	0.0%	0.0%	0.0%
<b>Total Shareholders' Equity</b>	<b>44.8%</b>	<b>45.8%</b>	<b>50.3%</b>	<b>36.6%</b>	<b>40.8%</b>	<b>45.9%</b>
Provision for outstanding claims (including IBNR)	5.2%	5.6%	8.5%	12.0%	11.7%	9.1%
Provision for unearned premium	26.9%	30.7%	30.6%	42.8%	41.1%	38.9%
Deferred commission income	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%
Deferred taxation	0.0%	0.1%	0.0%	1.2%	0.7%	0.4%
Premiums received in advance	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%
Insurance / reinsurance payables	4.6%	2.5%	1.0%	1.0%	1.4%	1.3%
Other creditors and accruals	8.8%	7.2%	5.4%	3.9%	3.2%	4.1%
Taxation - provision less payments	0.1%	0.0%	0.4%	0.2%	0.9%	0.0%
Total Liabilities of general takeful operations	9.4%	7.8%	5.7%	2.2%	0.0%	0.0%
<b>Total Shareholders' Equity and Liabilities</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Statement of Comprehensive Income	2017	2016	2015	2014	2013	2012
Net insurance premium	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net insurance claims	-38.6%	-42.2%	-47.1%	-50.5%	-42.8%	-41.0%
Management expenses	-45.0%	-43.6%	-35.5%	-28.1%	-31.0%	-34.5%
Net commission expense	-8.6%	-10.0%	-12.6%	-13.9%	-10.7%	-10.5%
<b>Underwriting results</b>	<b>7.6%</b>	<b>4.2%</b>	<b>4.8%</b>	<b>7.5%</b>	<b>15.5%</b>	<b>14.1%</b>
Investment income	1.2%	3.6%	0.9%	1.3%	1.0%	1.0%
Other income	12.0%	11.4%	11.6%	7.6%	9.2%	12.3%
Financial charges	-0.1%	0.0%	0.0%	-0.1%	-0.1%	-0.2%
Other expenses	-11.8%	-9.8%	-14.1%	-12.9%	-14.8%	-17.2%
<b>Profit before tax</b>	<b>8.9%</b>	<b>9.4%</b>	<b>3.1%</b>	<b>3.4%</b>	<b>10.7%</b>	<b>10.0%</b>
Profit before tax from Window Takeful Operations	3.7%	3.0%	0.9%	0.3%	0.0%	0.0%
<b>Profit before tax for the year</b>	<b>12.6%</b>	<b>12.4%</b>	<b>4.0%</b>	<b>3.7%</b>	<b>10.7%</b>	<b>10.0%</b>
Taxation	-4.5%	-3.8%	-1.1%	-1.2%	-3.7%	-3.1%
<b>Profit after tax</b>	<b>8.1%</b>	<b>8.6%</b>	<b>2.9%</b>	<b>2.5%</b>	<b>7.0%</b>	<b>6.9%</b>

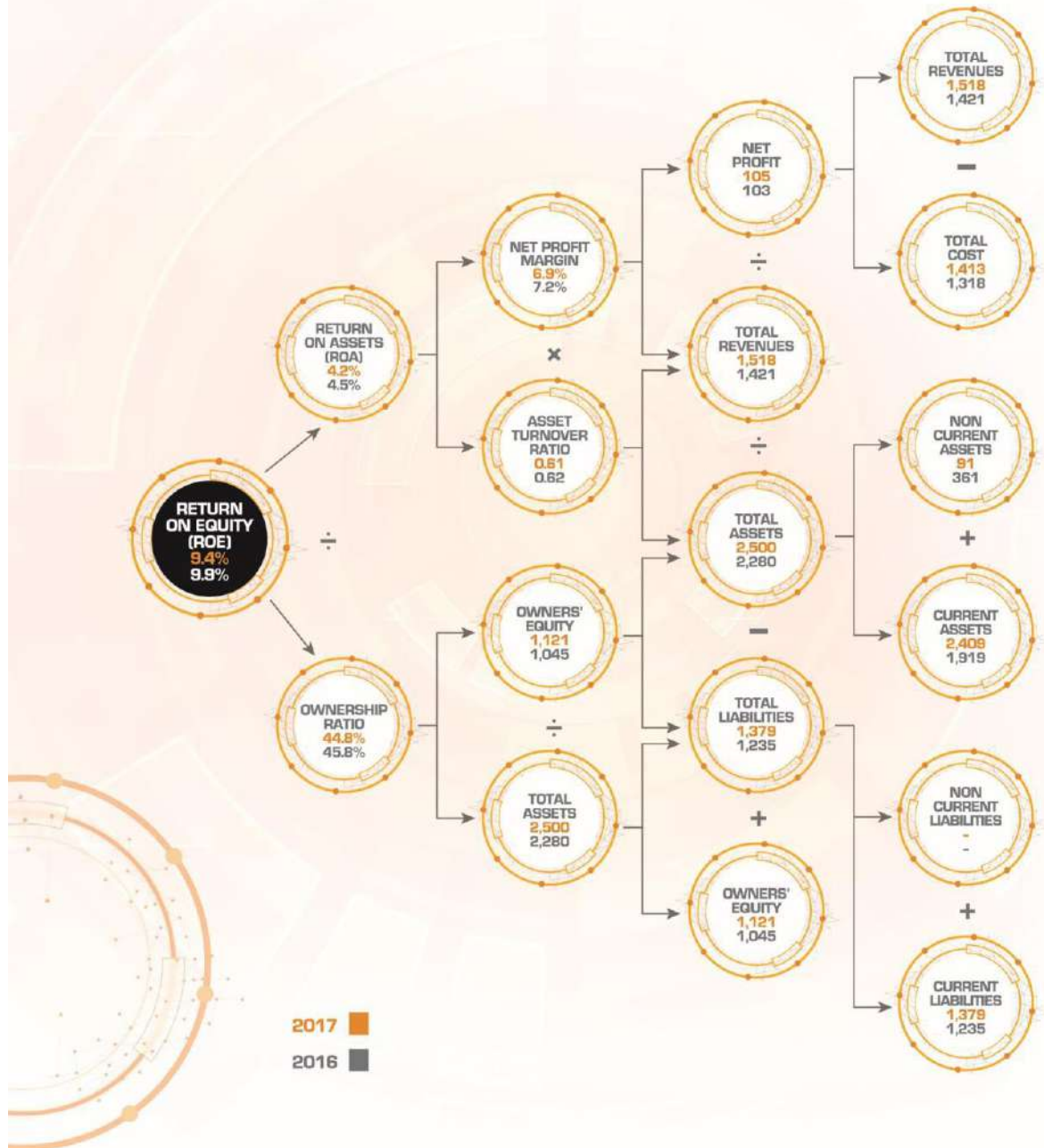
### 3.3 - CASHFLOW ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2017

Particulars	2017	2016	2015	2014	2013	2012
	Rupees in million					
Net Cashflows from Operating Activities	(30.68)	277.21	178.93	163.39	156.32	54.83
Net Cashflows from Investing Activities	(378.34)	(24.05)	11.77	(212.22)	(64.97)	(34.66)
Net Cashflows from Financing Activities	(0.77)	(0.40)	441.00	(50.57)	(0.77)	(24.47)
<b>Net Cash Inflow / (Outflow)</b>	<b>(409.79)</b>	<b>252.76</b>	<b>631.70</b>	<b>(99.40)</b>	<b>90.58</b>	<b>(4.30)</b>
Cash and cash equivalent at the start of the year	893.42	640.65	8.95	108.35	17.76	22.06
Cash and cash equivalent at the end of the year	483.63	893.41	640.65	8.95	108.34	17.76



### 3.4 - DuPONT ANALYSIS





### 3.5 - RATIO ANALYSIS

RATIO INFOGRAPHICS

2017



CLAIM RATIO %



COMMISSION RATIO %



MANAGEMENT  
EXPENSE RATIO %



COMBINED RATIO %



EQUITY /  
TOTAL ASSETS

2016



CLAIM RATIO %



COMMISSION RATIO %



MANAGEMENT  
EXPENSE RATIO %



COMBINED RATIO %



EQUITY /  
TOTAL ASSETS

## RATIO ANALYSIS

		2017	2016	2015	2014	2013	2012
<b>Profitability</b>							
Profit Before Tax / Gross Premium	%	7.1%	7.2%	2.8%	3.2%	9.0%	8.8%
Profit Before Tax / Net Premium	%	8.9%	9.4%	3.1%	3.4%	10.7%	10.0%
Profit After Tax / Gross Premium	%	4.6%	5.0%	2.0%	2.1%	5.9%	6.0%
Profit After Tax / Net Premium	%	8.1%	8.6%	2.9%	2.5%	7.0%	6.9%
Underwriting Result / Gross Premium	%	4.3%	2.5%	3.4%	6.4%	13.1%	12.4%
Underwriting Result / Net Premium	%	7.6%	4.2%	4.9%	7.5%	15.5%	14.1%
Profit Before Tax / Total Income	%	10.8%	10.5%	3.6%	3.4%	9.7%	8.9%
Profit After Tax / Total Income	%	6.9%	7.3%	2.6%	2.3%	6.4%	6.1%
Combined ratio	%	92.4%	95.8%	95.1%	92.5%	84.5%	103.3%
Net Claims / Net Premium	%	38.6%	42.2%	47.1%	50.5%	42.8%	41.0%
Management Expenses / Net Premium	%	45.0%	43.6%	35.5%	28.1%	31.0%	34.5%
Net Profit Margin	%	6.9%	7.3%	2.6%	2.3%	6.4%	6.1%
<b>Return to Shareholders</b>							
Return on Equity	%	9.4%	9.9%	3.5%	5.8%	11.7%	11.0%
Return on Assets	%	4.2%	4.5%	1.8%	2.0%	4.8%	5.1%
Earnings Per Share	Rs.	1.39	1.37	0.47	0.50	1.12	0.93
Price Earning Ratio	Times	17.84	13.85	50.84	51.60	8.88	10.73
Breakup value per share	Rs.	14.85	13.84	12.46	10.10	9.54	8.42
<b>Market Data</b>							
Market Price per share at the end of the year	Rs.	24.80	18.98	23.80	25.75	9.95	9.98
Market Price per share - Highest during the year	Rs.	28.35	23.24	24.50	28.00	11.70	14.09
Market Price per share - Lowest during the year	Rs.	17.12	14.00	16.41	8.50	7.50	7.01
<b>Performance / Liquidity</b>							
Current Ratio/Times		1.75	1.55	1.60	1.19	1.39	1.48
Cash / Current Liabilities	%	9.7%	14.3%	1.8%	1.1%	17.0%	3.9%
Total Assets Turnover	Times	0.61	0.62	0.68	0.90	0.75	0.83
Fixed Assets Turnover	Times	16.61	3.94	3.33	3.63	4.29	4.18
Total Liabilities / Equity	Times	1.23	1.18	0.99	1.73	1.45	1.18
Cashflow from Operations Margin	%	-2.4%	23.0%	15.8%	15.7%	21.3%	8.8%
No. Of days in Premium Receivable	Days	73	86	48	31	44	29
No. Of days in Claim Settlement	Days	64	62	64	79	100	79
Paid-up Capital / Total Assets	%	35.7%	39.2%	47.8%	35.6%	42.1%	53.7%
Earning assets / Total Assets	%	48.1%	43.8%	39.8%	4.6%	24.3%	19.8%
Equity / Total Assets	%	44.8%	45.8%	50.3%	36.6%	40.8%	45.9%



## 3.6 - COMMENTS ON FINANCIAL ANALYSIS

### Performance Ratios

The Combined and Claim ratios have improved from 103.3% to 92.4% and 41.0% to 38.6% respectively over the last six years reflecting strength in the underwriting profitability of the Company.

Expenses have been tightly controlled resulting in maintenance of expense ratio in the range of 44% to 45% during the past two years.

Return on equity has been consistent in the range of 9-10% over last two years.

### Statement of Financial Position

The Company's asset base has strengthened by 197% to Rs. 2.50 billion at the end of 2017 compared to Rs. 843.07 million at the end of 2012.

Total value of investments reported an increase of Rs. 920.2 million over the six years horizon.

Total shareholders equity reported an increase of 189.5% over the six year horizon at Rs. 1.12 billion compared with Rs. 387.30 million as at the end of financial year ended 31 December 2012.

### Statement of Comprehensive Income

The gross and net premium registered a growth of 224.52% and 109.64% respectively over the period of six years.

The profit before tax reached to Rs. 115.83 million for the year ended 31 December 2017 in comparison to Rs. 62.19 million at the end of the year 2012. This reflects 114.83% increase over the period of six years horizon.

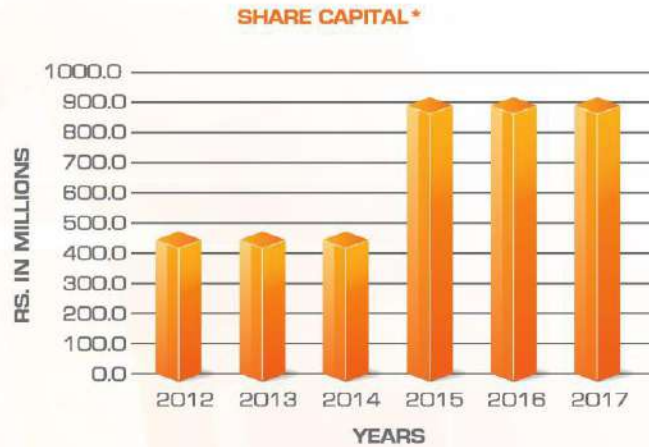
### Cash Flows

The positive trend of the cash flow from operating activities of the Company over the past years is a sound foundation for the Company's thriving future.

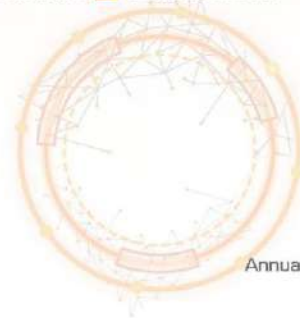
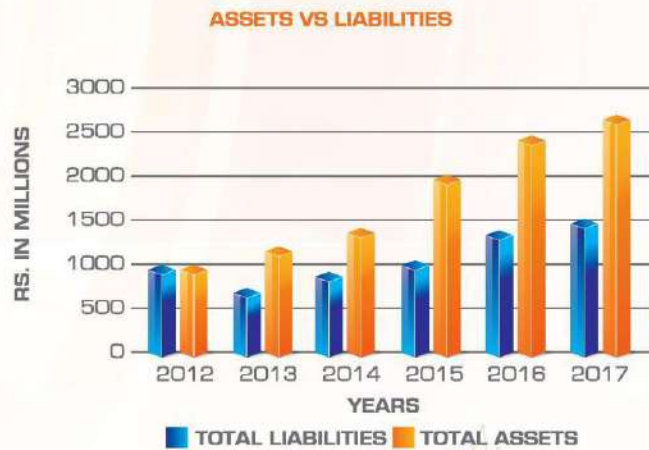
Net cash outflow from investing activities during the year ended 31 December 2017 was 378.4 million due to investments in mutual funds during the year. This would result in enhanced investment income in the years to come.



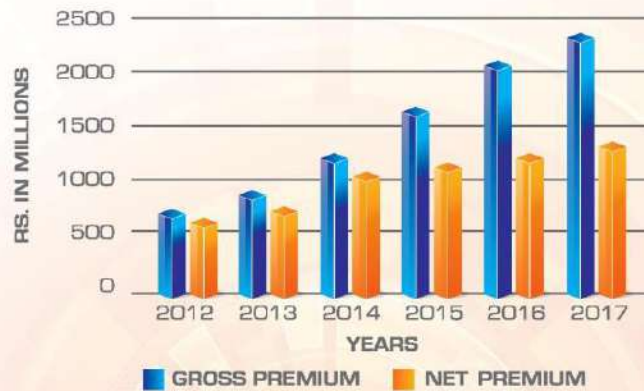
### 3.7 - PERFORMANCE AT A GLANCE (SIX YEARS)



\* Share Capital includes Share capital and Share premium reserves



**GROSS PREMIUM VS NET PREMIUM\***



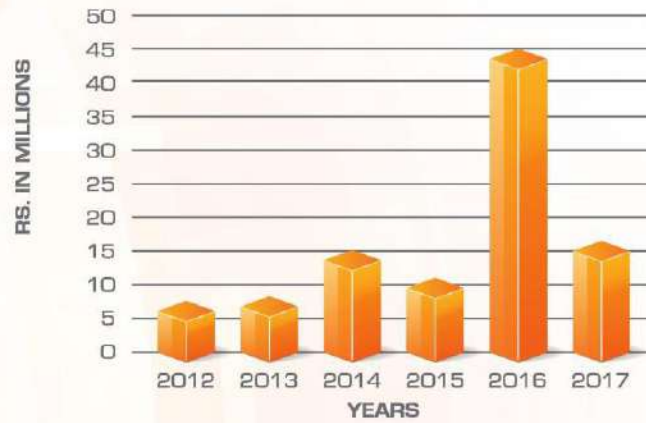
\* Net Premium includes Net Insurance Premium and Premium deficiency

**NET PREMIUM VS. UNDERWRITING RESULTS\***

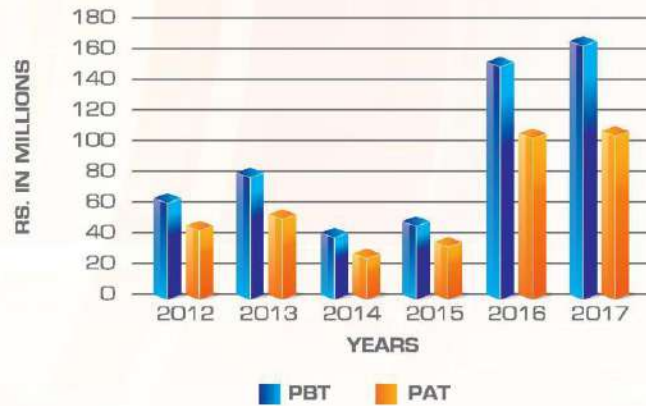


\* Net Premium includes Net Insurance Premium and Premium deficiency reserve

### INVESTMENT INCOME



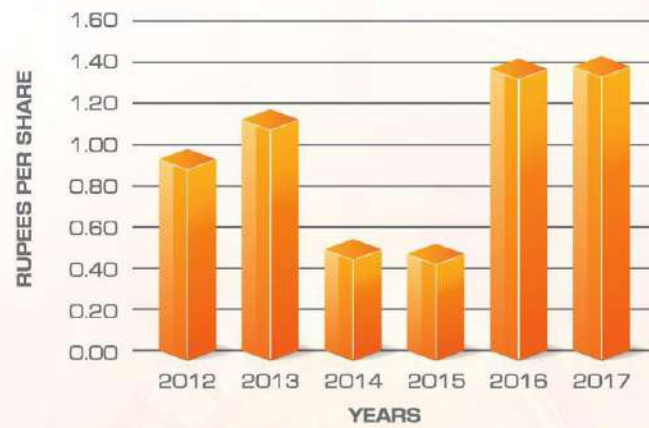
### PBT VS PAT





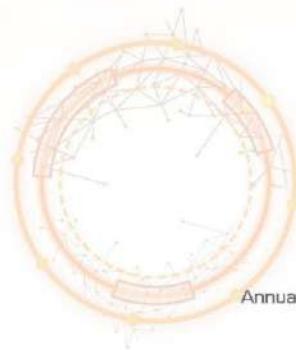
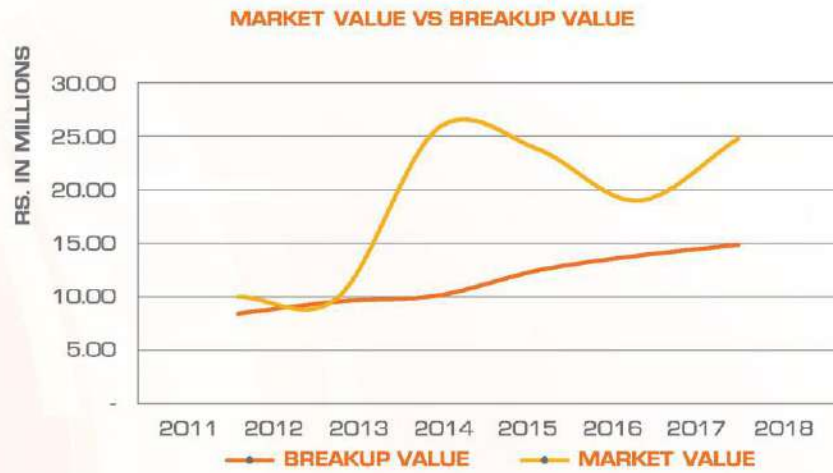


#### EARNING PER SHARE



#### EQUITY VS TOTAL ASSETS





### 3.8 - SHARE PRICE SENSITIVITY ANALYSIS

Months	Highest	Lowest	Per Day Average Volume
Jan	28.00	18.75	68,176.47
Feb	25.35	25.25	33,600.00
Mar	26.00	22.70	8,318.18
Apr	24.75	23.52	13,125.00
May	22.48	20.00	1,142.86
Jun	24.80	18.10	6,418.87
Jul	23.20	23.20	500.00
Aug	24.33	17.12	6,500.00
Sep	18.50	18.00	2,300.00
Oct	18.25	17.25	3,750.00
Nov	21.00	19.00	21,928.57
Dec	24.80	20.00	22,909.09

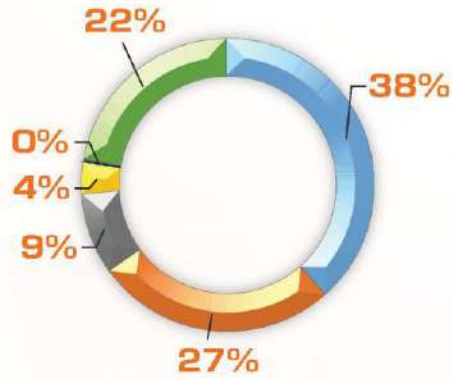
### 3.9 - STATEMENT OF VALUE ADDITION

WEALTH GENERATED	2017		2016	
	Rupees (in million)	%	Rupees (in million)	%
Net premium earned	1,299		1,197	
Wakala fee earned	329		237	
Commission from reinsurers	13		3	
Investment and other income	180		190	
	1,822		1,626	
Less: Claims, Expenses (excluding employees remuneration, donation, depreciation and taxes)	(1,174)		(1,045)	
	648	100%	581	100%

WEALTH DISTRIBUTED	2017		2016	
	Rupees (in million)	%	Rupees (in million)	%
To employees	249	38.3%	170	29.3%
To Business Partners	174	26.8%	161	27.7%
To government	58	9.0%	46	7.9%
To society	23	3.5%	3	0.5%
To financier	1	0.1%	1	0.1%
To shareholders				
- Cash dividend	-	0.0%	-	0.0%
Retained in business				
- Depreciation and amortization	39	6.1%	97	16.7%
- Retained profit / loss	105	16.2%	103	17.8%
	648	100.0%	581	100.0%

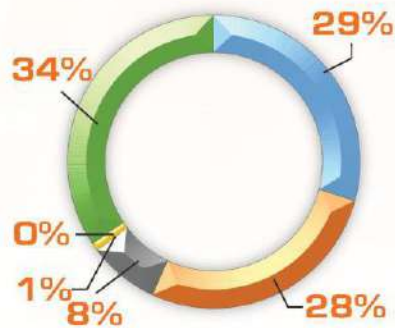


2017



- To employees
- To Business Partners
- To government
- To society
- To financier
- Retained in business

2016



- To employees
- To Business Partners
- To government
- To society
- To financier
- Retained in business

### 3.10 - STATEMENT OF CHARITY ACCOUNT

FOR THE YEAR ENDED DECEMBER 31,2017

Conventional and Takeful		2017	2016
S.No	Particulars	— Rs. In Million —	
1	Community Welfare	9.79	1.90
2	Education	5.30	0.32
3	General Donations	1.93	0.55
4	Health Care and Environment	3.47	0.29
5	Sports Development	2.30	-
		<b>22.79</b>	<b>3.06</b>

### 3.11 - POLICY AND PROCEDURES FOR STAKEHOLDERS' ENGAGEMENT

#### Institutional Investors

TPL Insurance Limited convenes Annual General and Extra Ordinary Meetings in accordance with the Companies Act, 2017. TPL's quarterly financial reports, annual reports and complete financial statements are published and hosted on TPL website ([www.tplinsurance.com](http://www.tplinsurance.com)). This transparency allows shareholders to remain connected with TPL as well as reaffirm their trust in TPL's promising performance and growth. Additionally, it facilitates potential investors in making their investment choices. In compliance with the Code of Corporate Governance and the listing regulations of the stock exchange, TPL notifies information to the Stock Exchange Commission regarding the dates of Board of Directors meetings and financial results in a timely manner.

#### Customers

TPL's philosophy has always been to keep its customers and policy holders above all. TPL, with its customer-centric service philosophy, offers three 24/7 platforms such as the call center, TPL website and Yodelee App. Our dedicated teams for sales, claims, renewals, and customer services have been acknowledged and awarded for observing, maintaining and raising the Quality and Standard in the industry. TPL also reaches out and engages its customers and policy holders through social media and the TPL website in order to get feedback and eradicate grievances (if any). This results in solidifying our customer's trust and satisfaction.

#### Banks

TPL holds true to its values and relationships. We partner with various forerunners of the finance and banking industry and forge relations in the FIG sector. This collaboration is always aimed at providing mutual benefits.

#### Media

Events, achievements, product launches, expansions, briefings, press releases and advertisements keep TPL in the news often. TPL has a strong presence in the media and its promotional and social activities are thoroughly covered and published in various forms including print, radio, TV, digital, etc.

#### Regulators

In compliance with applicable laws and regulations, TPL's statutory returns and forms are filed with various regulatory bodies and federal and provisional taxation authorities periodically. TPL ensures that all requirements are met and complied with.

#### Analysts

TPL is recognized by Pakistan Credit Rating Agency (PACRA) with a rating of "A+".

### 3.12 - ISSUES RAISED IN LAST AGM, DECISIONS TAKEN AND THEIR IMPLEMENTATION

No major issues were raised by the shareholders during the meeting. The following matters were taken up in the meeting as per the Agenda, and were unanimously approved and the decisions taken were implemented in due course:

1. Approval of minutes of the Annual General Meeting held on April 29, 2016
2. Approval of Audited Financial Statements for the year ended December 31, 2016 together with the Directors Reports
3. Approval for appointment of directors
4. Approval of special resolution for the transmission of the annual reports including annual audited accounts, notices of annual general meetings and other information contained therein of the Company either through CD or DVD or USB
5. Approval to invest in the associated company, TPL Properties Limited







# CORPORATE GOVERNANCE

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- 4.1 Board of Directors' Profile
- 4.2 Shariah Advisor's Profile
- 4.3 Composition of Board Committees
- 4.4 Terms Of Reference - Board Committees
- 4.5 Management Team
- 4.6 Role of Chairman and CEO
- 4.7 Organisation Chart
- 4.8 Whistle Blowing Policy
- 4.9 Code of Business Conduct
- 4.10 Succession Planning
- 4.11 Policy for Actual and Perceived Conflict of Interest
- 4.12 Policy for Safety Records
- 4.13 Investor Grievance Policy
- 4.14 IT Governance Framework
- 4.15 Annual Evaluation of Board's Performance
- 4.16 Performance Review of CEO
- 4.17 Directors' Report
- 4.18 Pattern of Shareholding

## 4.1 - BOARD OF DIRECTORS' PROFILE



**Mr. Jameel Yusuf (S.St.)**  
Chairman

Mr. Jameel Yusuf Ahmed is a businessman, and the Chairman of TPL Corp Ltd. He founded and presided over the Citizen-Police Liaison Committee (CPLC) from September 1989 to March 2003. He is also the Director of Asia Crime Prevention Foundation (ACPF) and is the founding trustee of PANA-H, a shelter home established for women in distress.

Since 2004, Mr. Yusuf has been a member of Advisory Council Fellowship Fund for Pakistan (FFFP) and the Woodrow Wilson International Centre for Scholars (WWVC).

He was awarded the Presidential Award Sitare-e-Shujaat for gallantry services in August 1992 and was also nominated for the First United Nations Vienna Civil Society Award in 1999.



**Mr. Muhammad Ali Jameel - Director**

Mr. Ali Jameel is the CEO of TPL Corp Ltd, and the Director of TRG Pakistan Ltd and Agriauto Industries Limited. Mr. Jameel was previously the Chief Executive of Jahangir Siddiqui Investment Bank. He has also held several advisory posts in the Board of Investment, Economic Advisory Council, and Pakistan's Information Technology and Telecommunication sectors, including appointments on the Telecom Deregulation task force, the Fiscal Incentive Group on the IT Commission and the Task Force on Venture Capital.

Mr. Jameel received his B.Sc. degree in Economics from the London School of Economics and qualified in 1994 at KPMG Peat Marwick in London. He is an Associate Member of the Institute of Chartered Accountants in England & Wales.





**Mr. Saad Nissar - Chief Executive Officer**

Mr. Saad Nissar is the CEO of TPL Insurance Limited. He joined the TPL Group in the year 2000 as National Sales Manager. Mr. Nissar has been instrumental in setting up and executing the retail network nationwide and successfully packaging and promoting fleet management and portfolio management services in the corporate sector, and the Financial Institution Group (FIG) of Pakistan respectively.

TPL Insurance Limited has won Brand of the Year Award for seven consecutive years under his leadership. Mr. Nissar holds an MBA degree from the Institute of Business Administration.



**Syed Nadir Shah - Director**

Mr. Nadir Shah is an experienced professional who has served at ANZ Banking Group, Grindlays Bank Ltd., Jardine Fleming Pakistan, World Tel (MECA), Infinity Global Telecom and Energy Saving Solution Ltd. Mr. Shah holds a BA Degree in Economics and a BBA Degree, majoring in Finance.

Mr. Shah currently serves as the Chairman of the Audit Committee and as a member in the Human Resources & Remuneration Committee of TPL Insurance Limited. His valuable inputs have made it possible to achieve the highest standards in the audit and HR functions.

At present, he also holds directorship positions in Fauji Akbar Portia Terminals (Pvt.) Limited, Asia Petroleum Limited and Princely Jets Private Limited.



**Mr. Andrew Borda - Director**

Mr. Andrew Borda is a Managing Partner at Greenoaks Global Holdings Ltd. Prior to this, Mr. Borda was Vice President at Swiss Re (Zurich, Switzerland, London, U.K. and New York, U.S.A), from 2011 to 2013 and a Senior Associate at McKinsey & Company in Geneva and Zurich, Switzerland for three years from 2008 to 2011.

He has a Bachelor of Arts (B.A.) degree from Washington and Lee University, Virginia, United States and a Masters of Science (M.S) degree from the Graduate Institute of International and Development Studies, Geneva, Switzerland. He acts as a Non-Executive Director at the Board of TPL Insurance Limited.



**Mr. Bilal Bin Zafar - Director**

Mr. Bilal Bin Zafar has a Bachelor in Economics (B.Sc.) from University of Geneva in Switzerland, Bachelor in Business IT (B.A) from Curtin University of Technology in Australia and is an Associate of the Chartered Insurance Institute (ACII) in UK. He is the Head of Underwriting at Greenoaks Global Holdings Limited.

Prior to this, Mr. Zafar was the Founder and Technology Consultant at SBZ tech in Switzerland from 2005 to 2008, an Associate at Swiss Re (Zurich, Switzerland) from 2008 to 2010, the Assistant Vice President at Swiss Re (London, UK) from 2010 to 2013, and Vice President at Swiss Re (London U.K) from 2013 to 2015.



**Mr. Waqar Ahmed Malik - Director**

Mr. Waqar Ahmed Malik's corporate and business experience spans over 30 years across three continents. A specialist in strategy, corporate business leadership and board governance, his professional experience includes managing and leading businesses in the petrochemicals, consumer and the life sciences industry.

Mr. Malik is a fellow of the Institute of Chartered Accountants in England and Wales and is also an Alumnus of the Harvard Business School and INSEAD.

He is a member of the Prime Minister's Office Board of Investment. His other engagements are Chairman of the Board of Directors of Linde Pakistan, Member of the Board of ENGRO Corporation Limited, Adira Capital Holdings Private Limited and Chairman of Noesis (Pvt) Ltd.

Mr. Malik is active in philanthropic activities. He is a trustee of I-Care Pakistan and received the Prince of Wales medal for his contribution as a Trustee of the Prince of Wales Pakistan Recovery Fund, a subsidiary of the British Asian Trust. He has also been the past President of the Overseas Investors Chamber of Commerce and Industry, and the Management Association of Pakistan; Director of the Pakistan Business Council; Board member of the State Bank of Pakistan; Chairman of Sui Southern Gas Company Limited; Board member of OGDCL; Trustee of the Board of Lahore University of Management Sciences, The Duke of Edinburgh Trust and the Indus Valley School of Art.

Mr. Malik has also had an illustrious career with various Fortune 500 companies. His career with the ICI Plc group based in the UK and then AkzoNobel in the Netherlands provided an opportunity to work in Europe and the Americas. In Pakistan he was the Country Head of ICI Plc's operations in Pakistan, the largest foreign investment in the chemical sector at the time. For over seven years he served as the Chief Executive Officer of ICI Pakistan Limited and also as the CEO and Chairman of Lotte Pakistan Limited (formerly Pakistan PTA Limited). Mr. Malik moved on from ICI Pakistan Limited in December 2012, after the divestment of majority shareholding of the foreign sponsor in ICI Pakistan Limited to a local group.





## 4.2 - SHARIAH ADVISOR'S PROFILE

### Mufti Muhammad Yahya Asim

Mr. Asim is a renowned Shariah specialist and a practitioner who has been in the field of Islamic Studies for over 20 years. He completed his Masters in International Relations and Arabic and Islamic Studies from the University of Karachi followed by a specialization in Islamic Fiqh and Fatwa (Islamic Jurisprudence) from Jamia Dar-ul-Uloom. In addition to that he completed his specialization as Alimiyyah (Darse Nizami) and is currently pursuing his PhD.

He possess a vast experience in the capacities of Shariah Advisor in renowned banks and Asset Management Companies, Senior Member Shariah Audit Team in Centre of Islamic Economics, Faculty Member for Islamic Economics in Jamia Dar-ul-Uloom and National Institute of Banking and Finance (NIBAF) and delivers a series of lectures in the Islamic Centre of Omaha Nebraska, USA.

## 4.3 - COMPOSITION OF BOARD AND MANAGEMENT COMMITTEES

### a) BOARD COMMITTEES:

ETHICS, HUMAN RESOURCE, REMUNERATION AND NOMINATION COMMITTEE		
1	Waqar Ahmed Malik	Chairman
2	Ali Jameel	Member
3	Andrew Borda	Member
4	Nader Nawaz	Secretary
INVESTMENT COMMITTEE		
1	Ali Jameel	Chairman
2	Andrew Borda	Member
3	Waqar Ahmed Malik	Member
4	Sead Nissar	Member
5	Shehzad Dhedhi	Secretary
AUDIT COMMITTEE		
1	Syed Nadir Shah	Chairman
2	Ali Jameel	Member
3	Andrew Borda	Member
4	Yousuf Zohaib Ali	Secretary

### b) MANAGEMENT COMMITTEES:

RISK MANAGEMENT AND COMPLIANCE COMMITTEE		
1	Waqar Ahmed Malik	Chairman
2	Bilal Bin Zafar	Member
3	Sead Nissar	Member
4	Syed Kazim Hasan	Secretary
UNDERWRITING COMMITTEE		
1	Bilal Bin Zafar	Chairman
2	Ather Abbas	Member
3	Kamran Hanif	Member
4	Shumail Iqbal	Secretary
CLAIM SETTLEMENT COMMITTEE		
1	Sead Nissar	Chairman
2	Syed Ali Hassan Zeidi	Member
3	Syed Kazim Hasan	Member
4	Owais Alam	Secretary
REINSURANCE & CO-INSURANCE COMMITTEE		
1	Bilal Bin Zafar	Chairman
2	Ather Abbas	Member
3	Muhammad Saleem Junejo	Secretary

### STRUCTURE OF THE BOARD

Category	Names
Independent Director(s)	Syed Nadir Shah
Executive Director(s)	Mr. Sead Nissar
Non-Executive Director(s)	Mr. Jameel Yusuf, Mr. Ali Jameel, Mr. Andrew Borda, Mr. Bilal Bin Zafar, Mr. Waqar Ahmed Malik

## 4.4 - TERMS OF REFERENCE - BOARD AND MANAGEMENT COMMITTEES

### 1- AUDIT COMMITTEE:

The Committee is responsible for:

- a. recommending the appointment of external auditors by the Company's shareholders and shall consider any question of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the insurer in addition to audit of its financial statements;
- b. determining appropriate measures to safeguard the Company's assets;
- c. reviewing preliminary announcements of results prior to publication;
- d. reviewing quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
  - major judgmental areas;
  - significant adjustments resulting from the audit;
  - the going-concern assumption;
  - any changes in accounting policies and practices;
  - compliance with applicable accounting standards; and
  - compliance with statutory and regulatory requirements.
- e. facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- f. reviewing management letter issued by external auditors and management's response there to;
- g. ensuring coordination between the internal and external auditors of the Company;
- h. reviewing the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
- i. consideration of major findings of internal investigations and management's response thereto;
- j. ascertaining the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;
- k. review of the Company's statement on internal control systems prior to endorsement by the Board of Directors;
- l. instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;
- m. determination of compliance with relevant statutory requirements;
- n. monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
- o. consideration of any other issue or matter as may be assigned by the Board of Directors.

### 2- HUMAN RESOURCE, REMUNERATION AND NOMINATIONS COMMITTEE

The Committee is responsible for:

- a. proposing a remuneration approach and related policies;
- b. preparing remuneration reports and disclosures on compensation practices, on an annual basis but at least prior to the convening of the annual general meeting for the immediate preceding year;
- c. reviewing and making recommendations to the Board of directors regarding the specific remuneration, retirement, succession planning of the Board members, the CEO, senior management and key officers;
- d. reviewing and approval of training need assistance at all levels of the organization;
- e. establishing code of business and corporate ethics that are circulated to all the staff members;
- f. implement the Board's policy on Board's renewal so that the Board individually and collectively continues to



- maintain target skill levels and independence;
- g. making recommendation to the Board with regards to the nomination for appointment or reappointment of members of the Board consistent with appropriate criteria established in their profile and any succession plans;
- h. ensuring proper orientation of Board members in respect of their responsibilities; and
- i. establishing a mechanism for the formal assessment of the effectiveness of the Board as a whole as well as the contribution of individual Board members along with ongoing training to fulfill their role requirements.

### **3- FINANCE AND INVESTMENT COMMITTEE:**

The Committee is responsible for:

- a. setting investment policies (subject to approval of the Board) and guidelines, including policies and guidelines regarding asset classes, asset allocation ranges, and prohibited investments in compliance with regulatory requirements;
- b. overseeing investment and reinvestment of the funds and maintenance of adequate solvency as laid down under Insurance Ordinance 2000 and rules framed thereunder;
- c. monitoring the management of the funds by reviewing written reports from investment staff and by discussions with investment staff at Committee meetings that focus on the primary determinants of returns, including asset allocation and investment strategy;
- d. evaluating investment performance of the fund based on a comparison of actual returns and benchmarks as the Board or Committee may from time to time select. The evaluation will take into account compliance with investment policies and guidelines and risk levels; and
- e. conducting a quarterly performance evaluation of the Committee and report its findings to the Chair of the Board.

### **4- RISK MANAGEMENT COMMITTEE**

The committee is responsible for:

- a. overseeing the activities of the Risk Management function of the Company, and make appropriate recommendation to the Board;
- b. assisting the Board in implementation of the decision taken by the Board to mitigate probable risks falling within the scope of the risk management function;
- c. assessing, quantifying, monitoring and controlling the nature, significance and interdependence of the risk (at individual level and aggregate level) to which the Company is or may be exposed and shall also manage them accordingly;
- d. ensuring that the Company's Risk Management system is well integrated into its organization structure, decision making process and corporate culture and that there is a clear link to other functions;
- e. assisting the Board in its oversight of the risk profile, Risk Management framework and the risk reward strategy determined by the Board;
- f. reviewing and approving the Company's Risk Management policy including risk appetite and risk strategy;
- g. reviewing the adequacy and effectiveness of risk management and controls;
- h. assisting in oversight of management's process for the identification of significant risks across the Company and the adequacy of prevention, detection and reporting mechanisms;
- i. reviewing Company's compliance level with applicable laws and regulatory requirements that may impact the Company's risk profile;
- j. periodically reviewing changes in the economic and business environment, including emerging trends and other factors relevant to the Company's risk profile; and
- k. reviewing and recommending approval of the Board risk management procedures and controls for new products and services.



## 5- ETHICS AND COMPLIANCE COMMITTEE:

The Committee is responsible for:

- a. monitoring the compliance function and the Company's risk profile in respect of compliance with the laws applicable to it as well as the internal policies and procedure (including the Company's code of ethics or conduct);
- b. reviewing reports detailing the Company's risk profile and the compliance activities undertaken proactively aiming at determination of the Company's ability to meet its legal and ethical obligations;
- c. identifying weaknesses, lapses, breaches or violations and checking whether the controls and other measures are in place to help detect and address the same;
- d. supervising and monitoring the matters reported using the Company's whistleblowing or other confidential mechanisms for employees and others to reports ethical and compliances concerns or potential breaches, violations or frauds;
- e. advising the Board, from time to time, on the effect of the above on the Company's conduct of business; and
- f. assisting the Board in setting up adequate controls or taking such measures so as to mitigate any risks relating to compliance, ethics and / or potential breaches, violations or frauds.

## 6- UNDERWRITING COMMITTEE

The Underwriting Committee is responsible for:

- a. reviewing periodically the policies and guidelines governing the Company's insurance and reinsurance underwriting;
- b. reviewing periodically the policies and guidelines regarding the Company's agent, broker, insured, ceding Company, reinsurer and retrocessionaire counterparty risk in connection with its insurance and reinsurance underwriting activities;
- c. evaluating the Company's professional and development plans for key insurance and reinsurance underwriting and actuarial functions; and
- d. performing such other responsibilities regarding the Company's insurance and reinsurance underwriting activities or policies or other matters as the Board may from time to time assign the Committee.

## 7- CLAIMS SETTLEMENT COMMITTEE

The Claim Settlement Committee is responsible for:

- a. establishing, implementing and maintaining the claims processing time;
- b. claims monitoring and ensuring the transparency, fairness and equality;
- c. reviewing and analyzing periodically the feedback & complains obtained through the mechanism;
- d. reviewing of claims for suggesting corrective underwriting measures; and
- e. ensuring that salvage sales made are at their optimum price and with transparency.

## 8- REINSURANCE / COINSURANCE COMMITTEE

The Reinsurance and Coinsurance Committee is responsible for:

- a. monitoring on an ongoing basis;
  - the processes and procedures;
  - the policies and guidelines;
  - the counterparty risk;
  - the level of risk assumed; and
  - the performance of the insurance or reinsurance component of any investment by the Company in any security whose return is determined in whole or in part by reference to the performance of an actual or hypothetical single insurance or reinsurance risk or portfolio of insurance or reinsurance risks;
- b. performing such other responsibilities regarding the Company's insurance and reinsurance underwriting activities or policies or other matters as the Board may from time to time assign the Committee; and
- c. monitoring that proper commissions are charged on outward cessions.

## 4.5 - MANAGEMENT TEAM



## 4.6 - ROLE OF CHAIRMAN AND CEO

The roles and responsibilities of the Chairman and the Chief Executive Officer are distinct and complementary. The same are set out below:

### Role of Chairman

The Chairman is in charge of the leadership of the Board. In particular, he is responsible for the following:

- To set the agenda and tone of the meetings of the Board in order to stimulate productive debate and ensure appropriate decision making regarding issues pertinent to those areas which are considered by the Board.
- To set a performance-oriented agenda which is largely fixated on strategizing, value creation and answerability.
- To manage the meetings of the Board to make sure that suitable time is allowed for discussion of all items on the agenda.
- To also ensure that complex or contentious issues are dealt with meritoriously, making sure in particular that non-executive directors have sufficient time to consider them.
- To ensure the constructive running of the Board and its relevant committees while in compliance of the maximum standards set by the Code of Corporate Governance.
- To ensure active, accurate and timely communication with shareholders and Board members alike regarding inter alia the performance of the Company.
- To ensure that the Board defines, to the best of its ability, the extent of the significant risks the Company can afford to and is willing to take in the employment of its devised plans.
- To warrant that the members review, consistently and continuously, the effectiveness of risk management and internal control systems.

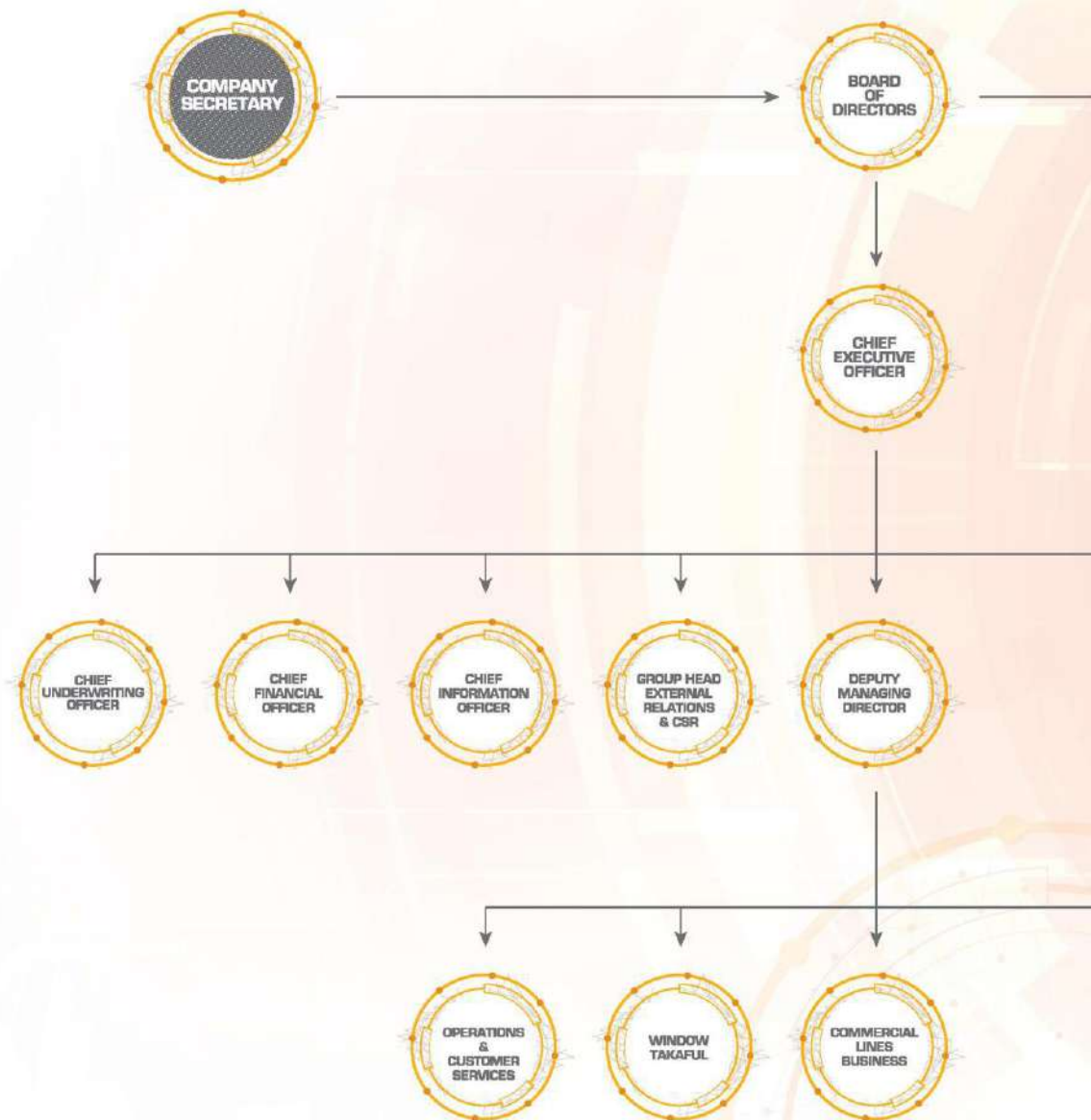
### Role of Chief Executive Officer

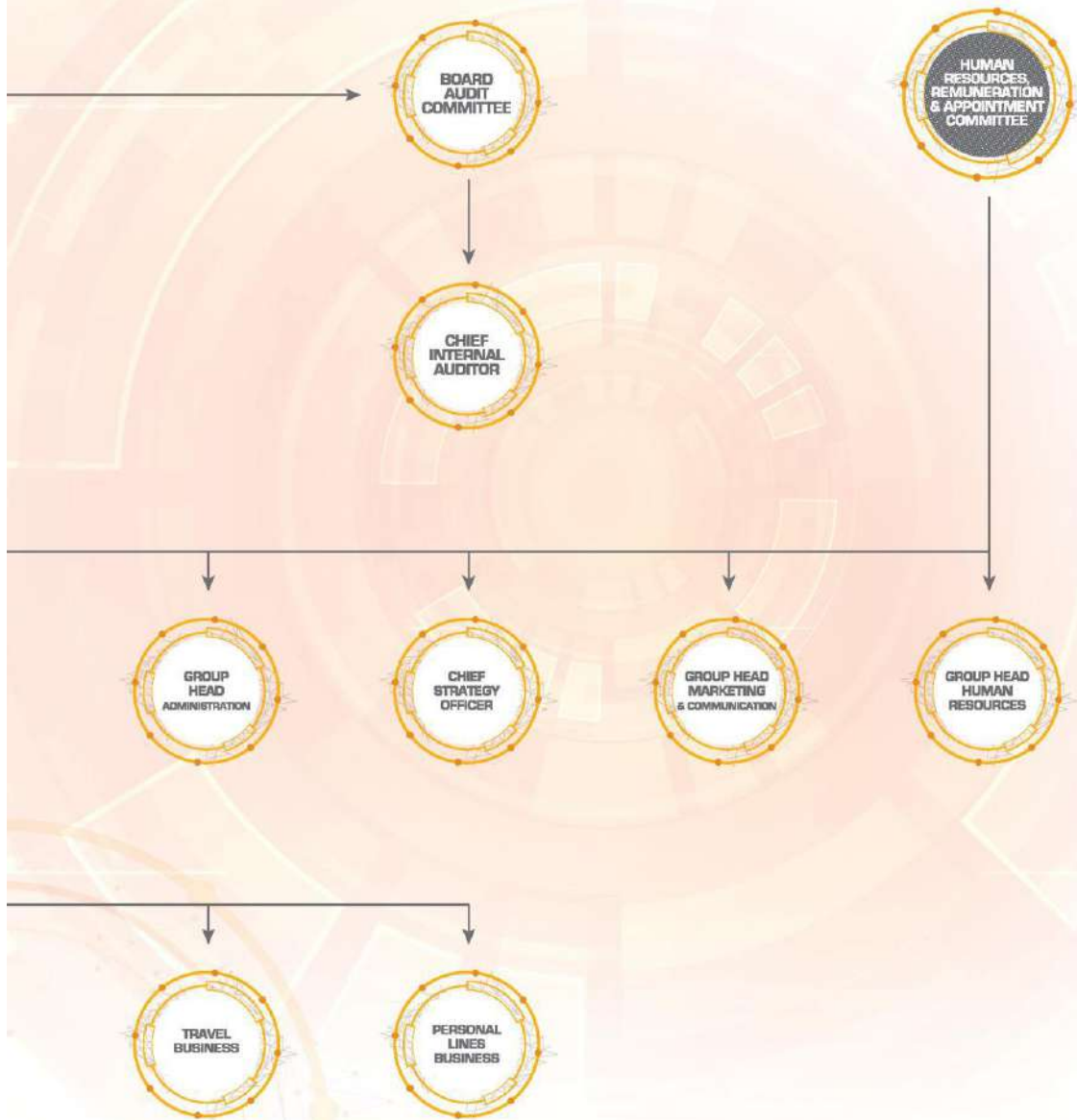
The CEO is responsible to lead the insurance business, supervising it within the authorities delegated to him by the Board. He oversees the implementation and development of the devised policies. In particular, he is responsible for the following:

- To lead, in conjunction with the Board, the development of the Company's strategy.
- To lead and oversee the implementation of the Company's long and short term plans in accordance with its strategy.
- To ensure the Company is appropriately organized and appropriately staffed and to enable it to achieve the approved strategy.
- To assess the principal risks of the Company and to ensure that these risks are being monitored and managed.
- To ensure that the Company has appropriate systems to enable it to conduct its activities both lawfully and ethically.
- To ensure that the Company maintains high standards of corporate citizenship and social responsibility wherever / whenever it does business.
- To act as a liaison between management and the Board and to provide information to the Board to enable the Directors to form appropriate judgments.
- To communicate effectively with shareholders, employees, Government authorities, other stakeholders and the public.
- To keep abreast of all material undertakings and activities of the Company and all material external factors affecting the Company, and ensure the integrity of all public disclosures by the Company.
- In concert with the Chairman, to develop focused agendas to be discussed by the Board in its meetings.
- To request that special or general meetings of the Board and shareholders be called when appropriate.
- To sit on committees of the Board where appropriate as determined by the Board.
- To abide by specific internally established control systems and authorities, to lead by personal example and encourage all employees to conduct their activities in accordance with all applicable laws and the Company's standards and policies, including its environmental, safety and health policies.



## 4.7 - ORGANISATION CHART





## 4.8 - WHISTLEBLOWING POLICY - SPEAK UP WITH CONFIDENCE

### 1.0 Introduction

All persons employed by TPL Insurance Limited are under an obligation implied in their contract of employment to give honest and faithful service to their employer. This includes an obligation not to disclose to external sources any trade secrets or confidential information acquired during the course of employment or act in a manner that will undermine the mutual trust and confidence on which the employment relationship is based. The company complements obligations by providing protection to employees for disclosure made without malice and in good faith of certain specific confidential information to a third party in defined circumstances. These are outlined below in document. The purpose of this policy is to provide a means by which employees are enabled to raise concerns with the appropriate TPL Insurance authorities if they have reasonable grounds for believing there is serious malpractice within the company. TPL Insurance encourages employees to raise matters of concern responsibly through the procedures laid down in this policy statement.

### 2.0 Scope of the Policy

The policy is designed to deal with concerns raised in relation to the specific issues which are in the public interest and are detailed in below document, and which fall outside the scope of other TPL Insurance policies and procedures. The policy will not apply to personal grievances concerning an individual's terms and conditions of employment, or other aspects of the working relationship, complaints of bullying or harassment, or disciplinary matters. Such complaints will be dealt with under existing procedures on grievance, bullying and harassment, discipline and misconduct. Details of these procedures will be found in the relevant employee handbook. They are also published on the online HR portal.

The policy may deal with specific concerns which are in the public interest and may include:

- a criminal offence
- failure to comply with legal obligations or with the Statutes, Ordinances, Code of Conduct, and Regulations of the Company
- financial or non-financial maladministration or malpractice or impropriety or fraud
- academic or professional malpractice
- a risk to the health or safety of any individual
- environmental damage
- a miscarriage of justice
- improper conduct or unethical behavior
- attempts to suppress or conceal any information relating to any of the above.

If in the course of investigation any concern raised in relation to the above matters appears to the investigator to relate more appropriately to grievance, bullying or harassment, or discipline, those procedures will be invoked.

### 3.0 Who can raise a concern?

Any employee, who has a reasonable belief that there is serious malpractice relating to any of the protected matters specified in above document, may raise a concern under the procedure detailed in paragraph 6 below. The issues raised under the protected list may relate to another employee, a group of employees, the individual's own department or another part of the Company. Concerns must be raised without malice and in good faith, and the individual must reasonably believe that the information disclosed, and any allegations contained in it, are substantially true. The disclosure must not be made for purposes of personal gain, and in all the circumstances it must be reasonable to make the disclosure. The company will ensure that any member of staff who makes a disclosure in such circumstances will not be penalized or suffer any adverse treatment for doing so. However, a member of staff who does not act in good faith or makes an allegation without having reasonable grounds for believing it to be substantially true, or makes it for purposes of personal gain, or makes it malicious or vexatious may be subject to disciplinary proceedings.



In view of the protection afforded to an employee raising a bonafide concern, it is preferable if that individual puts his / her name to any disclosure. The identity of the person raising the matter will be kept confidential, if so requested, for as long as possible provided that this is compatible with a proper investigation. Anonymous complaints are not covered by this procedure, but may be reported, investigated or acted upon as the person receiving the complaint sees fit (including the use of this procedure), having regard to the seriousness of the issue raised, the credibility of the complaint, the prospects of being able to investigate the matter, and fairness to any individual mentioned in the complaint.

#### 4.0 Procedure

##### 4.1 Raising a concern

To raise a concern employees are requested to duly fill the form and submit it to Internal Audit / Human Resources department.

If you are unsure about whether your concerns are best dealt with under this policy or Grievance procedure, please read the scope of policy section above, which provides examples of the issues that should be reported using this form. If, having read the whistleblowing policy, you remain unsure about which procedure to use, please contact Internal Audit / Human Resources department for further advice.

##### 4.2 Process

The person to whom the disclosure is made will normally consider the information and decide whether there is a prima facie case to answer. He or she will decide whether an investigation should be conducted and what form it should take. This will depend on the nature of the matter raised and may be,

- investigated internally
- referred to the departments
- subjected to independent enquiry

If the person to whom the disclosure is made decides not to proceed with an investigation, the decision will be explained as fully as possible to the individual who raised the concern. It is then open to the individual to make the disclosure again either to another of the persons specified in the paragraph above or to the Head of the Audit or HR department.

##### 4.3 Investigation

Any investigation will be conducted as sensitively and speedily as possible. The employee will be notified of the intended timetable for the investigation. The person to whom the disclosure is made may authorize an initial investigation to establish the relevant facts. The investigation may be conducted by the internal auditor in the case of a financial irregularity, or by another person. The investigator will report his or her findings to the person to whom the disclosure was made, who will then decide if there is a case to answer and what procedure to follow. This may include taking steps with the competent authority to set up a special internal independent investigation or reference to some other authority, for further investigation. The decision may be that the matter would be more appropriately handled under existing procedures for grievance, bullying and harassment, or discipline. The individual making the disclosure will be informed of what action is to be taken.

##### 4.4 Records

An official written record will be kept of each stage of the procedure.

##### 4.5 Reporting of outcomes

A report of all disclosures and subsequent actions taken will be made by the persons deciding on the issues. This record should be signed by the Investigating Officer and the person who made the disclosure, and dated. Where



appropriate, the formal record need not identify the person making the disclosure, but in such a case that person will be required to sign a document confirming that the complaint has been investigated. Such reports will normally be retained for at least five years. In all cases a report of the outcome will be made to the General Board and Council,

#### **5.0 Confidentiality and Protection Mechanism**

The Policy assures that all complaints will be handled in complete confidence, and that the identity of the complainant will not be revealed to Management. In the unlikely event that the identity of Whistleblower is revealed to any person in the Company, it will be ensured that the complainant is not subjected to any form of detrimental treatment.

#### **5.1 Complaints of retaliation as a result of disclosure**

The company accepts that it has an obligation to ensure that employees who make a disclosure without malice and in good faith are protected, regardless of whether or not the concern raised is upheld. An employee who has made a disclosure and who feels that, as a result, he or she has suffered adverse treatment should submit a formal complaint under the grievance procedure as set out in the relevant employee handbook detailing what has been done to him or her. If it appears that there are reasonable grounds for making the complaint, the onus will be on the person against whom the complaint of adverse treatment has been made to show that the actions complained of, were not taken in retaliation of the disclosure.

Where it is determined that there is a prima facie case that an employee has suffered adverse treatment, harassment or victimization as a result of his or her disclosure, a further investigation may take place and disciplinary action may be taken against the perpetrator in accordance with the relevant procedure.

#### **6.0 Success of the Policy and its implementation**

All stakeholders are responsible for the success of this Policy and should ensure that they use it to disclose suspected danger or wrongdoing. If a stakeholder has any question about the content or application of this Policy, he or she may contact the Internal Audit & Human Resources Department for obtaining necessary clarification.

#### **7.0 Instances Reported**

During the year no instances have been reported.



## 4.9 - CODE OF BUSINESS CONDUCT

### Ethical Obligations

TPL Insurance Limited strives to maintain a positive work environment where employees treat each other with respect and courtesy. Certain guidelines of acceptable conduct such as responsibility and diligence towards work duties, courteous and civil behavior towards colleagues and customers alike, and high standards of integrity and honesty must be observed by all employees of the organization at all times. This includes avoiding using abusive or insulting language in communication (verbal or written). Any language which is deemed offensive by normal standards and practice is prohibited.

### Code of Conduct

It is our aim to establish business principles for the professional conduct of the employees of TPL Insurance. All employees are liable for disciplinary action if found in violation of the policies. In general, the use of good judgment, based on high ethical principles, is the standard of acceptable conduct.

The successful business operation and reputation of TPL Insurance is built upon the principles of fair dealing and ethical conduct of our employees. Our reputation of integrity and excellence require careful observance of the spirit and abidance of all applicable laws and regulations, as well as a scrupulous regard for the highest standards of conduct and personal integrity.

The continued success of TPL Insurance is dependent upon our customers' trust and we are dedicated to preserving that trust. Employees owe a duty to TPL Insurance customers, and shareholders to act in a way that will merit the continued trust and confidence of the public. TPL Insurance will comply with all applicable laws and regulations and expects its directors, officers, and employees to conduct business in accordance with the letter, spirit, and intent of all relevant laws and to refrain from any illegal, dishonest, or unethical conduct.

### Conflict of Interest

TPL Insurance's policy regarding possible conflict of interest is based on the principle that an employee's decisions in the business must be made solely in the best interest of the company. In reaching these decisions, an employee should not be influenced by personal or family considerations which might consciously (or unconsciously) affect his or her judgment as to what is in the best interest of the company. Each employee has an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest. This document establishes only the framework within which the company wishes the business to operate. As a principle, relatives are not hired. On a later occasion if it is found out that a relative was hired with prior knowledge of an employee, this could become grounds for termination.

### Child Labor and Worker Exploitation Policy

TPL Insurance does not use child or forced labor in any of its operations or facilities. We do not tolerate unacceptable worker treatment, such as exploitation of children, physical punishment or abuse, or involuntary servitude. We expect our suppliers and contractors with whom we do business to uphold the same standards. We do not commit to exposing workers to situations in or outside of the workplace that are hazardous, unsafe, or unhealthy. The company does not hire any employee under the age of 18 years for employment.

### Confidentiality

All employees must protect confidential information, and prevent such information from being improperly disclosed to others inside or outside the organization. Any employee may not disclose any confidential information obtained from their position at the company to others or use any such information to obtain any benefit. Employees should not communicate or transmit confidential or sensitive information through external online communications services, such as the Internet. Interaction with competitors beyond the approved level will be regarded as gross misconduct. Appropriate disciplinary actions will be taken in case of negligence in case of non-compliance with the above policy.



### **Privacy of Records**

It is vital that all employees maintain the utmost confidentiality with regards to work and employee information. All employees must ensure that organization work files are returned to their appropriate location at the end of each working day. All aspects of the employee records and information must be treated in the strictest confidence. Any violation will be treated under Gross Misconduct as applicable under the service rules. Access to HR files is provided to related HR Officials, HODs, Internal / External Auditors, CEO and CFO and is viewed in the HR offices only.

### **Environmental Friendly**

We are committed to running our business in an environmentally sound and sustainable manner. Accordingly, our aim is to ensure that, our processes and services have the minimum adverse impact and commensurate with legitimate needs of the business.

### **Bribery & Fraud**

Bribery is not tolerated in any form and any such matters are reported to HR immediately. Acting on the Company's behalf, the employee is strictly prohibited from offering, paying, soliciting or accepting bribes / gifts. External and internal bribery risks are regularly and systematically assessed and preventive measures are in place to avoid such matters. Engaging in fraud is a fundamental breach of our core value of honesty and we treat it as the most serious breach of discipline. The management is required to establish and maintain sufficient controls to ensure that fraud risk is properly identified, monitored and mitigated.

### **Gifts, Entertainment and Gratuities**

We conduct our business on the basis of the superior value of goods and services we buy and sell. Our policy on gifts, entertainment and gratuities is designed to preserve and maintain the Company's reputation as a global enterprise, which acts with integrity and bases decisions only on legitimate business considerations. Receiving gifts, entertainment or other gratuities from people with whom we do business is generally not acceptable because doing so would imply an obligation on the part of the Company and potentially pose a conflict of interest.

### **Misconduct**

The following acts are considered as misconduct and are liable for termination of service without notice and benefits. The service of an employee is suspended without pay (14 days maximum) in case of misconduct, during the pendency of the proceedings initiated.

- Habitual late attendance
- Absent from duty without information for more than 03 days.
- Habitual negligence or neglect of work
- Insubordination or disobedience of senior member of the employee
- Resorting to strike or instigating other employees to stop working or go slow or spreading discontentment
- Giving or possessing classified / unclassified information to unauthorized persons
- Any act bringing disrepute to the company
- Any fraudulent act or forgery or another criminal act
- Misuse of company assets
- Non-adherence to the Code of Conduct

### **Health & Fire Safety**

To build awareness on the Health, Safety and Environment standards, the organization on recurring basis, provide relevant information and training to the employees. The Administration / Security department ensures safe and healthy environment, conduct regular fire drills, so as to prepare every employee of the organization in the case of emergency situation. There are emergency exit routes, fire exits and fire extinguishers placed strategically. Associates

will have the opportunity to have hands-on training on fire extinguisher and briefings on the proper use of firefighting equipment in their areas.

#### **Environmental Safety**

All employees are requested to ensure a safe work environment is maintained at all times. The use of alcohol, chewing of betel nut, illegal drugs may seriously affect a person's ability to perform their duties in a proper and safe manner and therefore are strictly prohibited while on duty both on and off premises. Smoking of cigarettes is prohibited in all office premises.

#### **Legal Proceedings**

It is essential that an employee, who becomes involved in legal proceedings, whether civil or criminal, should immediately inform his / her superior with a copy to the HR in writing. Failure to do so may result in termination of employment.

#### **Compliance**

Compliance with Business Ethics and Conduct is the responsibility of every employee. Disregarding or failing to comply with this standard of Business Ethics and Conduct could lead to disciplinary action, up to and including the possible termination of employment. It is the responsibility of the HR and all the immediate managers to ensure that the principles embodied in this code are communicated to, understood and observed by all employees.

## **4.10 - SUCCESSION PLANNING**

Our succession planning covers the following areas:

### **Step 1 Identify Key Positions**

Criteria for key positions include:

- Positions that require specialized job skills or expertise.
- High-level leadership positions.
- Positions that are considered critical to the organization.

### **Step 2 Build Job Profiles for each Key Position**

- Determine the key success factors of the job and how proficient the job holder would need to be. This information can be obtained in several ways, including performing on the job analysis or gathering critical information during the performance appraisal process. The information that is gathered includes the knowledge, skills, abilities, and attributes that the current employee in a position possesses that allow for competent and efficient performance of the function.

### **Step 3 Competency Gap Analysis**

- Using the job profile of competencies determine the tool required to gather data on current employee competencies for the key positions
- Analyze the difference between current employee competencies and future needs
- Document findings for development opportunities

#### **Step 4 Development Opportunities**

- Assess the abilities and career interests of employees
- Candidates should demonstrate high potential or ability that will enable them to achieve success at a higher level within the organization.

#### **Step 5 Individual Development Plans**

- Design a plan for each candidate. Developmental plans should be available for candidates and then incorporated into their performance management plans. Plans may include identifying career paths for high-potential candidates and others who have the interest and ability to move upward in the organization
- Provide development opportunities. This can be accomplished through job assignments, training, or on job rotation, and it is one of the best ways for employees to gain additional knowledge and skills

#### **Step 6 Maintain Skills Inventory**

- Continually monitor skills and needs to determine any gaps and develop plans to meet deficiencies
- Keep an inventory of current and future needs and maintain the information for individual and group development

## **4.11 - POLICY FOR ACTUAL AND PERCEIVED CONFLICT OF INTEREST**

TPL Insurance maintains the highest standards in ensuring that business ethics are always upheld and no corruption takes place. TPL Insurance ensures all Directors uphold and adhere to the code of conduct and recognizes their fiduciary duty to act in the highest standards of Corporate Governance, avoid conflict of interests. Every director of the Company whose interest lies in any of the Company's dealings or arrangements are required to fully divulge their interests to the Board. They would not be a part of voting system for those matters. Each director is required to disclose the names of the companies and their associations with them.

## **4.12 - POLICY FOR SAFETY OF RECORDS**

TPL Insurance caters this aspect in the following ways:

- We have theorized the Business Continuity Plan / Disaster recovery Plan (BCP / DRP) which elucidates the safe record keeping of the Company to safeguard the continuous business operation in the event of a Disaster.
- Every department in the Company is self-responsible for daily backups on the server
- Advanced machines are in place through which electronic retrieval of printed data can be extracted user-wise.



## 4.13 - INVESTORS' GRIEVANCES POLICY

The Company has a well-defined mechanism for handling Investor Grievances and the subsequent redressal of the grievance. Our compliance department undertakes to ensure that the Investors are provided impeccable services.

The Company has set the following guidelines to handle investor queries and complaints:

1. Timely responses to investor grievances;
2. Fair treatment of all investors;
3. Corrective measures to be taken instantly to avoid complaints in the future

The Company Secretary is the point of contact in such cases. The investors may directly write to the Company at the following address:

Company Secretary  
TPL Insurance Limited  
12th Floor, Centrepont Building,  
Off Shaheed-e-Millat Expressway,  
Adjacent to KPT Interchange, Karachi 74900.

Shareholders' enquiries about their shareholding, dividends or share certificates etc. can be directed to the Share Registrar at the following address:

THK Associates (Pvt) Limited  
1st Floor, 40-C, Block-B,  
P.E.C.H.S., Karachi - 75400  
UAN: (92-21) 111-000-322  
Tel: (92-21) 34168266-70

Alternatively, the investors can also send an email to designated email address [info@tplinsurance.com](mailto:info@tplinsurance.com) for their queries / complaints.

In other cases, an investor who is not satisfied can also approach the Securities & Exchange Commission of Pakistan (SECP) complaint cell through the interactive link available on our website.

## 4.14 - IT GOVERNANCE FRAMEWORK

TPL Insurance maintains a documented IT Security Policy which is approved by the Board of Directors. The policy aims to ensure that the operations are running effectively and are protected from any security threats. The Policy entails the following aspects:

- Staff Trainings
- Roles and Responsibilities
- Protection of Information Assets
- System Development Life Cycles (SDLC)
- Security Investigation and Reporting
- Intrusion Prevention and Detection
- Disaster Recovery Plan

## 4.15 - ANNUAL EVALUATION OF BOARD'S PERFORMANCE

The Board has developed a mechanism to evaluate its own performance, on an annual basis, through a questionnaire. The said questionnaire is prepared in accordance with the Code of Corporate Governance and is circulated to all the Directors covering inter-alia the following areas:

- Fiduciary Duties
- Business Strategy
- Compliance with the Law
- Participation on the Board
- Corporate Reporting

## 4.16 - PERFORMANCE REVIEW OF THE CEO

The Chief Executive Officer is appointed by the Board of Directors for tenure of three years. The Human Resource & Remuneration Committee of the Board sets operational, financial and strategic objectives to evaluate his performance. The Committee reviews and monitors the CEO's performance on an annual basis.

## 4.17 - DIRECTORS' REPORT

On behalf of the Board of Directors of TPL Insurance Limited, I am pleased to present the annual report of the Company for the year ended December 31, 2017.

## BUSINESS REVIEW

### GROSS WRITTEN PREMIUM

The Company continued its trajectory towards growth with gross written premiums increasing by 12% in 2017. The premium includes contributions written by window takaful operations of the company which amounts to Rs. 909.0 million (2016: 684.3 million).

Year	Gross written premium (Rs. In millions)	Growth %
2012	706.5	38%
2013	869.9	23%
2014	1,220.8	40%
2015	1,635.5	34%
2016	2,054.5	26%
2017	2,292.7	12%

The Company is expanding into commercial lines business with gross written premium for the year reaching Rs. 135.9 million (2016: Rs. 67.1 million) in the segment. The Company continues to maintain third position in the motor market.

Dominant proportion of our business is motor insurance (about 91% of gross written premium), while other lines of business (fire, marine, health and miscellaneous) contributed 9% promising significant growth in the years to come. The company is actively working to develop the commercial lines and has stationed its agents across the country to achieve penetration in this segment. This would bring back the Company's growth trajectory to higher twenties in 2018.

## CLAIMS ANALYSIS

In 2017, the Company managed its motor claims severity by putting effective controls under partial damage claims and improved theft claims resulted in overall reduction of motor claims to 43.2% from 46.8% last year. We aim to further enhance the efficiency in the settlement of claims which is a fundamental driver of success, both for the policyholders as well as for its shareholders.

No major claim has been incurred in commercial lines business to date. The company has developed a team of professionals in the segment to ensure effective risk management and underwriting to ensure that claims costs are managed in the segment.

YEARLY CLAIMS INCURRED	
Year	% of Earned Premium
2012	42%
2013	43%
2014	50%
2015	47%
2016	46%
2017	43%

## WINDOW TAKAFUL OPERATIONS

The Company's Window Takaful Operations (WTO) managed to underwrite contributions amounting to Rs.909.0 million (2016: Rs. 684.3 million) registering a growth of 32.8%. The consolidated assets of operator fund and participant takaful fund amounts to Rs. 1,001.9 million (2016: Rs. 844.5 million).

Company's WTO has underwritten contributions in fire & property, motor and health segments with the assistance of its Shariah Advisor and Shariah Compliance Officer. WTO is planning to launch additional lines of business which will allow us to expand into new solutions, addressing explicit requests from a number of clients and business partners and further developing the market.

The participant takaful fund registered a loss of Rs. 69.9 million (2016: Rs. 66.8 million); due to competitive pricing, higher claims ratio and mandatory tracking on business underwritten through banks. WTO is focusing on penetration in the retail segment, improvement in pricing of bank business along with penetration into profitable corporate lines of business. It is projected that participant takaful fund will break even in the next years and the company will recover the Qard e Hasna provided to the fund.



## FINANCIAL REVIEW

### PROFITABILITY AND GROWTH

The Company has recorded a pretax profit of Rs.163.4 million (2016: Rs.148.8 million), including profit from operator fund of Rs. 47.5 million (2016: 35.5 million). The loss from participant takaful fund of Rs. 69.9 million (2016: 66.8 million) is not included in the profit of the Company as per SECP's circular 25 of 2015. The pre-tax and post-tax basic earnings per share are 2.16 and 1.39 respectively (2016: Rs. 1.85 and Rs. 1.37).

Year	Profit before tax (Rs. In millions)
2012	62.2
2013	78.4
2014	38.9
2015	45.6
2016	148.8
2017	163.4



We have plans to continue growing the company's premium base as well as significantly increasing profitability to achieve higher returns for our shareholders. Premium growth initiatives include further expansions on the existing products and segments (motor, window takaful operations) as well as the expansion into corporate lines of business of fire and marine segment.

The Company has improved its assets base over the years and has cemented a strong platform to launch new and value added insurance products in the market.

Year	Total Assets* (Rs. In millions)	Net Assets (Rs. In millions)
2012	843	387
2013	1,076	439
2014	1,270	465
2015	1,871	941
2016	2,280	1,045
2017	2,489	1,109



\*assets amounting to Rs. 652.1 million (2016: Rs. 525.6 million) pertaining to participant takaful fund are not included in total assets of the company.

### INVESTMENTS

As at 31 December 2017, investments made by the Company stands at Rs. 1,069.5 million (2016: Rs. 821.8 million) which mainly comprise of investments in term deposits amounting to 350.0 million (2016: 717.0 million), investment in government securities amounting to Rs. 99.5 million (2016: Rs. 100.4 million) and investment in equities and mutual funds amounting to 620.0 million (2016: 4.4 million). The aggregate market value of these investments is Rs. 1,076.4 million (2016: Rs. 830.9 million).

### CASH & BANK BALANCES

The cash and bank balances of the Company stands at Rs.133.6 million (2016: Rs.176.4 million). In addition, cash and bank balances of participants takaful fund stands at Rs.102.7 million (2016: Rs. 52.1 million).

## DIVIDEND

We, the Board of Directors, recommend to issue 10% bonus shares, i.e. one share for every 10 shares held by the shareholders.

## CREDIT RATING

The Pakistan Credit Rating Agency Ltd (PACRA) has upgraded the credit rating of the Company to A+ with a stable outlook.

## KEY FINANCIAL DATA FOR THE LAST SIX YEARS

Rs. Million

Statement of Financial Position	2017	2016	2015	2014	2013	2012
Paid up share capital	893.8	893.8	893.8	452.3	452.3	452.3
Accumulated (losses) / Unappropriated profits	253.9	148.9	45.7	12.4	-13.5	-85.0
Unrealized gain (loss) on revaluation of available for-sale investments	-26.4	2.3	1.6	0.0	0.0	0.0
<b>Total Equity</b>	<b>1,121.3</b>	<b>1,045.0</b>	<b>941.2</b>	<b>464.8</b>	<b>438.8</b>	<b>367.3</b>
Investments	1,069.5	821.8	727.0	49.9	153.2	149.3
Fixed assets	70.0	361.2	384.7	308.7	169.1	120.2
Capital work in progress	21.4	0.0	0.0	4.8	19.1	47.9
Cash and bank deposits	133.6	176.4	16.6	9.0	108.4	17.8
Other assets	870.7	602.0	551.6	815.9	625.8	508.0
Total assets of General Takaful Operations - OF	335.5	318.9	190.7	81.4	-	-
<b>Total Assets</b>	<b>2,500.6</b>	<b>2,280.2</b>	<b>1,870.6</b>	<b>1,269.8</b>	<b>1,075.5</b>	<b>843.1</b>
Underwriting liabilities	805.7	831.0	693.9	695.9	568.0	418.8
Short term finance	-	-	-	-	-	-
Other liabilities	339.3	226.1	129.9	81.6	68.7	36.9
Total liabilities of General Takaful Operations - OF	234.3	178.1	105.7	27.5	-	-
<b>Total Liabilities</b>	<b>1,379.3</b>	<b>1,235.2</b>	<b>929.4</b>	<b>805.0</b>	<b>636.7</b>	<b>455.7</b>

Statement of Comprehensive Income	2017	2016	2015	2014	2013	2012
Gross premium written	1,383.7	1,370.2	1,171.3	1,158.0	869.9	706.5
Net premium revenue	1,299.5	1,204.4	1,129.3	1,042.9	733.5	619.9
Underwriting expenses	-1,200.3	-1,153.7	-1,074.4	-965.1	-619.9	-532.4
Underwriting results	99.2	50.7	54.9	77.8	113.6	87.5
Investment income and other income	171.4	181.5	140.5	93.1	74.3	82.6
Other expenses	-154.8	-118.9	-160.1	-135.2	-109.6	-107.9
Profit before tax from General Insurance Operations	115.8	113.3	35.2	35.7	78.4	62.2
Profit before tax from Window Takaful Operations	47.5	35.5	10.4	3.2	-	-
Profit / (Loss) before tax for the year	163.4	148.8	45.6	39.0	-	-
Profit / (Loss) after tax	105.0	103.2	33.3	25.9	51.5	42.7

## AUDITORS

M/s EY Ford Rhodes, Chartered Accountants retire and offer themselves for reappointment. The Board of Directors has recommended their appointment as auditors for the year ending 31 December 2018, at a fee to be mutually agreed.

## RELATED PARTY TRANSACTIONS

The related party transactions were placed before the Board of Audit Committee and approved by the Board. These transactions were in line with the International Financial Reports Standards and the Companies Act, 2017.

## CORPORATE SOCIAL RESPONSIBILITY

We take great care in advancing our mission of promoting financial and social mobility for underdeveloped population segments. Company invest in systems and solutions that address social challenges such as poor education outcomes, low health and living standards and improving the economic wellbeing of the people wherever they are, regardless of race, color, religion or ethnicity. We strive to attain a meaningful impact on society with a strong connection with our core competencies and that's the very reason and spirit through which we want to uplift the marginalized segments of the society.

## STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Board is fully aware of its corporate responsibilities as envisaged under the Code of Corporate Governance, prescribed by the Securities and Exchange Commission of Pakistan and is pleased to certify that:

- The financial statements prepared by the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- The Company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements except as disclosed in the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, International Financial Reporting Standard and other regulations (including but not limited to the Shariah guidelines / principles) as applicable in Pakistan, have been followed in the preparation of the financial statements and any departure there from have been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- The fundamentals of the Company are strong and there are no doubts about Company's ability to continue as a going concern.
- The Company has followed the best practices of the Corporate Governance and there has been no material departure there from.
- Key operating and financial data for the last six years in summarized form, is included in this annual report.
- No significant deviations from last year's operating results have been noted apart from deficit in participant takeful fund which is explained in this report.
- Statutory payments on account of taxes, duties, levies and charges outstanding are in the normal course of business.
- The board has ensured trainings for its directors; five directors of the Company have attended the director's training program whereas one director is exempt from the aforesaid training in compliance with the Code of Corporate Governance.
- The value of investments of provident fund on the basis of unaudited accounts of the provident fund as on 30 June 2017 is Rs. 29.5 million (2016: Rs. 21.5 million).

## INSURANCE ORDINANCE 2000

As required under the Insurance Ordinance 2000 and rules framed there under, the Directors confirm that:

- In their opinion and to the best of their belief, the annual statutory accounts of the Company set out in the forms attached with this statement have been drawn up in accordance with Insurance Ordinance 2000 and rules made there under.
- The Company has at all times in the year complied with the provisions of the Ordinance and the rules made there under relating to the paid up capital, solvency and reinsurance arrangements; and as at the date of the statement, it continues to be in compliance with the provisions of the Ordinance and rules framed there under as mentioned above.



#### CODE OF CONDUCT

The Company ensures that all its activities are carried out in a transparent manner strictly following the code of business ethics with zero tolerance.

#### PATTERN OF SHARE - HOLDING

A statement of pattern of share-holding of the Company as at 31 December 2017 is as follows:

Shareholder's Category	Number of Shares Held	Percentage of Shareholding
Parent Company TPL Corp Limited	71,182,511	94.24%
Directors	222,501	0.29%
Mutual Fund	841,758	1.11%
General Public (Local)	2,963,199	3.92%
General Public (Foreign)	105,501	0.14%
Others	220,429	0.29%
<b>Total</b>	<b>75,515,899</b>	<b>100%</b>

#### TRADING IN COMPANY'S SHARES

No trading in Company's share was done by the directors during the year other than for qualification shares to become director of the Company. A statement showing the pattern of shareholding is attached with this report.

#### BOARD MEETINGS

The Board of Directors held five meetings in 2017. Attendance of Directors is indicated below:

NAME OF DIRECTOR	MEETINGS ATTENDED
Mr. Jameel Yusuf	5
Mr. Ali Jameel	4
Mr. Andrew Borda**	4
Mr. Bilal Bin Zafar	5
Mr. Waqar Malik	5
Mr. Syed Nadir Shah	5
Mr. Saad Nissar	5
Mr. Charles Robert Platt *	1

\*resigned during the year - \*\*filled casual vacancy during the year

#### ACKNOWLEDGEMENT

We would like to thank the shareholders of the Company for the confidence they have reflected in us. We also appreciate the valued support and guidance provided by the Pakistan Stock Exchange, Federal Board of Revenue, Provincial Revenue Authorities, Central Depository Company and Securities and Exchange Commission of Pakistan over time. We would also express our sincere thanks to the employees, strategic partners, vendors, bankers and customers for their support in pursuit of our corporate objectives.

For and on behalf of the Board of Directors,



**Saad Nissar**  
Chief Executive Officer

20 February, 2018



## 4.18 - PATTERN OF SHAREHOLDING

NO. OF SHAREHOLDERS	— HAVING SHARES —		SHARES HELD	PERCENTAGE
	From	To		
238	1	100	2,055	0.00
117	101	500	53,753	0.07
58	501	1,000	57,232	0.08
61	1,001	5,000	166,770	0.22
15	5,001	10,000	128,932	0.17
1	10,001	15,000	12,000	0.02
9	15,001	20,000	164,140	0.22
3	20,001	25,000	73,669	0.10
1	25,001	30,000	27,004	0.04
2	30,001	35,000	65,742	0.09
1	35,001	40,000	40,000	0.05
2	40,001	45,000	89,500	0.12
4	45,001	50,000	196,644	0.26
1	50,001	55,000	54,000	0.07
1	60,001	65,000	64,976	0.09
1	65,001	70,000	68,845	0.09
1	70,001	75,000	75,000	0.10
1	75,001	80,000	77,500	0.10
3	95,001	100,000	299,500	0.40
1	125,001	130,000	129,813	0.17
1	150,001	155,000	153,708	0.20
1	215,001	220,000	220,000	0.29
1	235,001	240,000	239,000	0.32
1	250,001	255,000	253,500	0.34
1	285,001	290,000	289,847	0.38
1	300,001	305,000	301,686	0.40
1	320,001	325,000	321,388	0.43
1	355,001	360,000	356,500	0.47
1	370,001	375,000	370,684	0.49
1	545,001	550,000	547,114	0.72
1	11,015,001	11,020,000	11,020,000	14.59
1	59,595,001	59,600,000	59,595,397	78.92
<b>533</b>			<b>75,515,898</b>	<b>100</b>

## 4.19 - CATEGORY OF SHAREHOLDERS

CATEGORY OF SHAREHOLDERS AS OF DECEMBER 31, 2017			
PARTICULARS	NO OF FOLIO	BALANCE SHARE	PERCENTAGE
DIRECTORS, CEO & CHILDREN	7	222,501	0.2946
ASSOCIATED COMPANIES	3	71,162,511	94.2351
MUTUAL FUNDS	4	841,758	1.1147
GENERAL PUBLIC (LOCAL)	506	2,963,199	3.9239
GENERAL PUBLIC (FOREIGN)	4	105,501	0.1397
OTHERS	9	220,429	0.2919
Company Total	533	75,515,899	100.0000

CATEGORY OF SHAREHOLDERS AS OF DECEMBER 31, 2017				
FOLIO NO	NAME	CODE	BALANCE HELD	PERCENTAGE
000000000001	MR. JAMEEL YOUSUF	001	500	0.0007
000000000002	MR. ALI JAMEEL	001	500	0.0007
000000000568	MR. ANDREW BORDA	001	1	0.0000
000000000570	SYED NADIR SHAH	001	500	0.0007
000000000575	BILAL BIN ZAFAR	001	500	0.0007
003277091132	WAGAR AHMED MALIK	001	500	0.0007
006452008808	SAAD NISAR	001	220000	0.2913
003277074273	TPL TRAKKER LTD	002	59595397	78.9177
005264033048	TPL TRAKKER LIMITED	002	11020000	14.5930
006452022591	TPL HOLDINGS (PVT) LIMITED	002	547114	0.7245
005520000028	GOLDEN ARROW SELECTED STOCKS FUND LIMITED	006	301686	0.3995
006645000024	CDC - TRUSTEE PICIC INVESTMENT FUND	006	153708	0.2035
005777000029	CDC - TRUSTEE PICIC GROWTH FUND	006	321388	0.4256
006619000026	CDC - TRUSTEE AKD OPPORTUNITY FUND	006	64976	0.0860
000000000525	TOYOTA HYDERABAD MOTORS	010	27004	0.0358
003277007041	HABIB SUGAR MILLS LTD	010	48322	0.0640
003525087235	MAPLE LEAF CAPITAL LIMITED	010	1	0.0000
003939000021	PEARL SECURITIES LIMITED	010	45000	0.0596
004010000021	FAWAD YUSUF SECURITIES (PVT.) LIMITED	010	267	0.0004
004952000028	SHERMAN SECURITIES (PRIVATE) LIMITED	010	50000	0.0662
007419011316	FALCON-I (PRIVATE) LIMITED	010	1	0.0000
010629062144	TOYOTA SAHARA MOTORS (PVT) LTD	010	30742	0.0407
011544008328	PARADIGM FACTORS (PRIVATE) LIMITED	010	19092	0.0253





05

# COMPLIANCE WITH CODE OF CORPORATE **GOVERNANCE**

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- 5.1 Review Report on Statement of Compliance with Code of Corporate Governance
- 5.2 Statement of Compliance of Corporate Governance
- 5.3 Statement of Compliance with Shariah Principles

## 5.1 - REVIEW REPORT ON STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance (the Statement) with the the Code of Corporate Governance (the Code) prepared by the Board of Directors of TPL Insurance Limited (the Company) for the year ended 31 December 2017 to comply with the requirements of Pakistan Stock Exchange Regulations and Code of Corporate Governance for Insurers, 2016 (the Code).

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement 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 part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board 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 approve its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2017.

Further, we highlight the following:

Serial No.	Non-compliance	Clause reference
1	The Company has not filed, with SECP, affidavit of Directors confirming the placement / non-placement of their name on the exit control list and the status as to whether they entered into a plea bargain with the National Accountability Bureau.	VI (h) of Code of Corporate Governance for Insurers, 2016.

**Chartered Accountants**

**Audit Engagement Partner: Arslan Khalid**

**20 February, 2018**

**Karachi**



## 5.2 - STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016

This statement is being presented in compliance with the Code of Governance for Insurers, 2016 and Pakistan Stock Exchange 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.

TPL Insurance Limited (the "Company") has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of Independent, Non-Executive Directors and Directors representing minority interests on its Board of Directors. At present Board includes:

Category	Names
Independent Director	Syed Nadeem Shah
Executive Directors	Mr. Saad Nissar
Non-Executive Directors	Mr. Jameel Yusuf, Mr. Ali Jameel, Mr. Andrew Borda, Mr. Bilal Bin Zafar, Mr. Waqar Ahmed Malik

Independent director meet the criteria of independence as laid down under the Code of Corporate Governance for Insurers, 2016.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including the Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.
4. The casual vacancies occurring on the Board was filled up by the directors as follows:

S.No.	Resigned	Dated	Appointment	Dated
1	Mr. Charles Robert Platt	19 March, 2017	Mr. Andrew Borda	27 March, 2017

5. The Company has prepared a Code of Conduct, which has been disseminated among all the directors and employees of the Company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive directors and the key officers, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (7) days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
9. The Board has established a system of sound internal controls, 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.
10. The Board has arranged Orientation course for its directors to apprise them of their duties and responsibilities. Out of seven directors, four of them have attained the training and the remaining will complete their training within the prescribed deadline.





11. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
12. The Directors' Report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for Insurers, 2016 and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
14. The directors, Chief Executive Officer and other executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance for insurers, 2016.
16. The Board has formed the following Management Committees:

**Underwriting Committee:**

Name of the Member	Category
Bilal bin Zafar	Chairman
Athar Abbas	Member
Kamran Hanif	Member
Shumail Iqbal	Head of Underwriting

**Claim Settlement Committee:**

Name of the Member	Category
Saad Nisser	Chairman
Syed Ali Hassan Zeidi	Member
Syed Kazim Hassan	Member
Ovais Alam	Secretary

**Reinsurance and Co-insurance Committee:**

Name of the Member	Category
Bilal bin Zafar	Chairman
Athar Abbas	Member
Muhammad Saleem Junejo	Secretary

**Risk Management and Compliance Committee:**

Name of the Member	Category
Waqar Ahmed Malik	Chairman
Bilal bin Zafar	Member
Saad Nisser	Member
Syed Kazim Hassan	Secretary

17. The Board has formed the following Board Committees:

**Ethics, HR, Remuneration and Nomination Committee:**

Name of the Member	Category
Waqar Ahmed Malik	Chairman
Ali Jameel	Member
Andrew Borda	Member
Nader Newez	Secretary

**Investment Committee:**

Name of the Member	Category
Ali Jameel	Chairman
Andrew Borda	Member
Waqar Ahmed Malik	Member
Saad Nisser	Member
Shohzad Dhedhi	Secretary

18. The Board has formed an Audit Committee. It comprises of four members of whom one is an independent director and two are non-executive directors. The chairman of the Committee is an independent director. The composition of the Audit Committee is as follows:

**Audit Committee:**

Name of the Member	Category
Syed Nadir Shah	Chairman
Ali Jameel	Member
Andrew Borde	Member
Yousuf Zohaib Ali	Secretary

19. The meetings of the Committees except Ethics, Human Resources, Remuneration and Nominations were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code of Corporate Governance, 2016. The terms of references of all committees were duly formed and the Committees were further advised to comply with the same.

20. The Board has set up an effective internal audit function / who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a regular basis.

21. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code of Corporate Governance for Insurers, 2016. Moreover, the persons heading the underwriting, claim, reinsurance and risk management 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 Person	Designation
Saad Nissar	Chief Executive Officer
Shehzad Dhadhi	Chief Financial Officer
Danish Gazi	Compliance Officer
Danish Gazi	Company Secretary
Yousuf Zohaib Ali	Head of Internal Audit
Shumail Iqbal	Head of Underwriting
Owais Alam	Head of Claims
Muhammad Saleem Junejo	Head of Reinsurance
Syed Ali Hassan Zaidi	Head of Risk Management
Sania Hassan Khan	Head of Grievance Dept.

During the year, there were changes in positions of; Chief Financial Officer (due the change in role), Compliance Officer (due to resignation), Head of Internal Audit (due to group restructuring) and Company Secretary (due to resignation).

22. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms 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 programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
23. 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.
24. The Company has developed Investment policies for its Conventional and Takaful businesses which have been approved by the Board of Directors of the Company.





25. The Board ensures that the risk management system of the Company is in place as per the requirements of the Code of Corporate Governance for Insurers, 2016. The insurer has set up a risk management function/ department, which carries out its tasks as covered under the Code of Corporate Governance for Insurers, 2016.
26. The Company has been rated by PACRA and the rating assigned by the rating agency on 29 December, 2017 is 'A+' with stable outlook.
27. The Board has set up a grievance department / function, which fully complies with the requirements of the Code of Corporate Governance for Insurers, 2016.
28. The closed period, prior to the announcement of interim / final results and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
29. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
30. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
31. We confirm that all other material principles contained in the Code of Corporate Governance for Insurers, 2016 and Pakistan Stock Exchange Regulations have been complied with, except for the following, toward which reasonable progress is being made by the Company to seek the compliance by the end of next accounting year.

Serial No.	Non-compliance	Clause reference
1	The Company has obtained plea bargain affidavit from the Directors after the year end 2017 and hence, the same will be filed with the Securities and Exchange Commission of Pakistan at a belated stage.	VI (h) of Code of Corporate Governance for Insurers, 2016.

By Order of the Board  
Chairman

Date: 20 February, 2018



### 5.3 - STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

The financial arrangements, contracts and transactions, entered into by Window Takaful Operations of the TPL Insurance Limited ('the Company') for the year ended 31 December, 2017 are in compliance with the Takaful Rules, 2012.

Further, we confirm that:

- the Company has developed and implemented all the policies and procedures in accordance with the Takaful Rules, 2012 and rulings of the Shariah Advisor 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 Advisor and the Board of Directors have been implemented;
- the Company has imparted trainings / orientations and ensured availability of all manuals / agreements approved by Shariah Advisor / Board of Directors to maintain the adequate level of awareness, capacity and sensitization of the staff and management;
- all the products and policies have been approved by Shariah Advisor and the financial arrangements including investments made, policies, contracts and transactions entered into by Window Takaful Operations are in accordance with the policies approved by Shariah Advisor; and
- the assets and liabilities of Window Takaful Operations (Participants Takaful Fund and Operator's fund) are segregated from its other assets and liabilities, at all times in accordance with the provisions of the Takaful



**Saad Nissar**  
(Chief Executive Officer)



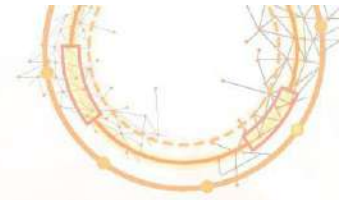




# MANAGEMENT REVIEW AND **REPRESENTATION**

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- 6.1 Sustainability Report
- 6.2 Management Objectives, CPIs and Significant Changes
- 6.3 Business Continuity Plan
- 6.4 Forward Looking Statement
- 6.5 Risk and Opportunity Report
- 6.6 Managing Quality Services at TPL Insurance



## 6.1 - SUSTAINABILITY REPORT

### IMPACT PORTFOLIO AT A GLANCE

S.No	Particulars	Impact
1	Environment	<ul style="list-style-type: none"> <li>• Around 1 km radius public area surrounding our corporate head office impacted by gardening and cleaning facilities</li> <li>• Around 65% energy conserved by using efficient technologies</li> </ul>
2	Health	6881 beneficiaries were provided with healthcare facilities
3	Employee Training	402 employees trained in various technical and soft skills
4	Education	22 beneficiaries were provided with educational opportunities

### INTRODUCTION

TPL Insurance Limited is one of the first insurance companies in Pakistan to sell general insurance products directly to the consumer. We launched in 2005 and since then have grown strength-to-strength, delivering superior and hassle-free risk management services to individual clients. In 2015, we partnered with Green Oaks Global Holdings Limited (GGH), who acquired a 69.2% stake in our business. The relationship bolstered our position in the market, with robust and sustainable financial backing, administration processes and technology-driven innovation that reinforced our ability to lead the way in the insurance industry in Pakistan. By the end of 2017, TPL Corp Limited (an associate of the Company), reacquired the entire shareholding from GGH, therefore, as of 31 December, 2017, TPL Corp Limited owns 94.24% shares of the Company, making the Company a subsidiary of TPL Corp Limited.

TPL Insurance recognizes sustainability as a core element of its operations. Moving through the years, the company has diversified its impact portfolio and transformed it into a crucial part of its business strategy.

### SUSTAINABILITY GOALS

Our sustainability goals are based on the Sustainable Development Goals 2030 by United Nations. TPL Corp along with its group companies including TPL Insurance has invested more than Rs. 25 million in the areas of education, health, and environment during the last financial year.

Conventional and Takeful		2017	2016
S.no	Particulars	—Rupees in million—	
1	Community Welfare	9.79	1.90
2	Education	5.30	0.32
3	General Donations	1.93	0.55
4	Health Care and Environment	3.47	0.29
5	Sports Development	2.30	-
		22.79	3.06

### REPORTING PERIOD

The report has been prepared for the year ended 31 December, 2017. Data has mainly been obtained from our financial management reporting system, HR information management system, supply chain department, and the security department.

### ECONOMIC PERFORMANCE

#### a) Economic Value Generation

We are clear that we can become a partner of choice for our customers / suppliers and create long-term business value through a strict focus on ethics and responsibility.

#### b) Direct and Indirect Taxes

During the last financial year, the impact of income tax and sales tax was Rs. 339 million.

#### c) Development and Impact of Infrastructure Investments

The Company believes that investment in IT infrastructure and the creation of knowledge and expertise adds value to society.





#### d) Investment and Procurement Practices

The Company adheres to international best practices of investment and procurement. We prefer business partners that are internationally affiliated and are in compliance with economic and environmental best practices.

### ENVIRONMENTAL PERFORMANCE

Pakistan ranks seventh in the list of countries most vulnerable to climatic change (Ministry of Climate Change Government of Pakistan, 2016). TPL Insurance has taken numerous initiatives that not only promotes a greener and cleaner Pakistan, but it also endeavors to conserve energy through smart technologies.

#### a) Cleanliness and Plantation around TPL

TPL Corp, the parent company of TPL insurance has taken the responsibility of around 1 KM radius public area surrounding our corporate head office. Our dedicated team tirelessly works to ensure a positive impact on environment through cleanliness and plantation.

#### b) Conservation of Energy

**Smart-lighting Solutions:** We have taken measures to conserve energy at our premises by installing smart lighting solutions that minimizes energy usage.

**Double-Glazed Glass Facade:** High-quality energy efficient glass facade has been installed to save energy used for lighting and air conditioning. Research has shown that usage of double-glazed glass facade minimizes the energy consumption up to 65% (United Kingdom Department of Environment).

**Heat-recovery System:** Our Corporate office is equipped with 2 x 1 MW gas generators for independent power supply. In addition to the uninterrupted 24/7 power supply, the generators coupled with the heat recovery systems, also conserves energy.

#### c) New Suppliers Screening

Company encourages the screening and due diligence of new suppliers.

#### d) Ozone Depleting Substances

Our products have no carbon emissions and it is a product for the conscientious customer.

#### e) Environmental Impacts in the Supply Chain

The Company ensures that there are no negative environment impacts in the supply chain. We aim to do business with partners who endorse our ethical values, along with our social and environmental standards

### SOCIAL PERFORMANCE

#### HUMAN RESOURCE

#### a) Local Hiring and Code of Conduct

As a responsible Company, we seek to empower our employees and people from the communities where we operate. We also believe in disseminating these values and the ethics for strict adherence to our way of conducting business.

##### Impact Numbers

New recruitments during the year	Number	127
Code of conduct trained	Percentage	100%

#### b) Workforce Diversity

We embrace diversity and we are committed to fair and equitable treatment of all, irrespective of origin, race, or gender. There is zero tolerance for under-age employment and forced labor.

Female Employees	22 (8% of workforce)
Male Employees	278 (92% of workforce)
Average age of employees	36 years
Female HODs	1





#### c) Health & Safety

The health and safety of our employees and communities is the utmost concern of the Company. The Company has declared all office-working areas as smoke-free; separate areas have been designated for smoking.

Fatalities	0
Total illness absence rate	3.0%
Safety Drill Conducted	3
Fire Drill Conducted	3

#### d) Employee Training and Development

We invest in our human resources by frequently educating and training them. We have allocated an amount of Rs. 8 million in our yearly budget for employees training and development in various technical and soft skills.

#### Impact Numbers

132 trained on technical skills

270 trained on soft skills

Total 402 were trained

#### SOCIAL RESPONSIBILITY

At TPL, we believe in continual commitment to behave ethically and contribute to the development of our society while improving the quality of life of the individuals and their families as well as of the local community at large.

TPL coincided with PBSF (Pakistan Blind Sports Federation) on International Day of Persons with disabilities to play a friendly cricket match recognizing the talent of Pakistan and to encourage the efforts, enthusiasm and courage of these young individuals who despite having a challenge in day to day activities played flawlessly with the employees of TPL.



## HEALTH

Out of every 10 Pakistani citizens, three fall below the national poverty line (Asian Development Bank, 2017). Provisions of quality healthcare facilities ensure sustainable wellbeing of the society, which can contribute positively towards the country's prosperity. In view thereof, TPL Insurance has prioritized healthcare in its CSR initiatives.

### Impact Number

6681 were provided healthcare facilities during the last financial year

#### a) Patients' Aid Foundation

Patients' Aid Foundation (PAF) is a charity-based organization committed to provide free quality healthcare through the collaboration of Jinnah Postgraduate Medical Centre (JPMC).

#### What we did?

Patients' Aid Foundation was provided with Rs. 7.5 million as donation for the treatment of 75 patients.

#### b) Aga Khan Hospital and Medical College Foundation

Aga Khan Hospital and Medical College Foundation was established for setting up, maintaining, administering and running teaching hospitals as well as other health care facilities, medical colleges and other institutions of learning and research as specifically contained in its Memorandum of Association.

#### What we did?

Rs. 1 Million were donated for the treatment of 20 patients.

#### c) Bait-ul-Sukoon

Bait-ul-Sukoon is the only free cancer hospital in Pakistan. Rs. 200,000 were provided as donation to the hospital.

#### d) Blood Donation by TPL Employees

TPL conducted blood donation drives in-house for various institutions, where 80 employees donated their blood. According to WHO, each unit of blood donation can save up to three lives; therefore, the donation drive at TPL impacted around 240 lives.

## SUCCESS STORY IN HEALTH

### Tahira

Tahira had a comfortable life in her hometown Sujawal until one day her niece had a major breathing problem and stopped taking feed. With limited health facilities in Sujawal, her sister lost all the hopes of having her back. The resilient Tahira travelled all the way to Karachi and rushed to NICH Emergency Room, which is an initiative of Child life Foundation. Within two days, Tahira got her niece recovered. With the funding of TPL, 571 patients like Tahira's niece were able to get free treatment.

## EDUCATION

As many as 44% children between the ages of 5 and 16 in Pakistan are still out of school (Ministry of Federal Education & Professional Training, Government of Pakistan, 2017). Education is vital to transform the life of a child but for many this is a distant dream. With a focus in the field of education, TPL Insurance has generously supported and promoted various educational organizations.

### Impact Number

22 students were impacted in the field education

#### a) Institute of Business Administration (IBA)

IBA is an autonomous degree awarding institute based in Karachi. It has established itself as a premier business school in Pakistan with a strong track record of over fifty years of producing quality undergraduates and postgraduates in Business and Computer Sciences.

### What we did?

TPL Insurance has a long-term commitment for the development of Institute of Business Administration (IBA), Karachi. Till date, Rs. 13.5 million have been donated for the infrastructural development of the institute





**b) Habib University**

Habib University is the first dedicated Liberal Arts & Sciences University that offers interdisciplinary education with its unique liberal core.

**What we did?**

Rs. 2 million were contributed to sponsor the studies of two students studying in the undergraduate program.

**c) Hunar Foundation**

Hunar Foundation's key objective is to provide school graduates and other young adults with international standard vocational training that meets the expectations of the market, leading to employment or small business creation.

**What we did?**

Rs. 250,000 were donated as financial assistance to three underprivileged students to get training in the areas of Electrical & Electronics Technology and Mechanical Manufacturing.

**d) TPL's Children Education Policy**

According to the Children Education Policy of TPL, two children of the junior cadre employees become eligible with free education till matriculation.

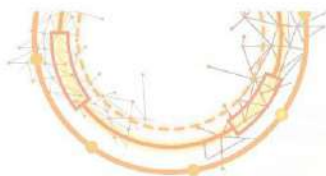
**What we did?**

In 2017, 44 children benefited from the Children Education Policy. As there is no restriction on the kind of schools, numerous children of our employees are studying in some of the most renowned schools of the country.

**SUCCESS STORY IN EDUCATION**

**Noman Saleem:** When Noman was asked, what he aims to be in future without a second thought, he uttered, a man who helps orphans get education. Nine years old, young Noman, was abandoned by his drug addicted father. With the funds from TPL to Fazilia Trust, he is not only getting formal education but also a shelter to live a decent life. He attained 75% in last semester and aims to be the first in his class in final semester.





## CONSUMER PROTECTION MEASURES

The core business operations fall under the paradigm of a social entity, which complements the initiatives of government to minimize crime. With the efforts of our expert security team, TPL has managed to make 72.24% vehicle recoveries and practically eradicated Afghan-transit related smuggling.

### Impact Numbers

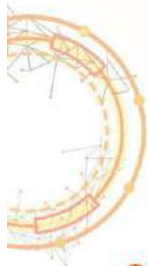
Total Incidences (Theft & Snatching)	263
Recovered	190
Unrecovered	73
Recovery Rate	72.24%

## 6.2 - MANAGEMENT OBJECTIVES, CPIs AND SIGNIFICANT CHANGES

Management Objectives, Strategies and CPIs		
Objective No. 1	Enhance Customer Satisfaction	CPI
Strategy	Improve the efficiency of complaint management system, reduce the complaints and providing the best value for Money	- No. of Complaints - Time taken to resolve those complaints - Value for Money
Objective No. 2	Augment Premium and to attain persistent economic advancement	CPI
Strategy	Through innovation and Digitization, we will pull the demand for our products and engage a new channel of business for this purpose known as Commercial Lines	- Growth in the turnover
Objective No. 3	Grooming of Human Capital	CPI
Strategy	Through appropriate trainings and reward and recognition system in place and by reducing employee turnover ratio, we can achieve highly effective and efficient human capital as they are the ones who represent us to the customers	- No. of trainings - Employee turnover ratio
Objective No. 4	Maximising Shareholder Returns	CPI
Strategy	By enhancing the Company's overall performance, the shareholder returns would be maximized	- EPS - ROE - Asset Turnover
Objective No. 5	Enhance operational efficiency to achieve synergies	CPI
Strategy	By aligning our strategies to our processes and through innovation and digitization, we can achieve synergies	- Target vs. achieved

### SIGNIFICANT CHANGES IN OBJECTIVES & STRATEGIES

TPL Insurance's strategies and objectives are aligned and no significant changes have been made, however, our focus for digitization has enhanced in order to achieve operational efficiencies and augment sales and profitability.



## 6.3 - BUSINESS CONTINUITY PLAN

Business continuity planning (BCP) involves defining potential risks, determining how those risks will affect operations, implementing safeguards and procedures designed to mitigate those risks, testing those procedures to ensure that they work, and periodically reviewing the process to ensure that it is up to date. It also provides a means to recover technologies in the event of loss, damage or failure which is covered in the Disaster Recovery Plan (DRP).

TPL Insurance, in its BCP / DRP, covers risks pertaining to the operations of the Company, their impacts upon occurrence, prevention of a disaster to occur and backup strategies for each of the key business processes.

Upon successful implementation of BCP / DRP, TPL Insurance has established the competences to endure its business operations without any interruptions. In order to ensure its efficient continuation, a department is assigned who conducts various simulation drills to ensure the BCP / DRP is effective and in function.





## 6.4 - FORWARD LOOKING STATEMENT

Pakistan's economic outlook is very promising due to China Pakistan Economic Corridor (CPEC)'s evolution. The progress of CPEC has enhanced global investment opportunities which is viewed as a significant transformation in the historical economic growth of Pakistan. With CPEC projects kicking off, transportation business is booming and there are opportunities to underwrite transportation risks. CPEC further offers opportunity to invest in commercial lines and the Company is investing in resources to develop a standing in corporate business through diligent underwriting against major players for these opportunities. Also some major power projects and other mega projects are in pipeline which offers lucrative long term opportunities.

Further, Pakistan's automobile industry is anticipating new launches with at least 3 new players entering the market in the near future, resulting in increased demand for motor insurance.

Affirmative of the economy and the future fruition, the expected outcomes are projected in the below mentioned genres:

- **Gross Premium and overall profitability**  
high growth in gross premiums leading to maximization of Shareholders wealth and sustainability of overall profits
- **Return on Investments**  
high investment returns
- **Financial Strength**  
Flourishing based on the results of regulated rating agencies

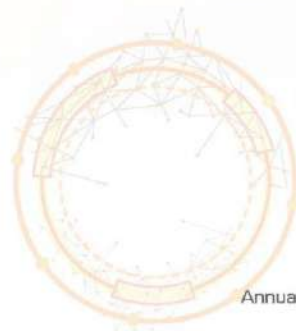
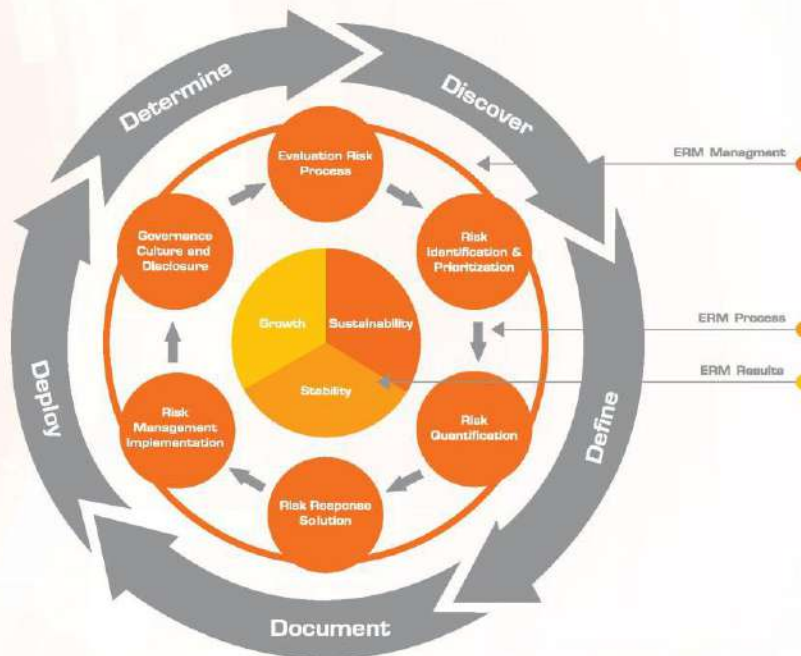
## 6.5 - RISK AND OPPORTUNITY REPORT

### ENTERPRISE RISK MANAGEMENT

The Board of TPL Insurance (TPLI) has devised an Enterprise Risk Management (ERM) Program undertaken by the Risk Management Committee.

TPL Insurance has a formal Risk Management Committee under the supervision of Chairman that ensures the implementation of Enterprise Risk Management Program. The program aims effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations such that all the measures for managing risks entity-wide are addressed and strategic objectives gets achieved. The program incorporates the following aspects:

- Identification and prioritization of risks
- Risk Quantification (Assessing the risks in terms of impact and likelihood)
- Risk responses solution
- Risk Management Implementation
- Governance Culture and Disclosure
- Evaluation of Risk Management Process



Below mentioned is the list of risks faced by TPLI and mitigating strategies that are in place to alleviate those risks:

Risks	Mitigating Strategies
<b>Political and Economic Risks</b>	
Challenges in the business due to the political instability and changes in the interest rates may become a snag in the achievement of Business objectives.	The Company is working on diversifying its insurance portfolio to reduce its exposure to political risk. The Company also has established the Strategy Department to monitor and devise strategies to minimize exposure to political and economic risks.
<b>Regulatory Risk</b>	
The Company is operating in an industry with high regulations. Failure to meet those regulatory standards and requirements would expose the Company to various penalties and would increase reputational risk	The Company is cognizant of its responsibilities and thus has established a Compliance Department which is responsible to keep tracks of important deadlines and ensures all the mandatory requirements are met timely
<b>Insurance Risk</b>	
Risk that the insured events covered by the Insurer occurs and the compensation amount is uncertain.	Reinsurance and Coinsurance are ceded so that the risks can be mitigated
<b>Reinsurance and Coinsurance Risks</b>	
Reinsurance and Coinsurance risk is the risk that reinsurance and coinsurance are unable to discharge their liabilities which makes the Company liable to the Insured fully.	The Company only deals with Reinsurance and Coinsurance counterparties having strong financial strength ratings to minimize these risks
<b>Investment Risk</b>	
Changes in the macroeconomic factors may affect the stock market and interest rates which impacts the Company's cash flows	The Company observes a prudent policy to minimize its risks through diversification of its portfolio and dedicating a specialized department to continuously monitor relevant fixed income, mutual funds and equity fund markets
<b>Liquidity Risk</b>	
The Company may not be able to meet its financial obligations associated with Insurance and Reinsurance	The Company manages its liquidity by sustaining strong cash flow position and regular monitoring of maturity profile of financial assets and liabilities.

## OPPORTUNITY REPORT

The insurance sector in Pakistan has remained dormant. This is reflected in very low level of insurance density and insurance penetration in the country. The Company is proficient of availing all arising opportunities, and focused to digitize its operations by providing innovative insurance solutions to the customers and providing them risk transfer solutions.

Significant growth in non-life insurance can be observed which can mainly be attributed to the China-Pakistan Economic Corridor (CPEC) and related infrastructure development in recent years.

The Company is also concentrating on the other line of business and to maximize its return on earning assets.

## MATERIALITY APPROACH

Financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. Judgements about materiality are made in the light of surrounding circumstances. The primary purpose for setting overall materiality when preparing the accounts is that it is used to identify performance materiality which is needed.

## KEY SOURCES OF UNCERTAINTY

International Financial Reporting Standards require management to make judgments, estimates and assumptions while preparing financial statements which affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

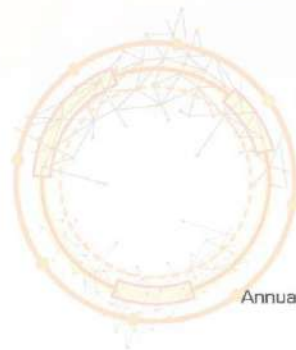


## 6.6 - MANAGING QUALITY SERVICES AT TPL INSURANCE

TPL Insurance focuses on identification of Customer's requirements. Feedback by Customers make robust changes and fully impact on our Quality Services. This includes brainstorming, customer service feedback, market research, and pro-active approach for service excellence.

Auditing our policy is our on-going procedure for pro-active results. This includes system development, streamline our system, and verification of our system and required outcome is our basic procedure, which directs us for corrective measures to impact on our quality of services, as per customers' requirement.

Critical Performance Indicators (CPI) design for best quality services, hence planning and system design, leads TPL to fulfill up to customer's satisfaction level. This includes performance matrix, for corrective measures on-going basis for complete satisfaction of TPL services.





# FINANCIAL STATEMENTS

- 7.1 Auditors' Report to the Members
- 7.2 Statement of Financial Position
- 7.3 Statement of Comprehensive Income
- 7.4 Statement of Changes in Equity
- 7.5 Statement of Cashflow
- 7.6 Notes to the Financial Statements



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of

- (i) statement of financial position;
- (ii) statement of comprehensive income;
- (iii) statement of changes in equity; and
- (iv) statement of cash flows

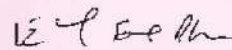
of TPL Insurance Limited (the Company) (formerly TPL Direct Insurance Limited) as at 31 December 2017 together with the notes forming part thereof, for the year then ended.

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

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

### In our opinion:

- (a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the changes as disclosed in note 3.1 to the financial statement, with which we concur;
- (c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2017 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).








Chartered Accountants  
Audit Engagement Partner: Arslan Khalid  
Date: 20 February, 2018  
Karachi

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017	2016 (Rupees) (Restated note 3.1.1)	2015 (Restated note 3.1.1)
<b>ASSETS</b>				
Property and equipment	5	79,476,151	357,288,330	379,867,755
Intangible assets	6	11,913,934	3,873,984	4,842,480
Investments				
Equity securities and mutual fund units	7	620,003,489	4,378,643	3,427,620
Debt securities	8	99,457,402	100,391,825	99,551,489
Term deposits	9	350,000,000	717,000,000	624,000,000
Loans and other receivables	10	274,370,944	106,721,875	8,361,176
Insurance / reinsurance receivables	11	258,493,866	284,888,855	148,063,018
Reinsurance recoveries against outstanding claims		21,515,947	119,400	119,400
Salvage recoveries accrued		40,201,885	39,823,494	24,199,000
Deferred commission expense	23	61,621,674	60,865,414	59,557,949
Deferred taxation	12	21,237,574	-	1,306,069
Prepayments	13	193,241,458	109,538,519	309,960,160
Cash and bank balances	14	133,592,489	176,417,593	16,646,599
		<u>2,165,126,813</u>	<u>1,961,307,522</u>	<u>1,679,902,715</u>
<b>Total assets of General Takaful Operations - Operator's Fund</b>	1.4	<u>335,497,378</u>	<u>318,930,037</u>	<u>190,683,905</u>
<b>Total assets</b>		<u>2,500,624,191</u>	<u>2,280,237,559</u>	<u>1,870,586,620</u>
<b>EQUITIES AND LIABILITIES</b>				
Ordinary share capital	15	755,158,990	755,158,990	755,158,990
Share premium - net of share issuance cost	16	138,676,334	138,676,334	138,676,334
Unappropriated profits	16	253,917,563	148,890,951	45,722,237
Available-for-sale reserve	16	(26,446,916)	2,266,815	1,628,397
<b>Total Equity</b>		<u>1,121,305,971</u>	<u>1,044,993,090</u>	<u>941,185,958</u>
<b>Liabilities</b>				
Underwriting Provisions				
Outstanding claims including IBNR	21	129,515,223	126,585,842	121,203,926
Unearned premium reserves	20	671,873,202	699,873,641	565,318,441
Premium deficiency reserves		-	-	7,330,383
Unearned reinsurance commission	23	4,358,320	4,569,980	-
Deferred taxation	12	-	2,390,402	-
Premium received in advance		2,779,623	1,613,510	1,792,425
Insurance / reinsurance payables	17	114,673,701	56,960,305	18,480,195
Other creditors and accruals	18	219,116,925	164,772,075	101,376,325
Taxation - provision less payment		2,733,398	352,722	8,207,513
<b>Total Liabilities</b>		<u>1,145,050,392</u>	<u>1,057,118,477</u>	<u>823,709,208</u>
		<u>2,266,356,363</u>	<u>2,102,111,567</u>	<u>1,764,895,166</u>
<b>Total liabilities of General Takaful Operations - Operator's Fund</b>		<u>234,267,828</u>	<u>178,125,992</u>	<u>105,691,454</u>
<b>Total equity and liabilities</b>		<u>2,500,624,191</u>	<u>2,280,237,559</u>	<u>1,870,586,620</u>
<b>Contingencies and commitment</b>	19			

The annexed notes from 1 to 41 form an integral part of these financial statements.

				
Director	Director	Chief Financial Officer	Chief Executive Officer	Chairman

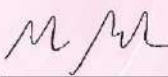
# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 (Rupees)	2016 (Restated note 3.1.1)
Net insurance premium	20	1,299,464,808	1,197,090,802
Net Insurance claims	21	(502,047,755)	(507,903,517)
Reversal of provision for premium deficiency reserve		-	7,330,383
Net commission expense	23	(113,925,515)	(120,760,529)
Insurance claims and commission expense		(615,973,270)	(621,333,663)
Management expenses	24	(584,281,463)	(525,053,235)
Underwriting results		99,210,075	50,703,904
Investment income	25	15,155,075	43,635,375
Other income	26	156,194,800	137,867,570
Other expenses	27	(153,955,986)	(118,502,948)
Results of operating activities		116,603,964	113,703,901
Financial charges		(769,430)	(401,931)
<b>Profit before tax from General Insurance Operations</b>		<b>115,834,534</b>	<b>113,301,970</b>
<b>Profit before tax from Window Takaful Operations</b>		<b>47,528,202</b>	<b>35,531,212</b>
<b>Profit before tax for the year</b>		<b>163,362,736</b>	<b>148,833,182</b>
Income tax expense	28	(58,336,124)	(45,664,468)
<b>Profit after tax</b>		<b>105,026,612</b>	<b>103,168,714</b>
<b>Other comprehensive income:</b>			
Unrealised (losses) / gains on available-for-sale investments during the year		(57,637,470)	638,418
Less: net loss transferred to profit and loss on disposal / redemption of investment		17,041,792	-
		(40,595,678)	638,418
Related tax impact		11,881,947	-
<b>Other comprehensive (loss) / income for the year</b>		<b>(28,713,731)</b>	<b>638,418</b>
<b>Total comprehensive income for the year</b>		<b>76,312,881</b>	<b>103,807,132</b>
Earning (after tax) per share - Rupees	29	1.39	1.37

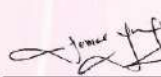
The annexed notes from 1 to 41 form an integral part of these financial statements.

  
Director

  
Director

  
Chief Financial Officer

  
Chief Executive Officer

  
Chairman



# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Reserves						Total
	Capital reserve			Revenue Reserves			
	Share Premium	Share Issuance Cost	Net share premium	Unappropriated profit	Available-for-sale reserve	Total	
(Rupees)							
Balance as at January 1, 2016	755,158,990	147,579,495	(8,903,161)	138,676,334	45,722,237	-	939,557,561
Effect of change in accounting policy (note 3.1.1)	-	-	-	-	-	1,628,397	1,628,397
Balance as at January 1, 2016 as restated	755,158,990	147,579,495	(8,903,161)	138,676,334	45,722,237	1,628,397	941,185,958
Net profit for the year	-	-	-	-	103,168,714	-	103,168,714
Other comprehensive income (restated note 3.1.1)	-	-	-	-	-	638,418	638,418
Total comprehensive income for the year	-	-	-	-	103,168,714	638,418	103,807,132
Balance as at December 31, 2016	755,158,990	147,579,495	(8,903,161)	138,676,334	148,890,951	2,266,815	1,044,993,090
Net profit for the year	-	-	-	-	105,026,612	-	105,026,612
Change in fair value of available for sale investments	-	-	-	-	-	(28,713,731)	(28,713,731)
Total comprehensive income for the year	-	-	-	-	105,026,612	(28,713,731)	76,312,881
Balance as at December 31, 2017	755,158,990	147,579,495	(8,903,161)	138,676,334	253,917,563	(28,446,916)	1,121,305,971

The annexed notes from 1 to 41 form an integral part of these financial statements.

  
Director

  
Chief Financial Officer

  
Chief Executive Officer

  
Chairman

# STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 (Rupees)	2016 (Restated note 3.1.1)
<b>Operating cash flow</b>		
(a) Underwriting activities		
Insurance premium received	1,409,000,782	1,224,946,049
Reinsurance premium paid	(53,421,605)	(29,036,042)
Claims paid	(730,722,483)	(735,423,858)
Reinsurance and other recoveries received	209,829,170	217,277,763
Commission paid	(113,506,039)	(109,524,131)
Commission received	12,700,277	-
Management expenses paid	(591,779,410)	(264,225,296)
Net cash flow from underwriting activities	142,100,692	304,014,485
(b) Other operating activities		
Income tax paid	(50,929,709)	(29,948,261)
Other operating payments	(119,971,732)	-
Other operating receipts	-	3,187,579
Loans advanced	(3,469,683)	(1,029,610)
Loan repayment received	1,593,588	986,873
Net cash flow from other operating activities	(172,777,536)	(26,803,419)
<b>Total cash flow from all operating activities</b>	<b>(30,676,844)</b>	<b>277,211,066</b>
<b>Investment activities</b>		
Profit / return received	41,099,943	48,452,923
Dividend received	60,000	107,750
Payment for investments	(900,665,306)	-
Proceeds from investments	251,958,350	-
Fixed capital expenditure	(44,360,204)	(74,013,349)
Proceeds from Sale of Property, plant and equipment	273,528,397	1,414,526
<b>Total Cash flow from investing activities</b>	<b>(378,378,820)</b>	<b>(24,038,150)</b>
<b>Financing activities</b>		
Interest Paid	(769,430)	(401,932)
Dividends paid	-	-
<b>Total cashflow from financing activities</b>	<b>(769,430)</b>	<b>(401,932)</b>
<b>Net cash flow from all activities</b>	<b>(409,825,094)</b>	<b>252,770,984</b>
Cash and cash equivalents at beginning of year	893,417,583	640,646,599
<b>Cash and cash equivalents at end of year</b>	<b>483,592,489</b>	<b>893,417,583</b>

# STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	(Rupees)	(Restated note 3.1.1)
<b>Reconciliation to Profit and Loss Account</b>		
Operating cash flows	(30,676,844)	277,211,066
Depreciation expense	(32,696,599)	(97,287,670)
Income Tax Paid	50,929,709	29,948,261
Financial charges expense	(769,430)	(401,932)
Profit/(loss) on disposal of Property, plant and equipment	(523,756)	1,140,926
Provision for impairment/(reversal)	(25,906,039)	312,605
Return on Government Securities	-	11,017,370
Profit/(loss) on disposal of investments	19,460,965	-
Profit on Term Deposits	21,656,372	37,853,316
Dividend Income	60,000	107,750
Share of Profit from WTO-QF	47,528,202	35,531,212
Provision of taxation	(58,336,124)	(45,664,468)
Increase/(decrease) in assets other than cash	203,471,252	82,261,345
(Increase)/decrease in liabilities other than borrowings	(89,171,096)	(228,861,067)
<b>Profit after taxation</b>	<b>105,026,612</b>	<b>103,168,714</b>


The annexed notes from 1 to 41 form an integral part of these financial statements.

  
Director

  
Director

  
Chief Financial Officer

  
Chief Executive Officer

  
Chairman



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** TPL Insurance Limited (Formerly TPL Direct Insurance Limited) (the Company) was incorporated in Pakistan in 1992 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017) to carry on general insurance business. The Company was allowed to work as Window Takaful Operator on 04 September 2014 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations in Pakistan. The Company is listed at Pakistan Stock Exchange Limited. The principal office of the Company is located at 12th Floor, Centrepoint, Off Shaheed-e-Millat Expressway, Near KPT Interchange Flyover, Karachi, Pakistan.
- 1.2** During the year, TPL Trakker Limited (now TPL Corp Limited), acquired 69.12% equity stake of the Company from Greenoaks Global Holdings Ltd, a company incorporated in UK. TPL Corp Limited (the Holding Company) has become the Holding Company with effect from 19th December 2017.
- 1.3** The name of the Company has been changed from TPL Direct Insurance Limited to TPL Insurance Limited with effect from 6 September 2017 as approved by the Securities and Exchange Commission of Pakistan (SECP).
- 1.4** The total assets of Operator Fund of Window Takaful Operation include an amount of Rs. 199 million (2016: 110 million) being Qard-e-Hasna receivable from Participant Takaful Fund of WTO. 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. Further, if there is deficit in a Participant Takaful Fund for three consecutive years, the Operator is required to submit a report to the Commission within 30 days of the submission of the regulatory returns under section 46(1) of the Ordinance explaining the reasons thereof.

The Company has prepared financial projections of Participant Takaful Fund and based on such financial projections believes that the Participant Takaful Fund would be able to repay Qard-e-Hasna to Operator's Fund. The financial projections are based on various assumptions including expected growth in premiums, reduction in claims over future periods and reduction in Wakala fee charged to the Participant Takaful Fund. In accordance with the Rule 20 of Takaful Rules, 2012, the Company intends to submit the requisite report to the Commission within 30 days of the submission of the regulatory returns explaining the reasons thereof.

## 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the format prescribed under Insurance Rules, 2017.

### 2.1 Statement of Compliance

- 2.1.1** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 (Repealed - note 2.1.2), provisions of and directives issued under the Companies Ordinance, 1984 (Repealed - note 2.1.2), the Insurance Ordinance, 2000, Insurance Rules, 2017, Insurance Accounting Regulation and SECP Takaful Rules, 2012. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 (Repealed - note 2.1.2), Insurance Ordinance, 2000, and Insurance Rules, 2017, Insurance Accounting Regulation and SECP Takaful Rules, 2012, have been followed.
- 2.1.2** The Companies Ordinance, 1984 has been repealed after the enactment of Companies Act, 2017. However, as allowed by the SECP vide its press release dated 20 July 2017, these financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

**2.1.3** In terms of the requirements of the Takaful Rules 2012, read with SECP Circular 25 of 2015 dated 09 July 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 balance sheet and profit and loss account of the Company respectively.

**2.1.4** 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.

## **2.2 Basis of measurement**

These financial statements have been prepared on the historical cost basis except for certain investment which are carried at fair value.

## **2.3 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 Rupees, unless otherwise stated.

## **2.4 Accounting Standards, IFRIC Interpretations and amendments that are effective for the current year**

The Company has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IAS 7 Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)

IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

Improvements to Accounting Standards Issued by the IASB in September 2014

IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements in IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

## **2.5 Accounting Standards, IFRIC Interpretations and amendments that are not yet effective**

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

Standard or Interpretation	Effective date (annual periods beginning)
IFRS 2: Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Standard or Interpretation	Effective date (annual periods beginning)
IFRS 9 – Financial Instruments: Classification and Measurement	01 July 2018
IFRS 9 Prepayment Features with Negative Compensation – (Amendments)	01 January 2019
IFRS 15 – Revenue from Contracts with Customers	01 January 2018
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 Uncertainty over Income Tax Treatments	01 January 2019

The above standards, amendments and interpretations are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 16 – Leases	01 January 2019
IFRS 17 – Insurance Contracts	01 January 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Changes in accounting policies

#### 3.1.1 Adoption of new Insurance Rules, 2017 and Insurance Accounting Regulation, 2017

During the year, SECP has issued the Insurance Rules, 2017 including the new Insurance Accounting Regulations, 2017 and format for the preparation of the financial statements. The new Insurance Rules are effective for the current year financial statements. The significant changes resulting from such new rules affecting these financial statements are as follows:

- (a) The Company has changed its accounting policy in relation to the available-for-sale investments to comply with the requirements of IAS 39 "Financial Instruments - Recognition and Measurement. These investments are now carried 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. Previously, the investment were carried at lower of cost and market value. This change in the accounting policy has been applied retrospectively and comparative information have been restated in accordance with the requirement of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The impacts of the above change is disclosed as below:



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## Statement of financial position and statement of changes in equity

Rupees

- Increase in investments and equity as at 01 January 2016	1,628,397
- Increase in investments and equity as at 31 December 2016	2,266,815
- Decrease in investment as at 31 December 2017	38,328,863
- Increase in deferred tax asset as at 31 December 2017	11,881,947

## Statement of comprehensive income

- Increase in total comprehensive income for the year ended 31 December 2016	638,418
- Decrease in total comprehensive income for the year ended 31 December 2017	(28,713,731)

(b) Certain changes have been made to the presentation of the financial statements which includes the following:

- Changes in the sequence of assets/ liabilities in the statement of financial position;
- Discontinuation of separate statements of premiums, claims, commission and investment income, which are now presented (on aggregate basis) into the notes of the financial statements (notes 20, 21, 23 and 25);
- Underwriting results in relation to various classes of business which were previously presented on the face of the profit and loss account are now presented in a separate note (note 32);
- Addition of statement of solvency (note 36);
- Placement of claim development table (note 34.1.8).

## 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.

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.

The Company underwrites non-life insurance contracts that can be categorised into Fire and Property Damage, Marine, Aviation and Transport, Health, Motor and Miscellaneous 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. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) of a facultative nature are included within the individual category of insurance contracts, other than those which fall under Treaty. The insurance risk involved in these contracts is similar to the contracts undertaken by the Company as insurer.

Fire and Property insurance 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 insured properties in their business activities (business interruption cover).

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

All other insurances like cash in hand, cash in transit, personal accident, travel are included under Miscellaneous Insurance cover.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2017

### 3.3 Premium

Premium income under a policy is recognized, evenly over the period of insurance from the date of issuance of the policy till the date of its expiry.

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.

Premium due but unpaid under insurance 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 Company reduces the carrying amount of the receivable accordingly and recognizes it as impairment loss.

### 3.4 Reinsurance contracts

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 balance sheet 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.

### 3.5 Claims expense

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.

The Company recognises liability in respect of all claims incurred upto the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract.

The liability for claims 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.

The provision for claims incurred but not reported (IBNR) is made at the balance sheet date. In accordance with SECP circular no. 9 of 2016, the Company takes actuarial advice for the determination of IBNR claims. Provision for IBNR claims have been determined by analyzing the lag between the incurrence and reporting of motor and health business claims. For Fire and Marine businesses, as the Company has started these businesses during the current year, no historical data is available, therefore, industry wide-data has been used to calculate provision of IBNR claims. For Travel business, in absence of credible industry wide-data, an average of all other classes has been used to determine provision for IBNR claims.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 3.6 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.

## 3.7 Commission

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.

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.

## 3.8 Premium deficiency reserve

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 charge for premium deficiency reserve is recorded as an expense in the profit and loss account.

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, premium deficiency is determined. Further actuarial valuation has been carried out to determine the amount of premium deficiency reserve in respect of Health insurance as required by SRO 16 (I) / 2012 issued by Securities and Exchange Commission of Pakistan on 9 January 2012.

## 3.9 Staff retirement benefits

The Company operates a funded contributory provident fund (defined contribution plan) for all permanent employees. Equal contributions are made by the Company and the employees at the rate 8.33% of basic salary, to the fund.

## 3.10 Taxation

### 3.10.1 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.

### 3.10.2 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.

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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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.

### **3.11 Investments**

#### **3.11.1 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
- Investment in Subsidiary Company
- Investment in Associates

#### **3.11.2 Measurement**

##### **3.11.2.1 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.

##### **3.11.2.2 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 and any losses arising from impairment in values are charged to the profit and loss account.

##### **3.11.2.3 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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.

## 3.11.2.4 Investment in Subsidiary and Associate

Subsidiary is an entity in which the Company directly or indirectly controls, beneficially owns or holds more than fifty percent of its voting securities or otherwise has power to elect and appoint more than fifty percent of its directors.

Investments in associates are initially recognised at cost and the carrying amounts are increased or decreased to recognise the Company's share of the profit or loss of the associates after the date of acquisition, less impairment losses, if any.

Distributions received from associates reduce the carrying amount of the investment. Adjustments to the carrying amounts are also made for changes in the Company's proportionate interest in the associates arising from changes in the associates' equity that have not been recognised in the associates' profit or loss. The Company's share of those changes is recognised directly in equity of the Company.

Gain / (loss) on sale of above investments, if any, are recognised in the period of sale. The carrying amount of the investment is tested for impairment, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount and loss, if any is recognised in the profit and loss account.

## 3.12 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.

## 3.13 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 balance sheet date and adjusted to reflect the current estimate.

## 3.14 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 (except for the deposit placed with statutory requirement) net off short term running finance.

## 3.15 Sundry receivable

These are recognised at cost, which is the fair value of the consideration given. However, an assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying amount.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## **3.16 Fixed assets**

### **3.16.1 Tangible assets - owned**

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to income over the useful life of the asset on a systematic basis applying the straight line method at the rates specified in note 5.1 to the financial statements. Depreciation is charged on additions from the month of acquisition and no depreciation is charged in the month of disposal. An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain and loss on disposal of fixed assets is included in income currently.

The assets residual values, useful lives and methods are reviewed and adjusted, if appropriate at each financial year end.

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.

### **3.16.2 Tangible assets - leased**

Assets subject to finance lease are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligation under the lease less financial charges allocated to future period are shown as a liability.

These financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Leased assets are depreciated on a straight line basis at the same rate as Company's owned assets as disclosed in note 5.1 to the financial statements. Depreciation is charged on additions from the month of acquisition, and no depreciation is charged in the month of disposal.

### **3.16.3 Intangible assets - owned**

These are stated at cost less accumulated amortisation and impairment, if any. Amortisation is charged to income over the useful life of the asset on a systematic basis applying the straight line method at the rates specified in note 6 to the financial statements. Amortisation is calculated from the month the assets are available for use. While on disposal, no amortisation is charged in the month in which the assets are disposed off. Software development costs are only capitalised to the extent that future economic benefits are expected to be derived by the Company.

### **3.16.4 Capital work-in-progress**

Capital work-in-progress is stated at cost less any impairment in value.

## **3.17 Operating lease**

Operating lease payments are recognised as an expense in the profit and loss account over the lease term.

## **3.18 Impairment**

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Provisions for impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Changes in the provisions are recognised as income or expense.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 3.19 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. 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, premium due but unpaid, premium received in advance, amount due from other insurers / reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, advances deposits and prepayments 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.

## 3.20 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 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.

## 3.21 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.

## 3.22 Revenue recognition

### 3.22.1 Premium

The revenue recognition policy for premiums is given under note 3.3.

### 3.22.2 Commission from reinsurers

The revenue recognition policy for commission from reinsurer is given under note 3.7.

### 3.22.3 Dividend income

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

### 3.22.4 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.

### 3.22.5 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.

### 3.22.6 Profit on bank accounts and deposits

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 3.23 Operating segments

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

The Company has five primary business segments for reporting purposes namely, fire and property, marine, health, motor and miscellaneous. The nature and business activities of these segments are disclosed in note no. 3.2.

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.

## 3.24 Dividend declaration and reserve appropriation

Dividend declaration and reserve appropriations are recognized when approved.

## 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 estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the 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 revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the financial statements, or judgments was exercised in application of accounting policies, are as follows:

Classification of Insurance Contracts (note 3.2)  
Provision for unearned premium (note 3.3)  
Provision for outstanding claims including IBNR (note 3.5)  
Premium deficiency reserve (note 3.8)  
Classification of investments and impairment (note 3.11)  
Useful lives and residual value of assets and methods of depreciation (note 3.16)  
Provision for current and deferred tax (note 3.10)  
Provision for impairment (note 3.18)

## 5. PROPERTY AND EQUIPMENT

Operating Assets  
Capital work-in-progress

Note	2017	2016
	(Rupees)	
5.1	58,046,793	357,288,330
5.1.4	21,429,358	-
	<u>79,476,151</u>	<u>357,288,330</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 5.1 Operating Assets

2017

	Cost			Accumulated Depreciation				Written Down Value		Depreciation Rate %
	As at 1 January 2017	Additions	Disposals	As at 31 December 2017	As at 1 January 2017	Charge for the Year	Disposals	As at 31 December 2017		
Leasehold Improvements	27,948,025	-	-	27,948,025	5,561,559	2,794,605	-	8,356,164	19,593,861	10
Computer equipments	23,894,170	9,087,151	-	32,981,321	15,140,785	5,553,918	-	20,694,703	12,286,618	33.33
Furniture and fixtures	15,719,297	3,023,500	-	18,742,797	3,370,178	1,823,692	-	4,993,870	13,748,927	16.67
Office equipments	23,273,674	31,000	(1,996,334)	21,308,340	13,060,493	3,799,992	(1,460,346)	15,400,139	5,908,201	10
Tracking devices	777,663,174	-	(777,363,174)	-	482,496,335	21,374,442	(503,870,777)	-	-	16.67
Motor vehicles	18,105,223	800,000	(46,000)	18,659,223	9,383,893	2,994,391	(22,837)	12,366,037	6,493,188	20
	886,301,563	12,941,651	(779,405,508)	119,837,706	529,013,253	38,131,040	(505,353,360)	61,730,913	58,046,793	

2016

	Cost			Accumulated Depreciation			Written Down Value		Depreciation Rate %	
	As at 1 January 2016	Additions	Disposals	As at 31 December 2016	As at 1 January 2016	Charge for the Year	Disposals	As at 31 December 2016		
Leasehold Improvements	26,457,282	1,488,743	-	27,946,025	2,866,206	2,865,353	-	5,561,559	22,384,466	10
Computer equipments	14,993,589	8,895,581	-	23,894,170	11,104,016	4,036,769	-	15,140,795	8,753,395	33.33
Furniture and fixtures	14,164,889	1,554,458	-	15,719,287	1,901,879	1,468,299	-	3,370,178	12,349,119	10
Office equipments	22,341,040	1,004,634	(72,000)	23,273,674	8,927,882	4,141,344	(8,733)	13,060,493	10,213,181	20
Tracking devices	717,742,741	60,976,433	(1,356,000)	777,363,174	403,344,154	80,508,181	(1,356,000)	482,496,335	294,866,839	16.67
Motor vehicles	20,936,223	93,500	(2,924,500)	18,105,223	8,698,822	3,469,228	(2,714,167)	9,383,883	8,721,340	20
	816,640,714	74,013,349	(4,352,500)	886,301,563	436,772,959	96,319,174	(4,078,900)	529,013,233	357,298,330	



## 5.1.1 Disposal of operating assets

	Cost	Accumulated Depreciation	Book value	Sale proceeds	Net gain (loss)	Mode of disposals	Sold to
<b>Motor vehicles</b>							
Motor Bike	46,000	22,234	23,766	36,000	12,234	Theft	Insurance Claim - EFU General Insurance Limited
<b>Office equipment</b>							
Mobile phones	1,996,334	1,480,346	536,988	-	(536,988)	Company Policy	Various employees
<b>Tracking devices</b>							
Tracking Units	777,383,174	503,870,777	273,492,397	273,492,397	-	Negotiation	TPL Tracker Private Limited - Associated Company
	779,405,508	505,353,357	274,052,151	273,526,387	(523,754)		

5.1.2 During the year, the Company has sold tracking devices to its Associated Company TPL Tracker Limited at book value. The Tracker devices are used in the insured vehicles under a rental agreement between the Company and TPL Tracker Limited.

5.1.3 Fully depreciated assets amounts to Rs. 31,554 million (purchase price) at year end.

5.1.4 Capital Work-In-Progress includes advances to supplier on account of purchase of motor vehicles of Rs. 21,429 million.

## 6. INTANGIBLE ASSETS

	2017 [Rupees]						
	Cost			Accumulated Amortisation		Written Down Value	
	As at 1 January 2017	Additions	Disposals	As at 31 December 2017	Charge for the Year	As at 31 December 2017	Amortisation Rate %
Owned	9,711,038	9,189,195	-	18,900,233	5,837,054	1,149,245	20
Software licences						11,913,934	

	2016 [Rupees]						
	Cost			Accumulated Amortisation		Written Down Value	
	As at 1 January 2016	Additions	Disposals	As at 31 December 2016	Charge for the Year	As at 31 December 2016	Amortisation Rate %
Owned	9,711,038	-	-	9,711,038	4,668,558	5,837,054	20
Software licences						3,873,984	

6.1 Fully amortized intangibles includes General Insurance System (in-house software) capitalized at a development cost of Rs. 4,869 million

6.2 The remaining useful life of material assets are estimated to be 5 years.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 7. INVESTMENT IN EQUITY SECURITIES

	2017			2016				
	Cost	Impairment / Provision	Revaluation surplus/deficit	Carrying Value	Cost	Impairment / Provision	Revaluation surplus/deficit	Carrying Value
------(Rupees)-----								
Available for sale								
Related party								
Listed shares								
TPL Properties Limited								
(3% holding)	100,000,000	-	(4,960,000)	95,040,000	-	-	-	-
	100,000,000	-	(4,960,000)	95,040,000	-	-	-	-
Others								
Listed shares								
Business Industrial								
Insurance Company Limited	251,260	(251,260)	-	-	251,260	(251,260)	-	-
Bank of Punjab Limited	357,727	(254,024)	-	63,703	357,727	(221,275)	-	136,452
Hub Power Company Limited	357,000	-	553,000	910,000	357,000	-	877,800	1,294,800
Bank of Khyber	162,975	-	42,158	205,133	162,975	-	88,502	251,477
Summit Bank Limited	514,765	(470,445)	-	44,320	514,765	(444,365)	-	70,400
Next Capital Limited	-	-	-	-	885,000	-	651,360	1,536,360
	1,643,727	(1,015,729)	595,158	1,223,156	2,528,727	(916,900)	1,617,662	3,229,489
Mutual funds								
AKD Aggressive Income Fund	101,258,483	-	1,655,064	102,913,547	-	-	-	-
AKD Opportunity Fund	95,312,797	-	(14,182,374)	81,150,423	-	-	-	-
Askan High Yield Scheme	100,000,000	-	369,396	100,369,396	-	-	-	-
Alfalah GIP Income Multiplier Fund	2,245,206	-	51,315	2,296,521	-	-	-	-
Alfalah GIP Stock Fund	88,825,591	-	(11,603,296)	57,222,295	-	-	-	-
Faysal Asset Allocation Fund	44,970,104	-	(9,758,347)	35,211,757	-	-	-	-
Faysal Money Market Fund	25,000,000	-	356,445	25,356,445	-	-	-	-
First Habib Cash Fund	50,000,000	-	170,325	50,170,325	-	-	-	-
First Habib Stock Fund	489,999	-	290,444	790,443	500,000	-	649,154	1,149,154
HBL Cash Fund	50,428,710	-	887,469	51,316,179	-	-	-	-
UBL Growth & Income Fund	2,206,252	-	40,942	2,247,194	-	-	-	-
UBL Stock Advantage Fund	18,957,212	-	(2,281,404)	14,895,808	-	-	-	-
	557,704,354	-	(33,964,021)	523,740,333	500,000	-	649,154	1,149,154
	659,348,061	(1,015,729)	(36,326,893)	620,003,469	3,028,727	(916,900)	2,266,816	4,378,643

## 8. INVESTMENT IN DEBT SECURITIES

Held to maturity  
Pakistan Investment Bonds (PIBs)

	2017		2016	
	Note	(Rupees)	(Rupees)	
	8.1	99,457,402		100,391,625

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

- 8.1** This represents ten years Pakistan Investment Bonds having face value of Rs. 100 million (market value of Rs. 106.402 million) [31 December 2016: Rs. 100 million (market value of Rs. 109.56 million)]. These carry mark-up ranging from 8.75% to 12% (31 December 2016: 8.75% to 12%) per annum and will mature between 26 March 2018 to 18 August 2021. These 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 7 July 2008 issued by the Securities and Exchange Commission of Pakistan.

	Note	2017	2016
		(Rupees)	
<b>9. TERM DEPOSITS</b>			
Deposits maturing within 12 months	9.1	350,000,000	717,000,000
9.1	These carry profit rate ranging from 5.6% to 6.4% per annum (2016: 4.50% to 6.0% per annum) and have maturities upto 30 June 2018.		

	Note	2017	2016
		(Rupees)	
<b>10. LOANS AND OTHER RECEIVABLES</b>			
<b>Considered good</b>			
Advance to a related party	10.1	200,000,000	-
Receivable from related parties		35,811,391	75,450,164
Deposit for medical and travel assistance	10.2	1,942,392	1,942,392
Deposit for hospital enlistment	10.3	5,290,000	5,290,000
Accrued investment income		9,237,328	8,306,216
Loans to employees	10.4	2,272,240	828,065
Advance salaries		431,920	-
Receivable in respect of sublet of offices		884,836	5,050,162
Receivable from Participant's Takaful Fund		14,608,836	5,897,661
Other receivable		3,891,901	3,957,015
		<u>274,370,944</u>	<u>106,721,675</u>
<b>Considered doubtful</b>			
Margin deposit placed against purchase of shares - unsecured		8,500,000	8,500,000
Provision against doubtful debt		(8,500,000)	(8,500,000)
		<u>274,370,944</u>	<u>106,721,675</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

- 10.1** This represents advance to a related party. A special resolution of the shareholders authorising the Company to extend advance upto Rs.200 million was passed in Extraordinary General Meeting of the Company held on 11 December 2017. The balance carries interest at the rate of 1 year KIBOR + 3.5% with a floor of 10% per annum.
- 10.2** This represents a refundable deposit of US\$ 20,000 paid by the Company to International SOS (Pte) Limited against the foreign travel and medical assistance services for policy holders of the Company under a term of a service agreement signed between the Company and International SOS (Pte) Limited.
- 10.3** This represent a refundable deposit placed for various hospital enlistments for services to the policy holders.
- 10.4** These loans were given to employees for domestic purposes and are secured against provident fund balances of employees. These loans carry a mark-up rate ranging from 0% - 5% (2016: 0% - 5%) per annum, and are maturing at various dates until December 2018.

Note	2017	2016
	(Rupees)	
<b>11. INSURANCE / RE-INSURANCE RECEIVABLES - Unsecured</b>		
Due from insurance contract holders		
- Considered good	258,493,866	282,631,883
- Considered doubtful	18,592,413	-
Less: provision for impairment of receivables from Insurance contract holders	[18,592,413]	-
	-	-
	258,493,866	282,631,883
Due from other insurers / reinsurers		
- Considered doubtful	2,754,393	5,011,365
Less: provision for impairment of due from other insurers / reinsurers	[2,754,393]	[2,754,393]
	-	2,256,972
	258,493,866	284,888,855

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		[Rupees]	
<b>12. DEFERRED TAXATION - net</b>			
Deferred debits arising in respect of:			
Provision for doubtful debts / deposits		8,954,042	3,488,862
Provision for IBNR		2,680,855	1,977,245
Unrealized loss on available-for-sale investments		11,881,947	-
Deferred credits arising in respect of:			
Accelerated depreciation		(2,279,270)	(7,856,509)
		<u>21,237,574</u>	<u>(2,390,402)</u>
<b>12.1 Reconciliation of deferred tax</b>			
Opening provision		(2,390,402)	1,306,069
Reversal / (charge) for the year		<u>23,627,976</u>	<u>(3,696,471)</u>
Closing balance		<u>21,237,574</u>	<u>(2,390,402)</u>
<b>13. PREPAYMENTS</b>			
Prepaid			
- annual monitoring and other charges	13.1	141,497,116	64,616,021
- rent	13.2	13,041,972	8,578,400
- maintenance charges	13.3	1,878,840	1,377,816
- reinsurance premium ceded		31,040,660	29,880,970
- others		5,782,870	5,085,312
		<u>193,241,458</u>	<u>109,538,519</u>
<b>13.1</b>	This represents the prepaid annual monitoring charges paid to TPL Trakker Limited (Associated company) against the tracking services provided to the insurance policy holders of the Company.		
<b>13.2</b>	This represents the amount paid by the Company in respect of rent charge to TPL Properties Limited (a related party) for the principal office space of the Company.		
<b>13.3</b>	This represents maintenance charges paid to Centrepont Management Services (Private) Limited (a related party) for the principal office space of the Company.		

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

14.	CASH AND BANK BALANCES	Note	2017	2016
			(Rupees)	
	Cash and cash equivalent:			
	- Cash in hand		54,995	157,928
	- Policy and Revenue stamps, Bond papers etc.		387,500	-
	Cash at bank			
	- Current accounts		35,776,137	2,463,939
	- Profit and loss sharing accounts	14.1	97,373,857	173,795,716
			133,149,994	176,259,655
			133,592,489	176,417,583

14.1 These accounts carry mark-up at a rate between 3.5% to 5.5% (2016: 3.25% to 5.45%) per annum.

## Cash and cash equivalents for the purpose of statement of cash flows:

Cash and cash equivalent	133,592,489	176,417,583
Term deposit receipts	350,000,000	717,000,000
	483,592,489	893,417,583

## 15. SHARE CAPITAL

### 15.1 Authorized Capital

2017	2016		2017	2016
(Number of Shares)			(Rupees)	
150,000,000	150,000,000	Ordinary shares of Rs. 10 each	1,500,000,000	1,500,000,000

### 15.2 Issued, Subscribed and paid-up share capital

75,515,899	75,515,899	Ordinary shares of Rs. 10 each at the beginning and end of the year	755,158,990	755,158,990
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### 15.3 As at 31 December 2017 shares held by related parties are as follows:

	2017		2016	
	Number of Shares	Holding	Number of Shares	Holding
TPL Corp Limited (formerly TPL Trekker Limited)	70,615,397	93.51%	18,419,000	24.39%
Greencaks Global Holdings Limited	-	-	52,196,397	69.12%
TPL Holdings (Private) Limited	547,114	0.72%	547,114	0.72%
Directors	222,501	0.29%	222,501	0.29%
	71,385,012	94.52%	71,385,012	94.52%



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		[Rupees]	
<b>16. RESERVES</b>			
<b>Capital Reserves</b>			
Share premium		147,579,495	147,579,495
Share issuance cost		[8,903,161]	[8,903,161]
Net share premium		138,676,334	138,676,334
<b>Revenue Reserves</b>			
Unappropriated profit		253,917,563	148,890,951
Available-for-sale reserve		[26,446,916]	2,266,815
		227,470,647	151,157,766
		<u>366,146,981</u>	<u>289,834,100</u>
<b>17. INSURANCE / REINSURANCE PAYABLES</b>			
Due to other insurers / reinsurers		114,673,701	56,960,305
<b>18. OTHER CREDITORS AND ACCRUALS</b>			
Commission payable		35,869,489	21,781,817
Creditors	18.1 & 18.2	19,782,687	29,255,121
Federal Insurance Fee		1,209,945	2,003,696
Federal Excise Duty (FED) - net		11,715,050	14,867,744
Margin deposit from customers		3,525,000	-
Unearned Rentals from Window Takaful Operations	18.3	61,044,166	48,855,833
Unearned service income		7,606,309	6,648,335
Withholding tax payable		3,775,895	12,783,643
Advance tax on premium		26,774,973	5,378,640
Accrued Expenses		44,696,309	6,717,360
Security deposit from customers against equipments		-	1,319,772
Others		3,117,102	15,160,114
		<u>219,116,925</u>	<u>164,772,075</u>
<b>18.1</b>	This includes outstanding claims in respect of which cheques aggregating to Rs. 7.458 million (2016: Rs. 5.847 million) have been issued by the Company for claim settlement but the same have not been encashed by the claimant.		

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The following is the ageing as required by SECP circular 11 of 2014 dated 19 May 2014:

	2017	2016
	—(Rupees)—	
-More than 6 months	7,458,174	5,846,839
-1 to 6 months (included in provision for outstanding claims)	56,962,196	39,160,148
	64,420,370	45,006,987

	AGE-WISE BREAKUP					TOTAL
	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months	
	—(Rupees)—					
2017	56,962,196	2,738,939	3,794,882	515,967	408,386	64,420,370
2016	39,160,148	4,842,074	596,379	311,076	97,310	45,006,987

**18.2** This includes Rs. 1.812 million (2016: Rs.2.665 million) payable to Centerpoint Management Services (Private) Limited (related party).

**18.3** Represents rental received from Window Takaful Operations (WTO) - Participant Takaful Fund for tracking devices installed in vehicles insured by the WTO.

## **19. CONTINGENCIES AND COMMITMENT**

### **19.1 Contingencies**

**19.1.1** In respect of matter of carry forward of Minimum Tax paid in the year of loss, Sindh High Court (SHC) through an order dated May 07, 2013 (now reported as 2013 PTD 420) has held that Minimum Tax paid in the year of loss is not eligible for adjustment in future years. In the opinion of SHC, only the 'excess' of Minimum Tax over Normal Tax (which must not be zero) can only be carried forward in future years. Therefore, where there is no tax payable, inter alia, due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability. The matter is currently pending before the Supreme Court for final decision. The Company adjusted minimum tax amounting to Rs. 10.73 million against its income tax liability in prior years. The Company, based on its tax advisor's opinion, is confident that the ultimate outcome in this regard would be favourable. Hence, no provision in this respect has been made in these financial statements.

**19.1.2** Federal Government, through Finance Act 2017, has imposed a tax on undistributed profits at the rate of 7.5% of profit before tax, in case the Company does not distribute at least 40% of its profit after tax to its shareholders either through cash dividend or issuance of bonus shares.

The legislation requires tax to be paid for Tax Year 2017 and onwards. In respect of Tax Year 2017 (Financial Year 2017) the Company did not make distribution to its shareholders. The Company has filed a constitutional petition in the High Court of Sindh challenging the tax on undistributed reserves.

The constitutional petition is pending in the High Court of Sindh and the Company has been granted stay order by the Court. The Company believes based on the opinion of its legal counsel, that outcome of this would be in its favour and accordingly, no provision for taxation on undistributed reserve amounted to Rs. 11.162 million has been made in these financial statements.

### **19.2 Commitment**

There were no commitments as at 31 December 2017.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	[Rupees]	
<b>20. NET INSURANCE PREMIUM</b>		
Written net premium	1,383,696,653	1,370,186,943
Add: Unearned premium reserve opening	699,873,641	565,318,441
Less: Unearned premium reserve closing	(671,873,202)	(699,873,641)
Premium earned	1,411,697,092	1,235,631,743
Less: Reinsurance premium ceded	113,391,973	68,421,911
Add: Prepaid reinsurance premium opening	29,880,970	-
Less: Prepaid reinsurance premium closing	(31,040,660)	(29,880,970)
Reinsurance expense	112,232,283	38,540,941
<b>Net insurance Premium</b>	<b>1,299,464,808</b>	<b>1,197,090,802</b>
<b>21. NET INSURANCE CLAIMS EXPENSE</b>		
Claims paid/ payable	730,722,483	735,423,858
Add: Outstanding claims including IBNR closing	129,515,223	126,585,842
Less: Outstanding claims including IBNR opening	(126,585,842)	(121,203,926)
Claims expense	733,651,864	740,805,774
Less: Reinsurance and other recoveries received	209,829,170	217,277,763
Add: Reinsurance and other recoveries in respect of outstanding claims net of impairment - closing	61,717,833	39,942,894
Less: Reinsurance and other recoveries in respect of outstanding claims net of impairment - opening	(39,942,894)	(24,318,400)
Reinsurance and other recoveries revenue	231,604,109	232,902,257
<b>Net insurance claims expense</b>	<b>502,047,755</b>	<b>507,903,517</b>
<b>22. Claim Development</b>		
Claim Development table is included in note 34.1.8 to the financial statements.		
<b>23. NET COMMISSION EXPENSE</b>		
Commissions paid or payable	127,593,711	124,593,377
Add: Deferred commission - opening	60,865,415	59,557,949
Less: Deferred commission - closing	(61,621,674)	(60,865,414)
Commission expense	126,837,452	123,285,912
Less: Commission from reinsurers		
Commission received or receivable	12,700,277	7,095,363
Add: Deferred commission - opening	4,569,980	-
Less: Deferred commission - closing	(4,358,320)	(4,569,980)
Commission from reinsurance	12,911,937	2,525,383
<b>Net Commission expense</b>	<b>113,925,515</b>	<b>120,760,529</b>



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		(Rupees)	
<b>24. MANAGEMENT EXPENSES</b>			
Employee benefit costs	24.1	143,472,768	105,822,647
Annual Monitoring fee		220,018,265	143,494,529
Travelling incentives		39,132,364	77,966,899
Advertisement and marketing		47,815,004	53,138,327
Printing and Stationary		5,908,419	5,627,381
Depreciation - Trakker units		4,755,859	44,782,415
Rent, rates and taxes		37,376,266	32,016,626
Outsourcing Expenses - Call Centre Services		4,869,022	5,900,464
Communication		6,133,158	4,721,955
Utilities - Electricity and Water		8,036,979	8,961,104
Vehicle running expenses		9,245,882	7,494,443
Repair and Maintenance		22,044,459	18,482,115
Depreciation - Other		10,595,471	11,340,278
Amortization expense		726,687	668,991
Annual Supervision Fee SECP		3,270,914	2,441,609
Bad and doubtful debts		18,592,414	-
Insurance		1,795,443	1,297,612
Others		492,089	895,840
		<b>584,281,463</b>	<b>525,053,235</b>
<b>24.1</b>	This includes Rs. 134.849 million being salaries and wages (2016: Rs. 99.635) and Rs. 8.624 million (2016: Rs. 6.188 million) being contribution to employees' provident fund.		
<b>25. INVESTMENT INCOME</b>			
<b>Dividend and markup income</b>			
Income from equity securities - available-for-sale		60,000	107,750
Return on debt securities		10,596,718	11,043,316
Return on Term Deposits		21,656,372	32,197,650
		<b>32,313,090</b>	<b>43,348,716</b>
<b>Net realized gains / (losses) on investments - available-for-sale</b>			
Realized gains on:			
- Equity Securities		823,050	-
- Mutual Funds		8,041,197	-
		<b>8,864,247</b>	<b>-</b>
Loss on disposal/redemption of mutual funds		(25,906,039)	-
Net realized loss		<b>(17,041,792)</b>	<b>-</b>
Total investment income		<b>15,271,298</b>	<b>43,348,716</b>
Less: (Impairment) / reversal of impairment in value of available for sale securities			
- Equity Securities		(98,829)	312,605
Less: Investment related expenses		(17,394)	(25,946)
		<b>15,155,075</b>	<b>43,635,375</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	[Rupees]	
<b>26. OTHER INCOME</b>		
Interest on advance to associated company	5,037,596	14,905,989
Tracker rental from Window Takaful Operations	122,341,667	89,314,413
Income from sublet of office premises	1,062,365	11,268,631
Gain on disposal of tangible assets	-	1,140,926
Income from other services	20,288,464	15,172,756
Income from savings accounts	6,949,250	5,655,666
Others	515,458	409,189
	<u>156,194,800</u>	<u>137,867,570</u>
<b>27. OTHER EXPENSES</b>		
Salaries and Wages	14,954,356	11,817,757
Annual Monitoring fee and other charges	55,053,750	40,191,486
Legal and professional charges	16,096,027	1,688,510
Auditors' remuneration	1,626,112	1,135,645
Registration, subscription and association	4,089,750	3,033,322
Donations	14,407,367	2,116,561
Communication	1,739,033	645,387
IT Related Cost	15,264,242	18,360,088
Travelling and conveyance	2,204,741	2,182,019
Utilities	858,652	1,000,732
Fuel	987,808	836,943
Depreciation - Trakker units	16,618,583	35,725,765
(Reversal of provision) / provision for Workers' Welfare Fund	-	(4,039,528)
Loss on disposal of fixed assets	523,754	-
Others	9,531,811	3,808,261
	<u>153,955,986</u>	<u>118,502,948</u>
<b>27.1 AUDITOR'S REMUNERATION</b>		
Audit fee	400,000	400,000
Review of financial statements	350,000	175,000
Special certifications	725,000	425,000
Out-of-pocket expenses	151,112	135,645
	<u>1,626,112</u>	<u>1,135,645</u>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	(Rupees)	
<b>28. TAXATION</b>		
For the year		
- Current	64,412,083	41,967,997
- Deferred	(11,746,029)	3,696,471
	52,666,054	45,664,468
For the prior years		
- Current	5,670,070	-
	58,336,124	45,664,468
<b>28.1 Relationship between tax expense and accounting profit</b>		
Profit before taxation	163,362,736	148,833,182
Tax at enacted rate of 30% (2016: 31%)	49,008,821	46,138,286
Effect of items not allowed for tax purposes	3,657,233	-
Prior year tax adjustment	5,670,070	(462,917)
Others	-	(10,901)
	58,336,123	45,664,468

**28.2** The tax rate applicable on the Company for Tax Year 2017 is 30% (2016: 31%). The change in tax rate since last year was enacted in Finance Act 2017.

	2017	2016
	(Rupees)	
<b>29. EARNINGS PER SHARE – BASIC AND DILUTED</b>		
Profit after tax for the year	105,026,612	103,168,714
	(Number of Shares)	
Weighted average number of ordinary shares of Rs.10 each	75,515,899	75,515,899
	(Rupees)	
Earnings per share - basic and diluted	1.39	1.37



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 30. COMPENSATION OF DIRECTORS AND EXECUTIVES

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

Notes	Chief Executive Officer		Directors		Executives		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	(Rupees)							
Managerial remuneration	11,700,000	9,732,450	-	-	52,580,298	28,175,688	64,280,298	37,908,143
Bonus	1,085,000	1,085,000	-	-	1,625,400	1,831,600	2,710,400	2,716,600
House rent allowance	5,118,800	4,255,905	-	-	22,692,748	12,187,233	27,811,348	16,443,138
Utilities	1,260,000	973,245	-	-	14,692,667	2,817,569	15,962,667	3,790,814
Retirement benefits	682,416	810,708	-	-	4,627,489	2,085,241	5,609,905	2,895,949
Others	1,181,400	1,271,400	-	-	5,619,714	8,884,225	6,801,114	10,155,625
Director fee	-	-	800,000	1,900,000	-	-	800,000	1,900,000
35.1	21,327,416	16,128,708	800,000	1,900,000	101,838,306	55,781,561	123,965,722	75,810,269
Number of persons	1	1	2	2	36	18	39	21

30.1 In addition, the Chief Executive Officer, Executive Directors and other Executives are provided with free use of Company maintained cars in accordance with their entitlement.

## 31. TRANSACTIONS WITH RELATED PARTIES

31.1 The related parties comprise Holding Company, associated undertakings, common directorships, employees provident fund, directors and key management personnel. The balances with / due from and transactions with related parties, other than those which have been specifically disclosed elsewhere in the financial statements are as follows:

### 31.2 Balances and transactions with related parties

	2017	2016
	(Rupees)	
<b>TPL Trakker Limited - (associated company)</b>		
Opening balance - receivable	75,450,164	209,877,167
Tracking units purchased during the year	-	(71,342,539)
Services received in respect of tracking devices	(4,904,674)	(192,033,130)
Interest charged during the year	5,037,596	14,905,989
Net expenses charged - group shared costs	(94,166,840)	(58,436,076)
Receivable from Holding Company in respect of sale of tracking units installed in vehicles which were snatched	493,800	1,147,800
Sale of tracking units to the associated company	319,986,098	-
Rent charged on tracking units	(373,729,570)	(1,663,933)
Payment received by the Company	(68,944,229)	-
Net payment made by the Company	172,147,075	172,994,886
Closing balance - receivable	31,369,420	75,450,164
<b>Advance to TPL Trakker Limited - (associated company)</b>		
Advance paid during the year	200,000,000	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	(Rupees)	
<b>TPL Properties Limited- common directorship</b>		
Opening balance - receivable	8,578,400	18,929,201
Advance rent paid during the year	45,014,501	40,921,135
Rent and maintenance expenses during the year	(43,991,157)	(39,991,113)
Expenses incurred by the company	2,161,405	-
Mark-up charged during the year	-	(11,280,823)
Closing balance - receivable	11,763,149	8,578,400
<b>Virtual World (Private) Limited - common directorship</b>		
Opening accrued outsourcing expenses	736,000	1,344,000
Services received during the year	7,817,600	8,542,080
Payments made during the year	(7,709,600)	(9,150,080)
Closing accrued outsourcing expenses	644,000	736,000
<b>TRG Pakistan Limited</b>		
Opening balance - receivable	5,050,162	-
Sublet of office premises	1,139,165	11,959,831
Payment received during the year	(5,304,391)	(6,909,669)
Closing balance - receivable	884,936	5,050,162
<b>Centrepont Management Services (Private) Limited - common directorship</b>		
Opening balance - payable	2,665,969	1,805,954
Prepaid maintenance charges during the year	(7,868,304)	5,511,264
Services received during the year	15,940,027	13,152,236
Payments made during the year	(8,925,691)	(17,803,485)
Closing balance - payable	1,812,001	2,665,969
<b>TPL Security Services (Private) Limited - common directorship</b>		
Opening balance	-	132,000
Expenses incurred by the company	719,357	-
Services received during the year	(1,113,200)	944,804
Payments made during the year	1,113,200	(1,076,904)
Closing balance - receivable	719,357	-
<b>TPL Direct Insurance Limited Employees Provident Fund</b>		
Opening balance - payable	1,173,732	917,102
Charge for the year	26,894,660	14,108,512
Contribution made during the year	(24,745,048)	(13,851,882)
Closing balance - payable	3,323,344	1,173,732

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	[Rupees]	
<b>TPL Life Insurance Limited - common directorship</b>		
Opening balance - receivable	-	-
Expenses incurred on behalf of TPL Life	2,882,667	-
Services received from TPL Life	(1,321,458)	-
Payments received during the year	-	-
Closing balance - receivable	1,561,209	-
<b>Window Takaful Operations - Participant Takaful Fund</b>		
Opening balance - receivable	5,897,661	5,032,164
Tracking rental charged during the year	134,530,000	100,740,000
Payments (received) / made by the Company on behalf of PTF - net	17,181,175	(27,938,789)
Payments received during the year	(143,000,000)	(71,935,714)
Closing balance - receivable	14,608,836	5,897,661

- 31.2.1 Remuneration to the key management personnel are in accordance with the terms of their employment. 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.

## 32. SEGMENT REPORTING

	2017					
	Fire & property damage	Marine, aviation & transport	Motor	Health	Miscellaneous	Aggregate
	[Rupees]					
Gross Written Premium (Inclusive of Administrative Surcharge)	70,055,574	34,685,062	1,208,474,689	57,808,070	12,673,238	1,383,696,633
Insurance premium earned	67,230,101	32,668,536	1,230,093,471	72,362,953	9,342,031	1,411,697,092
Insurance premium ceded to reinsurers	(52,718,361)	(23,480,815)	(34,165,582)	(418,719)	(1,437,707)	(112,232,284)
Net insurance premium	14,511,740	9,187,721	1,195,927,889	71,943,234	7,904,324	1,299,464,808
Commission income	8,007,778	4,528,016	-	-	375,141	12,911,935
Net underwriting income	22,519,519	13,706,637	1,195,927,889	71,943,234	8,279,465	1,312,375,744
Insurance claims	(20,222,427)	(10,389,769)	(663,007,742)	(13,814,135)	(6,207,789)	(733,551,833)
Insurance claims recovered from reinsurers	18,868,716	7,013,630	203,340,476	-	2,380,286	231,604,108
Net Claims	(1,352,711)	(3,376,139)	(459,667,266)	(13,814,135)	(3,827,503)	(502,047,755)
Commission expense	(9,739,227)	(6,830,282)	(77,860,585)	(30,385,434)	(2,021,823)	(126,837,451)
Management expenses	(29,581,753)	(14,646,166)	(510,292,023)	(24,410,107)	(5,351,417)	(584,281,463)
Net insurance claims and expenses	(40,673,391)	(24,862,567)	(1,067,819,871)	(68,609,677)	(11,200,943)	(1,213,155,359)
Underwriting result	(18,154,172)	(11,155,930)	128,108,018	3,333,557	(2,921,478)	88,210,075
Investment income						15,155,075
Other income						158,194,800
Other expenses						(153,955,936)
Results of operating activities						116,603,964
Other charges						(769,430)
Profit before tax from General Insurance Operations						115,834,534
Profit before tax from Window Takaful Operations - Operator's Fund						47,528,202
Profit before tax for the year						163,362,736



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## Gross Written Premium (inclusive of Administrative Surcharge)

Insurance premium earned	19,022,178
Reversal of provision / (provision) for premium deficiency reserve	-
Insurance premium ceded to reinsurers	(15,395,003)
<b>Net insurance premium</b>	<b>3,627,175</b>
Commission income	1,710,573
<b>Net underwriting income</b>	<b>5,337,748</b>
Insurance claims	(1,220,677)
Insurance claims recovered from reinsurers	208,148
<b>Net Claims</b>	<b>(1,012,529)</b>
Commission expense	(1,729,745)
Management expenses	(2,365,943)
Net insurance claims and expenses	(5,107,217)
<b>Underwriting result</b>	<b>230,531</b>
Investment income	-
Other income	-
Other expenses	-
<b>Results of operating activities</b>	<b>230,531</b>
Other charges	-
<b>Profit before tax from General Insurance Operations</b>	<b>230,531</b>
Profit before tax from Window Takeful Operations - Operator's Fund	-
<b>Profit before tax for the year</b>	<b>230,531</b>

2016					
Fire & property damage	Marine, aviation & transport	Motor	Health	Miscellaneous	Aggregate
(Rupees)					
53,207,898	7,219,592	1,220,652,455	79,411,803	6,695,195	1,370,186,943
19,022,178	4,299,120	1,135,635,901	72,063,403	4,611,141	1,235,631,743
-	-	-	7,330,363	-	7,330,363
(15,395,003)	(3,259,819)	(18,954,870)	(835,685)	(125,754)	(38,540,941)
3,627,175	1,039,501	1,116,681,031	78,558,081	4,485,387	1,204,421,185
1,710,573	782,309	-	-	32,501	2,525,383
5,337,748	1,821,810	1,116,681,031	78,558,081	4,517,888	1,208,946,588
(1,220,677)	(2,483,847)	(718,528,054)	(18,311,308)	(282,088)	(740,803,774)
208,148	114,347	232,561,007	-	18,755	232,902,257
(1,012,529)	(2,369,500)	(485,967,047)	(18,311,308)	(263,333)	(507,903,517)
(1,729,745)	(868,735)	(91,392,363)	(37,423,007)	(1,867,002)	(123,885,912)
(2,365,943)	(2,177,063)	(432,410,426)	(9,774,727)	(374,593)	(446,102,747)
(5,107,217)	(5,415,163)	(939,769,836)	(64,515,042)	(2,484,918)	(1,077,292,176)
230,531	(3,583,353)	116,911,195	14,043,049	2,032,970	129,654,392
-	-	-	-	-	11,437,725
-	-	-	-	-	170,065,220
-	-	-	-	-	(197,453,436)
-	-	-	-	-	113,703,901
-	-	-	-	-	(401,831)
-	-	-	-	-	113,801,970
-	-	-	-	-	85,531,212
-	-	-	-	-	148,633,182

## 33. MOVEMENT IN INVESTMENTS

	Held to Maturity	Available-for-Sale	Total
	(Rupees)		
<b>As at 1 January 2016</b>	723,551,489	1,799,223	725,350,712
Net movement	93,000,000	-	93,000,000
Fair value net loss (excluding net realized gains)	-	-	-
Impairment/ (Reversal of Impairment)	-	312,605	312,605
Amortisation of premium / discount	840,136	-	840,136
<b>As at 31 December 2016</b>	817,391,625	2,111,828	819,503,453
Net movement	(367,000,000)	-	(367,000,000)
Additions	-	900,000,000	900,000,000
Disposals (sale and redemption)	-	(243,680,647)	(243,680,647)
Fair value net gains (excluding net realized gains)	-	(38,328,863)	(38,328,863)
Impairment/ (Reversal of Impairment)	-	(98,829)	(98,829)
Amortisation of premium / discount	(934,223)	-	(934,223)
<b>As at 31 December 2017</b>	449,457,402	620,003,489	1,069,460,891

## 34. 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.

### 34.1 INSURANCE RISK MANAGEMENT

#### 34.1.1 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.

## NOTES TO THE **FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 DECEMBER 2017

The Company's major insurance contracts are in respect of motor vehicles through issuance of general insurance contracts relating to motor insurance. For these contracts the most significant risks arise from theft, accidents and terrorist activities.

The Company'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 reinsurance is arranged to mitigate the effect of the potential loss to the Company from individual to large or catastrophic insured events. Further, the Company 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 insurance risk.

### **34.1.2 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.

### **34.1.3 UNCERTAINTY IN THE ESTIMATION OF FUTURE CLAIM PAYMENTS**

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

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgment or preliminary assessment by the independence surveyor appointed for the purpose. The initial estimates include expected settlement cost of the claims. Provision for IBNR is based on the management's best estimate which takes into account expected future patterns of reporting of claims and the claim actually reported subsequent to the balance sheet date. There are several variable factors which affect the amount and timing of recognized 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 recognized amount. Outstanding claims are reviewed on a periodic basis.

### **34.1.4 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 Premium Deficiency Reserves is that the Company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc. During the year, the Company has not changed its assumptions for the insurance contracts.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 34.1.5 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 balance sheet 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:

Average claim cost	Underwriting results / profit before tax		Shareholder's equity	
	2017	2016	2017	2016
	(Rupees)		(Rupees)	
Fire & property damage	135,271	101,253	93,337	69,865
Marine, aviation & transport	338,614	236,930	233,644	163,482
Motor business	47,966,727	48,596,705	33,097,041	33,531,726
Health	1,381,414	1,831,131	953,175	1,263,480
Miscellaneous	382,750	24,333	264,098	16,790
	<b>50,204,776</b>	<b>50,790,352</b>	<b>34,641,295</b>	<b>35,045,343</b>

## 34.1.6 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 Company.

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

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

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

	Gross sum insured		Reinsurance		Net	
	2017	2016	2017	2016	2017	2016
	(Rupees)					
Fire & property damage	4,000,000,000	5,000,000,000	3,900,000,000	5,850,000,000	100,000,000	150,000,000
Marine, aviation & transport	438,690,241	200,000,000	389,258,955	184,000,000	40,431,286	16,000,000
Motor business	15,000,000	8,000,000	-	-	15,000,000	8,000,000
Health	800,000	800,000	-	-	800,000	800,000
Miscellaneous	848,000,000	210,000,000	814,060,000	204,750,000	33,920,000	5,250,000



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 34.1.8 Claims development tables

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.

Analysis on gross basis														
Accident year	Rpees													
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Estimate of ultimate claims cost:														
At end of accident year	2,772,342	5,294,196	9,932,576	11,577,586	32,225,169	47,340,286	48,351,225	362,140,142	469,482,037	703,967,519	681,432,916	738,511,849	709,275,588	3,862,744,497
One year later	2,769,694	4,658,276	11,729,896	9,282,400	27,009,646	30,389,536	37,511,141	352,686,729	465,365,716	701,532,973	692,344,679	760,146,277	-	3,008,692,147
Two years later	2,769,694	4,653,878	11,732,891	8,924,574	26,210,316	30,389,581	37,423,966	352,717,003	465,442,371	693,687,098	695,673,522	-	-	2,331,588,196
Three years later	2,769,694	4,653,878	11,732,891	8,955,940	25,210,316	30,389,581	37,426,166	352,717,003	465,442,371	692,941,623	-	-	-	1,635,211,645
Four years later	2,769,694	4,653,878	11,732,891	8,955,940	26,075,316	30,389,581	37,426,166	352,717,003	465,442,371	-	-	-	-	943,134,842
Five years later	2,769,694	4,653,878	11,732,891	8,657,940	26,075,316	30,389,581	37,426,166	352,717,003	-	-	-	-	-	474,304,471
Six years later	2,540,949	4,653,878	11,732,891	8,657,940	26,075,316	30,389,581	37,426,166	-	-	-	-	-	-	121,448,723
Seven years later	2,540,949	4,653,878	11,732,891	8,657,940	26,075,316	30,389,581	-	-	-	-	-	-	-	64,760,557
Eight years later	2,540,949	4,653,878	11,732,891	8,657,940	-	-	-	-	-	-	-	-	-	27,555,688
Nine years later	2,540,949	4,653,878	11,732,891	-	-	-	-	-	-	-	-	-	-	16,887,718
Ten years later	6,757,711	4,653,878	-	-	-	-	-	-	-	-	-	-	-	11,381,589
Estimate of cumulative claims	6,757,711	4,653,878	11,732,891	8,657,940	26,075,316	30,539,581	37,486,166	352,717,003	462,442,371	692,941,623	695,673,522	760,146,277	709,275,588	3,862,744,349
Cumulative payments to date	(5,563,711)	(4,653,878)	(11,732,891)	(8,657,940)	(26,075,316)	(30,539,581)	(37,486,166)	(352,717,003)	(462,442,371)	(691,682,053)	(695,641,511)	(751,645,426)	(691,546,277)	(3,675,438,186)
Liability for outstanding claims	1,194,000	-	-	-	-	-	-	-	-	1,266,760	32,311	9,502,850	117,727,312	1,685,623

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 35. 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.

### 35.1 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.

#### 35.1.1 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.

#### 35.1.2 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 31 December is as follows:

	2017 Balance as per the financial statement	Maximum exposure	2016 Balance as per the financial statement	Maximum exposure
	-----[Rupees]-----			
Investment in debt securities	88,457,402	88,457,402	100,391,625	100,391,625
Term deposits	350,000,000	350,000,000	717,000,000	717,000,000
Loans and other receivables	274,370,944	274,370,944	106,721,675	106,721,675
Insurance / reinsurance receivables	258,493,866	258,493,866	284,888,855	284,888,855
Reinsurance recoveries against outstanding claims	21,515,947	21,515,947	119,400	119,400
Salvage recoveries accrued	40,201,885	40,201,885	39,823,494	39,823,494
Cash and bank balances	133,592,489	133,592,489	176,417,583	176,417,583
	<b>1,177,632,533</b>	<b>1,177,632,533</b>	<b>1,425,362,632</b>	<b>1,425,362,632</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 35.1.3 Past due / impaired assets

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

	2017		2016	
	Gross	Impairment	Gross	Impairment
	----- (Rupees) -----			
0-90 days	119,528,975	-	218,580,078	-
Over 90 days	157,557,304	18,592,413	64,051,805	-
Total	277,086,279	18,592,413	282,631,883	-

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

	2017		2016	
	Gross	Impairment	Gross	Impairment
	----- (Rupees) -----			
Upto 1 year	-	-	2,233,489	-
1-2 years	-	-	-	-
Over 2 years	2,754,393	2,754,393	2,777,876	2,754,393
Total	2,754,393	2,754,393	5,011,365	2,754,393

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

	2017		2016	
	Gross	Impairment	Gross	Impairment
	----- (Rupees) -----			
Up to 1 year	61,596,432	-	37,629,050	-
1-2 years	-	-	-	-
Over 2 years	119,400	-	119,400	-
Total	61,717,832	-	37,748,450	-

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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 35.1.4 Credit Rating and Collateral

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

Long term Rating	Rating Agency	2017 ----- (Rupees)	2016 ----- (Rupees)
AAA	JCR-VIS	15,087,831	469,018,006
AAA	PACRA	821,974	367,367
AA+	JCR-VIS	7,766,155	189,055,114
AA+	PACRA	29,186,816	145,573,197
AA	PACRA	25,929,681	52,863,894
AA-	JCR-VIS	6,271,763	11,054,994
AA-	PACRA	3,787,270	-
A+	PACRA	1,175,455	15,132,831
A	JCR-VIS	73,932	74,497
A	PACRA	134,769	-
A-	JCR-VIS	367,914,348	10,119,755
BBB	JCR-VIS	25,000,000	-
		<b>483,149,994</b>	<b>893,259,655</b>

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 & Poors 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	2017 ----- (Rupees)	2016 ----- (Rupees)
A or above (including PRCL)	-	61,717,832	31,040,660	<b>92,758,492</b>	<b>72,080,836</b>

### 35.1.5 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:

	2017 (Rupees)		2016 (Rupees)	
		%		%
Individuals	69,781,030	27%	148,499,317	52.54%
Corporate	188,712,836	73%	134,132,566	47.46%
	<b>258,493,866</b>	<b>100%</b>	<b>282,631,883</b>	<b>100.00%</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 35.1.6 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.

## 35.2 Liquidity risk

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

### 35.2.1 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 balance sheet liquidity ratios against internal and external requirements and maintaining debt financing plans.

### 35.2.2 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 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).

	2017		
	Carrying amount	Upto one year	More than one year
		(Rupees)	
<b>Financial assets</b>			
Investments			
Equity securities and mutual fund units	620,003,489	620,003,489	-
Debt securities	99,457,402	50,391,359	49,066,043
Term deposits	350,000,000	350,000,000	-
Loans and other receivables	274,370,944	274,370,944	-
Insurance / reinsurance receivables	258,493,866	258,493,866	-
Reinsurance recoveries against outstanding claims	21,515,947	21,515,947	-
Salvage recoveries accrued	40,201,885	40,201,885	-
Cash and bank balances	133,592,489	133,592,489	-
Total assets of General Takaful Operations - Operator's Fund	335,497,378	335,497,378	-
	2,133,133,400	2,084,067,357	49,066,043
<b>Financial liabilities</b>			
Outstanding claims including IBNR	129,515,223	129,515,223	-
Unearned premium reserves	671,873,202	671,873,202	-
Unearned reinsurance commission	4,358,320	4,358,320	-
Premium received in advance	2,779,823	2,779,823	-
Insurance / reinsurance payables	114,673,701	114,673,701	-
Other creditors and accruals	219,116,925	219,116,925	-
Taxation - provision less payment	2,733,398	2,733,398	-
Total liabilities of General Takaful Operations - Operator's Fund	234,267,826	234,267,826	-
	1,379,318,220	1,379,318,220	-

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## Financial assets

Investments
Equity securities and mutual fund units
Debt securities
Term deposits
Loans and other receivables
Insurance / reinsurance receivables
Reinsurance recoveries against outstanding claims
Salvage recoveries accrued
Cash and bank balances
Total assets of General Takaful Operations - Operator's Fund

Carrying amount	2016	
	Upto one year	More than one year
	(Rupees)	
4,378,643	4,378,643	
100,391,625	-	100,391,625
717,000,000	717,000,000	-
108,721,675	108,721,675	-
284,888,855	284,888,855	-
119,400	119,400	-
39,823,494	39,823,494	-
176,417,583	176,417,583	-
318,930,037	318,930,037	-
1,748,671,312	1,648,279,687	100,391,625
126,585,842	126,585,842	-
699,873,641	699,873,641	-
4,569,980	4,569,980	-
2,390,402	2,390,402	-
1,613,510	1,613,510	-
56,960,305	56,960,305	-
164,772,075	164,772,075	-
352,722	352,722	-
178,125,692	178,125,692	-
1,235,244,469	1,235,244,469	-

## Financial liabilities

Outstanding claims including IBNR
Unearned premium reserves
Unearned reinsurance commission
Deferred taxation
Premium received in advance
Insurance / reinsurance payables
Other creditors and accruals
Taxation - provision less payment
Total liabilities of General Takaful Operations - Operator's Fund

### 35.3 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.

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

#### 35.3.1 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.

##### 35.3.1.1 Sensitivity analysis

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

Financial assets	2017	2016	2017	2016
	Effective interest rate (in %)		-----[ Rupees ]-----	
Assets subject to fixed rate				
- Government securities	8.75% - 12%	8.75% - 12%	99,457,402	100,391,625
- Advance	10%	10%	231,369,420	75,450,164
- Bank deposits	5.6% - 6.4%	5.40% to 6%	350,000,000	717,000,000
- Loan to employees	0% to 5%	0% to 5%	2,272,240	828,065
Assets subject to variable rate				
- Bank balances	3.5% - 5.5%	4% to 6%	97,373,857	173,795,716

Fair value sensitivity analysis for fixed rate instruments



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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.

	Profit and loss 100 bps Increase ----- (Rupees) -----	Decrease ----- (Rupees) -----	Profit and loss 100 bps Increase ----- (Rupees) -----	Decrease ----- (Rupees) -----
Cash flow sensitivity - Variable rate financial assets	9,737,386	(9,737,386)	17,379,572	(17,379,572)

### 35.3.1.2 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:

2017					
	Mark-up / return (%)	less than 1 year	1 year to 5 years	More than 5 years	Total
----- ( Rupees ) -----					
<b>Assets</b>					
Investment in debt securities	8.75 to 12.00	50,000,000	49,457,402	-	99,457,402
Term deposits	5.60 to 6.40	350,000,000	-	-	350,000,000
Loans and other receivables	5.00 to 10.00	238,083,631	-	-	238,083,631
Bank balances	3.50 to 5.50	133,592,489	-	-	133,592,489
Total assets		771,676,120	49,457,402	-	821,133,522
<b>Liabilities</b>					
Total interest sensitivity gap		771,676,120	49,457,402	-	821,133,522

2016					
	Mark-up / return (%)	less than 1 year	1 year to 5 year	More than 5 year	Total
----- ( Rupees ) -----					
<b>Assets</b>					
Investment in debt securities	8.75 to 12.00	-	100,391,625	-	100,391,625
Term deposits	4.50 to 6.00	717,000,000	-	-	717,000,000
Loans and other receivables	5.00 to 10.00	76,278,229	-	-	76,278,229
Bank balances	3.25 to 5.45	178,417,583	-	-	178,417,583
Total assets		969,695,812	100,391,625	-	1,070,087,437
<b>Liabilities</b>					
Total interest sensitivity gap		969,695,812	100,391,625	-	1,070,087,437

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 35.3.2 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. Company is exposed to equity price risk since it has investments in quoted equity securities at the balance sheet date.

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 favourable. 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.

## 35.3.2.1 Sensitivity analysis

The table below summarizes Company's equity price risk as of 31 December 2017 and 2016 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	Hypothetical price change	Estimated fair value after change in prices	Increase / (decrease) in shareholders' equity	Increase (decrease) in profit before tax
	—[Rupees]—		-----	(Rupees)	-----
2017	620,003,489	10% increase	682,003,838	62,000,349	62,000,349
		10% decrease	682,003,838	(62,000,349)	(62,000,349)
2016	4,378,643	10% increase	4,816,507	437,864	437,864
		10% decrease	4,816,507	(437,864)	(437,864)

## 35.3.3 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.

## 35.4 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 36 to the financial statements.

### 35.5 Fair value of financial assets and liabilities

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 within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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 is significant to the fair value measurement is directly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Following are the assets which are either measured at fair value or for which fair value is only disclosed and is different from their carrying value:

	2017		
	Fair value measurement using		
	Level 1	Level 2	Level 3
	(Rupees)		
Available-for-sale-investments (measured at fair value)	620,003,489	-	-
Held-to-maturity (fair value only disclosed)	-	106,402,657	-
	620,003,489	106,402,657	-

	2016		
	Fair value measurement using		
	Level 1	Level 2	Level 3
	(Rupees)		
Available-for-sale-investments (measured at fair value)	4,378,643	-	-
Held-to-maturity (fair value only disclosed)	-	109,064,666	-
	4,378,643	109,064,666	-



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 36. STATEMENT OF SOLVENCY

### Assets

Property and equipment
Intangible assets
Investments
Equity securities
Debt securities
Term deposits
Loans and other receivables
Insurance/ reinsurance receivable
Reinsurance recoveries against outstanding claims
Salvage recoveries accrued
Deferred commission expense
Deferred taxation
Taxation - payment less provisions
Prepayments
Cash and bank deposits
Operations - Operator's Fund
<b>Total Assets (A)</b>

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

Property and equipment
Intangible assets
Investments
Equity securities
Loans and other receivables
Insurance/ reinsurance receivable
Deferred taxation
Taxation - payment less provisions
Prepayments
<b>Total of In-admissible Assets (B)</b>

**Total of Admissible Assets (C=A-B)**

### Total Liabilities

Underwriting Provisions
Outstanding claims including IBNR
Unearned premium reserves
Unearned reinsurance commission
Premium received in advance
Insurance / reinsurance payables
Other creditors and accruals
Total liabilities of Takaful Operations - OF
<b>Total Liabilities (D)</b>

**Total Net Admissible Assets (E= C-D)**

**Minimum Solvency Requirement**

**Excess Solvency**

2017  
(Rupees)

79,476,151
11,913,934
620,003,489
99,457,402
350,000,000
274,370,944
258,493,867
21,515,947
40,201,886
61,621,674
9,355,627
4,509,209
193,241,458
133,592,489
334,886,893
<b>2,492,740,970</b>

33,850,745
11,913,934
95,040,000
274,370,944
138,964,892
9,355,627
4,509,209
16,245,351
<b>584,250,702</b>

**1,908,490,268**

129,515,223
671,873,202
4,358,320
2,779,623
114,673,701
229,846,380
216,985,575
<b>1,370,032,024</b>

**538,458,244**

**(259,892,962)**

**278,565,282**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 37. PROVIDENT FUND

The following is based on the unaudited Financial Statements for the year ended 30 June 2017

	2017	2016
	----- ( R u p e e s ) -----	
Size of the fund - Net Assets	36,024,169	23,959,962
Cost of investments	28,418,448	20,254,465
Percentage of investments made	83.01%	84.53%
Fair value of investments	29,903,546	21,464,544

#### 37.1 The breakup-value of fair value of investments is as follows:

	2017	2016	2017	2016
	----- (Percentage) -----		----- (Rupees) -----	
Investment In Equity Securities	0.01%	0.00%	3,512	-
Investment In Government Securities	61.63%	85.43%	18,430,181	18,338,157
Bank Balances	33.17%	8.17%	9,918,448	1,754,465
Mutual Funds	5.19%	6.39%	1,551,405	1,371,922
Total	100.00%	100.00%	29,903,546	21,464,544

37.2 The above investment / placement of funds in special bank account has been made in accordance with the provision of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

### 38. CORRESPONDING FIGURES

As a result of adoption of Insurance Rules, 2017 and Insurance Regulations, 2017 (3.1.1) corresponding figures have been rearranged wherever necessary, for purposes of comparison. There were no material reclassification to report except as follows:

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Nature	Transfer from	Transfer to	Rupees
			<b>Aggregate</b>
Term deposit receipts	Cash and Bank balances	Investments	717,000,000
Loan to Employees	Loan to Employees	Loans and Other receivable	825,065
Advance and Deposits	Advance, Deposits and Prepayments	Loans and Other receivable	82,682,556
Sundry Receivable	Sundry Receivable	Loans and Other receivable	14,904,838
Premium Due but Unpaid	Premium Due but Unpaid	Insurance/ Reinsurance receivable	282,631,883
Amount Due from Other Insurers/ Reinsurers	Amount Due from Other Insurers/ Reinsurers	Insurance/ Reinsurance receivable	2,256,972
Accrued expenses	Accrued expenses	Other creditors and accruals	6,717,360
Profit on Term deposits and Bank Accounts	Profit on Term Deposits and Bank Accounts	Investment Income	37,853,816
Advertisement and Marketing	General and Administrative Expenses	Management Expenses	53,138,327
Annual Supervision Fee SECP	General and Administrative Expenses	Management Expenses	2,441,609
Repair and Maintenance	General and Administrative Expenses	Management Expenses	18,482,115
Rent, Rate and Taxes	General and Administrative Expenses	Management Expenses	3,216,282
Income from Savings account	Profit on Term Deposits and Bank Accounts	Other Income	5,655,666
Amortization expense	General and Administrative Expenses	Management Expenses	668,991
Depreciation	General and Administrative Expenses	Management Expenses	1,003,164

## 39. SUBSEQUENT EVENTS - NON ADJUSTING

The Board of Directors in their meeting dated 20 February, 2018 recommended issuance of 10% bonus shares, subject to the approval of shareholders in Annual General Meeting.

## 40. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on 20 February, 2018 by the Board of Directors of the Company.

## 41. GENERAL

Figures have been rounded off to the nearest Rupee.

				
Director	Director	Chief Financial Officer	Chief Executive Officer	Chairman





# WINDOW **TAKAFUL OPERATIONS**

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- 8.1 Shariah Advisor Report
- 8.2 Shariah Auditors' Report on Compliance
- 8.3 Auditors' Report to the Members
- 8.4 Statement of Financial Position
- 8.5 Statement of Comprehensive Income
- 8.6 Statement of Changes in Fund
- 8.7 Statement of Cashflow
- 8.8 Notes to the Financial Statements

# SHARIAH ADVISOR'S REPORT

بسم الله الرحمن الرحيم  
الحمد لله رب العالمين والصلاة والسلام على رسوله الكريم

## INTRODUCTION

Alhamdulillah, TPL Direct Insurance Limited - Window Takaful Operations ("TDI - WTO") has successfully completed its third financial year ended 31st December 2017.

I, acknowledge that as Shariah Advisor of the Company it is my responsibility to ensure that the financial arrangements, contracts and transactions entered into by the company with its participants and stakeholders are in compliance with the requirements of Shariah rules and principles. It is the responsibility of the company's management to ensure that the rules and principles issued by Shariah Advisor and the guidelines set by regulator are complied with and all policies and services being offered by the company are duly approved by Shariah Advisor.

The Company arranged various internal trainings for its employees on Takaful conducted by renowned scholars and is planning to disseminate further remaining trainings throughout the year 2017. TDI - WTO maintains all of its deposits in Riba free Banks and Shariah Compliant Mutual Funds as per investment guideline approved by its Shariah Advisor.

The Company has introduced a Shariah Compliant Mechanism to monitor the functions of TDI-WTO. An effective Shariah compliance function is fundamental in achieving the objectives of Window Takaful Operations to operate as per Shariah principles and hence an experienced Islamic scholar was appointed as Shariah Compliance Officer. Shariah Compliance Officer ensures and supervise on daily basis that the functions of TDI-WTO including policy issuance, re takaful arrangements, claim settlements and financial transactions are undertaken as per the applicable regulatory guidelines and instructions issued by the Shariah Advisor.

## SCOPE & OBJECTIVE OF SHARIAH REVIEW

The scope of the Shariah Review is to evaluate the overall functions of TDI - WTO in accordance with the Islamic Shariah Principles and guidelines laid by SECP. The objective of the Shariah Review is to determine that appropriate procedures and control mechanism is effectively in place for all major functions such as Policy issuance, Claims Settlements, Re-Takaful Arrangements, Financial transactions of the TDI - WTO.

## CONCLUSION

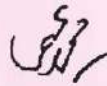
In my opinion, the structure and operations of TDI - WTO are in accordance with Shariah Principles and Takaful Rules issued by SECP.

The primary responsibility for ensuring Shariah compliance lies with the management of TDI-WTO. The services provided were reviewed and operations undertaken by TDI - WTO during the year ended 31 December 2017, in my opinion, were found overall in conformity with the principles and guidelines of Islamic Shariah.

At this stage, it may be helpful that we refresh our motive and intention for spreading Takaful by its right way. So as a shariah Advisor, I am hopeful that the management will put its efforts to complete the remaining training sessions, segregation and other related issues on its priority.

I pray that Allah Ta'ala show us all the righteous path. Allah Ta'ala knows better.

Karachi: 20 February 2018



Muhammad Yahya Asim  
Shariah Advisor



## SHARIAH AUDITORS' REPORT ON COMPLIANCE

### INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS AND SHARIAH ADVISOR OF TPL DIRECT INSURANCE LIMITED - WINDOW TAKAFUL OPERATIONS IN RESPECT OF OPERATOR'S COMPLIANCE WITH THE SHARIAH RULES AND PRINCIPLES

We have performed an independent assurance engagement (Shariah Compliance Audit) of **TPL Direct Insurance Limited - Window Takaful Operations** (the operator) to ensure that the Operator has complied with the Shariah rules and principles as prescribed by the Shariah Advisor / Shariah Board (prior to promulgation of Takaful Rules 2012) of the Operator and the Takaful Rules 2012, during the year ended **31 December 2017**.

#### 2. Management's responsibility for Shariah compliance

It is the responsibility of the Operator to ensure that the financial arrangements, contracts, products and transactions entered into by the Operator and Waqf Fund (the Waqf) with participants, other financial institutions and stakeholders are, in substance and in their legal form, in compliance with the requirements of Shariah rules and principles as determined by the Shariah Advisor / Shariah Board and the Takaful Rules, 2012.

#### 3. Our responsibility

3.1. Our responsibility in connection with this engagement is to express an opinion, based on the procedures performed on a sample basis, whether these financial arrangements, contracts, products and transactions are in compliance with the requirements of the Shariah rules and principles as prescribed by the Operator's Shariah Advisor / Shariah Board and the Takaful Rules, 2012.

3.2. The procedures selected by us for the engagement depended on our judgment, including the assessment of the risks of material non-compliance with the said Shariah rules and principles. In making those risk assessments, we considered such internal control procedures as were relevant to the Operator's compliance with Shariah rules and principles. Our engagement was, however, not intended for expressing opinion on the effectiveness of the Operator's internal controls for purposes of compliance with the Shariah rules and principles.

3.3. We believe that the evidence we have obtained through performing our procedures on a sample basis were sufficient and appropriate to provide a basis for our opinion.

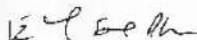
3.4. In addition, interpretation and conclusion of the Shariah Advisor / Shariah Board of the Operator is considered final for the purpose of interpretation of the Shariah matters mentioned in the Takaful Rules, 2012.

#### 4. Framework for the Engagement

We have conducted our engagement in accordance with International Standard for Assurance Engagements 3000 (ISAE 3000) issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. This Standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance regarding the subject-matter i.e. the Operator's compliance with the Shariah rules and principles as determined by the Shariah Advisor / Shariah Board and the Takaful Rules, 2012.

#### 5. Our Opinion

In our opinion, based on the sample selected, the financial arrangements, contracts, products and transactions entered into by the Operator and the Waqf, as the case may be, for the year ended 31 December 2017, are in compliance with the requirements of the Shariah rules and principles as prescribed by the Shariah Advisor / Shariah Board and the Takaful Rules, 2012 in all material respects.



Chartered Accountants  
Audit Engagement Partner: Arslan Khalid  
Date: 20 February, 2018  
Karachi

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of

- (i) statement of financial position;
- (ii) statement of comprehensive income;
- (iii) statement of changes in fund; and
- (iv) statement of cash flows;

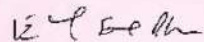
of TPL Direct Insurance Limited - Window Takaful Operations (the Operator) as at 31 December 2017 together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

- (a) proper books of account have been kept by the Operator as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (a) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Operator and are further in accordance with accounting policies consistently applied except for the changes as disclosed in note 3.1.1 to the financial statement, with which we concur;
- (b) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Operator's affairs as at 31 December 2017 and the results of its takaful operations for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- (c) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



**Chartered Accountants**

**Audit Engagement Partner: Arslan Khalid**

**Date: 20 February, 2018**

**Karachi**

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

Note	2017			2016		
	Operator's Fund	(Rupees) Participants' Takaful Fund	Aggregate	Operator's Fund	(Rupees) Participants' Takaful Fund	Aggregate
<b>ASSETS</b>						
<b>Investments</b>	6					
- Mutual Funds	-	63,856,353	63,856,353	-	-	-
- Term deposits	75,000,000	5,000,000	80,000,000	100,000,000	135,000,000	235,000,000
	75,000,000	68,856,353	143,856,353	100,000,000	135,000,000	235,000,000
Other receivables including Qande-Hasna to PTF of Rs. 169 million (2016 : 110 million)	7	204,908,282	204,908,282	192,947,780	10,705,490	203,653,270
Accrued Investment Income		663,014	663,014	147,603	1,563,325	1,730,928
Takaful / retakaful receivable	8	-	190,121,088	-	95,419,263	95,419,263
Recovery recoveries accrued		-	40,253,950	-	31,752,306	31,752,306
Deferred Wakala expense	18	-	173,113,525	-	141,252,517	141,252,517
Deferred commission expense		43,955,293	43,955,293	13,089,882	-	13,089,882
Receivable from TPL Insurance Limited		14,306,989	14,306,989	-	-	-
Prepayments	9	-	77,123,012	448,685	56,729,671	57,178,356
Bank balances	10	10,670,789	102,674,658	12,266,087	52,154,833	64,450,920
<b>Total assets</b>		<b>349,804,367</b>	<b>652,142,296</b>	<b>318,930,037</b>	<b>525,597,406</b>	<b>844,527,442</b>
<b>EQUITY AND LIABILITIES</b>						
<b>RESERVES ATTRIBUTABLE TO:</b>						
<b>- OPERATORS' FUND (OF)</b>						
Statutory Fund		50,000,000	50,000,000	50,000,000	-	50,000,000
Unappropriated profit		65,536,539	65,536,539	34,780,105	-	34,780,105
		115,536,539	115,536,539	84,780,105	-	84,780,105
<b>- WAGF / PARTICIPANT'S TAKAFUL FUND (PTF)</b>						
Ceded money		-	2,000,000	-	2,000,000	2,000,000
Accumulated deficit		-	(193,753,991)	-	(123,881,544)	(123,881,544)
Unrealized loss on available-for-sale investments		-	(9,900,875)	-	-	-
<b>Balance of WAGF / PTF</b>		<b>-</b>	<b>(201,654,556)</b>	<b>-</b>	<b>(121,881,544)</b>	<b>(121,881,544)</b>
<b>LIABILITIES</b>						
<b>PTF Underwriting provisions</b>						
- Outstanding claims (including IBNR)	15	-	99,893,894	-	63,703,488	63,703,488
- Unearned contribution reserve	14	-	477,955,216	-	353,131,263	353,131,263
- Unearned retakaful commission	17	-	1,040,281	-	35,684	35,684
Unearned Wakala Fee	18	173,113,525	173,113,525	141,252,517	-	141,252,517
Qande-Hasna	5	-	199,000,000	-	110,000,000	110,000,000
Contribution received in advance		-	1,881,239	-	-	-
Takaful / retakaful payable	11	-	44,251,205	-	20,311,808	20,311,808
Other creditors and accruals	12	30,029,429	16,383,392	24,853,266	94,386,914	119,252,180
Payable to TPL Insurance Limited	13	-	14,608,835	56,023,940	5,697,662	61,921,602
Taxation - payments less provision		31,124,874	31,124,874	12,020,209	-	12,020,209
<b>Total Liabilities</b>		<b>234,267,828</b>	<b>853,796,852</b>	<b>234,149,932</b>	<b>647,476,949</b>	<b>881,626,881</b>
<b>Total fund and liabilities</b>		<b>349,804,367</b>	<b>652,142,296</b>	<b>318,930,037</b>	<b>525,597,406</b>	<b>844,527,442</b>

The annexed notes from 1 to 29 form an integral part of these financial statements.

				
Director	Director	Chief Financial Officer	Chief Executive Officer	Chairman



# STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		(Rupees)	
<b>Participants' Takaful Fund</b>			
Net takaful contribution	14	769,318,368	546,119,947
Net takaful claims	15	(391,106,896)	(292,831,119)
Wakala expensed during the year	18	(328,934,265)	(236,534,772)
Direct expenses	20	(123,341,667)	(89,314,413)
<b>Underwriting result</b>		<b>(74,064,460)</b>	<b>(72,560,357)</b>
Investment income net of mudarib's fee of Rs. 1.80 (2016: Rs. 2.21) million		4,192,313	5,785,893
<b>Deficit for the period</b>		<b>(69,872,147)</b>	<b>(66,774,464)</b>
<b>Other comprehensive income :</b>			
Unrealised loss on available-for-sale investments		(9,900,875)	-
Total other comprehensive income		(9,900,875)	-
<b>Total comprehensive income/ (loss) for the year</b>		<b>(79,773,022)</b>	<b>(66,774,464)</b>
<b>Operator's Fund</b>			
Wakala fee	18	328,934,265	236,534,772
Net commission expense	17	(46,220,882)	(37,822,209)
Management expenses	21	(196,156,689)	(150,944,961)
		86,556,694	47,767,602
Investment income including mudarib's fee of Rs. 1.80 (2016: Rs. 2.21) million		8,616,829	8,810,383
		95,173,523	56,577,985
Other expenses	22	(47,645,321)	(20,948,127)
Financial charges		-	(98,646)
<b>Profit before taxation</b>		<b>47,528,202</b>	<b>35,531,212</b>
Taxation - net		(16,771,768)	(11,014,676)
<b>Profit after tax for the year</b>		<b>30,756,434</b>	<b>24,516,536</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>30,756,434</b>	<b>24,516,536</b>

The annexed notes from 1 to 29 form an integral part of these financial statements.

				
Director	Director	Chief Financial Officer	Chief Executive Officer	Chairman

# STATEMENT OF CHANGES IN FUND

FOR THE YEAR ENDED 31 DECEMBER 2017

## Operators' Fund

Statutory Fund	Accumulated profit	Unrealized gain / (loss) on revaluation of available for sale investments - net of tax	Total
----------------	--------------------	--	-------

(Rupees)

Balance as at 1 January 2016	50,000,000	10,263,569	-	60,263,569
Net profit for the year	-	24,516,536	-	24,516,536
Balance as at 1 January 2017	50,000,000	34,780,105	-	84,780,105
Net profit for the year	-	30,756,434	-	30,756,434
Balance as at 31 December 2017	50,000,000	65,536,539	-	115,536,539

## Participants' Takaful Fund

Ceded Money	Accumulated deficit	Unrealized gain / (loss) on revaluation of available for sale investments - net of tax	Total
-------------	---------------------	--	-------

(Rupees)

Balance as at 1 January 2016	2,000,000	(57,107,080)	-	(55,107,080)
Deficit for the year	-	(66,774,464)	-	(66,774,464)
Balance as at 1 January 2017	2,000,000	(123,881,544)	-	(121,881,544)
Unrealized loss on revaluations of - available-for-sale investments	-	-	(9,900,875)	(9,900,875)
Deficit for the year	-	(69,872,147)	-	(69,872,147)
Total comprehensive loss for the year	-	(69,872,147)	(9,900,875)	(79,773,022)
Balance as at 31 December 2017	2,000,000	(193,753,691)	(9,900,875)	(201,654,566)

The annexed notes from 1 to 29 form an integral part of these financial statements.

				
Director	Director	Chief Financial Officer	Chief Executive Officer	Chairman

# STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2017

	Operator's Fund	Participants' Takaful Fund	2017 Aggregate	2016 Aggregate
	(Rupees)			
<b>Operating activities</b>				
(a) Takaful activities				
Contributions received	-	815,977,630	815,977,630	648,491,408
Retakaful contribution paid	-	858,364	858,364	(6,268,993)
Claims paid	-	(451,927,158)	(451,927,158)	(386,209,578)
Retakaful and other recoveries received	-	87,512,124	87,512,124	77,872,182
Commission paid	(68,780,861)	-	(68,780,861)	(31,223,354)
Wakala fees received	439,631,476	-	439,631,476	239,494,826
Wakala fees paid	-	(439,631,476)	(439,631,476)	(239,494,826)
Mudarib fees received	-	-	-	2,592,568
Mudarib fees paid	-	-	-	(2,592,568)
Net cash inflow from takaful activities	370,850,615	12,789,484	383,640,099	302,661,665
(b) Other operating activities				
Income tax adjustments / paid	2,332,897	-	2,332,897	(1,249,308)
Direct expenses paid	-	(134,652,798)	(134,652,798)	(98,081,433)
General management expenses paid	(235,777,104)	-	(235,777,104)	(140,110,688)
Other operating (payments) / receipts	(81,036,419)	19,568,024	(61,468,395)	4,409,826
Net cash outflow from other operating activities	(314,480,626)	(115,084,774)	(429,565,400)	(235,031,603)
<b>Total cash generated from / (used in)</b>				
<b>all operating activities</b>	56,369,989	(102,295,290)	(45,925,301)	67,630,062
<b>Investment activities</b>				
Profit / return received	6,304,713	7,572,343	13,877,056	13,164,050
Investment in Mutual Funds - net	-	(73,757,228)	(73,757,228)	-
Qard-e-Hasna	(89,000,000)	89,000,000	-	-
Payments for purchase of investments	-	-	-	-
<b>Total cash (used in) / generated from</b>				
<b>investing activities</b>	(82,695,287)	22,815,115	(59,880,172)	13,164,050



## Window Takaful Operations

# STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2017

	Operator's Fund	Participants' Takaful Fund	2017 Aggregate	2016 Aggregate
			(Rupees)	
<b>Financing activities</b>				
Financial charges paid	-	-	-	(98,646)
<b>Total cash used in financing activities</b>	-	-	-	(98,646)
<b>Net cash generated from all activities</b>	(26,325,298)	(79,480,175)	(105,805,473)	80,695,466
<b>Cash and cash equivalent at beginning of the year</b>	112,296,087	187,154,833	299,450,920	218,755,454
<b>Cash and cash equivalent at end of the year</b>	85,970,789	107,674,658	193,645,447	299,450,920
<b>Reconciliation to profit and loss account</b>				
Operating cash flows	56,369,989	(102,295,290)	(45,925,301)	67,630,062
Profit on term deposit	6,304,713	7,572,343	13,877,056	14,596,276
Increase in assets other than cash	(31,800,372)	142,168,703	110,368,331	180,883,599
Increase in liabilities	(117,896)	(117,317,903)	(117,435,799)	(305,367,865)
<b>Profit / (loss) after taxation</b>	30,756,434	(69,872,147)	(39,115,713)	(42,257,928)
<b>Attributed to:</b>				
Operators' Fund			30,756,434	24,516,536
Participants' Takaful Fund			(69,872,147)	(66,774,464)
			(39,115,713)	(42,257,928)

### Definition of cash


Cash comprises of cash in hand, policy stamps, bank balances which are readily convertible to cash in hand and which are used in the cash management function on a day-to-day basis.

  
Director

  
Director

  
Chief Financial Officer

  
Chief Executive Officer

  
Chairman

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 1. STATUS AND NATURE OF BUSINESS

1.1 TPL Insurance Limited (Formerly TPL Direct Insurance Limited) (the Operator) was allowed to work as Window Takaful Operator on 04 September 2014 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations in Pakistan.

1.2 For the purpose of carrying on the takaful business, the Operator formed a Waqf / Participant Takaful Fund (PTF) on 20 August 2014 under the Waqf deed. The Waqf deed governs the relationship of Operator and Participants for management of takaful operations.

## 2. BASIS OF PREPARATION

These financial statements have been prepared in line with the format issued by the SECP through Insurance Rules, 2017, and SECP circular no 25 of 2015 dated 9 July 2015.

These financial statements reflect the financial position and results of operations of both the Operator's Fund (OPF) and Participants' Takaful Fund (PTF) in a manner that the assets, liabilities, income and expenses of the Operator and PTF remain separately identifiable.

### 2.1 Statement of compliance

2.1.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 (Repealed - note 2.1.2), provisions of and directives issued under the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the Insurance Rules, 2017, Insurance Accounting Regulation and SECP Takaful Rules, 2012. In case where requirements differ, the provisions or directives of the Companies Ordinance, 1984 (Repealed - note 2.1.2), Insurance Ordinance, 2000, the Insurance Rules, 2017, Insurance Accounting Regulation and SECP Takaful Rules, 2012 shall prevail.

2.1.2 The Companies Ordinance, 1984 has been repealed after the enactment of Companies Act, 2017. However, as allowed by the SECP vide its press release dated 20 July 2017, these financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

2.1.3 In terms of the requirements of the Takaful Rules 2012, read with SECP Circular 25 of 2015 dated 09 July 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 balance sheet and profit and loss account of the Company respectively.

### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except investments which are carried at fair value.

### 2.3 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 Rupees, unless otherwise stated.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 2.4 Accounting Standards, IFRIC Interpretations and amendments that are effective for the current year

The Company has adopted the following accounting standards and the amendments and interpretation of IFRSs which became effective for the current year:

IAS 7 Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)  
IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

Improvements to Accounting Standards issued by the IASB in September 2014

IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

## 2.5 Accounting Standards, IFRIC Interpretations and amendments that are not yet effective

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

Standard or Interpretation	Effective date (annual periods beginning)
IFRS 2 - Share-based Payments - Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)	01 January 2018
IFRS 9 - Financial Instruments: Classification and Measurement	01 July 2018
IFRS 9 - Prepayment Features with Negative Compensation - (Amendments)	01 January 2019
IFRS 15 - Revenue from Contracts with Customers	01 January 2018
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019

The above standards, amendments and interpretations are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 16 - Leases	01 January 2019
IFRS 17 - Insurance Contracts	01 January 2021



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES

**3.1** The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year. The Operator has adopted new standards, amendments and improvements to accounting standards which became effective for the current year as describe in note 4.1 below:

### **3.1.1** Adoption of new Insurance Rules, 2017 and Insurance Accounting Regulation, 2017

During the year SECP has issued the Insurance Rules, 2017 including the new Insurance Accounting Regulations, 2017 and format for the preparation of the financial statements. The new Insurance Rules are effective for the current year financial statements.

Certain changes have been made to the presentation of the financial statements which includes the following:

- Changes in the sequence of assets / liabilities in the statement of financial position;
- Discontinuation of separate statements of premiums, claims, commission which are now presented (on aggregate basis) into the notes of the financial statements (notes 14,15 and 17);
- Underwriting results in relation to various classes of business which were previously presented on the face of the profit and loss account are now presented in a separate note (note 19);
- Addition of statement of solvency (note 26);
- Placement of claim development table (note 16).

### **3.2** 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.

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 Damage, Marine, Aviation and Transport, Motor and Miscellaneous 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).

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Marine, Aviation 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.

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 Miscellaneous takaful cover.

## 3.3 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 OF.

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 SEC (Insurance) Rules, 2002. 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.

## 3.4 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.

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.

## 3.5 Claims expense

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.

The PTF recognises liability in respect of all claims incurred upto the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in a takaful contract.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The provision for claims incurred but not reported (IBNR) is made at the balance sheet 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 have been determined by analyzing the lag between the incurrence and reporting of health and motor business claims. For Fire business, as the Operator has started these business during the current year, no historical data is available, therefore, industry wide-data has been used to calculate provision of IBNR claims. For Travel business, in absence of credible industry wide-data, an average of all other classes has been used to determine provision for IBNR claims.

### 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

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.

Commission 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 SEC (Insurance) Rules, 2002 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.

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 9 January 2012.

### 3.9 Wakala and Mudarib fees

The Takaful operator manages the general takaful operations for the Participants. Upto 30 June 2017, Takaful operator charged 40% of gross contribution as Wakala Fee against the services given to Participant's Takaful Fund. Wakala fee was reduced to 35% of gross contribution with effect from 1 July 2017. Wakala fee under a policy is recognised, evenly over the period of takaful from the date of issuance of the policy till the date of its expiry.

The Takaful operator also manages the participants' investment as Mudarib and charges 30% of the investment / deposit income earned by the Participants' Takaful Fund as Mudarib's share.

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



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 3.10 Revenue recognition

### 3.10.1 Contribution

The revenue recognition policy for contributions is given under note 3.3.

### 3.10.2 Commission from reinsurers

The revenue recognition policy for commission from reinsurer is given under note 3.7.

### 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 Gard-e-Hasna

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

## 3.14 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2017

### 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 (except for the deposit placed with statutory requirement) net off short term running finance.

### 3.16 Sundry receivable

These are recognised at cost, which is the fair value of the consideration given. However, an assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying amount.

### 3.17 Impairment

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Provisions for impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Changes in the provisions are recognised as income or expense.

### 3.18 Taxation

#### 3.18.1 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.

#### 3.18.2 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 3.19 Staff retirement benefits

The Operator operates an funded contributory provident fund (defined contribution plan) for all permanent employees. Equal contributions are made by the Operator and the employees at the rate 8.33% of basic salary, to the fund.

## 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, 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.

## 3.23 Operating segments

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

The Company has five primary business segments for reporting purposes namely, fire and property, marine, health, motor and miscellaneous. 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.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 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.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the 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 revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the financial statements, or judgments were exercised in application of accounting policies are as follows:

- Classification of Takaful Contracts (note 3.2)
- Provision for unearned contribution (note 3.3)
- Provision for outstanding claims including IBNR (note 3.5)
- Contribution deficiency reserve (note 3.8)
- Provision for current and deferred tax (note 3.18)
- Provisions (note 3.2 and 3.17)

## 5. QARD-E-HASNA

Balance as at the beginning of the year  
Qard-e-Hasna provided during the year  
Balance as at the end of the year

	2017	2016
	(Rupees)	
	110,000,000	30,000,000
	89,000,000	80,000,000
	<u>199,000,000</u>	<u>110,000,000</u>

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. Further, if there is deficit in a Participant Takaful Fund for three consecutive years, the Operator is required to submit a report to the Commission within 30 days of the submission of the regulatory returns under section 46(1) of the Ordinance explaining the reasons thereof.

The Operator has prepared financial projections of Participant Fund and based on such financial projections believes that the Participant Takaful Fund would be able to repay Qard-e-Hasna to Operator's Fund. The financial projections are based on various assumptions including expected growth in premiums, reduction in claims over future periods and reduction in Wakala fee charged to the Participant Takaful Fund. The management intends to prepare and forward the required report within prescribed regulatory timelines.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 6. INVESTMENT IN EQUITY SECURITIES - AVAILABLE FOR SALE

PTF	2017				2016			
	Cost	Impairment / Provision	Revaluation surplus/(deficit)	Carrying Value	Cost	Impairment / Provision	Revaluation surplus/(deficit)	Carrying Value
	(Rupees)							
Mutual funds								
MCB Araf Habib	72,204,234	-	(10,066,333)	62,137,901	-	-	-	-
Al-Hamma Islamic Stock Fund								
MCB Araf Habib	1,552,994	-	165,458	1,718,452	-	-	-	-
Al-Hamma Islamic Income Fund								
	73,757,228	-	(9,900,875)	63,856,353	-	-	-	-

## 7. OTHER RECEIVABLES

	2017		
	OF	PTF	Total
	(Rupees)		
Wakala fee	3,233,597	-	3,233,597
Qarz e Hasna	199,000,000	-	199,000,000
Mudarib fee	2,674,685	-	2,674,685
	204,908,282	-	204,908,282
	2016		
	OF	PTF	Total
	(Rupees)		
Wakala fee	82,069,800	-	82,069,800
Qarz e Hasna	110,000,000	-	110,000,000
Mudarib fee	877,980	-	877,980
Receivable from Operator's Fund	-	10,705,490	10,705,490
	192,947,780	10,705,490	203,653,270

## 8. TAKAFUL/ RETAKAFUL RECEIVABLES - Unsecured

	2017	2016
	(Rupees)	
Due from takaful contract holders	188,753,806	96,419,263
- Considered good		
- Considered doubtful	1,000,000	-
Less: provision for impairment of receivables from takaful contract holders	(1,000,000)	-
	-	-
Due from other takaful/ retakaful operators	1,367,282	-
- Considered good		
	190,121,088	96,419,263

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 9. PREPAYMENTS

Prepaid  
- annual monitoring and other charges  
- retakaful contribution ceded

OF	2017	
	PTF	Total
(Rupees)		
-	61,044,166	61,044,166
-	16,078,846	16,078,846
-	77,123,012	77,123,012

Prepaid  
- annual monitoring and other charges  
- retakaful contribution ceded  
- Others

OF	2016	
	PTF	Total
(Rupees)		
-	48,855,833	48,855,833
-	7,873,838	7,873,838
448,685	-	448,685
448,685	56,729,671	57,178,356

## 10. BANK BALANCES

Note

Cash and cash equivalent  
Current Accounts  
Profit and loss sharing (PLS) accounts

10.1

OF	2017	
	PTF	Total
(Rupees)		
-	111,367	111,367
10,970,789	102,563,291	113,534,080
10,970,789	102,674,658	113,645,447

Cash and cash equivalent  
Current Accounts  
Profit and loss sharing (PLS) accounts

OF	2016	
	PTF	Total
(Rupees)		
-	1,219,104	1,219,104
12,296,087	50,935,729	63,231,816
12,296,087	52,154,833	64,450,920

10.1 These accounts carry profit at a rate between 3.5% to 5.6% (2016: 3.25% to 5.45%) per annum.

Cash and cash equivalents for the purpose of statement of cash flows:

Cash and cash equivalent  
Term deposit receipts

OF	2017	
	PTF	Total
(Rupees)		
10,970,789	102,674,658	113,645,447
75,000,000	5,000,000	80,000,000
85,970,789	107,674,658	193,645,447

Cash and cash equivalent  
Term deposit receipts

OF	2016	
	PTF	Total
(Rupees)		
12,296,087	52,154,833	64,450,920
100,000,000	135,000,000	235,000,000
112,296,087	187,154,833	299,450,920

## 11. TAKAFUL/ RETAKAFUL PAYABLE

Amount due to other takaful / retakaful operator

	2017	2016
	PTF	PTF
(Rupees)		
	44,251,205	20,311,908



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

**12. OTHER CREDITORS AND ACCRUALS**

Note

	OF	2017	
		PTF	Total
		(Rupees)	
Creditors	1,809,135	643,940	2,453,075
Wakala fee payable	-	3,233,597	3,233,597
Modarib fee payable	-	2,674,685	2,674,685
Federal Insurance Fee	-	871,552	871,552
Federal Excise Duty (FED) - net	-	8,959,608	8,959,608
Commission payable	20,322,690	-	20,322,690
Others	5,851,113	-	5,851,113
Withholding tax payable	2,046,491	-	2,046,491
	<b>30,029,429</b>	<b>16,383,382</b>	<b>46,412,811</b>

12.1 and 12.2

12.1 This includes 3.74 million in respect of time barred cheques.

	OF	2016	
		PTF	Total
		(Rupees)	
Creditors	37,792	1,771,335	1,809,127
Wakala fee payable	-	82,069,800	82,069,800
Payable to Participants' Takaful Fund	10,705,490	-	10,705,490
Modarib fee payable	-	877,980	877,980
Federal Insurance Fee	-	641,122	641,122
Federal Excise Duty (FED) - net	-	9,038,677	9,038,677
Commission payable	13,021,855	-	13,021,855
Others	275,000	-	275,000
Withholding tax payable	813,129	-	813,129
	<b>24,853,266</b>	<b>94,398,914</b>	<b>119,252,180</b>

12.2 This includes outstanding claims in respect of which cheques aggregating to Rs. 2.722 million (2016: Rs. 1.038 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 11 of 2014 dated 19 May 2014:

	2017		2016	
	(Rupees)		(Rupees)	
- More than 6 months	2,721,835		1,038,541	
- 1 to 6 months	41,487,499		30,541,819	
(included in provision for outstanding claims)	<b>44,209,334</b>		<b>31,580,360</b>	

Claims not encashed	Age-wise breakup					Total
	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months	
	(Rupees)					
2017	41,487,499	1,865,781	513,502	342,552	-	44,209,334
2016	30,541,819	632,794	405,747	-	-	31,580,360

**13. PAYABLE TO TPL INSURANCE LIMITED**

This represents payable in respect of expenses incurred by TPL Insurance Limited on behalf of WTO.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	(Rupees)	
<b>14. NET TAKAFUL CONTRIBUTION</b>		
Written net contribution	909,018,216	684,339,409
Add: Unearned contribution reserve opening	353,131,293	221,979,679
Less: Unearned contribution reserve closing	(477,955,216)	(353,131,293)
contribution earned	784,194,293	553,187,795
Less: Retakaful contribution ceded	23,080,933	10,395,186
Add: Prepaid retakaful contribution opening	7,873,838	4,546,500
Less: Prepaid retakaful contribution closing	(16,078,846)	(7,873,838)
Retakaful expense	14,875,925	7,067,848
<b>Net takaful contribution</b>	<b>769,318,368</b>	<b>546,119,947</b>
<b>15. NET TAKAFUL CLAIMS EXPENSE</b>		
Claims paid/ payable	451,927,158	386,209,578
Add: Outstanding claims including IBNR closing	98,896,694	63,703,488
Less: Outstanding claims including IBNR opening	(63,703,488)	(54,157,459)
Claims expense	487,120,364	395,755,607
Less: Retakaful and other recoveries received	87,512,124	77,872,182
Add: Retakaful and other recoveries in respect of outstanding claims net of impairment - closing	40,253,650	31,752,306
Less: Retakaful and other recoveries in respect of outstanding claims net of impairment - opening	(31,752,306)	(6,700,000)
Retakaful and other recoveries revenue	96,013,468	102,924,488
<b>Net takaful claims expense</b>	<b>391,106,896</b>	<b>292,831,119</b>

## 16. CLAIM DEVELOPMENT TABLE

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	2014	2015	2016	2017	Total
	(Rupees)				
Estimate of ultimate claims cost:					
At end of accident year	4,674,723	190,721,464	381,323,105	480,355,303	1,057,074,595
One year later	4,674,723	205,217,425	389,247,844	-	599,139,992
Two year later	4,611,264	204,057,746	-	-	208,669,010
Three years later	4,611,264	-	-	-	4,611,264
Estimate of cumulative claims	4,611,264	204,057,746	389,247,844	480,355,303	1,078,272,157
Cumulative payments to date	(4,611,264)	(204,025,435)	(385,226,522)	(385,512,243)	(979,375,463)
Liability for outstanding claims	-	32,311	4,021,322	94,843,062	98,896,694

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		(Rupees)	
17.	NET COMMISSION EXPENSE		
	Commissions paid or payable	77,601,437	29,791,912
	Add: Deferred commission - opening	13,089,882	21,121,730
	Less: Deferred commission - closing	(43,955,293)	(13,089,882)
	Commission expense	46,736,026	37,823,760
	Less: commission from reinsurers		
	Commission received or receivable	1,519,741	1,551
	Add: Deferred commission - opening	35,684	-
	Less: Deferred commission - closing	(1,040,281)	-
	Commission from reinsurance	515,144	1,551
	Net commission expense	46,220,882	37,822,209
18.	NET WAKALA FEE		
	Gross Wakala Fee	360,795,273	288,995,418
	Add: Deferred wakala fee - opening	141,252,517	88,791,871
	Less: Deferred wakala fee - closing	(173,113,525)	(141,252,517)
	Net wakala fee	328,934,265	236,534,772



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 19. SEGMENT INFORMATION

		2017					
		Fire & property damage	Marine	Motor	Health	Miscellaneous	Aggregate
		(Rupees)					
19.1	<b>Participants' Takaful Fund</b>						
	Gross Written Premium (Inclusive of Administrative Surcharge)	16,641,590	1,697,202	887,796,988	2,672,011	10,425	909,018,216
	Insurance premium earned	7,731,114	694,337	773,736,602	2,026,194	2,046	784,194,293
	Insurance premium ceded to reinsurers	(5,394,725)	(445,200)	(9,036,000)	-	-	(14,875,925)
	Net insurance premium	2,336,389	249,137	764,702,602	2,026,194	2,046	769,318,368
	Net underwriting income	2,336,389	249,137	764,702,602	2,026,194	2,046	769,318,368
	Insurance claims	(866,017)	-	(484,186,311)	(2,046,036)	-	(487,120,364)
		814,638	-	95,196,630	-	-	96,013,468
	Net Claims	(71,179)	-	(388,987,681)	(2,046,036)	-	(391,106,896)
	Wakala expensed during the year	(3,270,536)	(314,888)	(324,534,047)	(813,678)	(1,116)	(328,934,265)
	Direct expenses	-	-	(123,341,667)	-	-	(123,341,667)
	Underwriting result	(1,005,326)	(65,751)	(72,160,793)	(833,520)	930	(74,064,460)
	Investment income						4,192,313
	Deficit for the year						(69,872,147)
19.2	<b>Operator's Fund</b>						
	Wakala fee	3,270,536	314,888	324,534,047	813,678	1,116	328,934,265
	Commission income	515,144	-	-	-	-	515,144
	Commission expense	(528,771)	(99,870)	(46,099,975)	(7,215)	(195)	(46,736,026)
	Management expenses	(3,591,082)	(409,396)	(191,577,368)	(576,592)	(2,250)	(196,155,688)
	Underwriting result	(334,173)	(194,378)	86,856,704	229,871	(1,329)	86,556,695
	Investment income						6,616,628
	Other expenses						(47,645,321)
	Profit before taxation						47,526,202

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

19.3

**Participants' Takaful Fund****Gross Written Premium  
(inclusive of Administrative Surcharge)**

Insurance premium earned

Insurance premium ceded to reinsurers

**Net insurance premium****Net underwriting income**

Insurance claims

Insurance claims recovered from reinsurers

**Net Claims**

Wakala expensed during the year

Direct expenses

**Underwriting result**

Investment income

**Deficit for the year****Operator's Fund**

Wakala fee

Commission income

Commission expense

Management expenses

**Underwriting result**

Investment income

Other expenses

Financial charges

**Profit before taxation**

2016

Fire & property damage	Marine	Motor	Health	Miscellaneous	Aggregate
(Rupees)					
2,217,357	-	680,414,181	1,707,871	-	684,339,409
769,264	-	550,665,478	1,753,033	-	553,167,795
(374,848)	-	(8,893,000)	-	-	(7,067,848)
394,436	-	543,972,478	1,753,033	-	548,119,947
394,436	-	543,972,478	1,753,033	-	548,119,947
-	-	(393,545,716)	(2,209,891)	-	(395,755,607)
-	-	102,924,488	-	-	102,924,488
-	-	(290,621,228)	(2,209,891)	-	(292,831,119)
(357,629)	-	(235,474,731)	(702,412)	-	(236,534,772)
-	-	(89,314,413)	-	-	(89,314,413)
36,807	-	(71,437,894)	(1,159,270)	-	(72,560,357)
					5,785,893
					(66,774,464)
357,629	-	235,474,731	702,412	-	236,534,772
1,551	-	-	-	-	1,551
(13,565)	-	(37,810,195)	-	-	(37,823,760)
(160,397)	-	(114,814,731)	(365,510)	-	(115,340,638)
185,218	-	82,849,805	336,902	-	83,371,925
					8,810,383
					(56,552,450)
					(96,846)
					35,531,212

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		(Rupees)	
<b>20. DIRECT EXPENSES</b>			
Tracker rental expense and monitoring fee	20.1	122,341,667	89,314,413
Bad and doubtful debts		1,000,000	-
		<u>123,341,667</u>	<u>89,314,413</u>
20.1	This represents rental expense of trackers installed including tracker monitoring charges.		
<b>21. MANAGEMENT EXPENSES</b>			
Employee benefit costs		81,392,289	47,376,410
Travelling incentives		22,754,946	34,905,495
Advertisement and marketing		27,803,784	23,789,834
Printing and Stationary		3,435,666	2,519,358
Rent, rates and taxes		21,733,798	14,333,726
Outsourcing Expenses - Call Centre Services		2,831,271	2,641,616
Communication		3,566,350	2,647,386
Utilities - Electricity and Water		4,673,395	4,011,853
Vehicle running expenses		5,376,356	3,355,235
Repair & Maintenance		12,818,558	8,274,375
Depreciation - Others		6,161,124	4,470,715
Amortization Expenses		422,558	299,505
Insurance		1,044,026	580,936
Travelling and conveyance		1,282,028	976,882
Vehicle running expenses		574,397	374,696
Others		286,143	386,939
		<u>196,156,689</u>	<u>150,944,961</u>
<b>22. OTHER CHARGES</b>			
Employee benefit costs		8,695,757	5,290,767
Legal and professional charges		9,359,624	755,940
Auditors' remuneration		945,563	768,185
Registration, subscription and association		4,280,127	2,451,106
Donation		8,377,691	947,577
Communication		1,011,224	361,839
IT Related Cost		8,875,953	8,219,744
Utilities - Electricity and Water		499,294	448,024
Others		5,600,088	1,704,945
		<u>47,645,321</u>	<u>20,948,127</u>



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	(Rupees)	
<b>23. TRANSACTIONS WITH RELATED PARTIES - PTF</b>		
<b>TPL Direct Insurance Limited</b>		
Opening balance - payable	5,897,661	5,032,164
Services received during the year	134,530,000	100,740,000
Payments received by the Company on behalf of PTF - net	17,181,175	(27,938,789)
Payments made during the year	(143,000,000)	(71,935,714)
Closing balance - payable	14,608,836	5,897,661
<b>Operator's Fund</b>		
Opening balance - payable	182,242,290	63,560,087
Wakala fee charged during the year	360,795,273	288,995,419
Qard-e-Hasna provided during the year	89,000,000	80,000,000
Modarib Fee charged during the year	1,796,705	2,479,669
Payments made by OF on behalf of PTF	167,576,360	-
Payments made during the year	(596,502,346)	(252,792,885)
Closing balance - payable	204,908,282	182,242,290
<b>24. MANAGEMENT OF TAKAFUL AND FINANCIAL RISK</b>		
The Operator issue contracts that transfer takaful risk or financial risk or both. This section summarises the takaful risks and the way the Company manages them.		
<b>24.1 Takaful risk management</b>		
<b>24.1.1 Takaful risk</b>		
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 major takaful contracts are in respect of motor vehicles through issuance of general takaful contracts relating to motor takaful. For these contracts the most significant risks arise from theft, accidents and terrorist activities.		
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.		
<b>24.1.2 Frequency and severity of claims</b>		
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.		

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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.

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

Claims on motor 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 Company. The estimation of the amount is based on management judgement or preliminary assessment by the independent 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. 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 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. Outstanding claims are reviewed on a periodic basis.

### 24.1.4 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 3.5.

### 24.1.5 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:



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## Average claim cost

Fire & property damage  
Motor business  
Health

PTF			
Underwriting results		Fund balance	
2017	2016	2017	2016
(Rupees)			
7,118	-	4,983	-
38,838,768	29,062,123	27,229,138	20,052,865
204,804	220,989	143,363	152,482
39,110,690	29,283,112	27,377,484	20,205,347

## 24.1.6 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 Company.

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:

	Gross sum covered		Retakaful		Net	
	2017	2016	2017	2016	2017	2016
(Rupees)						
Fire & property damage	537,577,163	70,000,000	483,819,447	56,000,000	53,757,716	14,000,000
Marine, aviation & transport	281,439,447	-	258,924,291	-	22,515,156	-
Motor business	15,000,000	8,000,000	-	-	15,000,000	8,000,000
Health	800,000	300,000	-	-	800,000	300,000
Miscellaneous	100,000	-	-	-	100,000	-
	834,916,610	78,300,000	742,743,738	56,000,000	92,172,872	22,300,000

## 25. FINANCIAL RISK MANAGEMENT

The Board of Directors of the Operator has overall responsibility for the establishment and oversight of the Company'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.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 25.1 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.

### 25.1.1 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.

### 25.1.2 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 31 December is as follows:

	OF		PTF	
	Balance as per the financial statements	Maximum exposure	Balance as per the financial statements	Maximum exposure
	(Rupees)			
<b>2017</b>				
Term deposits	75,000,000	75,000,000	5,000,000	5,000,000
Other receivables including Qard-e-Hasna to PTF	204,908,282	204,908,282	-	-
Takaful / ratakful receivable	-	-	190,121,088	190,121,088
Salvage recoveries accrued	-	-	40,253,650	40,253,650
Receivable from TPL Insurance Limited	14,306,989	14,306,989	-	-
Bank balances	10,970,789	10,970,789	102,674,658	102,674,658
	<u>305,186,060</u>	<u>305,186,060</u>	<u>338,049,396</u>	<u>338,049,396</u>

	OF		PTF	
	Balance as per the financial statements	Maximum exposure	Balance as per the financial statements	Maximum exposure
	(Rupees)			
<b>2016</b>				
Term deposits	100,000,000	100,000,000	135,000,000	135,000,000
Other receivables including Qard-e-Hasna to PTF	192,947,780	192,947,780	10,705,490	10,705,490
Takaful / ratakful receivable	-	-	96,419,263	96,419,263
Salvage recoveries accrued	-	-	31,752,306	31,752,306
Receivable from TPL Insurance Limited	-	-	-	-
Bank balances	12,296,087	12,296,087	52,154,833	52,154,833
	<u>305,243,867</u>	<u>305,243,867</u>	<u>326,031,892</u>	<u>326,031,892</u>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 25.1.3 Past due / impaired assets

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

0-90 days  
Over 90 days  
Total

The above balance is considered good and is not impaired.

PTF	
2017	2016
(Rupees)	
147,510,151	96,419,263
42,610,937	-
190,121,088	96,419,263

## 25.1.4 Credit Rating and Collateral

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

Rating Long term	Rating Agency
AA+	PACRA
AA	JCR-VIS
A	PACRA
A-	JCR-VIS

Rating Long term	Rating Agency
AA+	PACRA
AA	JCR-VIS
AA-	JCR-VIS
A+	PACRA
A+	JCR-VIS

OF	
Amount (in Rupees)	
2017	2016
75,000,000	34,063,556
9,538,812	77,354,612
916,791	-
515,186	877,919
85,970,789	112,296,087

PTF	
Amount (in Rupees)	
2017	2016
5,000,000	6,219,104
17,753,026	-
38,005,079	-
46,805,186	-
111,367	180,935,729
107,674,658	187,154,833

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 SEOP 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:

		PTF	
	Rating	2017	2016
		(Rupees)	
Prepaid re-takaful ceded	A or above (including PRCL)	16,078,846	7,873,838

## 25.1.5 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

	PTF 2017		PTF 2016	
	(Rupees)	%	(Rupees)	%
Individuals	15,006,457	8%	8,674,303	9%
Corporate	175,114,631	92%	87,744,960	91%
	190,121,088	100%	96,419,263	100%

## 25.1.6 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 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.

## 25.2 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.

### 25.2.1 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.

### 25.2.2 Maturity analysis of 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).

	OF 2017		
	Carrying amount	Upto one year	More than one year
	(Rupees)		
<b>ASSETS</b>			
Investments			
- Term deposits	75,000,000	75,000,000	-
Other receivables including Gard-e-Hasna to PTF	204,906,262	45,706,262	159,200,000
Accrued Investment Income	663,014	663,014	-
Deferred commission expense	43,955,293	43,955,293	-
Receivable from TPL Insurance Limited	14,306,969	14,306,969	-
Bank balances	10,970,769	10,970,769	-
<b>Total assets</b>	<b>349,804,367</b>	<b>190,604,367</b>	<b>159,200,000</b>
<b>LIABILITIES</b>			
Unearned Wakala Fee	173,113,525	173,113,525	-
Other creditors and accruals	30,029,429	30,029,429	-
Taxation - payments less provision	31,124,874	31,124,874	-
<b>Total Liabilities</b>	<b>234,267,828</b>	<b>234,267,828</b>	<b>-</b>



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	OF 2016		
	Carrying amount	Upto one year	More than one year
	(Rupees)		
<b>ASSETS</b>			
Investments			
- Term deposits	100,000,000	100,000,000	-
Other receivables including Gard-e-Hasna to PTF	192,947,780	104,947,780	88,000,000
Accrued Investment Income	147,603	147,603	-
Deferred commission expense	13,089,882	13,089,882	-
Receivable from TPL Insurance Limited	-	-	-
Bank balances	12,296,087	12,296,087	-
<b>Total assets</b>	<b>318,481,352</b>	<b>230,481,352</b>	<b>88,000,000</b>
<b>LIABILITIES</b>			
Unearned Wakala Fee	141,252,517	141,252,517	-
Other creditors and accruals	24,853,266	24,853,266	-
Payable to TPL Insurance Limited	56,023,940	56,023,940	-
Taxation - payments less provision	12,020,209	12,020,209	-
<b>Total Liabilities</b>	<b>234,149,932</b>	<b>234,149,932</b>	<b>234,149,932</b>

	PTF 2017		
	Carrying amount	Upto one year	More than one year
	(Rupees)		
<b>ASSETS</b>			
Investments			
- Mutual Funds	63,856,353	63,856,353	-
- Term deposits	5,000,000	5,000,000	-
Amounts due from other takaful / retakaful operators	190,121,088	190,121,088	-
Salvage recoveries accrued	40,253,650	40,253,650	-
Deferred Wakala expense	173,113,525	173,113,525	-
Prepayments	77,123,012	77,123,012	-
Bank balances	102,874,658	102,874,658	-
<b>Total assets</b>	<b>652,142,286</b>	<b>652,142,286</b>	<b>-</b>
<b>LIABILITIES</b>			
Outstanding claims (including IBNR)	98,896,694	98,896,694	-
Unearned contribution reserve	477,955,216	477,955,216	-
Unearned retakaful commission	1,040,281	1,040,281	-
Gard-e-Hasna	199,000,000	39,800,000	159,200,000
Contribution received in advance	1,661,239	1,661,239	-
Takaful / retakaful payable	44,251,205	44,251,205	-
Other creditors and accruals	16,383,382	16,383,382	-
Payable to TPL Insurance Limited	14,608,835	14,608,835	-
<b>Total Liabilities</b>	<b>853,796,852</b>	<b>694,596,852</b>	<b>159,200,000</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## ASSETS

Investments
- Mutual Funds
- Term deposits
Amounts due from other takaful / retakaful operators
Salvage recoveries accrued
Deferred Wakala expense
Prepayments
Bank balances
<b>Total assets</b>

PTF 2016		
Carrying amount	Upto one year	More than one year
(Rupees)		

-	-	-
135,000,000	135,000,000	-
96,419,263	96,419,263	-
31,752,306	31,752,306	-
141,252,517	141,252,517	-
56,729,671	56,729,671	-
52,154,833	52,154,833	-
<b>513,308,590</b>	<b>513,308,590</b>	<b>-</b>

## LIABILITIES

Outstanding claims (including IBNR)
Unearned contribution reserve
Unearned retakaful commission
Gard-e-Hasna
Contribution received in advance
Takaful / retakaful payable
Other creditors and accruals
Payable to TPL Insurance Limited
<b>Total Liabilities</b>

PTF 2016		
Carrying amount	Upto one year	More than one year
(Rupees)		

63,703,488	63,703,488	-
353,131,293	353,131,293	-
35,684	35,684	-
110,000,000	22,000,000	88,000,000
-	-	-
20,311,908	20,311,908	-
94,398,914	94,398,914	-
5,897,662	5,897,662	-
<b>647,478,949</b>	<b>559,478,949</b>	<b>88,000,000</b>

### 25.3 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.

#### 25.3.1 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 25.3.1.1 Sensitivity analysis

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

	OF			
	2017	2016	2017	2016
Financial assets	Effective interest rate (in %)		[Rupees]	
Assets subject to fixed rate				
- Bank deposits	5.50% to 5.75%	5.40% to 5.75%	75,000,000	100,000,000
Assets subject to variable rate				
- Bank balances	3.50% to 5.00%	3.25% to 5.45%	10,970,789	12,296,087

	PTF			
	2017	2016	2017	2016
Financial assets	Effective interest rate (in %)		[Rupees]	
Assets subject to fixed rate				
- Bank deposits	5.50% to 5.75%	5.40% to 5.75%	5,000,000	135,000,000
Assets subject to variable rate				
- Bank balances	3.50% to 5.60%	3.25% to 5.45%	102,563,291	50,935,729

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.

	2017		2016	
	Profit and loss 100 bps		Profit and loss 100 bps	
	Increase	Decrease	Increase	Decrease
	[Rupees]		[Rupees]	

	OF			
	Increase	Decrease	Increase	Decrease
Cash flow sensitivity	1,097,079	(1,097,079)	1,229,609	(1,229,609)

	PTF			
	Increase	Decrease	Increase	Decrease
Cash flow sensitivity	10,256,329	(10,256,329)	5,093,573	(5,093,573)

## 25.3.1.2 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:



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

OF 2017				
Mark-up / return (%)	less than 1 year	1 year to 5 years (Rupees)	More than 5 years	Total
<b>Assets</b>				
Cash and bank deposits	3.50% - 5.75%	85,970,789	-	85,970,789
<b>Total assets</b>		85,970,789	-	85,970,789
<b>Liabilities</b>	-	-	-	-
<b>Total interest sensitivity gap</b>		85,970,789	-	85,970,789

OF 2016				
Mark-up / return (%)	less than 1 year	1 year to 5 years (Rupees)	More than 5 years	Total
<b>Assets</b>				
Cash and bank deposits	3.25% - 5.45%	112,296,087	-	112,296,087
<b>Total assets</b>		112,296,087	-	112,296,087
<b>Liabilities</b>	-	-	-	-
<b>Total interest sensitivity gap</b>		112,296,087	-	112,296,087

PTF 2017				
Mark-up / return (%)	less than 1 year	1 year to 5 years (Rupees)	More than 5 years	Total
<b>Assets</b>				
Bank deposits	3.50% - 5.75%	107,563,291	-	107,563,291
<b>Total assets</b>		107,563,291	-	107,563,291
<b>Liabilities</b>	-	-	-	-
<b>Total interest sensitivity gap</b>		107,563,291	-	107,563,291

PTF 2016				
Mark-up / return (%)	less than 1 year	1 year to 5 years (Rupees)	More than 5 years	Total
<b>Assets</b>				
Bank deposits	3.25-5.45%	185,935,729	-	185,935,729
<b>Total assets</b>		185,935,729	-	185,935,729
<b>Liabilities</b>	-	-	-	-
<b>Total interest sensitivity gap</b>		185,935,729	-	185,935,729

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 25.3.2 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.

## 25.3.3 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.

## 25.4 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.

## 26. STATEMENT OF SOLVENCY

### Assets

#### Investments

- Mutual Funds
- Term deposits

#### Takaful / retakaful receivable

#### Salvage recoveries accrued

#### Deferred Wakala expense

#### Prepayments

#### Bank balances

#### Total assets (A)

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

#### Mutual Funds

#### Takaful / retakaful receivable

#### Total of In-admissible Assets (B)

#### Total of admissible Assets (C=A-B)

#### Total liabilities including Qard-e-Hasna

#### Net deficit as at 31 December 2017

#### Deficit already financed by Qard-e-Hasna

2017  
(Rupees)

63,856,353

5,000,000

190,121,088

40,253,650

173,113,525

77,123,012

102,674,658

652,142,286

38,126,701

42,610,937

80,737,638

571,404,648

853,796,852

(282,392,204)

199,000,000

(83,392,204)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 27. CORRESPONDING FIGURES

As a result of adoption of Insurance Rules, 2017 and Insurance Regulations, 2017 (3.1.1) corresponding figures have been rearranged wherever necessary, for purposes of comparison. There were no material reclassification to report except as follows:

Nature	Transfer from	Transfer to	Rupees
			Aggregate
Term deposit receipts	Cash and Bank balances	Investments	235,000,000
Accrued expenses	Accrued expenses	Other creditors and accruals	275,000
Advertisement and Marketing	Other Expenses	Management Expenses	23,789,834
Travelling and Conveyance	Other Expenses	Management Expenses	976,882
Repairs and Maintenance	Other Expenses	Management Expenses	8,274,375
Depreciation	Other Expenses	Management Expenses	449,113
Amortization Expense	Other Expenses	Management Expenses	299,505
Rent, Rates and Taxes	Other Expenses	Management Expenses	1,439,918
Fuel	Other Expenses	Management Expenses	374,696

## 28. GENERAL

28.1 Figures have been rounded off to the nearest Rupee.

## 29. DATE OF AUTHORIZATION FOR ISSUE


These financial statements have been authorised for issue on 20 February 2018 by the Board of Directors of the Operator.

  
Director

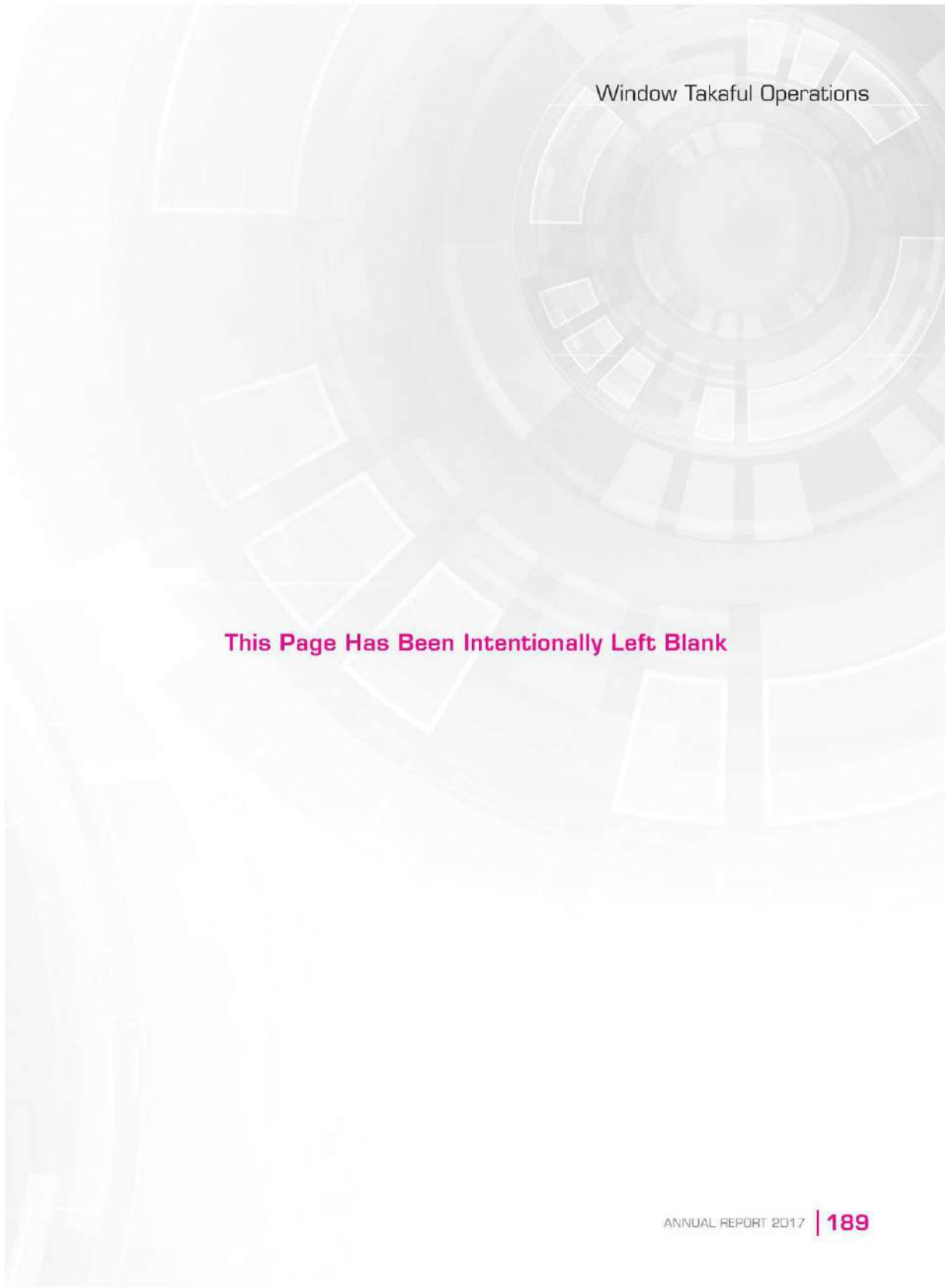
  
Director

  
Chief Financial Officer

  
Chief Executive Officer

  
Chairman





Window Takaful Operations

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# ANNUAL GENERAL MEETING

- 9.1 Notice of Annual General Meeting
- 9.2 Statement of Material Facts
- 9.3 Proxy Form



## 9.1 - NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the members of TPL Insurance Limited ("Company") will be held on Thursday April 19, 2018 at 11:00 a.m., at the Auditorium of the Institute of Chartered Accountants of Pakistan (ICAP) at Chartered Accountants Avenue, Clifton, Karachi, to transact following business:

### ORDINARY BUSINESS

1. To approve the minutes of the Extraordinary General Meeting held on December 11, 2017.
2. To receive, consider and adopt Annual Audited Financial Statements of the Company together with the Directors and Auditors' reports thereon for the year ended December 31, 2017.
3. To appoint Auditors for the year ending December 31, 2018 and fix their remuneration. Messrs EY Ford Rhodes, Chartered Accountants, retire and being eligible have offered themselves for re-appointment.
4. To consider and, if thought fit, approve as recommended by the Board of Directors to issue bonus shares in the proportion of 1 share (s) for every 10 shares held i.e. 10% if thought appropriate to pass with or without modification(s) the following resolution as ordinary resolution:

**RESOLVED** that a sum of RS. 52,861,129 out of the un-appropriated profits and Rs. 22,654,779 out of share premium account of the Company be capitalized and applied towards the issue of 7,551,590 ordinary shares of Rs. 10/- each and allotted as fully paid bonus shares to the members who are registered in the books of the Company as at the close of business on April 10, 2018, in proportion 1 share (s) for every 10 shares held and that such new shares shall rank pari passu with the existing ordinary shares.

**FURTHER RESOLVED** that in the event of any member becoming entitled to a fraction of a share, the Directors be and are hereby authorized to consolidate all such fractions and sell the shares so constituted on the Stock Market and to pay the proceeds of the sale when realized to a recognized charitable institution as may be selected by the Directors of the Company. Shares shall rank pari passu with the existing ordinary shares.

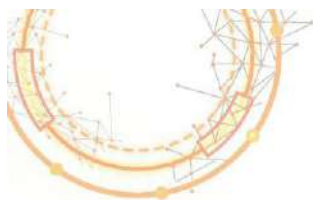
**FURTHER RESOLVED** that the Company Secretary be and is hereby authorized to take all necessary actions on behalf of the Company for allotment and distribution of the said bonus shares as he think fit.

5. To elect Directors of the Company for a three year term. The Board of Directors in the meeting held on February 20, 2018, fixed the number of Directors at seven (7) pursuant to the provisions of Section 159 of the Companies Act, 2017. The term of the office of the following seven (7) Directors will expire on April 30, 2018.
  - i. Mr. Jameel Yusuf S.St.
  - ii. Syed Nadir Shah
  - iii. Mr. Muhammad Ali Jameel
  - iv. Mr. Waqar Ahmed Malik
  - v. Mr. Saad Nisser
  - vi. Mr. Andrew Borda
  - vii. Mr. Rana Assad Amin

The appointment of Directors is subject to the regulatory approval from Security and Exchange Commission of Pakistan in compliance with the Insurance Companies (Sound and Prudent Management) Regulations 2012.

Members who wish to contest election should notify Company Secretary of their intention at least fourteen days before the AGM.





**SPECIAL BUSINESS:**

**6. Remuneration of Directors**

To consider and, if thought fit obtain consent of the shareholders for the revision of remuneration of the Non-Executive Directors for attending the Board Meetings and Sub-Committee Meetings and to pass the following resolution as an Special Resolution, with or without modification:

**RESOLVED THAT**, as recommended by the Board of Directors in terms of its meeting dated February 20, 2018, the revision in the remuneration of Non-Executive Directors to PKR 100,000/- per meeting, for attending Board Meetings and Sub-Committee Meetings be and is hereby approved."

**FURTHER RESOLVED THAT**, as recommended by the Board of Directors in terms of its meeting dated February 20, 2018, the Remuneration of Independent Directors shall remain at PKR 100,000/-.

**7. Investment in the Associated Company**

To consider and, if thought fit, pass resolution pursuant to Section 199 of the Companies Act, 2017 for the renewal of advance to TPL Trakker Limited of PKR. 200 Million and to pass the following resolution as an Special Resolution, with or without modification:

**RESOLVED THAT** pursuant to Section 199 of the Companies Act 2017, the renewal of advance of Rs. 200 Million to the Associated Company, TPL Trakker Limited be and is hereby approved.

**FURTHER RESOLVED** that the, Chief Executive Officer, and the Company Secretary of the Company, be and are hereby authorized to singly take all steps necessary, as may be required in respect of the aforementioned advance and all other matters incidental or ancillary thereto.

**8. Alteration in the Memorandum and Articles of Association of the Company**

To consider and if thought fit pass the following resolution as an Special Resolution, with or without modification for making suitable alteration in the Memorandum and Articles of Association of the Company in order to align the same as per the new Companies Act 2017, as follows.

**RESOLVED THAT** the approval of shareholders be and is hereby accorded for making suitable alteration in the Memorandum and Articles of Association of TPL Insurance Limited in order to align the same as per the new Companies Act 2017.

**FURTHER RESOLVED** that the, Chief Executive Officer, and the Company Secretary of the Company, be and are hereby authorized to singly take all steps necessary, as may be required in respect of the aforementioned alteration and all other matters incidental or ancillary thereto.

(A Statement of Material Facts under Section 134 of the Companies Act 2017 relating to the aforesaid Special Business to be transacted at the said Annual General Meeting has been annexed separately to this notice.)

**ANY OTHER BUSINESS**

**9. To consider any other business with the permission of Chairman.**

By Order of the Board

Danish Qazi  
Company Secretary

Dated: March 29, 2018



#### Notes:

- 1) The Share Transfer Books of the Company will be closed from April 11, 2018 to April 19, 2018 (both days inclusive).
- 2) A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint an other person as proxy to attend and vote instead of him. The Proxy Forms, in order to be effective, must be received at the Registrar of the Company M/s THK Associates (Pvt.) Ltd, 1st Floor, 40-C, Block-6, P.E.C.H.S, KARACHI-75400., not less than 48 hours before the Meeting.
- 3) For identification, CDC account holders should present the participant's National Identity Card, and CDC Account Number and in case of proxy must enclose an attested copy of his/her CNIC. The representatives of corporate bodies should bring attested copy of Board of Directors Resolution/ Power of Attorney and/or all such documents as are required under Circular No. 1 dated 26 January 2000 issued by Securities & Exchange Commission of Pakistan for this purpose.
- 4) Members are requested to timely notify any change in their addresses and provide copies of their CNIC /NTN (if not provided earlier) to Bank's Registrar / Share Transfer Agent, M/s. THK Associates (Pvt.) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi-75400.

#### 5) Election of Directors:

The number of Directors to be elected at the Annual General Meeting has been fixed by the Board of Directors, at Seven (07) at its meeting held on February 20, 2018. Any person (including a retiring director) who seeks to contest election for directorship of the Company shall file with the Company at its registered office:

- i) A Notice of his/her intention to offer himself for election 14 days before the date of the above said Annual General Meeting, in terms of Section 178(3) of the Companies Act, 2017;
  - ii) Document as required under the Insurance Companies (Sound and Prudent Management) Regulations 2012;
  - iii) Form 28 (consent to act as Director) prescribed under the Companies Act, 2017;
  - iv) Detailed profile along with office / residential address;
  - v) Declaration in respect of the eligibility criteria as set out in the Companies Act 2017 to act as Director of the Company; and
  - vi) Attested copy of valid CNIC and NTN.
- 6) The Company shall provide video conference facility to its members for attending the General Meeting at places other than the town in which general meeting is taking place after considering the geographical dispersal of its members: provided that if members, collectively holding 10% or more shareholding residing at a geographical location, provide their consent to participate in the meeting through video conference at least 10 days prior to date of the meeting, the Company shall arrange video conference facility in that city subject to availability of such facility in that city.

If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video-link at least [10] days prior to date of meeting, the Company will arrange video-link facility in the city subject to availability of such facility in that city.

The Company will intimate members regarding venue of video-link facility at least 5 days before the date of the Annual General Meeting along with complete information necessary to enable them to access the facility.







In this regard, please fill the following form and submit to registered address of the Company 10 days before holding of the Annual General Meeting:-

I/We, \_\_\_\_\_ of \_\_\_\_\_ being a member of TPL Insurance Limited, holder of \_\_\_\_\_ Ordinary shares as per Register Folio No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_.

**7) Procedure for Election of Directors:**

According to the Company's Articles of Association and the Companies Act, 2017, the following procedure is to be followed for nomination and election of Directors:

1. The election of seven (7) Directors will be for a term of three year, commencing from April 30, 2018.
2. The Directors shall be elected from persons who offer themselves for election and are eligible as per the criteria given in the Companies Act 2017.
3. Any person wishing to participate in election (including a retiring Director) is required to file with the Company (not later than 14 days before the election date), a notice of his intention to participate in election, along with duly completed and signed Form 2B giving his consent to act as Director of the Company if elected, and certify that he is not ineligible to become a Director.
4. A person may withdraw his candidature any time before the election is held.
5. If the number of candidates equals the number of vacancies, no voting will take place and all the candidates will be deemed to have been elected.
6. In case of voting, a Member shall have votes equal to the number of shares held by him multiplied by seven (i.e. the number of Directors to be elected).
7. A Member may cast vote/s in favour of a single candidate or for as many of the candidates and in such proportion as the Member may choose.
8. The person receiving the highest number of votes will be declared elected, followed by the next highest, and so on, till all the vacancies are filled.

**8) Members are requested to immediately notify the change, if any, in their registered address/contact numbers to the Share Registrar on the following address:**

THK Associates (Pvt) Limited,  
1st Floor, 40-C, Block-6,  
P.E.C.H.S, Karachi-75400.

## 9.2 - STATEMENT OF MATERIAL FACTS UNDER SECTION 134 OF THE COMPANIES ACT, 2017

This statement set out the material facts concerning the Special Business to be transacted at the Annual General Meeting of the Company to be held on Thursday April 19, 2018.

### Agenda Item No. 7

#### Authorization of renewal of advance to TPL Trakker Limited

TPL Insurance Limited (the Company) is desirous to renew its advance to TPL Trakker Limited which was subject to a maximum amount of Rs. 200 million initially approved by the Board of Directors on August 15, 2017. The renewal of advance to TPL Trakker Limited shall be up to the extent of Rs. 200 million. The outstanding balance due to TPL Trakker Limited as at December 31, 2017 amounts to Rs. 200 million. Markup will be charged at a rate equivalent to the borrowing cost of the Company on the outstanding principal balance. This markup will be revised / reviewed in case any change occurs in the borrowing cost of the Company. The repayment period for the said advance will expire on 30th June 2020.

The above renewal of advance has been approved by the Board of Directors of the Company in their meeting held on February 20, 2018.

The information required to be annexed to the Notice by Notification No. SRO 27(I)/2012 dated 16th January 2012 is set out below:

Name along with the basis of relationship of the associated company / undertaking;	TPL Trakker Limited, an associated company with a common directorship: Mr. Ali Jameel and Mr. Saad Nissar are Directors of the Company and TPL Insurance Limited).	
Amount of loans or advances	Up to Rs. 200 million	
Purpose of loans or advances and benefits likely to accrue to the investing company and its members from such loans or advances;	For uninterrupted supply of tracking units and its monitoring services to the company.	
In case any loan has already been granted, the complete details thereof	Advances on account of rentals of tracking units.	
Financial position of the associated company	Advances on account of rentals of tracking units.	
	Statement of Financial Position	Rupees
	Non-current assets	3,602,041,657
	Other assets	2,661,976,895
	Total Assets	6,264,018,552
	Total Liabilities	3,055,507,769
	Represented by:	
	Paid up capital	2,172,489,630
	Accumulated Profit	807,416,883
	Surplus on Revaluation of Fixed Assets	228,604,270
	Equity	3,208,510,783



	Statement of Comprehensive Income	Rupees
	Profit before interest and taxation	74,672,064
	Financial charges	(48,327,406)
	Profit before taxation	26,344,658
	Taxation	(8,333,030)
	<b>Profit after taxation</b>	<b>18,011,628</b>
Average borrowing cost of the investing company or in case of absence of borrowing the KIBOR (Karachi Inter Bank Offered Rate) for the relevant period	1 year KIBOR+3.5% with Floor of 10%	
Rate of interest, mark up, profit, fees or commission etc. to be charged;	1 year KIBOR+3.5% with Floor of 10%	
Sources of funds from where loans or advances will be given	Own investments	
Where loans or advances are being granted using borrowed funds: a) justification for granting loan or advance out of borrowed funds; b) detail of guarantees / assets pledged for obtaining such funds, if any; and c) repayment schedules of borrowing of the investing company	Not applicable.	
Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any;	The loan is unsecured.	
If the loans or advances carry conversion feature i.e. it is convertible into securities, this fact along with complete detail including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable;	Not applicable.	
Repayment schedule and terms of loans or advances to be given to the investee company	The loan shall be set off with the monthly rental expenses over the period as per the invoicing by the investee company.	
Salient feature of all agreements entered or to be entered with its associated company/ undertaking with regards to proposed investment	The Company has entered into cost sharing agreement with TPL Trakker Limited to obtain synergies.	

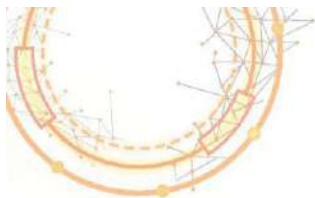


Interest, direct or indirect, of directors, sponsors, majority shareholders and their relatives, if any, in the associated company/undertaking or the transaction under consideration	Mr. Ali Jameel and Mr. Saad Nissar, the directors of the company, are also the directors of TPL Trakker Limited.
Any other important details necessary for the members to understand the transaction; and	These have been explained above.
In case of investment in a project of an associated company / undertaking that has not commenced operations, in addition to the information referred to above, the following further information is also required: a) a description of the project and its history since conceptualization; b) starting date and expected date of completion; c) time by which such project shall become commercially operational; d) expected return on total capital employed in the project; and e) funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts;	Not applicable.

#### **Agenda Item No. 8**

##### **Alteration in the Memorandum and Articles of Association of TPL Insurance Limited**

The Board of Directors of the Company has decided vide its meeting dated February 20, 2018 to make suitable alteration in the Memorandum and Articles of Association of the Company. Subject to clauses 38 and 41 of the Companies Act 2017, the Company hereby notifies the shareholders that the Memorandum and Articles of Association of the Company is being altered as per the prescribed format mentioned therein.



### 9.3 - PROXY FORM

I/We \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ being a member of TPL Insurance Limited hereby appoint  
\_\_\_\_\_ of \_\_\_\_\_ or failing  
him \_\_\_\_\_ of \_\_\_\_\_ as my proxy to vote for me and on  
my behalf at the Annual General Meeting of the Company to be held on the 19th day of April 2018 and at any  
adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

1. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC or \_\_\_\_\_  
Passport No. \_\_\_\_\_

Signature

Revenue  
Stamp

2. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC or \_\_\_\_\_  
Passport No. \_\_\_\_\_

(Signature should agree with  
specimen signature  
registered with the Company)

Share holders Folio No. \_\_\_\_\_  
and/or CDC Participant ID \_\_\_\_\_  
No. and Sub Account No. \_\_\_\_\_

پراکسی فارم

سیکرٹری / ار جیٹرا

[illegible]

دستخط \_\_\_\_\_ تاریخ \_\_\_\_\_ 2018

ممبر (ممبران) کے دستخط

ریونیومہر پر دستخط

گواہ

و سخط

-----ت

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر-----

گواہ 2

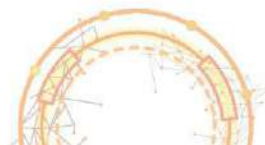
دستخط -----

نام

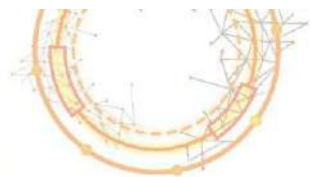
کپیوٹرائزڈ قومی شناختی کارڈ نمبر-----

نوٹس:

- 1- پراسیکیوٹن کا ممبر ہونا ضروری نہیں ہے۔  
2- درست ہونے کے لیے، پراسیکیوٹر جو کہ برحفاظ سے باقاعدہ مکمل ہو، اس کا پکینی کے رجسٹرڈ آفس کے ایڈریس پر اجلاس سے 48 گھنٹے قبل موصول ہونا ضروری ہے۔  
3- سی ڈی سی شیئر ہولڈرز یا ان کے پراسیکیوٹر اپنی شناخت کے لیے اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ مجھے دار کا آئی ڈی نمبر اور ان کا اکاؤنٹ نمبر اپنے ہمراہ لائیں۔  
4- کمپنیز کے لیے ان کے بورڈ آف ڈائریکٹرز کا ریزولوشن یا بورڈ آف انٹرنی و سٹپل کے نمونے کے ساتھ جمع کروائیں۔









# GLOSSARY






## GLOSSARY


S.No	Term	Designation
1	Actuary	An actuary is a professional who assesses and manages the risks of financial investments, insurance policies and other potentially risky ventures.
2	Actuarial Valuations	A determination by an actuary at a special date of the value of a insurance Company's assets and its liabilities.
3	Amortisation	The process of allocating the cost of an intangible asset over a period of time. It also refers to the repayment of loan principal over time.
4	Authorised Share Capital	The maximum value of share that a Company can legally issue.
5	Book Value	The value of an asset as entered in a company's books.
6	Capital Reserves	Any reserve not regarded free for distribution by way of dividends.
7	Cedant	Client of a reinsurance company.
8	Combined Ratio	Percentage ratio of the sum of net claims plus management expenses and net commission to net earned premiums. It corresponds to the sum of the loss ratio, commission ratio and the expense ratio.
9	Commission	Remuneration to an intermediary for services such as selling and servicing an insurer's products.
10	Claims	The amount payable under a contract of insurance arising from occurrence of an insured event.
11	Claims Incurred	The aggregate of all claims paid during the accounting period together with attributable claims handling expenses, where appropriate, adjusted by the gross claims reserve at the beginning and end of the accounting period.
12	Corporate Social Responsibility	Is a process with the aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, and all other members of the public who may also be considered as stakeholders.
13	CPEC	The China-Pakistan Economic Corridor (CPEC) is a collection of infrastructure projects currently under construction throughout Pakistan.
14	Deferred Commission	Expenses which vary with and are primarily related to the acquisition of new insurance contracts and renewal of existing contracts, which are deferred as they relate to a period of risk subsequent to the Balance Sheet date.
15	Deferred Tax	An accounting concept (also known as future income taxes), meaning a future tax liability or asset in respect of taxable temporary differences.
16	Depreciation	Is the systematic allocation of the cost of an asset over its useful life.
17	Doubtful debts	Is a debt where circumstances have rendered its ultimate recovery uncertain.
18	Earnings per share	Amounts for profit or loss attributable to ordinary shareholders of the entity.
19	Fair Value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing business partners in an arm's length transaction.
20	General Insurance	All kind of Insurance except Life Insurance, i.e., Fire, Marine, Motor and Other Insurance.
21	General Takaful	Protection to participants for losses arising from perils such as accident, fire, flood, liability and burglary.
22	Gross contribution	It is the payment of an amount by a participant to the Takaful Participant Fund, whether direct, through intermediaries for the purpose of mutual protection and assistance.
23	Gross Written Premium	Premium which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance.
24	Impairment	The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.
25	Incurred but not reported (IBNR)	Claim incurred but not reported to the insurer until the financial statements reporting date.
26	Insurance Contracts	A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder for a specified uncertain future event.
27	Intangibles	An identifiable non-monetary asset without physical substance.

S.No	Term	Designation
28	Internal Control	An accounting procedure or system designed to promote efficiency or assure the implementation of a policy or safeguard assets or avoid fraud and error etc.
29	KIBOR (Karachi Interbank Offered Rate)	Interbank lending / borrowing rates quoted by the banks
30	Loss Ratio	Percentage ratio of claims expenses to net premium.
31	Market Share	The portion of a market controlled by a particular company or product.
32	Market Value	The highest estimated price that a buyer would pay and a seller would accept for an item in an open and competitive market.
33	MIS	Management Information System.
34	Mutual fund	A type of professionally managed investment fund that pools money from many investors to purchase securities
35	National Exchequer	The account into which tax funds and other public funds are deposited.
36	Net Asset Value	The value of Total Assets less Current Liabilities
37	Net Contributions	Gross Contributions less all re-takaful contributions payable.
38	Net Premium Revenue	Gross written premium less Reinsurance expense.
39	Non-Life Insurance	Non-Life Insurance and General Insurance have the identical meaning.
40	Outstanding Claims	A type of technical reserve or accounting provision in the Financial Statements of an Insurer to provide for the future liability or claims
41	Paid up Capital	The amount of money a company has received from shareholders in exchange for shares of stock.
42	Pakistan Investment Bonds	Long term instruments issued by the Government of Pakistan
43	Participant's Takaful Fund(PTF)Waqf Fund	An account to credit a portion of contribution from the participant for the purpose of Tabarru'
44	Premium	Amount that has to be paid by the insured for the cover provided by the Insurer
45	Proxy	Power of Attorney by which the Shareholder transfers the voting rights to another shareholder
46	Qard-e-Hasna	Interest Free Loan from Takaful Operator to the Takaful Participant Fund in order to meet any shortfall in the Fund
47	Quoted	Being listed on a Stock Exchange.
48	Registered Office	The registered office is an address which is registered with the government registrar as the official address of a company.
49	Reinsurance	A method of insurance arranged by insurers to share the exposure of risks accepted.
50	Re-takaful	The arrangement under which a part of the risk is shared between the companies originally issuing the policy (the takaful operator) to another Takaful company (Re-Takaful) known as the re-takaful
51	Reinsurance Commission	Commission received or receivable in respect of premium paid or payable to a reinsurer.
52	Reinsurance Premium	The premium payable to the reinsurer in respect of reinsurance contract.
53	Related Party	Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.
54	Retrocession	Transfer of risk from a reinsurer to another reinsurer.
55	Revenue Reserves	Reserve that is normally regarded as available for distribution through the profit and loss account, including general reserves and other specific reserves created out of profit and un-appropriated profit.
56	Risk	Condition in which there is a possibility of loss.
57	Risk Management	Includes analyzing all exposures to gauge the likelihood of loss and choosing options to better manage or minimize loss.
58	Statutory levies	Fee charged (levied) by a government on a product, income, or activity.
59	Strategic Objectives	A broadly defined objective that an organisation must achieve to make its strategy succeed
60	Subsequent Event	Are events concerning conditions which arose after the balance sheet date, but which may be of such materiality that their disclosure is required to ensure that the financial statements are not misleading.
61	Takaful	An Islamic concept of insurance.
62	Takaful Operator	A legal entity, who underwrites, administers and manages the Takaful program on behalf of the participants.





S.No	Term	Designation
63	<b>Takaful Policy</b>	The agreement entered into between the operator and the participant(s) for the purposes of Takaful arrangements.
64	<b>Tangibles</b>	An asset whose value depends on particular physical properties.
65	<b>Underwriting Profit</b>	This is the profit generated purely from the General Insurance business without taking into account the investment income and other non-technical income and expenses.
66	<b>Unearned Premium</b>	It represents the portion of premium already entered in the accounts as due but which relates to a period of risk subsequent to the Balance Sheet date.
67	<b>Wakala</b>	Islamic terminology for agent-principal relationship, where a person nominates another to act on his behalf.





### بورڈ اجلاس :

2017ء میں بورڈ آف ڈائریکٹرز نے پانچ اجلاس منعقد کئے۔  
ڈائریکٹرز کی حاضری ذیل سے ظاہر ہے:

#### ڈائریکٹرز کا نام شرکت کردہ اجلاس

5	جناب جیل یوسف
4	جناب علی جمیل
4	جناب انور یو یو ڈا**
5	جناب بلال بن ظفر
5	جناب وقار ملک
5	جناب سید نادر شاہ
5	جناب سعد ثار
1	جناب چارلس رابرٹ پلاٹ *

\* سال کے دوران مستغنی

\*\* سال کے دوران غیر رسمی شہادت پڑکی۔

### اعتراف :

ہم کمپنی کے شیئر ہولڈرز کا اسکے اعتماد کیلئے جواہوں نے کمپنی پر ظاہر کیا اس کیلئے شکر گزار ہیں۔ ہم پاکستان اسٹاک ایکسچینج، فیڈرل بورڈ آف ریونیو و خصوصیات ریونیو اتھارٹیز، سنٹرل ڈپازٹری کمپنی اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے فراہم کردہ گراں قدر معاونت اور رہنمائی کو بھی دل سے سراہتے ہیں۔ ہم ہمارے ادارہ جاتی مقاصد کے حصول میں ہمارے ملازمین اسٹریٹجک پارٹنرز، ویڈیوز، ٹیکرز اور کسٹمرز کا پر خلوص شکریہ ادا کرتے ہیں جنہوں نے اس سلسلے میں ہماری بھرپور مدد کی۔



سعد ثار

چیف ایگزیکٹو آفسر

20 فروری 2018

- بورڈ نے اپنے ڈائریکٹرز کے لئے تربیت کو یقینی بنایا ہے۔ کمپنی کے پانچ ڈائریکٹرز نے ڈائریکٹر کے ٹریڈنگ پروگرام میں شرکت کی ہے۔ جبکہ کمپنی کے ایک ڈائریکٹر کارپوریٹ گورننس کے کوڈ کے مطابق مندرجہ بالا تربیت سے مستثنیٰ ہیں۔
- بمطابق 30 جون 2017 پر ووٹیفنڈ فنڈز کے غیر آڈٹ شدہ اکاؤنٹس کی بنیاد پر ووٹیفنڈ فنڈز کی سرمایہ کاریوں کی مالیت 29.5 ملین روپے (2016 میں 21.5 ملین روپے) ہے۔

### انشورنس آرڈیننس 2000:

- جیسا کہ انشورنس آرڈیننس 2000 اور اس کے تشکیل دیے گئے قوانین کے تحت درکار ہے ڈائریکٹر کو یقین کرتے ہیں کہ:
- ۱۔ ان کے خیال اور ان کے بھریں یقین میں کمپنی کے سالانہ قانونی اکاؤنٹس جو کہ اس گوشوارہ کے ساتھ منسلک فارم میں ترتیب دیئے گئے ہیں۔ انشورنس آرڈیننس 2000 داران کے تحت بنائے گئے قوانین کے عین مطابق تحریر کیا گیا ہے۔
  - ۲۔ کمپنی نے دوران سال اوپر بیان کے تحت بنائے گئے آرڈیننس قوانین کی دفعات کے مطابق، پیڈ اپ کمپنل، سرمایہ، سولویسی اور ری انشورنس انتظامات اور بیان کی کسی تاریخ تو اندا وضو ابد کی پابندی کے ساتھ کیئے ہیں۔

### کوڈ آف کنڈکٹ (ضابطہ اخلاق):

کمپنی یقین دہانی کرتی ہے کہ اس کی تمام تر سرگرمیاں شفاف طریقے سے کاروباری ضابطہ اخلاق کی بنیاد پر بروہی پر مبنی برداشت کے ساتھ جاری رکھی گئی ہیں۔

### پیٹرن آف شینر ہولڈنگ:

بمطابق 31 دسمبر 2017، کمپنی کا پیٹرن آف شینر ہولڈنگ کا شیئرنٹ (گوشوارہ) درج ذیل ہے۔

Shareholder's Category	Number of Shares Held	Percentage of Shareholding
Parent Company TPL Corp Limited	71,162,511	94.24%
Directors	222,501	0.29%
Mutual Fund	841,758	1.11%
General Public (Local)	2,863,189	3.82%
General Public (Foreign)	105,501	0.14%
Others	220,429	0.29%
Total	75,515,889	100%

### کمپنی کے شینرز میں ٹریڈنگ (تجارت):

سال کے دوران ڈائریکٹرز کی جانب سے کمپنی کے شینرز میں کوئی ٹریڈنگ (تجارت) نہیں کی گئی علاوہ کوالیفیکیشن شینرز کیلئے جس سے کمپنی کا ڈائریکٹر بنا جاتا ہے۔ ایک گوشوارہ جو شینرز ہولڈنگ کے پیٹرن کو ظاہر کرتا ہے اس رپورٹ میں منسلک کر دیا گیا ہے۔

## آڈیٹرز:

میسرز ارنسٹ اینڈ یونگ فور ہونڈ چارٹرڈ اکاؤنٹنٹس کی مدت اختتام پڑی ہوئی اور انھوں نے دوبارہ آڈیٹرز کے طور پر تقرری کے لئے خود کو پیش کیا ہے۔ بورڈ آف ڈائریکٹرز نے 31 دسمبر 2018 کو ختم ہونے والے مالی سال کے لئے آڈیٹرز کے طور پر باہمی رضامندی سے طے ہونے والی فیس پر ان کی تقرری کی سفارش کی ہے۔

## متعلقہ پارٹی لین دین:

بورڈ آف ڈائریکٹرز کے سامنے ریٹیل پورٹل ٹرانزیکشنز پیش کئے اور اسے بورڈ کی جانب سے منظور کر لیا گیا۔ یہ ٹرانزیکشنز یعنی لین دین انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈ اوپن نیٹ 2017ء سے ہم آہنگ تھے۔

## کارپوریٹ سماجی ذمہ داری:

ہم پسماندہ آبادی کے طبقات کے لئے مالی اور سماجی نقل و حرکت کے فروغ دینے کے مشن کو اپنائے ہوئے ہیں، اور سسٹم کی بہتری کے لئے کوشاں ہیں۔ جس سے غربت کے خاتمے، تعلیمی نتائج میں کمی کے خاتمے، صحت کی سہولیات میں کمی پر قابو پانے، اور معیار زندگی کے سماجی چیلنجز سے نمٹنے میں مدد ملے گی۔ اور جہاں بھی ممکن ہو قطع نظر نسل، رنگ، مذہب اقتصادی بہبود کو بہتر بنانے کے کوشاں ہیں۔ ہم اپنی بنیادی مہارت کے مضبوط کنکشن کے ساتھ معاشرے پر ایک باہمی اثر حاصل کرنے کے لئے کوشش کرتے ہیں اور اس کا مقصد معاشرے کے پسماندہ طبقات کی ترقی ہے۔

## کارپوریٹ اور فنانشل رپورٹنگ فریم ورک پر بیان:

بورڈ، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی طرف سے مقرر کردہ گورننس کے کوڈ کے تحت کارپوریٹ ذمہ داریوں سے پوری طرح آگاہ ہے اور اس امر کی تصدیق کرتا ہے کہ:

- کمپنی کی جانب سے تیار کردہ مالیاتی گوشوارے، اس کے آپریشنل نتائج، کیش فلو، اور ایکویٹی میں تبدیلیوں کا اظہار شفاف طور پر کیا گیا ہے۔
- کمپنی کے اکاؤنٹس باقاعدہ طور پر مرتب کیے گئے ہیں۔
- مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو مسلسل اپنایا گیا۔ مالیاتی انداز محتاط روی سے لئے گئے۔
- بین الاقوامی اکاؤنٹنگ کے معیارات، بین الاقوامی مالیاتی رپورٹنگ کے معیارات اور دیگر قواعد و ضوابط (بشمول شریعہ کے رہنما خطوط/ اصول) جو پاکستان میں قابل عمل ہیں، مالیاتی گوشواروں کی تیاری میں پیروی کی گئی، اور کسی بھی اختلاف کو مناسب طور پر بیان کیا گیا۔
- اندرونی کنٹرول کا نظام مضبوط ہے اور مؤثر طور پر نافذ اور منیٹر کیا جاتا ہے۔
- کمپنی کے بنیادی اصول مضبوط ہیں اور کمپنی کے قائم رہنے کی صلاحیت کسی شک و شبہ سے بالاتر ہے۔
- کمپنی کارپوریٹ گورننس کے بہترین طریقوں کی پیروی کر رہی ہے اور کارپوریٹ گورننس کے مطابق کوئی کوتاہی نہیں ہوئی۔
- گزشتہ چھ سال کے مالیاتی اشارے اور کلیدی اعداد و شمار کا اختصار یہ اس سالانہ رپورٹ میں شامل ہے۔
- گزشتہ سال کے آپریشنل نتائج سے کوئی قابل ذکر انحراف نہیں ہوا ماسوائے شرارتی ٹکافل فنڈ میں خسارے کے، جس کی وضاحت اس رپورٹ میں کردی گئی ہے۔
- ٹیکس، فرائض، لیویز اور بقایا جات کی قانونی ادائیگیاں معمول کے مطابق کی گئی ہیں۔



### انویسٹمنٹس (سرمایہ کاری) :

31 دسمبر 2017ء کے مطابق کمپنی کی جانب سے کی گئی سرمایہ کاری 1,069.5 ملین روپے (2016ء میں 821.8 ملین روپے) پر رہی جو زیادہ تر 350.0 ملین روپے (2016ء میں 717.0 ملین روپے) کی مالیت میں ٹرم ڈپازٹس میں سرمایہ کاری 99.5 ملین روپے (2016ء میں 100.4 ملین روپے) مالیت کی گورنمنٹ سکیورٹیز میں سرمایہ کاری اور 620.0 ملین روپے (2016ء میں 4.4 ملین روپے) مالیت کی ایکٹیو اور پچھلے فنانس میں سرمایہ کاری پر مشتمل ہے۔ ان تمام سرمایہ کاریوں کی مجموعی مارکیٹ ویلیو 1,076.4 ملین روپے (2016ء میں 830.9 ملین روپے) بنتی ہے۔

### کمپنی اور بینک بیلنسز :

کمپنی کا کمپنیشن (نقد) اور بینک بیلنسز کی مالیت 133.6 ملین روپے (2016ء میں 176.4 ملین روپے) ہے۔ اس کے علاوہ شرائطی نکاح فنانسنگ اور بینک بیلنسز 102.7 ملین روپے (2016ء میں 52.1 ملین روپے) رہا ہے۔

### منافع منقسمہ (ڈیویڈنڈ) :

ہم بورڈ آف ڈائریکٹرز 10% پلئس شیئرز جاری کرنے کی تجویز کرتے ہیں۔ یعنی شیئرز کے لحاظ سے ہر 10 شیئرز کیلئے ایک شیئر۔

### کریڈٹ ریٹنگ :

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے کمپنی کی کریڈٹ ریٹنگ کو اے پلس (A+) اسٹیبل آؤٹ لک کے ساتھ اپ گریڈ کیا ہے۔

### گزشت چھ (6) برسوں کی بنیادی مالیاتی معلومات :

Rs. Million

Balance Sheet	2017	2016	2015	2014	2013	2012
Paid up share capital	893.8	893.8	893.8	452.3	452.3	452.3
Accumulated (losses) / Unappropriated profits	253.9	148.9	45.7	12.4	-13.5	-65.0
Unrealized gain (loss) on revaluation of available for-sale investments	-26.4	2.3	1.6	0.0	0.0	0.0
<b>Total Equity</b>	<b>1,121.3</b>	<b>1,045.0</b>	<b>941.2</b>	<b>464.8</b>	<b>438.8</b>	<b>387.3</b>
Investments	1,069.5	821.8	727.0	49.9	153.2	149.3
Fixed assets	70.0	361.2	384.7	308.7	169.1	120.2
Capital work in progress	21.4	0.0	0.0	4.8	19.1	47.9
Cash and bank deposits	133.6	176.4	18.6	9.0	108.4	17.8
Other assets	870.7	602.0	551.6	815.9	625.8	508.0
<b>Total assets of General Takeful Operations - OF</b>	<b>335.5</b>	<b>318.9</b>	<b>190.7</b>	<b>81.4</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>	<b>2,500.6</b>	<b>2,280.2</b>	<b>1,870.6</b>	<b>1,269.8</b>	<b>1,075.5</b>	<b>843.1</b>
Underwriting liabilities	805.7	831.0	693.9	695.9	568.0	418.8
Short term finance	-	-	-	-	-	-
Other liabilities	339.3	226.1	129.9	81.6	68.7	36.9
<b>Total liabilities of General Takeful Operations - OF</b>	<b>234.3</b>	<b>178.1</b>	<b>105.7</b>	<b>27.5</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>1,379.3</b>	<b>1,235.2</b>	<b>929.4</b>	<b>805.0</b>	<b>636.7</b>	<b>455.7</b>
<b>Profit and Loss</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Gross premium written	1,383.7	1,370.2	1,171.3	1,156.0	869.9	706.5
Net premium revenue	1,299.5	1,204.4	1,129.3	1,042.9	733.5	819.9
Underwriting expenses	-1,200.3	-1,153.7	-1,074.4	-965.1	-619.9	-532.4
Underwriting results	99.2	50.7	54.9	77.8	113.6	87.5
Investment income and other income	171.4	181.5	140.5	93.1	74.3	82.8
Other expenses	-154.8	-118.9	-160.1	-135.2	-109.6	-107.9
Profit before tax from General Insurance Operations	115.8	113.3	35.2	35.7	78.4	62.2
Profit before tax from Window Takeful Operations	47.5	35.5	10.4	3.2	-	-
Profit / (Loss) before tax for the year	163.4	148.8	45.6	39.0	-	-
Profit / (Loss) after tax	105.0	103.2	33.3	25.9	51.5	42.7

## ونڈو کافل آپریشنز:

کمپنی کے ونڈو کافل آپریشنز (ڈبلیو آئی) نے 909.0 ملین روپے تک کی کنٹریبیوٹن کو انڈر رائٹ کیا (2016ء میں 684.3 ملین روپے) جس میں 32.8% کا اضافہ درج کیا گیا۔ آپریٹنگ اور شرارتی کافل فنڈ کے کنٹریبیوٹنڈ (مشترکہ) کا شہ جات کی مالیت 1,001.9 ملین روپے تک پہنچ گئی (2016ء میں 844.5 ملین روپے)۔

کمپنی کے ڈبلیو آئی نے فائز اور پراپرٹی موبائل اور صحت کے شعبہ جات میں اس کے شریکین یا ڈائریکٹرز اور شریکین یا ڈائریکٹرز کی امانت سے کنٹریبیوٹنڈ کی منظوری دی۔ ڈبلیو آئی اور برنس کی ایلیٹس لائسنز کے آغاز کی منصوبہ بندی کر رہا ہے جو ہمیں سسٹم کے توسیع کی اجازت دے گا تاکہ کلائنٹس اور برنس پارٹنرز کی اچھی خاصی تعداد کی طرف سے واضح درخواستوں پر غور کریں اور مارکیٹ کو مزید فروغ دیں۔

شرارتی کافل فنڈ نے 69.9 ملین روپے (2016ء میں 66.8 ملین روپے) کا نقصان رجسٹر کیا۔ جس کی وجہ سے ساہجندہ پرائیویٹ لمیٹڈ کا تناسب اور ٹیکس کے ذریعے برنس انڈر رائٹن (کاروباری ضمانت) پر لازمی ٹریڈنگ ہے۔ ڈبلیو آئی اور شریکین شعبے میں اثر و نفوذ پر توجہ دے رہا ہے۔ اس کے ساتھ ساتھ ٹیکس کے ذریعے برنس کی قیمت پر غور کیا جا رہا ہے۔ یہ توقع کی جاتی ہے کہ شرارتی کافل فنڈ آئندہ برسوں میں بریک ایون کرے گا اور کمپنی فنڈ کو فراہم کردہ قرض حصد واپس وصول کرے گا۔

## مالیاتی جائزہ:

کمپنی نے 163.4 ملین روپے (2016ء میں 148.8 ملین روپے) کا قبل از ٹیکس منافع کمایا، بشمول 47.5 ملین روپے (2016ء میں 35.5 ملین روپے) کا آپریٹنگ سے ہونے والا منافع۔ 69.9 ملین روپے (2016ء میں 66.8 ملین روپے) کا شرارتی کافل فنڈ سے نقصان 2015ء کے ایس ای سی کے سرکل نمبر 25 کے مطابق کمپنی کے منافع میں شامل نہیں کیا گیا۔ قبل از ٹیکس اور بعد از ٹیکس چیک منافع فی شیئر علی الترتیب 2.16 اور 1.39 روپے (2016ء میں 1.85 روپے اور 1.37 روپے) تھی۔

Year	Profit before tax (Rs. In millions)
2012	62.2
2013	78.4
2014	38.9
2015	45.6
2016	148.8
2017	163.4



ہم کمپنی کے پیمائش کو مسلسل بڑھانے کے منصوبے رکھتے ہیں اور ساتھ ہی منافع کو بھی نمایاں طور پر بڑھانے کی منصوبہ بندی کر رہے ہیں تاکہ ہمارے شیئر ہولڈرز کیلئے بلند تر منافع جات حاصل کر سکیں۔ پیمائش کو بڑھانے کے اقدامات میں موجودہ پروڈکٹس اور شعبہ جات (موٹر، ونڈو کافل آپریشنز) کو مزید وسعت دینے کے ساتھ ساتھ فائز اور میرین شعبے کے برنس کی کارپوریٹ لائسنز میں اضافہ بھی شامل ہے۔

کمپنی نے برس با برس سے اپنے اثاثہ جات میں کافی اضافہ کیا ہے اور مارکیٹ میں ویلیو ایڈیٹ یعنی قدر افزا اور نئی پروڈکٹس کے آغاز سے ایک ٹھوس پلیٹ فارم کو تقویت فراہم کی ہے۔

Year	Total Assets* (Rs. In millions)	Net Assets (Rs. In millions)
2012	843	387
2013	1,076	439
2014	1,270	465
2015	1,871	941
2016	2,280	1,045
2017	2,489	1,109



\* شرارتی کافل فنڈ کے 652.1 ملین روپے (2016ء میں 525.6 ملین روپے) مالیت کے اثاثہ جات کمپنی کے کافل اثاثہ جات میں شامل نہیں ہیں۔

ٹی بی ایل انشورنس لمیٹڈ کے بورڈ آف ڈائریکٹرز کی طرف سے 31 دسمبر 2017 کو ختم شدہ سال کیلئے کمپنی کی سالانہ رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔

## کاروبار کا جائزہ :

### کل تحریر کردہ پریمنیم :

کمپنی نے سال 2017ء میں 12% سے بڑھتے ہوئے کل تحریر کردہ پریمنیم کے ساتھ ترقی کی جانب اپنا سفر جاری رکھا۔ پریمنیم میں کمپنی کے ونڈو کا فل آپریشن سے تحریر کردہ کنٹریبیویشن بھی شامل ہیں جس کی رقم 909.0 ملین روپے (2016ء میں 684.3 ملین روپے) بنتی ہے۔

Year	Gross written premium (Rs. In millions)	Growth %
2012	706.5	38%
2013	869.9	23%
2014	1,220.8	40%
2015	1,635.5	34%
2016	2,054.5	26%
2017	2,292.7	12%

کمپنی کمرشل بزنس میں مزید قدم جاری ہے۔ اس شعبے میں 2017ء میں کمپنی نے 135.9 ملین روپے گراس تحریر کردہ پریمنیم حاصل کیا (2016ء میں 67.1 ملین)۔ کمپنی نے موٹر بزنس میں تھریڈ پوزیشن کے تسلسل کو برقرار رکھا۔

ہمارے بزنس کا غالب تناسب موٹر انشورنس (گراس پریمنیم کا 91% تقریباً) ہے جبکہ دیگر لائسنز آف بزنس (فائر، میرین، ہیلتھ اور متفرقات) کا حصہ 9% ہے جو آنے والے برسوں میں اہم چٹرفٹ کیلئے پُر امید ہے۔ کمپنی سرگرمی سے کمرشل لائسنز کی ترقی پر کام کر رہی ہے اور ملک بھر میں اس کے انجینئرین تعینات کر چکی ہے تاکہ اس شعبے میں بھی اثر و نفوذ حاصل کیا جائے۔ اس سے کمپنی کی ترقی کا سفر 2018ء میں بلند فوئیکس کی ڈیجیٹل ٹرانسformation میں جانے کی امید ہے۔

## کلیمز کا تجزیہ :

2017ء میں کمپنی نے اپنی موٹر کلیم سیدورٹی کو پارشل ڈیجیٹل کلیمز اور بہتر تھفٹ کلیمز کے تحت موٹر کنٹرول رکھ کر منظم کیا جس کا نتیجہ پچھلے سال 46.8% سے 43.29% تک موٹر کلیمز کے مجموعی کمی سے ظاہر ہوا۔ ہم کلیمز کے سلیف میں مزید استحدا و بڑھانے کا عزم رکھتے ہیں جو کہ کامیابی کا بنیادی محرک ہے۔ پالیسی ہولڈرز اور اس کے سیرور ہولڈرز دونوں کیلئے۔

آج کی تاریخ تک کمرشل لائسنز بزنس میں کوئی بڑا کلیم برداشت نہیں کرنا پڑا ہے۔ کمپنی اس شعبے میں پروفیشنل کی ایک ٹیم تشکیل دے رکھی ہے تاکہ خطرات کی بروٹھم کاری کو یقینی بنایا جائے اور انڈر رائٹنگ کو بھی تاکہ اس شعبے میں کلیمز کی لاگتوں کو منظم رکھا جائے۔

YEARLY CLAIMS INCURRED	
Year	% of Earned Premium
2012	42%
2013	43%
2014	50%
2015	47%
2016	46%
2017	43%



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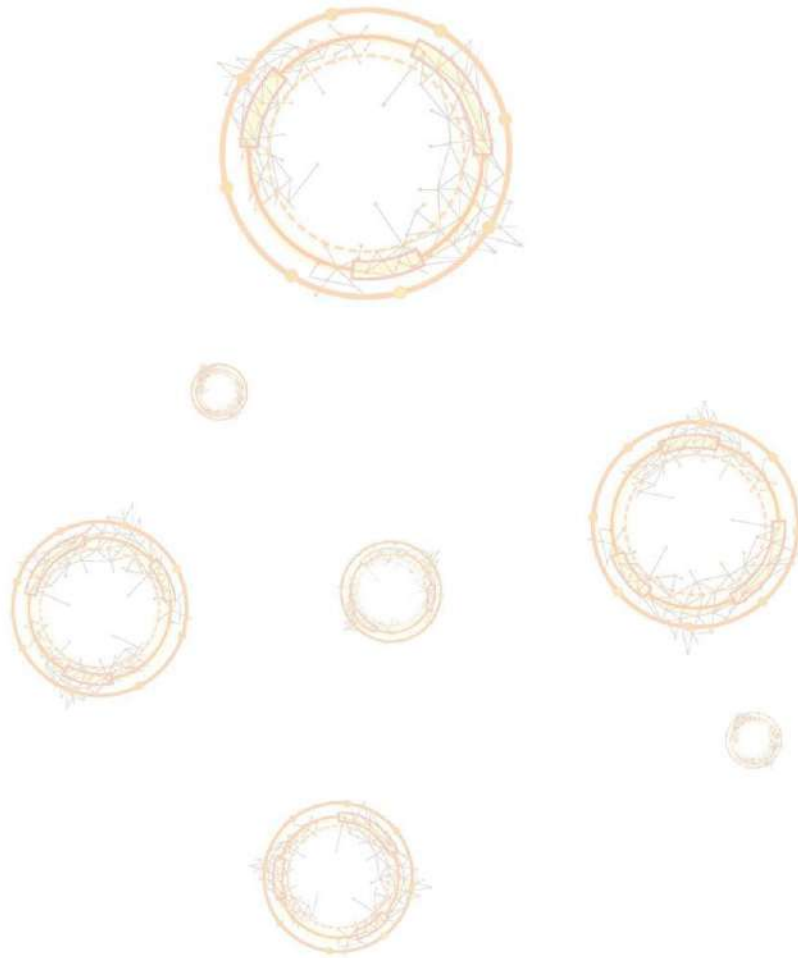


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### **CORPORATE OFFICE**

12th Floor, Centrepoint, Off Shaheed-e-Millat Expressway,  
Adjacent KPT Interchange, Karachi - 74900  
UAN: (+92) 21-111-000-301

email: [info@tplinsurance.com](mailto:info@tplinsurance.com), website: [tplinsurance.com](http://tplinsurance.com)

