STATE LIFE
INSURANCE CORPORATION OF PAKISTAN

Principal Office:
State Life Building No. 9, Dr. Ziauddin Ahmed Road,
Karachi-75530, PABX No.: 021-99202800-9 Lines | E-mail: dhgp@statelife.com.pk
facebook.com/statelifeinsurancecorporation

www.statelife.com.pk

State Life Insurance Corporation of Pakistan

47th Annual Report 2019

Life's Best Friend

47th Annual Report 2019

STATE LIFE
INSURANCE CORPORATION OF PAKISTAN

A promising new journey with
Life's Best Friend

Marriage Plan

Everyone deserves a memorable start to a new journey. State Life's Marriage Plan promises to help you demonstrate your love for your kids to tread on a new path with jubilance and celebrate life. State Life, the only AAA rated and Pakistan's largest life Insurance Corporation

Contents

Objectives

To run life Insurance business on sound lines. To provide more efficient services of the policyholders.
To maximize the return to the policyholders by economizing expenses and increasing on investment.

To make life Insurance a more effective mean of mobilizing national savings.

To widen the area of operation of life Insurance and making it available to as large a section of the population as possible, extending it from comparatively more affluent sections of society to the common man in towns and villages. To use policyholders fund in the wider interest of the community.

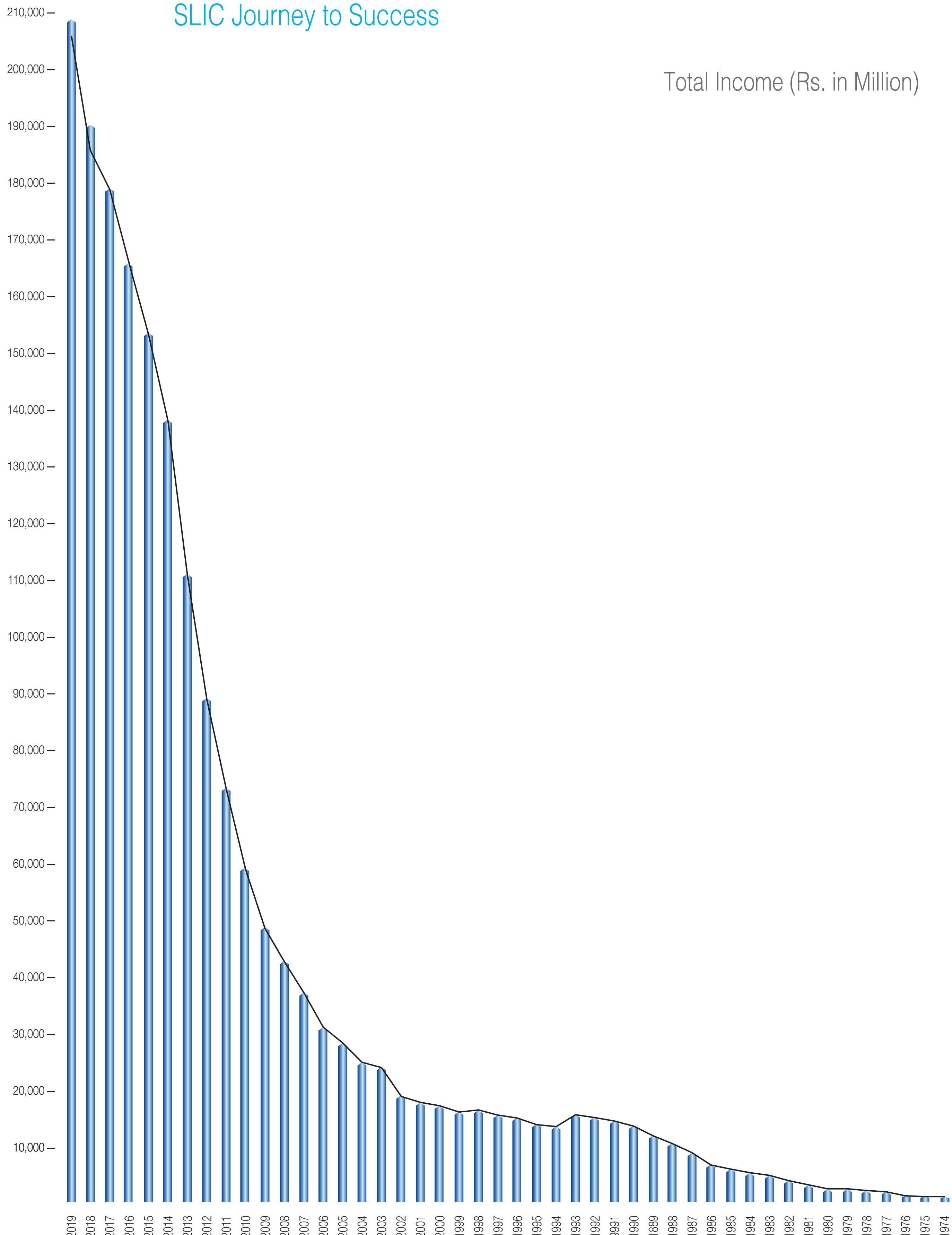
Mission

To remain a leading insurer in the country by extending the benefits of life Insurance to all sections of society and meeting our commitments to our policyholders and nation.

Quality Policy

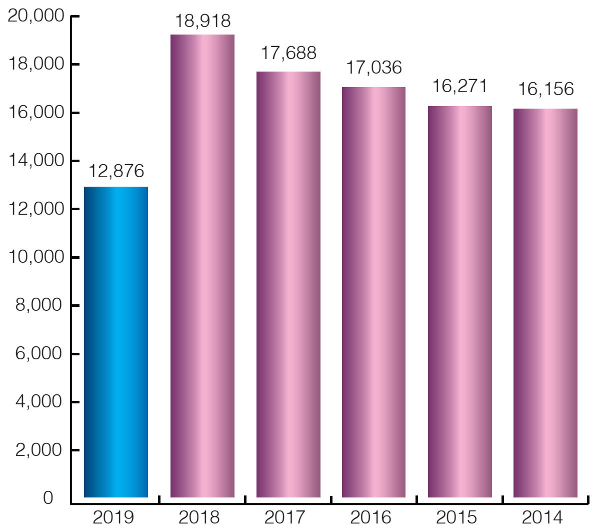
To ensure satisfaction of our valued policyholders in processing new business, providing after sales services
and optimizing return on life fund through a quality culture and to maintain our position as the leading insurer in Pakistan.

SLIC Journey to Success

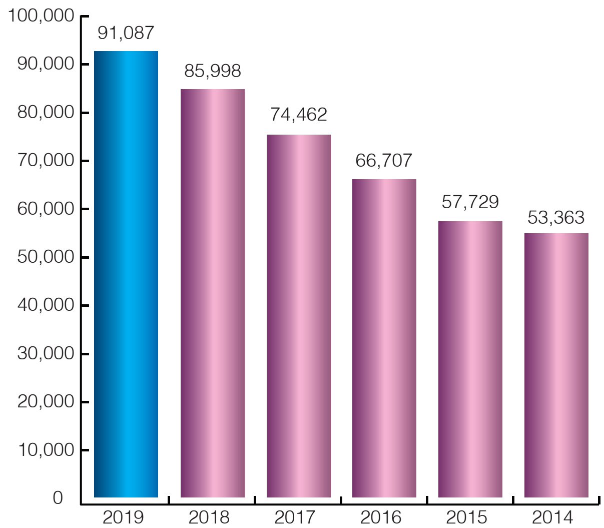


Financial Highlights

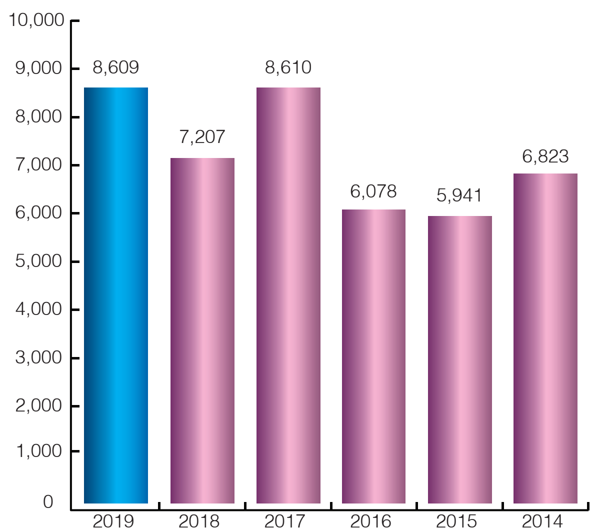
First Year Premium (Rs. in Million)



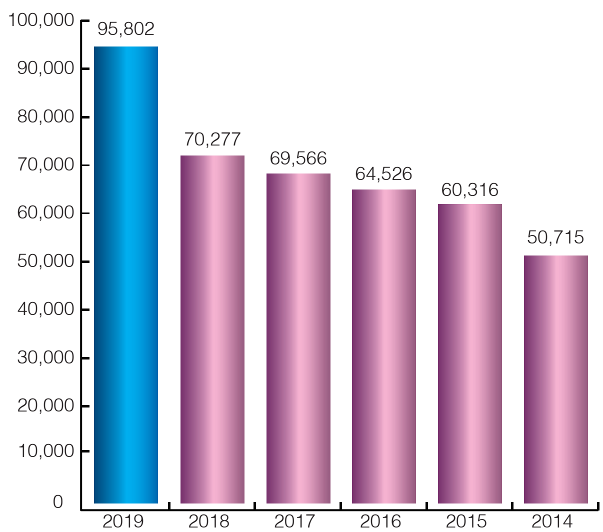
Renewal Premium (Rs. in Million)



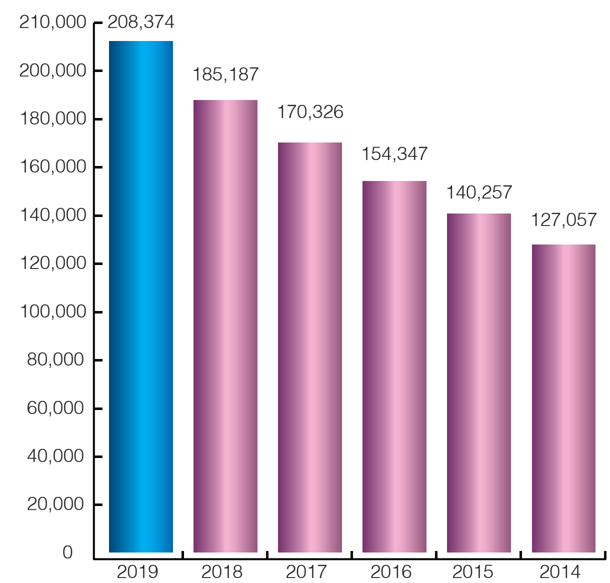
Group Premium (Rs. in Million)



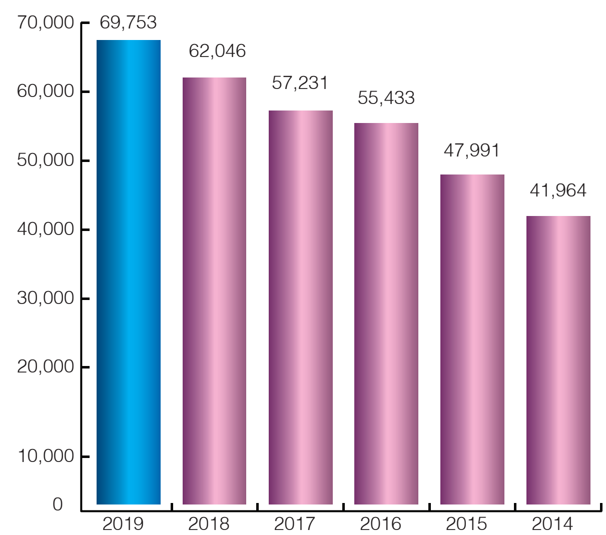
Investment Income (Rs. in Million)



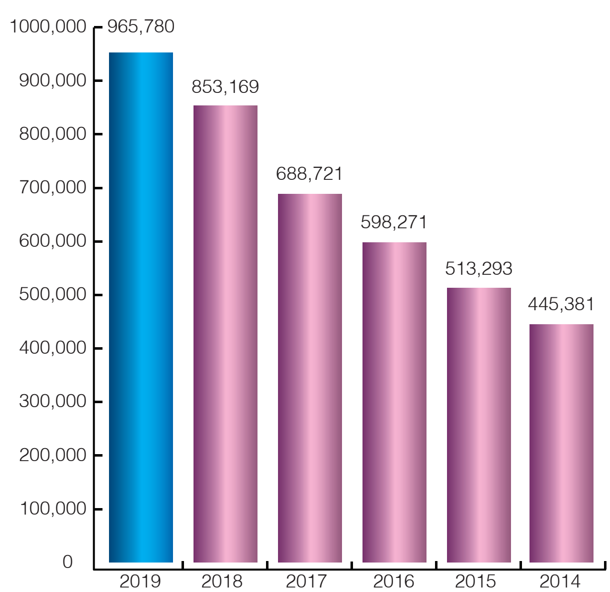
Total Income (Rs. in Million)



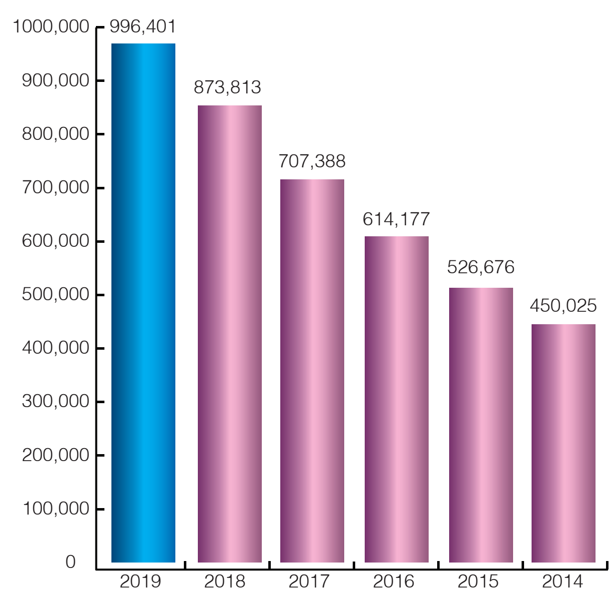
Bonus to Policy Holders (Rs. in Million)



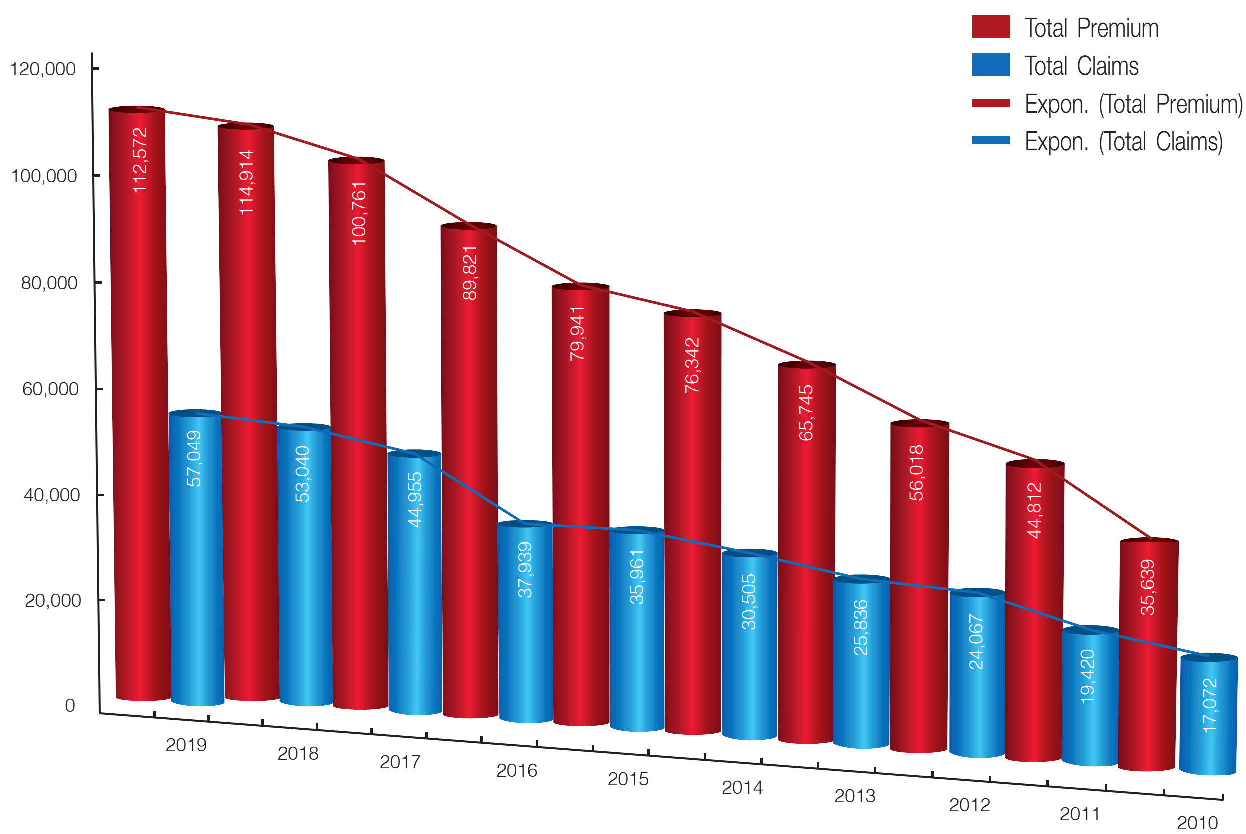
Investment Portfolio (Rs. in Million)



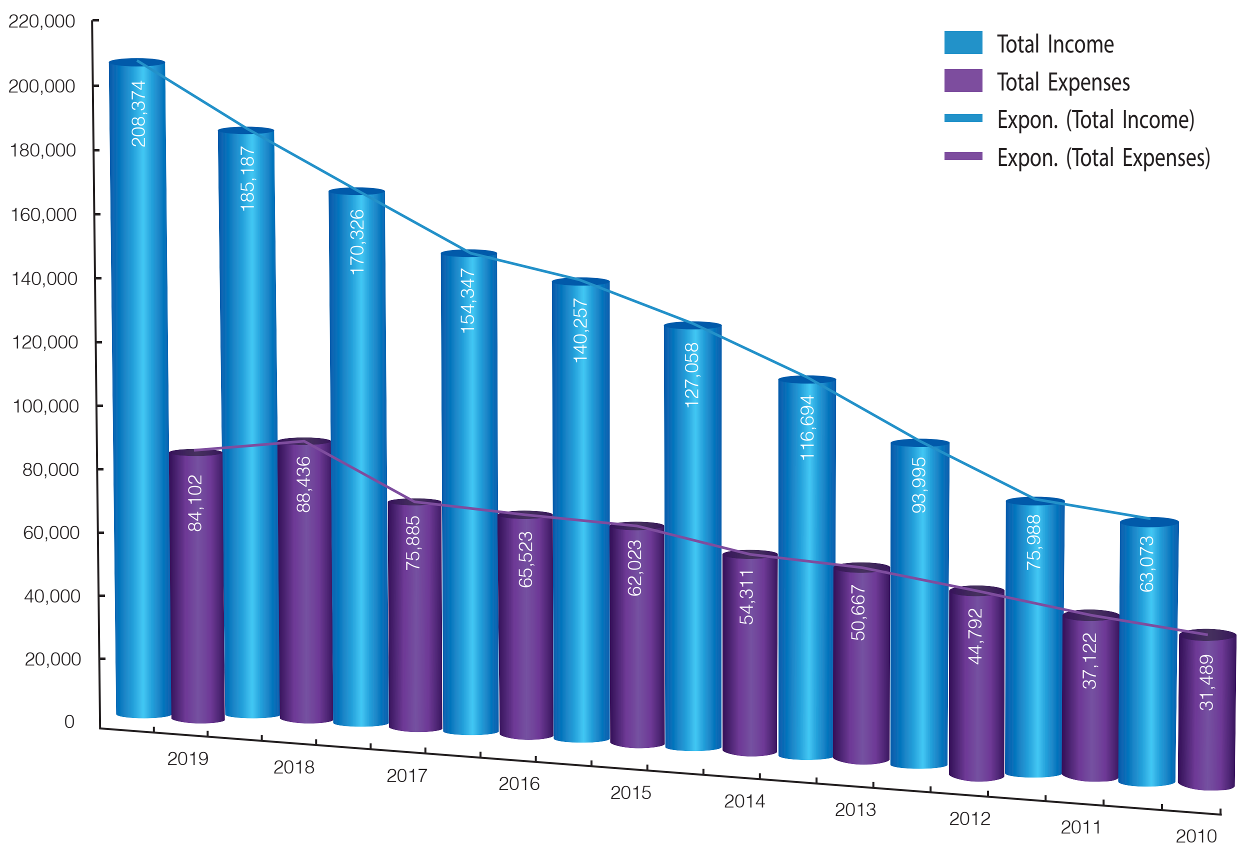
Life Fund (Rs. in Million)



Total Premiums Vs. Total Claims 2010 - 2019 (Rs. in Million)



Total Income Vs. Total Expenses 2010 - 2019 (Rs. in Million)



Human Resource

1. SLIC Human Resource Management (HRM) is the strategic and coherent approach to management, its valued asset. The people working there who individually and collectively contribute to the achievement of the objectives of the business. SLIC Personnel and General Services Division, Principal Office (i.e. Personnel Division, General Services Department, Medical Department and Staff Training Department) monitors and supports activities of P&GS in 7 regions and 34 zones of Individual Life, Real Estate, G&P Division, Health Insurance Division, Bancassurance, Takaful Insurance and G&P zones.

2. The HR policies provide SLIC with a mechanism to manage risk by staying up-to-date with current trends in employment standards and legislation. SLIC HR policies are framed in a manner to achieve the Corporation vision and the human resource helping the Corporation or work towards it at all levels to be benefited and at the same time without deviating from their main objective both development side and non development side of Corporation.

3. SLIC Human Resource Policies are established systems of codified decisions to support administrative personnel functions, performance management, employee relations and resource planning. State Life Employees (Service) Regulation 1973 embeds all the HR Policies and Procedures related to its employees which encompass the following areas:

   Health, Safety and Security, Selection and Placement, Wage, Salary and Benefits, Leaves and Attendance, Loans and Advances, Move Over/Upgradation, Promotion, Special Pay and Allowances, Fixation of Pay, General Conduct and Discipline and Travelling Expenses.

4. SLIC Human Resource policies also cover Post Retirement Benefits of its Employees (i.e. Pension, Gratuity, Provident Funds, Compulsory Group Insurance, Voluntary Group Insurance and Medical Facilities for Officers).

5. The established policies help SLIC to demonstrate, both internally and externally, that it meets requirements for diversity, ethics and training as well as its commitment in relation to Collective Bargaining Agents of Unionized Staff, regulation and corporate governance. The established HR Policies set out obligations, standards of behavior and document disciplinary procedures, which is the standard approach to meeting these obligations. SLIC HR Policies are also very effective in supporting and building the desired organizational culture.

Satisfaction of Policyholders

Prime objective of the Policyholders Service Division is to render quality services to its policyholders. In this pursuit certain measures have been taken to improve services such as quality underwriting, prompt settlement of claims and handling of grievances of policyholders/claimants or their successors on priority basis. New and improved online access makes it quick, simple and secure to view and make queries and obtain policy related information. Policyholders can, register for online access, download forms, view policy status, make request for change in address, nomination etc. Further, the details of outstanding maturity claims have been made available on website along with simplified procedure and contact details of concerned officials of Policyholders Service Division. A free of cost e-Alert SMS based value added service has also been started for quick acknowledgement and response on different events to policyholders. These steps have not only increased the level of satisfaction of our policyholders but have also contributed towards growth of business in insurance industry.

Corporate Information as at December 31, 2019

Board of Directors

Mr. Farrukh Ahmad Hamidi
Chairman

Mr. Abdul Qadir Memon
Director

Mr. Ali Mubashar Kazmi
Director

Mr. Ghiasuddin Ahmed
Director

Mr. Muhammad Bashir Khetran
Director

Mr. Iftikhar-ul-Hassan Shah
Director

Mr. Javed Akbar Bhatti
Director

Company Secretary

Mr. Mushtaq Ahmed

Auditors - Pakistan

M/s. BDO Ebrahim & Co
Chartered Accountants

M/s. Grant Thornton Anjum Rahman
Chartered Accountants

Gulf Countries

M/s. Nabeel Al-Saie
Public Accountants DMCC

Appointed Actuary

Mr. Shujaat Siddiqui
MA, FIA, FPSA,

Risk Management Compliance, & I.T Committee

Mr. Ali Mubashar Kazmi
Chairman

Mr. Javed Akbar Bhatti
Member

Mr. Ghiasuddin Ahmed
Member

Mr. Muhammad Bashir Khetran
Member

Mr. Faisal Mumtaz
Non-Member/Secretary

Takaful Committee

Mr.Abdul Qadir Memon
Chairman

Mr. Javed Akbar Bhatti
Member

Mr. Ghiasuddin Ahmed
Member

Takaful Committee

Mr. Muhammad Izqar Khan
Member/ED

Mr. Faisal Mumtaz
Member

Ch. Anjum Rashid
Non-Member/Secretary

Board Audit Committee

Mr. Ghiasuddin Ahmed
Chairman

Mr. Javed Akbar Bhatti
Member

Mr. Abdul Qadir Memon
Member

Mr. Iftikhar-ul-Hassan Shah
Member

Mr. Muhammad Sohaib Usmani
Non-Member/Secretary

Real Estate Committee

Mr. Ali Mubashar Kazmi
Chairman

Mr. Ghiasuddin Ahmed
Member

Mr. Javed Akbar Bhatti
Member

Mr. Manzoor Ali Shaikh
Member/ED (RE)

Mr. Nabil Ghafoorzada
Non-Member/Secretary

Investment Committee

Mr. Abdul Qadir Memon
Chairman

Mr. Javed Akbar Bhatti
Member

Mr. Ghiasuddin Ahmed
Member

Mr. Ali Mubashar Kazmi
Member

Mr. Muhammad Rashid
CFO/Member

Mr. Shujat Siddiqui
Appointed Actuary/Member

Mr. Mushtaq Ahmad
Non-Member/Secretary

Claims Settlement Committee

Mr. Muhammad Bashir Khetran
Chairman

Mr. Ali Mubashar Kazmi
Member

Claims Settlement Committee

Mr. Iftikhar-ul-Hassan Shah
Member

Mr. Fazal-ur-Rehman
Member

Mr. Sher Muhammad Abbasi
Non-Member/Secretary

Ethics, Human Resource & Remuneration Committee

Mr. Javed Akbar Bhatti
Chairman

Mr. Ali Mubashar Kazmi
Member

Mr. Abdul Qadir Memon
Member

Mr. Iftikhar-ul-Hassan Shah
Member

Farrukh Ahmad Hamidi
Member/ED (P&GS)

Dr. Nisar Ahmed Shah
Non-Member/Secretary

Standing Committee

Mr. Farrukh Ahmad Hamidi
Chairman

Mr. Iftikhar-ul-Hassan Shah
Member

Mr. Ali Mubashar Kazmi
Member

Dr. Nisar Ahmed Shah
Non-Member/Secretary

Underwriting/Reinsurance and Co-Insurance Committee

Mr. Javed Akbar Bhatti
Chairman

Mr. Abdul Qadir Memon
Member

Mr. Ghiasuddin Ahmed
Member

Mr. Faisal Memtaz
Member

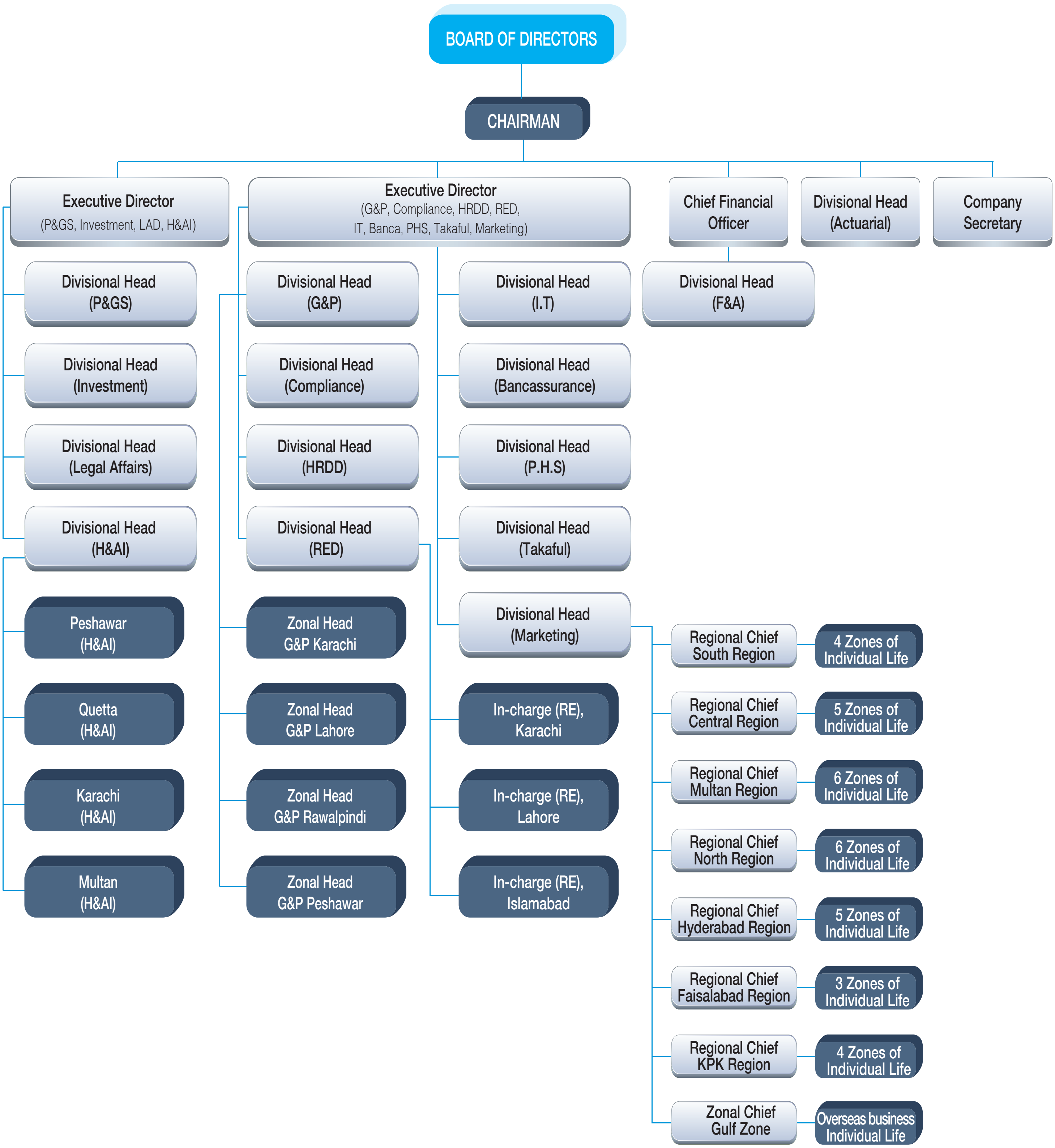
Dr. Arshad Hameed Iraqi
Member/DH (PHS)

Dr. M. Suhail Abdullah
Non-Member/Secretary

Principal Office

State Life Building No. 9, Dr. Ziauddin Ahmed Road,
Karachi-75530. Tel: 021-99202800-9 Fax: 021-99202845
E-mail: edpgs@statelife.com.pk | www.statelife.com.pk

Organogram of State Life - 2019



Management

Chairman

Mr. Farrukh Ahmad Hamidi

Executive Directors

Mr. Manzoor Ali Shaikh

Mr. Muhammad Izqar Khan (Current Charge)

Chief Financial Officer

Mr. Muhammad Rashid

Divisional Heads

(Principal Office)

Mr. Attaullah A.Rasheed
Bancassurance

Mr. Faisal Mumtaz
Actuarial

Mr. Nabil Ghafoorzada
Real Estate

Mr. Muhammad Sohaib Usmani
Internal Audit

Mr. Fazal-ur-Rehman
Health & Accidental Insurance

Mr. M.Saeed Khan
Group & Pension & Marketing

Mr. Mushtaq Ahmad
Investment

Mr. Muhammad Ali
Information Technology

Mr. Muhammad Amjad
Finance & Accounts

Mr. S. Faisal Tehzeeb
HRDD

Dr. Arshad H.Iraqi
PHS

Mr. Mushtaq Ahmed
Company Secretary

Dr. Nisar Ahmed Shah
P&GS

Mr. Muhammad Naseeruddin
Compliance

Ch Anjum Rasheed
Takaful

Mr. Mahmood Alam
Legal Affairs

Chief Medical Officer

Dr. Mukkaram Ali Khan

Individual Life

Regional Chiefs

Mr. Tahir Ahmed Khan
Central Region (Lahore)

Mr. Dur Muhammad Baladi
Southern Region (Karachi)

Mr. M. Yousuf Farooqi
Northern Region (Islamabad)

Ch. Akhtar Hussain
Multan Region (Multan)

Mr. Gian Chand
Hyderabad Region (Hyderabad)

Mr. M. Ramzan Shahid
KPK Region (Peshawar)

Mr. Dawood Nasir
Faisalabad Region (Faisalabad)

Bancassurance

Mr. Attaullah A.Rasheed
General Manager

Zonal Chief

Gulf Countries

Mr. Abdul Manan Shaikh
Gulf Zone, UAE-Dubai

Zonal Heads

Central Region

Ch. Inamullah
Lahore Zone (Central)

Mr. Iftikhar Ali Malik
Lahore Zone (Western)

Mr. Tariq Cheema
Gujranwala Zone

Ch. Altaf Mehmood
Sialkot Zone

Ch. Muhammad Ashraf
Narowal Zone

Faisalabad Region

Mr. Akbar Mughal
Faisalabad Zone

Mr. Farrukh Raza Bajwa
Sargodha Zone

Syed Wajid Ali Shah
Jhang Zone

Multan Region

Mr. Shahid H. Shikrani
Multan Zone

Mr. Arif Saeed Pasha
Sahiwal Zone

Multan Region

Mr. A. D. Shahid
Rahim Yar Khan Zone

Mr. Saeed Khan Daha
Dera Ghazi Khan Zone

Mr. M. Ramzan Bhatti
Bahawalpur Zone

Mian Rizwan Majeed
Vehari Zone

Northern Region

Mr. Rukhsar A. Qaiser
Rawalpindi Zone

Mr. Jalil A. Hashmi
Mirpur (AK) Zone

Mr. Noor Muhammad Javed
Islamabad Zone

Ch. Muhammad Arshad
Gujrat Zone

Raja Zafar Iqbal
Jhelum Zone

Mr. Sakhi Madad
Gilgit Zone

KPK Region

Mr. Shah Jehan Khan
Peshawar Zone

Mr. Muhammad Khalid
Abbottabad Zone

Mr. Muzaffar Khan
Swat Zone

Mr. Ameer Muhammad Khan
Kohat Zone

Southern Region

Mr. Nadeem Qadri
Karachi Zone (Southern)

Mr. Abid Masood
Karachi Zone (Eastern)

Mr. Latif Kiyani
Karachi Zone (Central)

Mr. Gulzar Ali Randhawa
Quetta Zone

Hyderabad Region

Mr. Abdul Hussain Kapri
Hyderabad Zone

Mr. Masood Anwer Arain
Mirpurkhas Zone

Mr. Maqbool A. Mughal
Sukkur Zone

Mr. S.Noor Shah Bukhari
Larkana Zone

Mr. Akhtar Ali Kalwar
Benazirabad Zone

Group Life

Zonal Heads

Mr. Mumtaz A Qureshi
Karachi Zone

Dr. Sajjad Hassan Zaidi
Lahore Zone

Mr. Abdul Waheed
Rawalpindi Zone

Mr. Shafqat Hussain Jafri
Peshawar Zone

Health and Accidental Insurance

Regional Chief

Mr. Muhammad Ashar
Islamabad

Mr. Muhammad Ashraf Bhatti
Lahore

Zonal Heads

Mr. Tajamul Hussain Khattak
Peshawar Zone

Mr. Muhammad Jalaluddin Akbar
Quetta Zone

Mr. Khawar Majeed
Multan Zone

Dr. Abdul Samad Shaikh
Karachi Zone

When whole world walks out

then comes in

Life's Best Friend

Life Insurance

Every moment counts in Life. Happiness enthralls the souls but it needs to be explored. State Life's flagship Life Insurance Plan - a testament of love - offers a unique opportunity for you and your loved ones to pass through the difficult times and celebrate life. State Life, the only AAA rated and Pakistan's largest life Insurance Corporation.

Directors' Report to the Shareholders

The Directors are pleased to present the 47th Annual Report together with the audited financial statements of the Corporation for the year ended December 31, 2019.

1 Compliance with the Code of Corporate Governance for Insurers, 2016

In accordance with SRO 1045(1)/2016 dated 9th November 2016 issued by Securities & Exchange Commission of Pakistan on Corporate Governance rules for Insurers, 2016. The Directors are pleased to confirm the following:

- The financial statements, prepared by the management of State Life Insurance Corporation of Pakistan (the Corporation), present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- Proper books of account of the Corporation have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards, International Financial Reporting Standards or any other regulation or law (including but not limited to the Shariah guidelines/principles) as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- As disclosed in note 1.4 to the financial statements, as a consequence of the corporatization, the Corporation may not be expected to continue as a going concern. The Company formed shall be taking over the business, functions, contracts, policies, proceedings, undertakings, assets, liabilities, etc. of the Corporation at a specific date which is uncertain. Since there will be no change in operational activities of the Corporation pursuant to change in legal structure, no adjustments are expected to the carrying values of the assets and liabilities;
- There has been no material departure from the best practices of corporate governance;

2 Operating and Financial Performance:

During the period under review, overall performance of the Corporation remained satisfactory. An overview of the performance of State Life during the year 2019 as compared to year 2018 is given here under:

- Total Income of the State Life including unrealized capital gain of Rs. 3,615 million (2018: Rs. 9,081 unrealized capital loss) increased to Rs.208,374 million in 2019 as against Rs. 182,401 million in the preceding year, registering an increase of 14%.
- Acquisition expenses for the year 2019 were Rs. 16,502 million as compared to Rs. 23,866 million in 2018 showing a decrease of 31%; Marketing and Administrative expenses were Rs. 9,904 million in 2019 as compared to Rs. 11,180 million in the preceding year showing a decrease of 11%. Overall management expense ratio to total premium income for the year 2019 was 24% as against 32% in the preceding year.
- Payments to policyholders in the year 2019 were Rs.57,049 million as against Rs.50,249 million in the last year,, showing an increase of 14%.

3 Business Portfolio Wise Performance

3.1 INDIVIDUAL LIFE BUSINESS – PAKISTAN'S OPERATIONS:

First year gross premium income under Individual Life policies during the year 2019 was Rs. 12,725 million as compared to Rs.18,830 million in the year 2018, showing a decrease of 32%. Gross renewal premium was Rs. 89,190 million in 2019 whereas it was Rs.84,574 million in 2018, resulting an increase of 5.5%.

3.2 INDIVIDUAL LIFE BUSINESS – OVERSEAS OPERATIONS:

First year gross premium income under Individual Life policies, during the year 2019 was Rs.182 million as compared to Rs.133 million in the year 2018, showing an increase of 37%. Gross renewal premium in 2019 was Rs.2,095 million as compared to Rs.1,602 million in 2018, showing an increase of 31%.

3.3 GROUP LIFE BUSINESS:

Gross premium under Group Life policies during the year 2019 was Rs. 4,644 million as compared to Rs. 4,668 million in the corresponding year, showing decrease of 0.5%.

3.4 HEALTH INSURANCE BUSINESS:

Gross premium under Health Insurance policies during the year 2019 was Rs.9,713 million as compared to Rs.5,431 million in 2018, showing an increase of 78.9%, mainly due to health insurance policies undertaken for the Prime Minister's National Health Insurance Program.

3.5 REAL ESTATE:

Rental income of Rs. 33 million was declined in the year 2019 because of reversal of notional rental income of Rs. 164 million in 2019 (2018: Rs. 171 million) and expense Rs. 270 million (2018: 192 million) to implement International Accounting Standard 40, breakup of which are given below:

	Rs. in million		
	2019	**2018**	**Inc/(Dec)**
Rental and other income	1,040	1,073	(33)
Expenses	472	516	(44)
Net Income	568	557	11

3.6 INVESTMENT:

Net investment income including capital gain of Rs. 3,615 million during the year 2019 was Rs. 95,802 million as compared to Rs. 70,277 million after fair value loss of Rs. 9,081 million was adjusted in the year 2018, showing an increase of 36%.

4 Key Operating and financial data

Summarized financial performance for the last six years is shown in the appendix-A

5 Others Disclosures

- There is no statutory payment outstanding as on Dec 31, 2019 on account of taxes, duties, levies and charges except as disclosed in notes to the Financial Statements.
- The value of investment made by the employees retirement funds, operated by the Corporation, as per their financial statements as at December 31, 2019, the audit of which are in progress, are as follows:

	Rs. in million
Pension Fund	25,440
Gratuity Fund – Officers	135
Provident Fund	4,769

6 Board Meetings Attendance

During the year 2019, eleven meetings of the Board of Directors were held and attended as follows:

S. No.	Director's Name	Meetings Attended
1	Mr. Muhammad Younus Dagha	4
2	Mr. Farrukh Ahmed Hamidi	5
3	Mr. Javed Akber Bhatti	10
4	Mr. Ghiasuddin Ahmed	10
5	Mr. Ali Mubashir Kazmi	11
6	Mr. Abdul Qadir Memon	10
7	Mr. Muhammad Bashir Khatran	9
8	Mr. Iftikhar ul Hasan Shah	11

6.1 Pattern of Shareholding as at December 31, 2019

Categories of Shareholders	Shares held
Government of Pakistan through Ministry of Commerce,	41.68 million
Benazir Employees Stock Option Scheme Trust (BESOS)	1.32 million
Total	**43 million**

7 Advertisement

Advertising plays significant role in business development; especially in large commercial Organizations like State Life. In a situation where a large cross section of population is still without life insurance protection or unaware of the benefits of life insurance, the need of aggressive advertising cannot be understated. The management of State Life being fully aware of advertising needs as the Corporation has provided adequate funds and support to Corporate Communications Department (CCD), to implement its multi-media advertising campaigns in consultation with the Marketing Division in the year under review. In 2019, CCD first time ever launched DVC on corporate, targeted market on digital platforms and social media like Facebook, Google display Network, YouTube and Instagram, also produced TVC on corporate, targeted mass market on different prominent terrestrial and leading Satellite T.V channels. CCD launched five corporate press campaigns based on plans especially Takaful, Bancassurance, revival of policy, 14th August and corporate etc. on leading National & Regional newspapers in English/ Urdu with an intention to highlight the robust business growth.

Multi-Media campaigns like Corporate Image Building, Year-end corporate campaign – 2019 etc, has been launched in national and regional newspapers all over Pakistan. Upon achieving ‘AAA’ rating for the straight nine year by PACRA; press publicity has been prominently expressed to highlight this achievement. Radio being the most popular medium of publicity especially in the rural and sub urban areas has also been utilized on 14th August and Eid ul Azha. All these multi-media campaigns were effectively carried out during the year 2019. Under the slot of corporate social responsibility; State Life also sponsored some major sports events and outdoor advertising i.e. Airport branding, Mall activity in Karachi, Lahore and Islamabad, web advertising through social media and twitter of nation-wide philanthropic events for corporate image building in 2019 as a part of its participation in social service of the country.

In the year 2019, we recruited 25,228 (2018: 48,003) new Sales Representatives and provided the job opportunities. Our Field Force count numbers 157,395 (Sales Representatives and Sales Managers) as on 31-12-2019, who all are serving the country to provide protection with savings.

8. Business Supporting Activities

a. Training plays a vital role in development of human resources of an organization, it is a continuous process that lead an organization to regularly achieve its goals / targets. Across the world, organizations spend billions of rupees for the development of skills of their employees / marketing force. Likewise, State Life Insurance Corporation, being the dynamic and largest Public Sector Corporation of Pakistan, holds trainings, workshop, seminars and courses through Human Resource Development Division (HRDD) for the skill development of their largest marketing network in Insurance Industry and for their employees to provider better services to their customers. Training and development of human resource is a continuous process and works on the concept “Return of training investment” (ROTI) strategy.

b. During the year 2019, following training activities were conducted by the Human Resource Development Division:

Name of Course	Number of Courses	Participants
STAFF TRAINING COURSES		
1. SKILL DEVELOPMENT TRAINING WORKSHOPS	16	602
2. EXECUTIVE TRAINING MODULE:		
• Coaching	3	115
• Leadership Skills	3	115
• Personnel Grooming	4	178
• Ethics in Leadership	3	115
3. MIDDLE MANAGEMENT MODULE		
• Talent Management	8	360
• Team Management	8	360
• Become effective Manager	8	360
• Personnel Grooming	1	46
4. ANTI-MONEY LAUNDERING	62	2,458
5. FELLOW OF LIFE MANAGEMENT INSURANCE (USA)	6	166
6 SENIOR MANAGEMENT COURSE AT NIM	1	20
7 MIDDLE MANAGEMENT COURSE AT NIM	1	30
TOTAL STAFF TRAININGS	125	4,925

SALES FORCE TRAINING COURSES		
1. Foundation course (FC)	331	6,507
2. M.O.S.C.	101	2,087
3. M.M.S.C.	63	515
4. Marketing Seminars	59	3,401
TOTAL FIELD TRAINING COURSES	554	12,510
GRAND TOTAL	679	17,435

9. Insurer Financial Strength Rating

The rating reflects State Life Insurance Corporation of Pakistan's utmost risk absorption capacity on the back of Government of Pakistan (GoP) guarantee for policyholders' liabilities. The sum insured including bonuses (if any) declared by State Life are guaranteed as to payment in cash by GoP under article 35 of the Life Insurance (Nationalization) Order, 1972.

The rating takes into account State Life Insurance Corporation's sound market position in life insurance industry emanating from extensive and well penetrated distribution network, experienced management team, and robust financial profile. This makes State Life Insurance Corporation of Pakistan the single largest player, capturing major portion of industry's premium. The Corporation is pursuing a growth strategy wherein, while focusing on existing business lines, it intends to expand its product offerings – Bancassurance, Window Takaful and Microinsurance. State Life Insurance Corporation of Pakistan has taken up Government initiated health programs, reaching public at grass-root levels.

A rating of "AAA" is the highest possible Financial Strength for an insurer to achieve.

10. The Future

Federal Sehat Sahulat Program

The Federal Sehat Sahulat Program formerly Prime Minister National Health Programme has been implemented in more than 66 districts across Pakistan and provides protection against catastrophic health expenditures to the poor segment of society.

More than 50 million individuals would be targeted to provide them insurance coverage against catastrophic health care expenditure. Beside pure BISP data, the 100% population of FATA and Tharparkar are covered under the scheme. Further, coverage is extended to cover all the disabled personnel and registered transgender community of Pakistan. Plans are underway to expand the scheme to cover 100% population of Azad Jammu & Kashmir.

Under the scheme, a total of 233,000+ patient has been provided health care services upto Rs. 300,000 from 300+ empanelled hospitals across Pakistan. State Life has incurred more than 5 Billion of claims in lieu of provided services.

As per recent 3rd party satisfactory survey more than 98% of families have shown satisfaction upon the services provided under the program.

The Program is perceived to be expanded to in all districts of Pakistan. State Life insurance Corporation being the largest social health insurance Corporation of Pakistan will seek this opportunity as continuation of its initiatives of corporate social responsibility and expansion of social health market across Pakistan.

Sehat Sahulat Program-KP

The Social Health Protection Initiative (SHPI) which started in four districts of Khyber Pakhtunkhwa has been extended to all the districts of the KP province. The target population of beneficiaries has been extended to more than 2.1 Million families.

The scheme has entered into new phase where the hospitalization coverage under this scheme has been increased to Rs. 40,000 per person for secondary procedures and 400,000 for tertiary care treatments. The scheme also provide wage loss, maternity transport and funeral expenses.

So far, 200,000 admissions have been incurred under the scheme in more than 80+ hospitals of KP. Under the new phase, inter-district portability has been extended to all across Pakistan which enable patients of KP to seek health care coverage across State Life's network of more than 300+ hospitals.

The government of KP is planning to extend the scheme to cover 100% population of Khyber Pakhtunkhwa. State Life being public sector organization would strive to extend its services to manage social health program in most efficient and economical way.

Family Takaful

The Corporation on receipt of license to start Window Takaful Operations established a statutory fund namely "Family Takaful Fund" to offer Family Takaful Contracts. Family Takaful Contract is an arrangement to which rests on key Shariah principles of mutual cooperation, solidarity and well-being of a community, and based on the principles of Wakala Waqaf Model. Under a Takaful arrangement, individual comes together and contribute towards the common objectives of protecting each other against financial losses by sharing the risk on the basis of mutual assistance.

The obligation of Waqf for Waqf participant's liabilities is limited to the amount available in the Waqf Fund. In case there is a deficit in the Waqf Fund, the Window Takaful Operator shall grant an interest free loan (Qard-e-Hasna) to make good the deficit. The Loan shall be repayable from the future surpluses generated in the Waqf Fund, without any excess of the actual amount given to it. Repayment of Qard-e-Hasna shall receive priority over surplus distribution to participants from the Waqf Fund.

State life has launched Takaful Operations under Family Takaful Fund and efforts are being made for takaful business, as disclosed in Note 1.3 to these Financial Statements.

Bancassurance

Bancassurance is an alternate distribution channel to sell life insurance products through banks. This line of insurance business ensures wide range coverage at lesser cost. During the last quarter of 2012, this channel started its operation after State life signed an agreement with United Bank Limited, and in 2013 also signed agreement with First Women Bank limited and Bank Alfalah. Further for procurement of Bancassurance business, State Life Insurance Corporation of Pakistan has also signed agreement with SAMBA, National Bank of Pakistan, Silk Bank and also with HBL. The Division is vigorously perusing its expansion plans for optimal market penetration. In this regard negotiations with more banks are underway.

Strengthened, with State Life's reputation in the market, its Bancassurance channel is steadily showing sustainable growth and will undoubtedly contribute significant all-round improvement in the financial performance of State Life in coming years while providing a new avenue for business growth.

Information Technology

IT Division of State Life works with vision to "Achieve organizational goals through the use of information & Communication Technology (ICT) and to improve productivity and efficiency of process within the organization and enhance quality services to all stake-holder". Besides routine IT operations, State Life putting extensive efforts for implementation of newly evolved IT Strategy which includes: Implementation of Pre-packaged Software Solution for Core Businesses & supporting functions and deployment of New ICT infrastructure.

The successful implementation of IT Strategy will ensure provision of all mandated services online, more efficiently and effectively to all stakeholders including: Policyholders, field staff, senior management and regulators. The ongoing efforts will strengthen internal processes of State Life and facilitate its policyholders by providing them better service delivery mechanism.

11 Actuarial Valuation

As per actuarial valuation as at 31st December 2019, the actuarial surplus arising during the inter-valuation period on participating policies was Rs. 75,127 million (2018: Rs.69,531 million). The details of bonuses declared are stated as an appendix.

12 Dividend

Profit after tax for the year 2019 is Rs. 1,984 million (2018: Rs.1,792.21 million) in which Rs. 399 million (2018: 378.60 million) has been transferred to Ledger Account "D" Solvency reserve on the advice of Appointed Actuary; profit available to shareholders is Rs. 1,584.88 million (2018: 1,413.61 million). Profit retained amounting to Rs. 300 million for increase in Paid up share capital to comply regulatory requirement of UAE Authority and 15% profit of Rs. 238 million is retained in General Reserve. Rest of the profit of Rs. 1,046.88 million (2018: Rs.713.609 million) is payable to Government of Pakistan.

13 Auditors

The accounts for the year ended 31st December, 2019 were jointly audited by a panel of auditors comprising of (i) M/s. BDO Ebrahim & Company, Chartered Accountants, Karachi and (ii) Grant Thornton Anjum Rahman, Chartered Accountants, Karachi. The accounts of Gulf Countries zone were audited by M/s. Nabeel Al-Saie, Public Accountants DMCC, Dubai, UAE.

14 Note of Appreciation

We are pleased to place on record the deep appreciation on behalf of the Board of Directors for the efforts made by all the tiers of the field force and devotion to duty of the staff and officers for the overall performance of the Corporation. We are grateful to the Insurance Division, Securities and Exchange Commission of Pakistan for their continued guidance and assistance. May our future efforts continue to contribute to the nation's wellbeing in the economic and fiscal fields.

On behalf of the Board of Directors

Riaz Ahmad Memon
Chairman

Karachi,
Dated July 27, 2020

Appendix-A

Key Operating and Financial Data:

Rupees in Million

	2019	2018	2017 (restated)	2016 (restated)	2015	2014
First Year Premium Net)	12,876	18,918	17,688	17,036	16,271	16,156
Renewal Premium (Net)	91,087	85,998	74,462	66,708	57,729	53,363
Group Premium Including Health (Net)	8,609	7,207	8,610	6,078	5,941	6,823
Investment Income (Net)	95,802	70,277	51,015	64,526	60,316	50,715
Policy Benefits	57,049	50,249	44,955	37,939	35,961	30,505
Surplus Appropriated To Shareholders' Fund	1,878	1,738	1,580	1,519	1,269	1,186
Profit Before Tax	2,797	2,675	2,256	1,831	1,589	1,333
Taxation	813	883	709	618	541	428
Profit After Tax	1,984	1,792	1,546	1,212	1,048	905
Earnings Per Share (Rs)	51,61	56.60	51.55	40.41	34.93	72.05
Bonus To Policy Holders	69,753	62,046	57,231	55,433	47,991	41,964
Total Assets	1,058,836	930,231	829,462	749,001	571,827	496,689

Statement of Compliance with the Code of Corporate Governance for Insurers, 2016.

Name of the company: State Life Insurance Corporation of Pakistan (SLIC)
Year ended: 31.12.2019

This statement is being presented in compliance with the Code of Corporate Governance for insurers, 2016 for the purpose of establishing a framework of good governance, whereby SLIC is managed in compliance with the best practices of corporate governance.

The insurers has applied the principles contained in the code in the following manner:-

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

Independent Directors	i. Mr. Ghiasuddin Ahmed ii. Mr. Ali Mubashar Kazmi iii. Mr. Abdul Qadir Memon
Executive Directors	i. Mr. Farrukh Ahmad Hamidi, Chairman (Relinquished charge on 09/12/2019 due to promotion in BS 22)
Non – Executive Directors	i. Mr. Iftikhar-ul-Hassan ii. Mr. Javed Akbar Bhatti

All independent Directors meet the criteria of independence as laid down under the Code of Corporate Governance for Insurers, 2016.

The directors are appointed by the Federal Government in terms of Article 12 (1) of the LINO, 1972.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies.

3. All the resident directors of SLIC have confirmed that they are registered as taxpayers and none of them has defaulted in payment of any loan to banking company, DFI, or NBFI. None of directors has been declared defaulter being member by Stock Exchange.

4. Two casual vacancy occurred on the Board were filled up by the directors within the prescribed time of 90 days under the Code of Corporate Governance, 2016 by the Federal Government in terms of Article 12 (1) LINO, 1972.

5. SLIC has prepared a Code of Conduct which has been disseminated among all the employees and directors of the Corporation.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Corporation. The policies of grievance, procurement of goods and services, acquisition and disposal of fixed assets are in process of approval. A complete record of significant policies along with the date on which they were approved has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and terms & conditions of employment of key officers have been taken by the Board of Directors. The decision regarding appointment and determination of remuneration and terms & conditions of Directors are made by the federal government. The corporation has no CEO as the LINO, 1972 has no provision for CEO. The Chairman of the Board is appointed by the federal government as per LINO, 1972 who is an Executive Director.

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 meetings. The Minutes of the meetings are appropriately recorded and circulated. However, the last meeting was called by Chairman Mr. Farrukh Ahmad Hamidi but before the meeting he was transferred to his parent division after promotion to BS 22. The 275th BoD was chaired by Mr. Ghiasuddin Ahmed elected by the Board in that meeting.

9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the corporation. The corporation has adopted and complied with all the necessary aspects of internal controls given in the code.

10. The Board arranged orientation course(s)/ training programs for its directors during the year to apprise them of their duties and responsibilities.

11. The Board has approved the 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 Corporation are duly endorsed by the Chairman and CFO before approval of the Board.

14. The Directors, Chairman and other executives do not hold any interest in the shares of the Corporation other than disclosed in the pattern of shareholding.

15. The Corporation 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. These committees have been formed under the Code of Corporate Governance for Insurers, 2016 notified vide S.R.O 1045 (I)/2016 dated November 09th 2016.

Underwriting/Re-insurance and Co. Insurance Committee

Name of Member	Category
Mr. Javed Akbar Bhatti	Non-Executive/Chairman
Mr. Abdul Qadir Memon	Independent Director/Member
Mr. Ghiasuddin Ahmed	Independent Director/Member
Mr. Faisal Mumtaz	Divisional Head/Member
Mr. Arshad Hameed Iraqi	Divisional Head/Member

Claim Settlement Committee:

Name of Member	Category
Mr. Muhammad Bashir Kethran	Non-Executive Director/Chairman
Mr. Ali Mubashar Kazmi	Independent Director/Member
Mr. Iftikhar ul Hassan	Non-Executive Director/ Member
Mr. Fazal ur Rehman	Divisional Head / Member

Risk Management and Compliance Committee:

Name of Member	Category
Mr. Ali Mubashar Kazmi	Independent Director/Chairman
Mr. Javed Akbar Bhatti	Non-Executive Director/Member
Mr. Ghiasuddin Ahmed	Independent Director/Member
Mr. Muhammad Bashir Khetran	Non-Executive Director/Member

17. **The Board has formed the following Board Committees.**

Ethics, Human Resources / Remuneration Committee:

Name of Member	Category
Mr. Javed Akbar Bhatti	Non-Executive Director/Chairman
Mr. Syed Iftikhar ul Hussain	Non-Executive Director/Chairman
Mr. Ali Mubashar Kazmi	Independent Director/Member
Mr. Abdul Qadir Memon	Independent Director/Member
Mr. Farrukh Ahmad Hamidi	Executive Director/Member

Nomination Committee:

Nomination committee was not constituted by the Board separately. However its functions and responsibilities have been assigned to Ethics, Human Resource/Remuneration Committee.

Investment Committee

Name of Member	Category
Mr. Abdul Qadir Memon	Independent Director/Chairman
Mr. Javed Akbar Bhatti	Non Executive Director/Member
Mr. Ghiasuddin Ahmed	Independent Director/Member
Mr. Ali Mubashar Kazmi	Independent Director/Member
Mr.Shujaat Siddiqui	Appointed Actuary/Member
Mr. Muhammad Rashid	CFO/ Member

18. The board has formed an Audit Committee. It comprises of four members, of whom two are independent directors and two is non-executive director. The Chairman of the committee is an independent director. The composition of audit committee is as follows:

Name of Member	Category
Mr. Ghiasuddin Ahmed	Independent Director/Chairman
Mr. Javed Akbar Bhatti	Non-Executive Director/Member
Mr. Abdul Qadir Memon	Independent Director/Member
Dr. Iftikhar-ul-Hassan	Non-Executive Director/Member

19. The meetings of committees except Ethics, Human Resource and Remuneration Committee were held at least once in every quarter prior to approval interim and final result of insurer as required by the Code of Corporate Governance, 2016. The terms of the references of all committees have been formed and advised to the committees for compliance.

20. The Board has setup an effective internal audit function and the members of internal audit functions are considered suitably qualified experienced for the purpose and are conversant with policies and procedures of the corporation and they are involved in the internal audit function

21. The Chairman, Chief Financial Officer, Compliance Officer, Head of Internal Audit, Actuary are qualified and experienced as required under the Code of Corporate Governance for Insurers, 2016. The appointed actuary of the insurer meets the condition as laid down in the said code. Moreover the person heading the underwriting, claim, reinsurance, risk management and grievance function/department possess qualification and experience of direct relevance to their respective functions as required under section 12 of the Insurance Ordinance, 2000.

Name of Person	Designation
Mr. Farrukh Ahmad Hamidi	Chairman (Relinquished charge on 09/12/2019 due to promotion in BS 22)
Mr. Muhammad Rashid	Chief Financial Officer
Mr. Muhammad Naseeruddin	Compliance Officer
Mr. Faisal Mumtaz	Actuary
Mr. Mushtaq Ahmad	Company Secretary
Mr. Muhammad Sohaib Usmani	Head of Internal audit
Dr. Sohail Abdullah	Head of Underwriting
Mr. Sher Muhammad Abbasi	Head of Claims
Mr. Sher Muhammad Abbasi	Head of Re-insurance
Mr. Faisal Mumtaz	Head of Risk Management
Dr. Zulfiqar Laghari	Head of Grievance Dept.

22. The statutory auditors of the Corporation have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000. The statutory auditors have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountant of Pakistan, that they or any of the partner of the firm, their spouses and minor children do not hold shares of the Corporation and that the firm and all its partner are in compliance with the International Federation of Accountants (IFAC) guideline on Code of the Ethics as adopted by the ICAP.

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 appointed actuary of Corporation has confirmed that neither he nor his spouse and minor children hold shares of the Corporation.

25. The Board ensures that the Appointed Actuary complies with the requirements set out for him in the Code of Corporate Governance for Insurers, 2016.

26. The Company has an Investment Policy approved by the BoD in its 256th meeting held on 29.01.2018. However, the investment policy does not explicitly mention broad ineligibility of assets classes and securities. Further, the investment policy does not also explicitly state the maximum allowable investment limit in related parties such as associated companies and subsidiary companies.

27. The Board ensures that the risk management system of the insurer is in place as per the requirements of the Code of Corporate Governance for Insurers, 2016.

28. The Corporation has set up a risk management function, which carries out its tasks as covered under the Code of Corporate Governance for Insurer, 2016

29. The Board ensures that as a part of risk management system, the insurer gets itself rated from Pakistan Credit Rating Agency (PACRA) which is being used by the respective committees as a risk monitoring tool. The rating assigned by the said rating agency at December 27, 2019 is AAA with stable outlook.

30. The Board has set up a Grievance Department. The grievance policy has been deliberated to the Board for approval. Reporting requirement to SECP as regards to unresolved complains is not being followed.

30-a The insurer has not obtained any exemption(s) from the Securities and Exchange Commission of Pakistan.

31. We confirm that all other material principles contained in the Code of Corporate Governance for Insurer, 2016 have been complied.

For and On behalf of the Board of Directors

CINC: 44103-6264535-1
Date: 27.07.2020

Riaz Ahmad Memon
Chairman

An inspiring future with
Life's Best Friend

Education Plan

Education unlocks your kid's potential to change the world. State Life's Education Plan ensures a promising future for your kids to explore the art of living and celebrate life. State Life, the only AAA rated and Pakistan's largest life Insurance Corporation.

Review Report to the Members on Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance for Insurers, 2016 (the Code) prepared by the Board of Directors (the Board) of State Life Insurance Corporation of Pakistan (the Corporation) for the year ended December 31, 2019,

The responsibility for compliance with the Code is that of the Board of the Corporation. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Corporation'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 Corporation's personnel and review of various documents prepared by the Corporation to comply with the Code.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Boards' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Corporation's corporate governance procedures and risks.

The Code requires the Corporation to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval its related party transactions distinguishing between transactions carried out on term equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Corporation's compliance, in all material respects, with the best practices contained in the Code as applicable to the Corporation for the year ended December 31, 2019.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the following paragraphs where these are stated in the Statement of Compliance:

Paragraph Reference	Description
Paragraph 26	The investment policy does not explicitly mention broad ineligibility of asset classes and securities. Further, the investment policy also does not explicitly state the maximum allowable investment limit in related parties.
Paragraph 30	Grievance function should be established to resolve any non-resolved complaint / grievance and it should be reported within 30 days to the Securities and Exchange Commission of Pakistan, in writing within a period of 10 days from the expiry of the period allowed for resolution of that complaint / grievance, along with the reasons.

Grant Thornton Anjum Rahman,

Grant Thornton Anjum Rahman
Chartered Accountants

Name of the engagement partner:
Muhammad Khalid Aziz

BDO Ebrahim & Co
Chartered Accountants

Name of the engagement partner:
Zulfiqar Ali Causer

Karachi
Dated: July 27, 2020

Actuarial Valuation as at 31st December 2019

The bonus rates declared are as under:

A. Pakistan Rupee Policies

I. Whole Life and Endowment Assurance

Subject to the Notes, for with profit Whole Life and Endowment policies in force for the full sum assured as at 31st December 2019:

a. Reversionary bonuses per thousand sum assured per annum (2018 figures are given for comparison).

	2018			2019		
	For first five policy years	From 6th policy year to 16th policy year	From 17th policy year onwards	For first five policy years	From 6th policy year to 16th policy year	From 17th policy year onwards
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Whole Life	48	99	150	**48**	**103**	**157**
EndowmentsTerm:						
20 years and over	40	84	130	**40**	**88**	**136**
15 to 19 years inclusive	27	72	81	**27**	**75**	**85**
14 years and less	16	59	-	**16**	**61**	**-**

b. Interim Bonus will be allowed till the next Actuarial Valuation at the rates mentioned in I(a) above, subject to “C” below.

c. Terminal Bonus will be paid on claims by death or maturity in 2020, where more than 10 years’ premiums have been paid. The rate has been maintained at Rs. 60 per thousand sum assured for each year’s premium paid in excess of 10 years subject to a maximum of Rs. 1200 per thousand sum assured (same as 2018 valuation).

d. Special Terminal Bonus will be paid on claims by maturity in 2020, where a Family Income Benefit (FIB) is inforce at maturity as a supplementary contract, or as a built-in benefit, and has been in force for more than 10 years. The rate will be Rs. 10 per thousand basic sum assured under the policy for each year in excess of 10 years that the FIB has been in force, subject to a maximum of Rs. 200 per thousand basic sum assured (same as 2018 valuation).

e. Loyalty Terminal Bonus will be paid on claims by death or maturity in 2020 to policies with risk year 2000 or earlier. The rate will be Rs.200 per thousand sum assured (same as 2018 valuation).

Notes:

1. Jeevan Sathi and Shadabad policies will be treated as Endowment policies.

2. Big Deal policies will receive bonuses on 25% of the sum assured only.

3. For Whole Life by limited payments, bonuses will be allowed at the same rate as for Whole Life. The bonuses are admissible even after the completion of premium paying period for each year the policy has been in force for full sum assured.

II. Anticipated Endowment Assurance

For with profits Anticipated Endowments/ Three stage/ Three payment policies (excluding Sada Bahar Plan) in force for the full sum assured as at 31st December 2019:

a. Reversionary bonuses per thousand sum assured per annum (2018 figures are given for comparison).

	2018			2019		
	For first five policy years	From 6th policy year to 16th policy year	From 17th policy year onwards	For first five policy years	From 6th policy year to 16th policy year	From 17th policy year onwards
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Term:						
20 years and over	27	62	100	**27**	**65**	**105**
15 to 19 years inclusive	19	53	59	**19**	**55**	**61**
14 years and less	15	47	-	**15**	**49**	**-**

b. Interim Bonus will be allowed till the next Actuarial Valuation at the rates mentioned in II (a) above, subject to "C" below.

c. Terminal Bonus will not be paid on these policies.

d. Special Terminal Bonus, as mentioned in I(d) above, will be paid on cases having Family Income Benefit supplementary contract. The Special Terminal Bonus will be calculated on the basic sum assured under the policy, and not on the residual survival benefit.

e. Loyalty Terminal Bonus, as mentioned in I(e) above, will be paid on claims by death or maturity in 2020 to policies with risk year 2000 or earlier. The Loyalty Terminal Bonus will be calculated on the basic sum assured under the policy, and not on the residual survival benefit.

f. If the policyholder lets a Survival Benefit remain with State Life, a Special Reversionary Bonus will be added six months after the due date of the Survival Benefit. For Survival Benefits falling due in 2020, which the policyholder opts to leave, Special Reversionary Bonuses will be allowed as follows (same as 2018 valuation).

Period between Survival Benefit due date and maturity date	Special Reversionary Bonus per Rs. 1000 Survival Benefit	Period between Survival Benefit due date and maturity date	Special Reversionary Bonus per Rs. 1000 Survival Benefit
20 years	Rs. 3,165	9 years	Rs. 1,005
18 years	Rs. 2,765	8 years	Rs. 845
16 years	Rs. 2,350	7 years	Rs. 695
14 years	Rs. 1,940	6 years	Rs. 555
12 years	Rs. 1,545	5 years	Rs. 420
10 years	Rs. 1,175	4 years	Rs. 300

Note: Policies under Family Pension Plan (Table 12) will not be eligible for Special Reversionary Bonuses.

III. Sada-Bahar Plan

Sada-Bahar plan was launched during 2006. For policies in force for the full sum assured as at 31st December 2019:

(a) Reversionary bonuses per thousand sum assured per annum would be as per following schedule (2018 figures are given for comparison):

	2018		2019	
	For first five policy years	From 6th policy year to 16th policy year	For first five policy years	From 6th policy year to 16th policy year
	Rs.	Rs.	Rs.	Rs.
Term:				
20 years and over	35	77	**35**	**80**
15 to 19 years inclusive	24	66	**24**	**69**
14 years and less	18	59	**18**	**61**

b. Interim Bonus will be allowed till the next Actuarial Valuation at the rates mentioned in III (a) above, subject to "c" below.

c. Special Reversionary Bonus will also be paid to all policies under this plan whose Survival Benefits have fallen due in 2020 subject to the rates and conditions mentioned in II (f) above.

IV. Super (Table 72), Sunehri (Table 73) & Shehnai (Table 77) policies

a. Bonuses under these policies are credited to the policy after the policy has acquired an Adjusted Opening Cash Value. The bonus is credited on the Adjusted Opening Cash Value and not on minimum guaranteed surrender value. Bonuses will be credited at the end of the policy year. These bonuses are payable when the Cash Value under the policy is payable.

b. The rate of bonus is Rs.85 per thousand per annum of the Adjusted Opening Cash Value. This bonus rate will be allowed till the next valuation.

c. Reversionary, Terminal or any other bonuses declared as a result of this valuation will not be payable under these policies. However, bonus mentioned under "VIII" below, if applicable, will be allowed.

V. Committee Policy (Table 79)

a. Investment Return under this policy is credited to the policy after the policy has acquired an Adjusted Opening Cash Value. The return is credited on the Adjusted Opening Cash Value and not on minimum guaranteed surrender value. This return will be credited at the end of each quarter. These returns are payable when the Cash Value under the policy is payable.

b. The credit rate for each of the quarters falling due in 2020 shall be calculated at 7.00% per annum (same as 2018 valuation) of the Adjusted Opening Cash Value. This rate will be allowed till the next valuation.

c. Reversionary, Terminal or any other bonus declared as a result of this valuation will not be payable under these policies.

VI. Personal Pension Scheme (Table 71)

a. Bonuses under Personal Pension Scheme where "Pension is being paid" will be allowed on Pension Payments. Pension payments will be increased by bonus from the policy anniversary falling in the year 2020. This increase will also be available on pension payments commencing in 2020.

b. The rate of bonus is Rs. 80 per thousand per annum of the pension payments.

c. Reversionary, Terminal or any other bonuses declared as a result of this valuation, will not be payable under these policies.

VII. Specified Major Surgical Benefit

a. Specified Major Surgical Benefit was announced for the first time in 1992 Actuarial valuation. This benefit has been retained in 2019 valuation. This benefit is available to all with-profit policies, which have been in full force as at 31st December 2019 and have been continuously in force for at least five complete policy years at the date of surgery. The maximum benefit for such policies is Rs. 250,000. However, if the with-profit policies have been in full force as at 31st December 2019 and have been continuously in force for at least ten complete policy years at the date of surgery then the maximum benefit for these policies will be Rs 500,000.

b. Under such policies, if the life assured undergoes specified major surgery during the inter-valuation period i.e. from 1st January 2020 to 31st December 2020 on account of a specified dread disease, the Corporation would pay 50% of the basic sum assured (in case of Anticipated Endowment plans, 50% of the remaining sum assured after deducting any due survival benefit(s)), subject to above given maximum amounts. The amount payable will be adjusted against future survival benefit payments, maturity or death claims.

c. If the insured is covered under more than one policy, the maximum amount paid on all the policies together will depend on the number of years the policies have been continuously in full force. For policies that have been continuously in full force for at least five years but less than 10 years, the maximum benefit paid under all such policies together will be limited to Rs 250,000. For policies that are continuously in full force for at least ten years, the maximum benefit payable under each policy is limited to Rs 500,000 or 50% of the sum assured, whichever is less.

d. The specified surgeries and all other related conditions are the same as those announced in 2018 bonus declaration.

VIII. Family Income Benefits Where Life Assured Has Died

Family Income Benefit to heirs or nominees of deceased life assureds will be increased by 7.5% from policy anniversaries in the year 2021 under with profit policies.

Note: The percentage increase will be allowed on the actual benefit paid on policy anniversaries (including any prior increases) in the year 2020.

IX. Terminal/ Loyalty Terminal Bonus for (with profit Tables/ Plans) paid-up policies.

a. Terminal Bonus on Whole Life and Endowment paid-up policies will be paid on claims by death or maturity in 2020, where the policy has been on the books for more than 10 years. The rate will be Rs. 60 per thousand paid-up sum assured for each year in excess of 10 years subject to a maximum of Rs. 1200 per thousand paid-up sum assured. Jeevan Sathi and Shadabad policies will be treated as Endowment policies.

b. The above terminal bonus will also be paid to Anticipated Endowment paid-up policies on claims by death only. No terminal bonus will be paid to anticipated endowment policies on claims by maturity in 2020.

c. Loyalty Terminal Bonus on Whole Life and Endowment paid up policies will be paid on claims by death or maturity in 2020 to policies with risk year 2000 or earlier. The rate will be Rs.200 per thousand paid-up sum assured. Jeevan Sathi and Shadabad policies will be treated as Endowment policies.

d. Loyalty Terminal bonus as mentioned above will also be paid to Anticipated Endowment paid-up policies on claims by death or maturity in 2020.

.

Note: Terminal/ Loyalty Terminal bonus for paid-up policies will be calculated on the paid-up sum assured and not on the basic sum assured.

X. East West Mutual etc.

Policies issued by the East West Mutual, Grand Mutual, I.G.I., Pakistan Mutual, Standard and Union Insurance and former East Pakistani companies will not get Terminal Bonuses, Special Terminal Bonuses, Loyalty Terminal Bonuses and Specified Major Surgical Benefit.

B. Policies Expressed in UAE Dirham and US Dollar

a. Policies expressed in UAE Dirham:

Reversionary bonuses per thousand sum insured per annum (2018 figures are given for comparison).

	2018		**2019**	
	For First Five Policy Years	**From Sixth Policy Year Onwards**	**For First Five Policy Years**	**From Sixth Policy Year Onwards**
	Dh	**Dh**	**Dh**	**Dh**
Whole Life	4	8	**6**	**12**
Endowments Term:				
20 years and over	3	7	**5**	**11**
15 to 19 years inclusive	2	5	**3**	**8**
14 years and less	1	3	**2**	**5**
Anticipated Endowments Term:				
20 years and over	1	5	**2**	**8**
15 to 19 years inclusive	1	4	**2**	**6**
14 years and less	-	3	**2**	**5**

b. Policies expressed in US Dollar:

Reversionary bonuses per thousand sum insured per annum (2018 figures are given for comparison).

	2018		2019	
	For First Five Policy Years	From Sixth Policy Year Onwards	For First Five Policy Years	From Sixth Policy Year Onwards
	$	$	$	$
Whole Life	4	9	**6**	**14**
Endowments Term:				
20 years and over	3	7	**5**	**11**
15 to 19 years inclusive	2	5	**3**	**8**
14 years and less	1	3	**2**	**5**
Anticipated Endowments Term:				
20 years and over	1	5	**2**	**8**
15 to 19 years inclusive	1	3	**2**	**5**
14 years and less	-	2	**2**	**3**

c. Interim Bonus on death and maturity claims will be allowed till the next bonus declaration, at the rates mentioned in B(a) and B(b) above.

d. Terminal Bonus will be paid on claims by death or maturity in 2020, where more than 10 years' premiums have been paid. The rate will be USD/AED 10 per thousand sum assured for each year's premium paid in excess of 10 years subject to a maximum of USD/AED 200 (same as 2018 valuation) per thousand sum assured. This bonus shall only be payable on Whole Life and Endowment policies and not Anticipated Endowment policies.

e. Special Terminal Bonus will be paid to Anticipated Endowment policies on claims by maturity in 2020, where a Family Income Benefit (FIB) is in force at maturity as a supplementary contract and has been in force for more than 10 years. The rate will be 5 per thousand basic sum assured under the policy for each year in excess of 10 years that the FIB has been in force, subject to a maximum of 100 (same as 2018 valuation) per thousand basic sum assured. This bonus is applicable for both Dollar and Dirham policies.

f. Family Income Benefit to heirs or nominees of deceased lives assured will be increased by 4% from policy anniversaries in the year 2021 under with profit policies.

Note: The percentage increase will be allowed on the actual benefit paid on policy anniversaries (including any prior increases) in the year 2020.

C. No Cash Value of Bonuses until Three Years' Premiums have been Paid

Surrender Value of Reversionary Bonuses on an inforce policy will be payable if at least one of the following two conditions has been fulfilled:

i) The policyholder has actually paid at least three full years' premiums.

ii) The policy has completed at least three policy years.

However, these conditions will be waived in case of Single Premium policies. These conditions will also be waived in the case of a death claim and all bonuses whether declared or interim will be payable. Also, in the case of a death claim in the first three policy years, where the premiums are in arrears, in order to determine whether the policy could have been kept in force, the surrender value of bonuses will be taken into account.

"Actual payment" means payment in cash/pay order/bank draft/cheque after it has been realized.

Caution:

Terminal, Special Terminal, Loyalty Terminal bonuses and the Specified Major Surgical Benefits are especially sensitive to the future surplus of State Life. Hence, no indication can or should be given of Terminal, Special Terminal, Loyalty Terminal bonuses and Specified Major Surgical Benefit, if any, which may be allowed after the year 2020.

Operating and Financial Highlights

Financial Position

Balance Sheet

Rupees in Million

	2019	2018	2017	2016	2015	2014
ASSETS						
Cash and Banks	91,860	33,298	38,452	31,349	27,623	20,261
Loans secured against life insurance policies	111,874	93,313	76,675	62,803	50,673	41,303
Loans to employee and field force	1,035	985	898	803	551	424
Investment properties	3,375	3,657	3,185	2,975	2,949	2,955
Investment in securities	777,884	738,586	585,906	514,447	445,958	390,102
Current assets and others	71,888	59,977	50,419	47,025	43,733	41,312
Fixed assets	920	414	437	409	340	332
Total assets	**1,058,836**	930,231	755,973	659,811	571,827	496,689
EQUITY AND LIABILITIES						
Issued, subscribed and paid up capital	4,300	3,500	3,000	3,000	3,000	3,000
Reserve and surplus	642	1,121	377	948	1,229	840
Policy holders liability	996,401	873,813	707,388	614,177	526,676	450,025
Employees Retirement Benefit	4,722	6,368	3,926	3,401	2,960	2,465
Deferred capital grant	45	14	22	27	-	-
Creditors and accruals	52,726	45,416	41,259	38,258	37,962	40,359
Total equity and liability	**1,058,836**	930,231	755,973	659,811	571,827	496,689
OPERATING AND FINANCIAL TRENDS						
Profit and Loss						
Net Investment Income	363	311	314	311	320	147
Surplus appropriated	1,878	1,738	1,580	1,519	1,269	1,186
Profit before Tax	2,234	2,675	1,894	1,830	1,589	1,333
Taxation	649	883	624	618	541	428
Profit After Tax	**1,585**	1,792	1,270	1,212	1,048	905
Revenue Account						
Premium net of Reinsurance	112,572	114,914	100,761	89,821	79,941	76,342
Net Investment Income	95,802	69,961	69,251	64,214	59,997	50,569
Total Inflow	208,374	184,875	170,012	154,035	139,938	126,911
Total Outflow	84,102	88,436	75,885	65,523	62,019	54,307
Increase Policyholders liability	117,331	94,075	87,800	83,286	74,990	67,030
Surplus before Tax	2,797	2,364	6,326	5,226	2,929	5,574
Taxation	813	-	85	43	-	-
Surplus after Tax	1,984	2,364	6,241	5,183	2,929	5,574
Surplus transfer to P&L	1,878	1,738	1,580	1,519	1,269	1,186
Cash Flows						
Operating activities	12,636	21,068	19,025	17,029	11,150	17,951
Investing activities	41,271	(25,566)	(15,747)	(11,307)	(3,126)	(30,522)
Financing activities	(714)	(1,270)	(1,091)	(943)	(564)	-
Cash and cash equivalents at the end of the year	80,810	27,617	33,385	31,197	26,419	18,959

Financial Ratios

		2019	2018	2017	2016	2015	2014
Profitability							
Profit before tax / Gross Premium		**2.48%**	2.38%	1.87%	2.03%	1.98%	1.74%
Profit before tax / Net Premium		**2.48%**	2.39%	1.88%	2.04%	1.99%	1.75%
Profit after tax / Gross Premium		**1.76%**	1.60%	1.26%	1.35%	1.31%	1.18%
Profit after tax / Net Premium		**1.76%**	1.60%	1.26%	1.35%	1.31%	1.19%
Net Claims / Net Premium (IL)		**48.38%**	41.29%	39.44%	37.70%	39.67%	34.43%
Net Claims / Net Premium (GL)		**78.38%**	96.20%	100.01%	104.71%	111.13%	96.32%
Net Commission / Net Premium (IL)		**12.46%**	18.50%	20.15%	20.64%	22.11%	23.21%
Net Commission / Net Premium (GL)		**0.07%**	0.07%	0.08%	0.08%	0.06%	0.05%
Area Managers Costs / Net Premium		**2.20%**	2.65%	2.66%	2.78%	2.66%	2.75%
Total Acquisition Cost / Net Premium		**15.87%**	22.75%	23.80%	24.46%	25.93%	27.17%
Administration Expenses / Net Premium		**9.37%**	10.29%	8.98%	7.91%	8.40%	6.29%
Return to Shareholders							
Return on Equity (ROE) Net income / Avg Equity		**30.46%**	31.91%	34.67%	29.65%	25.97%	26.34%
Earnings / (Loss per Share) - Pre Tax	Rs.	**72.74**	84.49	63.14	61.02%	52.95%	106.09%
Earnings / (Loss per Share) - After Tax	Rs.	**51.61**	56.60	42.33	40.41%	34.93%	72.05%
Return on Assets (Net Income)/Avg total Assets		**0.20%**	0.20%	0.18%	0.20%	0.20%	0.20%
Paid up Capital / Total Assets		**0.41%**	0.38%	0.40%	0.45%	0.52%	0.60%
Market Value							
Face Value per Share	Rs.	**100**	100	100	100	100	100
Break up Value per Share	Rs.	**166.26**	167.95	112.57	131.60	134.93	172.05
Cash Dividend per Share	Rs.	**31.33**	40.39	42.33	36.37	31.44	72.05
Dividend Yield - (DPS/100*100)		**31.33%**	40.39%	42.33%	36.37%	31.44%	72.05%
Dividend Pay out		**60.70%**	71.36%	100%	90%	90%	100%

Vertical Analysis

Balance Sheet

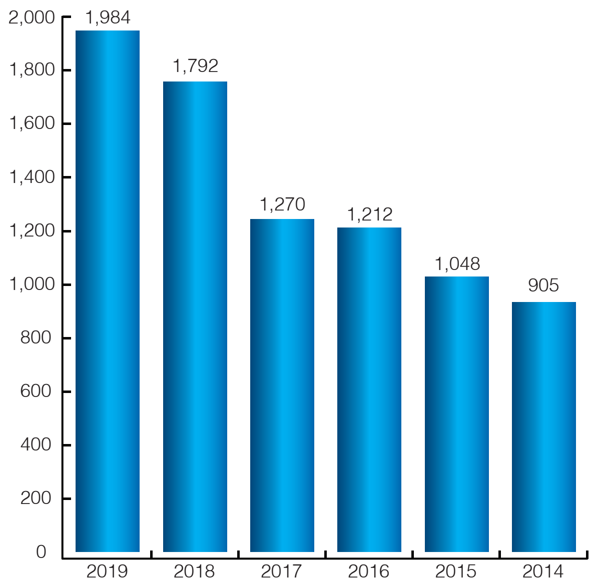
	2019 Rs in million	2019 %	2018 Rs in million	2018 %	2017 Rs in million	2017 %	2016 Rs in million	2016 %	2015 Rs in million	2015 %	2014 Rs in million	2014 %
ASSETS												
Cash and Banks	91,860	8.68%	33,298	3.58%	38,452	5.09%	31,349	4.75%	27,623	4.83%	20,261	4.08%
Loans secured against life insurance policies	111,874	10.57%	93,313	10.03%	76,675	10.14%	62,803	9.52%	50,673	8.86%	41,303	8.32%
Loans to employee and field force	1,035	0.10%	985	0.11%	898	0.12%	803	0.12%	551	0.10%	424	0.09%
Investment properties	3,375	0.32%	3,657	0.39%	3,185	0.42%	2,975	0.45%	2,949	0.52%	2,955	0.59%
Investment in securities	777,884	73.47%	738,586	79.40%	585,906	77.50%	514,447	77.97%	445,958	77.99%	390,102	78.54%
Current assets and others	71,888	6.79%	59,977	6.45%	50,419	6.67%	47,025	7.13%	43,733	7.65%	41,312	8.32%
Fixed assets	920	0.09%	414	0.04%	437	0.06%	409	0.06%	340	0.06%	332	0.07%
Total assets	**1,058,836**	**100%**	930,231	100%	755,973	100%	659,811	100%	571,827	100%	496,689	100%
EQUITY AND LIABILITIES												
Issued, subscribed and paid up capital	4,300	0.41%	3,500	0.38%	3,000	0.40%	3,000	0.45%	3,000	0.52%	3,000	0.60%
Reserve and surplus	642	0.06%	1,121	0.12%	377	0.05%	948	0.14%	1,229	0.21%	840	0.17%
Policy holders liability	996,401	94.10%	873,813	93.94%	707,388	93.57%	614,177	93.08%	526,676	92.10%	450,025	90.60%
Employees retirement benefit	4,722	0.45%	6,368	0.68%	3,926	0.52%	3,401	0.52%	2,960	0.52%	2,465	0.50%
Deferred capital grant	45	0.004%	14	0.002%	22	0.003%	27	.004%	–	–	–	–
Creditors and accruals	52,726	4.98%	45,416	4.88%	41,259	5.46%	38,258	5.80%	37,962	6.64%	40,359	8.13%
Total equity and liability	**1,058,836**	**100%**	930,231	100%	755,973	100%	659,811	100%	571,827	100.00%	496,689	100.00%
OPERATING AND FINANCIAL TRENDS												
Profit and Loss												
Net Investment Income	363	16%	311	12%	314	17%	311	17%	320	20%	147	11%
Surplus appropriated	1,878	84%	1,738	65%	1,580	83%	1,519	83%	1,269	80%	1,186	89%
Profit before Tax	2,234	100%	2,675	100%	1,894	100%	1,830	100%	1,589	100%	1,333	100%
Taxation	649	29%	883	33%	624	33%	618	34%	541	34%	428	32%
Profit After Tax	1,585	71%	1,792	67%	1,270	67%	1,212	66%	1,048	66%	905	68%
Revenue Account												
Premium net of Reinsurance	112,572	54%	114,914	62%	100,761	59%	89,821	58%	79,941	57%	**76,342**	**60%**
Net Investment Income	95,802	46%	69,961	38%	69,251	41%	64,214	42%	59,997	43%	**50,569**	**40%**
Total Inflow	208,374	100%	184,875	100%	170,012	100%	154,035	100%	139,938	100%	**126,911**	**100%**
Total Outflow	84,102	40%	88,436	48%	75,885	45%	65,523	43%	62,019	44%	**54,307**	**43%**
Increase Policyholders liability	117,331	56%	94,075	51%	87,800	52%	83,286	54%	74,990	54%	**67,030**	**53%**
Taxation	0	0%	0	0%	85	0%	43	0%	–	–	–	–
Surplus after Tax	1,984	1%	2,364	1%	6,241	4%	5,183	3%	2,929	2%	**5,574**	**4%**

Horizontal Analysis

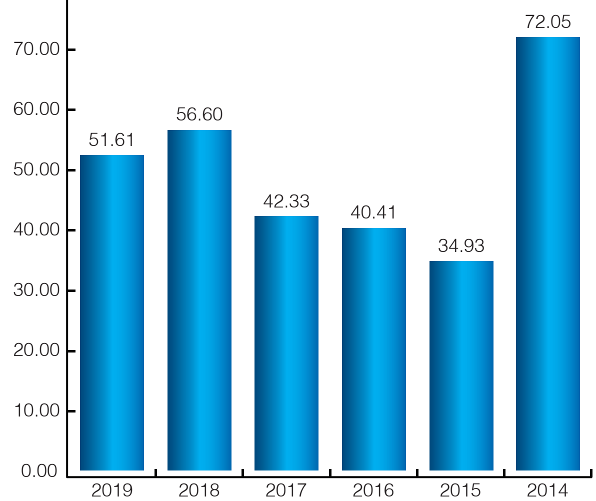
Balance Sheet

	Rs in million						% increase/decrease over preceding year					
	2019	2018	2017	2016	2015	2014	**2019**	2018	2017	2016	2015	2014
ASSETS												
Cash and Banks	91,860	33,298	38,452	31,349	27,623	20,261	176%	-13%	23%	13%	36%	-39%
Loans secured against life insurance policies	111,874	93,313	76,675	62,803	50,673	41,303	20%	22%	22%	24%	23%	25%
Loans to employee and field force	1,035	985	898	803	551	424	5%	10%	12%	46%	30%	1%
Investment properties	3,375	3,657	3,185	2,975	2,949	2,955	-8%	15%	7%	1%	0%	-1%
Investment in securities	777,884	738,586	585,906	514,447	445,958	390,102	5%	26%	14%	15%	14%	22%
Current assets and others	71,888	59,977	50,419	47,025	43,733	41,312	20%	19%	7%	8%	6%	31%
Fixed assets	920	414	437	409	340	332	122%	-5%	7%	20%	2%	-16%
Total assets	**1,058,836**	**930,231**	755,973	659,811	571,827	496,689	14%					
EQUITY AND LIABILITIES												
Issued, subscribed and paid up capital	4,300	3,500	3,000	3,000	3,000	3,000	23%	17%	0%	0%	0%	173%
Reserve and surplus	642	1,121	377	948	1,229	840	-43%	197%	-60%	-23%	46%	-57%
Policy holders liability	996,401	873,813	707,388	614,177	526,676	450,025	14%	24%	15%	17%	17%	19%
Employees retirement benefit	4,722	6,368	3,926	3,402	2,960	2,465	-26%	62%	15%	20%	20%	14%
Deferred capital grant	45	14	22	27	-	-	219%	-36%	100%	100%	-	-
Creditors and accruals	52,726	45,416	41,259	38,258	37,962	40,359	16%	10%	8%	1%	-6%	9%
Total equity and liability	**1,058,836**	**930,231**	755,973	659,811	571,827	496,689	14%					
OPERATING AND FINANCIAL TRENDS												
Profit and Loss												
Net Investment Income	363	311	314	311	320	147	17%	-1%	1%	-3%	118%	11%
Surplus appropriated	1,878	1,738	1,580	1,519	1,269	1,186	8%	10%	4%	20%	7%	13%
Profit before Tax	2,234	2,050	1,894	1,830	1,589	1,333	9%	41%	3%	15%	19%	13%
Taxation	649	636	624	618	541	428	2%	41%	1%	14%	26%	16%
Profit After Tax	1,585	1,414	1,270	1,212	1,048	905	12%	41%	5%	16%	16%	12%
Revenue Account												
Premium net of Reinsurance	112,572	112,123	100,761	89,821	79,941	76,342	0.40%	14%	12%	12%	5%	16%
Net Investment Income	95,802	70,277	69,251	64,214	59,997	50,569	36%	1%	8%	7%	19%	-
Total Inflow	208,374	182,401	170,012	154,035	139,938	126,911	14%	9%	10%	10%	10%	9%
Total Outflow	84,102	85,650	75,885	65,523	62,019	54,307	-2%	17%	16%	6%	14%	7%
Increase Policyholders liability	117,331	94,075	87,800	83,286	74,990	67,030	25%	7%	5%	11%	12%	11%
Taxation	813	883	85	43	-	-	-8%	-100%	99%	-	-	-
Surplus after Tax	1,984	1,792	6,241	5,183	2,929	5,574	11%	-62%	20%	77%	-47%	5%

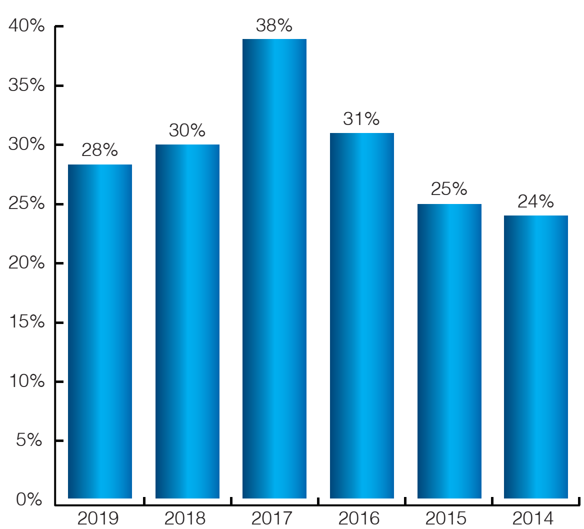
Profit After Taxation (Rs. in Million)



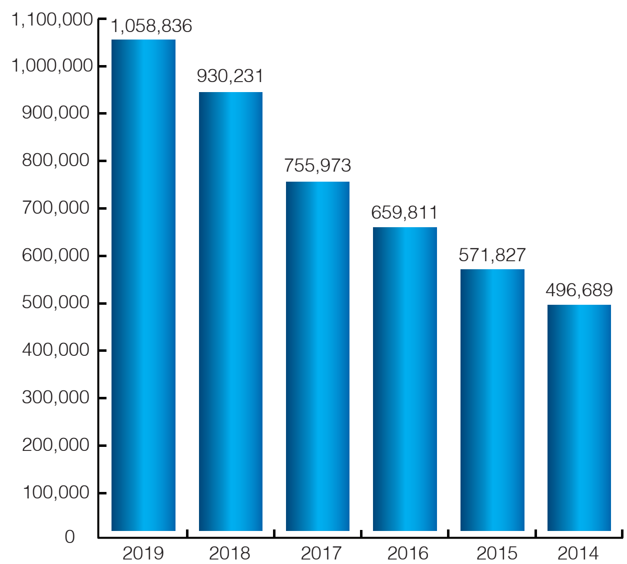
Earnings per Share (Rupees)



Return on Equity (Percentage)

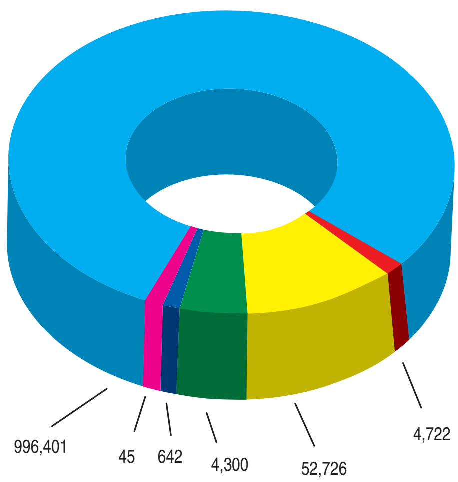


Assets (Rupees in Million)



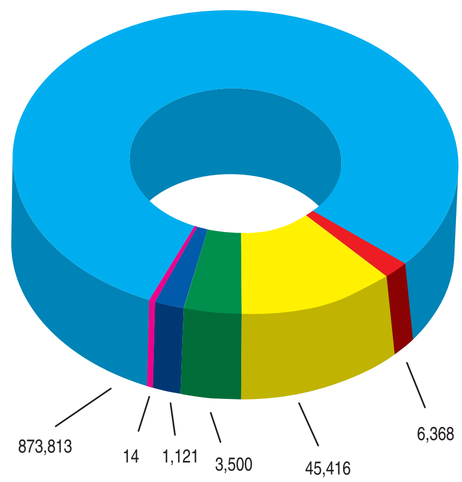
Balance Sheet Composition

Equity & Liabilities - 2019 (Rupees in Million)



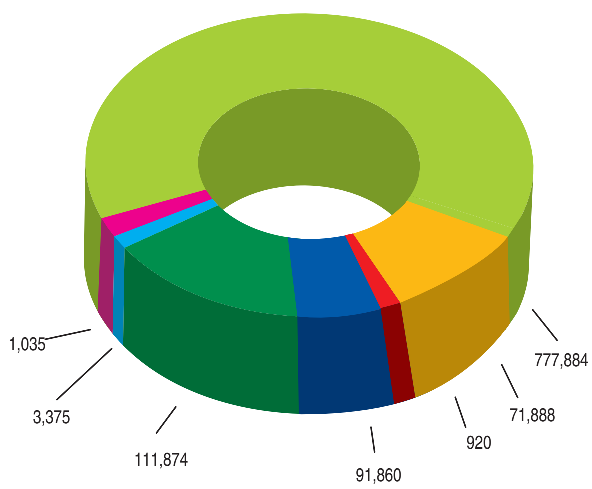
- Policyholders' Liability - 996,401
- Employees Retirement Benefit - 4,722
- Creditors and Accurals - 52,726
- Issued, Subscribed and Paid-up Capital - 4,300
- Reserve and Surplus - 642
- Deferred Capital Grant - 45

Equity & Liabilities - 2018 (Rupees in Million)



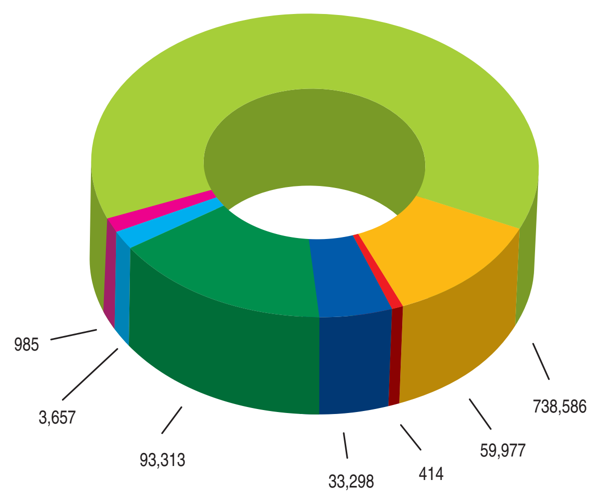
- Policyholders' Liability - 873,813
- Employees Retirement Benefit - 6,368
- Creditors and Accurals - 45,416
- Issued, Subscribed and Paid-up Capital - 3500
- Reserve and Surplus - 1,121
- Deferred Capital Grant - 14

Assets - 2019 (Rupees in Million)



- Cash and Banks - 91,860
- Loans Secured against Life Insurance Policies - 111,874
- Loans to Employee and Field Force - 1,035
- Investment Properties - 3,375
- Investment in Securities - 777,884
- Current Assets and Others - 71,888
- Fixed Assets - 920

Assets - 2018 (Rupees in Million)



- Cash and Banks - 33,298
- Loans Secured against Life Insurance Policies - 93,313
- Loans to Employee and Field Force - 985
- Investment Properties - 3,657
- Investment in Securities - 738,586
- Current Assets and Others - 59,977
- Fixed Assets - 414

Financial Statements Unconsolidated

Independent Auditor's Report

To the Members of State Life Insurance Corporation of Pakistan

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of State Life Insurance Corporation of Pakistan (the Corporation), which comprise the unconsolidated statement of financial position as at December 31, 2019, and the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Corporation's affairs as at December 31, 2019 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Emphasis of Matter

We draw attention to the following:

- Note 1.4 to the unconsolidated financial statements that explains that the Presidential Order dated April 06, 2016 in respect of State Life (Reorganization and Conversion) Ordinance, 2016 was issued by Government of Pakistan Ministry of Law and Justice to provide for the re-organization and conversion of the State Life Insurance Corporation of Pakistan into a Public Limited .Company. As a consequence of reorganization and conversion, the Corporation is not expected to continue as a going concern. The Company that will be formed shall be taking over the business, functions, contracts, policies, proceedings, undertakings, assets, liabilities, etc. of the Corporation at a specific date, which is uncertain. Since there will be no change in operational activities of the Corporation pursuant to change in legal structure, no adjustments are expected to the carrying values of the assets and liabilities.

- Note 23.1.13 to the unconsolidated financial statements that describes the chargeability of sales tax on premium by provincial revenue authority.

Our opinion is not modified in respect of the above matters.

Information Other than the Unconsolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

In preparing the unconsolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to

going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Corporation as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);

b) the unconsolidated statement of financial position, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XIX of 2017), and are in agreement with the books of account;

c) the apportionment of assets, liabilities, revenue and expenses between two or more funds has been performed in accordance with the advice of the appointed actuary;

d) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Corporation's business; and

e) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Corporation and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Other Matter

The annual financial statements of the Corporation for the preceding year ended December 31, 2018 were audited by Grant Thornton Anjum Rahman and Riaz Ahmad and Company, whose audit report dated May 31, 2019 expressed a modified opinion on chargeability of sale tax on premium by provincial revenue authority and an emphasis of matter paragraph on re-organization and conversion of the Corporation.

The engagement partners on the audit resulting in this independent auditors' report are Muhammad Khalid Aziz and Zulfiqar Ali Causer on behalf of Grant Thornton Anjum Rahman and BDO Ebrahim & Co. respectively.

Grant Thornton Anjum Rahman

Grant Thornton Anjum Rahman
Chartered Accountants

BDO Ebrahim & Co
Chartered Accountants

Karachi
Dated: July 27, 2020

Unconsolidated Statement of Financial Position as at December 31, 2019

	Note	2019	2018
		--------------(Rupees in '000)----------------	
ASSETS			
Property and equipment	5	920,235	881,423
Investment properties	6	3,375,167	3,189,920
Investments in subsidiaries	7	318,901	338,010
Investments			
Equity securities	8	91,592,105	87,831,533
Mutual funds	9	7,987,521	7,852,632
Government securities	10	674,943,342	638,939,449
Debt securities	11	3,042,398	3,623,918
Loans secured against life insurance policies		111,873,885	93,313,445
Insurance / reinsurance receivables	12	26,301,325	21,803,073
Loans and other receivables	13	42,681,211	35,134,918
Taxation - payments less provision		3,875,690	3,958,284
Prepayments	14	64,539	66,254
Cash & bank	15	91,859,786	33,298,315
TOTAL ASSETS		1,058,836,105	930,231,174
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO CORPORATION'S EQUITY HOLDERS			
Ordinary share capital	16	4,300,000	3,500,000
Ledger account C & D		2,207,145	1,257,718
Reserves	17	7,043	507,043
Unappropriated profit		1,284,882	713,615
Capital contributed to statutory fund		(650,000)	(100,000)
TOTAL EQUITY		7,149,070	5,878,376
LIABILITIES			
Insurance liabilities	18	1,016,711,293	890,675,969
Retirement benefit obligations	19	4,722,072	6,343,778
Deferred capital grant		44,714	14,025
Deferred tax	20	636,015	472,871
Premium received in advance		10,632,410	8,079,218
Insurance / reinsurance payables	21	480,184	466,442
Other creditors and accruals	22	18,460,347	18,300,495
TOTAL LIABILITIES		1,051,687,035	924,352,798
TOTAL EQUITY AND LIABILITIES		1,058,836,105	930,231,174
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes from 1 to 48 form an integral part of these unconsolidated financial statements.

Riaz Ahmad Memon	**Ali Mubashar Karmi**	**Abdul Qadir Memon**	**Muhammad Rashid**
Chairman	Director	Director	Chief Financial Officer

Unconsolidated Statement of Comprehensive Income for the Year Ended December 31, 2019

	Note	2019	2018
		(Rupees in '000)	
Premium revenue		112,776,755	112,356,501
Premium ceded to reinsurers		(204,433)	(233,011)
Net premium revenue	24	112,572,322	112,123,490
Investment income	25	73,184,367	63,800,988
Net realised fair value (loss)/gain on financial assets	26	(12,682)	4,425
Net fair value gain/(loss) on financial assets at fair value through profit and loss	27	3,615,064	(9,081,292)
Net rental income	28	568,240	536,165
Other income	29	18,446,796	15,016,904
		95,801,785	70,277,190
Net income		208,374,107	182,400,680
Insurance benefits		57,143,001	50,329,972
Recoveries from reinsurers		(106,879)	(80,492)
Claim related expense		12,642	-
Net Insurance Benefits	30	57,048,764	50,249,480
Net Change in Insurance Liabilities (other than outstanding claims)		121,475,500	94,074,887
Acquisition expenses	32	16,502,433	23,865,626
Marketing and administration expenses	33	9,904,121	11,179,639
Other expenses	34	646,443	355,628
Total expenses		148,528,497	129,475,780
Profit before tax		2,796,846	2,675,420
Income tax expense	35	(812,543)	(883,210)
Profit for the year		1,984,303	1,792,210
Other comprehensive income		-	-
Total comprehensive income for the year		1,984,303	1,792,210
Earning (after tax) per share - Rupees	36	51.61	56.60

The annexed notes from 1 to 48 form an integral part of these unconsolidated financial statements.

Riaz Ahmad Memon	**Ali Mubashar Karmi**	**Abdul Qadir Memon**	**Muhammad Rashid**
Chairman	Director	Director	Chief Financial Officer

Unconsolidated Statement of Cash Flow for the Year Ended December 31, 2019

		Note	2019	2018
			-----------(Rupees in '000)-----------	
	Operating Cash flows			
(a)	**Underwriting activities**			
	Insurance premiums received		117,673,310	101,914,190
	Reinsurance premiums paid		(299,764)	(268,098)
	Claims paid		(31,216,236)	(28,417,769)
	Surrenders paid		(27,153,375)	(23,096,834)
	Reinsurance and other recoveries received		207,466	185,485
	Commissions paid		(14,839,294)	(18,835,399)
	Other underwriting payments, if any		(3,541,499)	(4,418,659)
	Net cash flow from underwriting activities		40,830,608	27,062,916
(b)	**Other operating activities**			
	Income tax paid		(566,807)	(697,992)
	Other operating payments		-	570,646
	General management expense paid		(10,707,640)	(8,008,890)
	Other operating receipts		(644,511)	-
	Loans secured against life insurance policies - advanced		(25,749,990)	(8,937,795)
	Loans secured against life insurance policies - repayments received		9,474,058	11,079,182
	Net cash flow used in other operating activities		(28,194,890)	(5,994,849)
	Total cash flow from all operating activities		12,635,718	21,068,067
	Investment activities			
	Profit / return received		72,654,495	58,012,756
	Dividends received		5,245,226	5,405,925
	Rentals received		1,748,301	1,196,342
	Payment for investments		(191,668,167)	(156,254,393)
	Proceeds from disposal of investments		153,701,945	66,718,644
	Fixed capital expenditure		(411,290)	(648,227)
	Proceeds from sale of property and equipment		758	2,933
	Total cash flow generated from / (used in) investing activities		41,271,268	(25,566,020)
	Financing activities			
	Dividends paid		(713,609)	(1,269,914)
	Total cash flow used in financing activities		(713,609)	(1,269,914)
	Net cash flow generated from / (used in) all activities		53,193,377	(5,767,867)
	Cash and cash equivalents at beginning of year		27,616,698	33,384,565
	Cash and cash equivalents at end of year	15.1	80,810,075	27,616,698
	Reconciliation to Profit and Loss Account			
	Operating cash flows		12,635,718	21,068,067
	Depreciation expense		(122,985)	(132,165)
	Investment income		95,801,787	70,671,753
	Amortization/capitalization		419,224	662,116
	Non cash adjustments (APL)		(3,393,075)	(9,796,421)
	Increase in assets other than cash		24,627,882	19,968,903
	Decrease in liabilities other than running finance		(5,695,601)	(6,575,156)
	Allocation of surplus		(100,000)	-
	Other adjustments		(713,147)	-
	Net change in insurance liabilities (other than outstanding claims)		(121,475,500)	(94,074,887)
	Profit after taxation		1,984,303	1,792,210

The annexed notes from 1 to 48 form an integral part of these unconsolidated financial statements.

Riaz Ahmad Memon	**Ali Mubashar Karmi**	**Abdul Qadir Memon**	**Muhammad Rashid**
Chairman	Director	Director	Chief Financial Officer

Unconsolidated Statement of Changes in Equity for the Year Ended December 31, 2019

	Attributable to equity holders of the Corporation					
	Share capital	Capital contributed to Statutory Fund	Revenue reserves General reserves	Ledger Account C & D [Refer Note]	Unappropriated profit	Total
	Rupees in '000					
Balance as at January 1, 2018	3,000,000	(1,200,000)	307,043	1,979,122	1,269,915	5,356,080
Dividend paid for the year December 31, 2017	-	-	-	-	(1,214,038)	(1,214,038)
Transferred to BESOS from profit for the year ended December 31, 2017	-	-	-	-	(55,876)	(55,876)
Total comprehensive income for the year	-	-	-	-	1,792,210	1,792,210
Surplus for the year retained in statutory funds-net of tax	-	-	-	378,596	(378,596)	-
Capital contributed from statutory fund - eliminated	-	1,100,000	-	(1,100,000)	-	-
Transfer for the issuance of share capital	500,000	-	200,000	-	(700,000)	-
Balance as at December 31, 2018	3,500,000	(100,000)	507,043	1,257,718	713,615	5,878,376
Balance as at January 1, 2019	**3,500,000**	**(100,000)**	**507,043**	**1,257,718**	**713,615**	**5,878,376**
Dividend paid for the year December 31, 2018	-	-	-	-	(713,609)	(713,609)
Total comprehensive income for the year	-	-	-	-	1,984,303	1,984,303
Surplus for the year retained in statutory funds-net of tax	-	-	-	949,427	(949,427)	-
Capital contributed to statutory fund	-	(650,000)	-	-	650,000	-
Capital received from statutory fund	-	100,000	-	-	(100,000)	-
Transfer for the issuance of share capital	800,000	-	(500,000)	-	(300,000)	-
Balance as at December 31, 2019	**4,300,000**	**(650,000)**	**7,043**	**2,207,145**	**1,284,882**	**7,149,070**

Note: This includes balances maintained in accordance with the requirements of Section 35 of the Insurance Ordinance, 2000 read with Rule 14 of the Insurance Rules, 2017 (previously the SEC Insurance Rules, 2002) to meet solvency margins, which are mandatorily maintained for the carrying on of the life insurance business.

The annexed notes from 1 to 48 form an integral part of these unconsolidated financial statements.

Riaz Ahmad Memon Chairman	**Ali Mubashar Karmi** Director	**Abdul Qadir Memon** Director	**Muhammad Rashid** Chief Financial Officer

Notes to the Unconsolidated Financial Statements for the year Ended December 31, 2019

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 State Life Insurance Corporation of Pakistan (the Corporation) was incorporated in Pakistan on November 01, 1972 under the Life Insurance Nationalization Order, 1972 (LINO). The Corporation's principal office is located at State Life Building No. 9, Dr. Ziauddin Ahmad Road, Karachi. It operates in Pakistan through 33 zones for individual life business, 4 zones for group life business and in the gulf countries {comprising United Arab Emirates (UAE) and Kuwait} through zonal office located at Dubai (UAE).

1.2 The Corporation is engaged in the life insurance, health and accident insurance business.

1.3 The Corporation was issued the certificate of authorization for commencement of Window Takaful Operation under rule 6 of the Takaful rules, 2012 by Securities Exchange Commission of Pakistan vide letter no. 0097, dated September 22, 2016. However the Corporation is in the process of launching the Window Takaful Operations at the reporting date i.e, December 31, 2019. For the purpose of carrying on the takaful business, the Corporation has formed an Individual Family Participant Takaful Fund (IFPTF) on August 18, 2017 under the Waqf deed and cede Rupees 1 million to the IFPTF. The Waqf deed governs the relationship of Corporation and participants for management of takaful operations.

1.4 The Presidential Order dated April 06, 2016 in respect of State Life (Reorganization and Conversion) Ordinance, 2016 was issued by Government of Pakistan Ministry of Law and Justice to provide for the re-organization and conversion of the Corporation into a Public Limited Company. After the commencement of this Ordinance, the Federal Government established a Company namely, State Life Insurance Company Limited under the repealed Companies Ordinance, 1984 (XLVII of 1984) with the objective of taking over the business, functions, contracts, policies, proceedings, undertakings, assets, liabilities. etc of the Corporation on fulfillment of the statutory requirements. The National Assembly converted the said Ordinance into Bill for the conversion of State Life Insurance Corporation of Pakistan to State Life Insurance Company Limited and sent the Bill to Senate for approval and the Senate, instead of passing the Bill, proposed few amendments in the Bill. For the consideration of the proposed amendments the matter was moved to National Assembly Standing Committee on Commerce and the matter is still pending with that Committee.

Under the new scheme all the assets, liabilities, contracts, policies, proceedings and undertakings of the Corporation shall stand transferred to and vest in the Company on a specific date which is uncertain. Accordingly, the Corporation is not expected to continue as going concern. Since there will be no change in operational activities of the Corporation pursuant to change in aforesaid legal structure, no adjustments are expected to the carrying amounts of assets and liabilities.

1.5 The Corporation maintains a shareholders' fund and five statutory funds, separately in respect of its each class of life insurance business. The details relating to each fund have been described in note 3.4.

2 BASIS OF PREPARATION

These unconsolidated financial statements have been prepared on the format of financial statements issued by the Securities and Exchange Commission of Pakistan (SECP) through the Insurance Rules, 2017 vide its S.R.O. 89(1) / 2017 dated 09 February 2017.

2.1 STATEMENT OF COMPLIANCE

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

2.2 BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies mentioned below (refer note 3).

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

These unconsolidated financial statements have been presented in Pakistani Rupee, which is the Corporation's functional and presentation currency. Amounts have been rounded off to the nearest thousand, unless otherwise stated.

2.4 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO THE PUBLISHED STANDARDS THAT ARE RELEVANT TO THE CORPORATION AND ADOPTED IN THE CURRENT YEAR

The Corporation has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

Standard or Interpretation		Effective Date (Annual period beginning on or after)
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	January 1, 2019
IFRS 9	Prepayment Feature with Negative Compensation (Amendment to IFRS 9)	January 1, 2019
IAS 19	Plan Amendment, Curtail or Settlement (Amendments to IAS 19)	January 1, 2019
Annual Improvements to IFRSs (2015 – 2017) Cycle:		January 01, 2019

Adoption of the above revisions, amendments and interpretations of the standards have no significant effect on the amounts for the year ended December 31, 2019.

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

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

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

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

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

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

b) all other financial assets

Description	2019					
	Fail the SPPI test			Pass the SPPI test		
	Fair Value	Impairment	Change in unrealised Gain / loss during the year	Carrying Value	Impairment	Change in unrealised Gain / loss during the year
	Rupees in '000					
Cash and bank	91,859,786	-	-	-	-	-
Investment in equity securities	91,592,105	-	-	-	-	-
Investment in gonverment securities	-	-	-	674,943,342	-	-
Investment in debt securities	-	-	-	3,042,398	7,573	-
Investment in mutual funds	7,97,521	-	-	-	-	-
Loans and other receivables	42,681,211	-	-	-	-	-
Loans secured against life insurance policies	-	-	-	111,873,885	-	-

Description	2019								
	Carrying amount of debt instrument that pass the SPPI test								
	AA	A+	A	AA-	AAA	A-	A-1	A-2	Unrated
	Rupees in '000								
Investment in debt securities	-	-	3,034,825	-	-	-	-	-	-
Investment in gonverment securities	-	-	-	-	-	-	-	-	674,943,342
Loans secured against life insurance policies	-	-	-	-	-	-	-	-	111,873,885

2.5 Standards, amendments to published standards and interpretations that are effective but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 01, 2019 are considered not to be relevant or to have any significant effect on the Corporation's financial reporting and operations and are therefore not presented here.

2.6 Standards, interpretations and amendments to published accounting and reporting standards that are relevant but not yet effective and nor early adopted by the Corporation

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretation		Effective Date (Annual period beginning on or after)
IFRS 14	Regulatory Deferral accounts	July 1, 2019
IFRS 3	Definition of a business' Amendment to IFRS 3	January 1, 2020
IAS 1 and IAS	Definition of Material' (Amendments to IAS 1 and IAS 8)	January 1, 2020
	Various Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020

The management of the Corporation is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the unconsolidated financial statements of the Corporation.

2.7 Standards, amendments and interpretations to the published standards that are not yet notified by the SECP

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

Standard or Interpretation		IASB effective date (Annual periods beginning on or after)
IFRS 1	First Time Adoption of International Financial Reporting Standards	July 01, 2009
IFRS 17	Insurance Contract	January 1, 2022
IFRIC 4	Determining whether a Arrangement Contains a Lease	January 1, 2016
IFRIC 12	Service Concession Agreements	Not yet notified

2.8 Critical accounting estimates and judgments

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

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

a) Classification of investments

In investments classified as "amortized cost", the Corporation has included financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Corporation evaluates its intention and ability to hold such investments to maturity.

b) Provision for outstanding claims (including IBNR)

The Corporation records claims based on the sum assured or other basis set by the Corporation. However, settlement of all the claims is made based on the nature of insured event.

Provision of claims incurred but not reported (IBNR) is made on the basis of actuarial valuation. Actuarial valuation is made on the basis of past trend and pattern of reporting of claims. Actual amount of IBNR may materially differ from the actuarial estimates.

c) Provision for income taxes

In making estimates for income taxes currently payable by the Corporation, management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

d) Impairment of other assets, including premium due but unpaid

The Corporation also considers the need for impairment provision against other assets, including premium due but unpaid and provision required there-against. While assessing such a requirement, various factors including delinquency in the account and financial position of the policyholders are considered.

e) Fixed assets, investment properties, depreciation and amortisation

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

The assets residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each reporting date.

The Corporation also reviews value of the assets for possible impairment on an annual basis. Any change in estimates in future years might affect the carrying amounts of respective items of fixed assets with a corresponding effect on the depreciation / amortization charge and impairment.

f) Staff retirement benefits

Staff retirement benefits are provided as per actuarial valuation or following the actuarial advice which is based upon certain assumptions.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of this unconsolidated financial statement are same as those applied in the preparation of the annual unconsolidated financial statements of the Corporation for the year ended December 31, 2018.

3.1 Property and equipment

These are stated at cost less accumulated depreciation and impairment losses, if any.

Subsequent costs

Subsequent costs are included in the assets carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Corporation and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to profit and loss account.

Depreciation

Depreciation is calculated on straight-line method to write off the cost of assets over their expected useful lives at the rates specified in note 5 to the financial statements, after taking into account residual values, if any. The useful lives, residual values and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. Depreciation on property and equipment is charged on a proportionate basis.

Gains and losses on disposal

An item of fixed asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of fixed assets are included in current year's income and expenses respectively.

Capital work in progress

Capital work in progress is stated at cost less impairment, if any and consist of expenditure incurred and advances made in respect of fixed assets in the course of their acquisition, erection, construction and installation. The assets are transferred to relevant category of fixed asset when they are available for use.

3.2 Investment properties

Investment properties are accounted for under the cost model in accordance with International Accounting Standard 40, 'Investment Property' and S.R.O. 938 (1)/2002 dated December 12, 2002 issued by the SECP.

These are carried at cost less accumulated depreciation and impairment losses, if any. Subsequent expenditure, depreciation and gains or losses on disposal are accounted for in the same manner as of operating fixed assets.

3.3 Other assets

Stock of stationery, printed material and maintenance store in hand for investment properties etc. are valued at lower of cost or net realizable value. Cost is determined on 'first in first out' basis.

3.4 Funds

The Corporation maintains a shareholders' fund and five statutory funds, separately in respect of its each class of life insurance business, namely:

- Pakistan Life Fund (ordinary life);
- Overseas Life Fund (ordinary life);
- Pension Fund;
- Health Insurance Fund; and
- Family Takaful Fund.

Assets, liabilities, revenues and expenses are referable to respective statutory funds or allocated to shareholders' fund.

Expenses of principal office are distributed among all funds on fair and equitable basis.

a) Pakistan Life Fund (ordinary life)

Pakistan Life Fund comprises individual life business and group life business carried out in Pakistan as well as individual life Rupee business conducted outside Pakistan. Policyholders' liabilities as shown in the Pakistan Life Fund are based on an actuarial valuation conducted by the appointed actuary as at the reporting date.

Within the Pakistan Life Fund, business can be further classified as individual life conventional business, BANCA business, group insurance business and a small amount of annuity business. Most of the policies contain Discretionary Participation Feature (DPF).

b) Overseas Life Fund (ordinary life)

The Overseas Life Fund entirely consists of individual life conventional business carried out at UAE, Kingdom of Saudi Arabia and Kuwait through zonal office located in Dubai (UAE). Policyholders' liabilities as shown in the Overseas Life Fund are based on an actuarial valuation conducted by the appointed actuary as at the reporting date.

Exchange gains and losses on translation of currencies of Overseas Life Fund and Pakistan Life Fund (Rupee business) are taken to revenue account through statement of investment income. Most of the new business written under the Overseas Life Fund contains a Discretionary Participation Feature (DPF).

c) Pension Fund

The Pension Fund consists of funds on account of group pension deposit administration contracts. Policyholders' liabilities as shown in the pension fund are based on an actuarial valuation conducted by the appointed actuary as at the reporting date.

d) Accidental and Health Insurance Fund

The Corporation has entered into an agreement in 2015 with Government of Khyber Pakhtunkhwa (KP) to implement Social Health Protection Initiative. As per the agreement, the Corporation received 60% of coasted plan and will receive 40% of the said amount on completion of the plan certified by the consultant firm designated for the said purpose. Under the scheme, about 100,000 households in four districts of KP will be covered for micro health insurance benefits under the prescribed limit of Rs. 25,000 per member per annum. The Corporation has also entered into an agreement with the Federal Government under Prime Minister Health Insurance Program. Under the scheme, about 3,020,000 households which will be covered for micro health insurance benefits under the prescribed limit of Rs. 250,000 per household for specialized diseases and Rs. 50,000 for other disease.

e) Family Takaful Fund

The Corporation on receipt of license to start Window Takaful Operations, established a statutory fund namely 'Family Takaful Fund' to offer Family Takaful Contracts. Family Takaful Contract is an arrangement which rests on key Shariah principles of mutual cooperation, solidarity and well-being of a community, and is based on the principles of Wakala Waqf Model. Under a Takaful arrangement, individuals come together and contribute towards the common objective of protecting each other against financial losses by sharing the risk on the basis of mutual assistance.

The obligation of Waqf for Waqf participants' liabilities is limited to the amount available in the Waqf fund. In case there is a deficit in the Waqf Fund, the Window Takaful Operator shall grant an interest free loan (Qard-e-Hasna) to make good the deficit. The loan shall be repayable from the future surpluses generated in the Waqf Fund, without any excess of the actual amount given to it. Repayment of Qard-e-Hasna shall receive priority over surplus distribution to participants from the Waqf Fund.

The takaful operations under the 'Family Takaful Fund' are expected to start from the next year as disclosed in note 1.3 to these financial statements.

3.5 Insurance contracts - classification

The Corporation maintains five statutory funds which are as follows:

- Pakistan Life Fund
- Overseas Life Fund
- Pension Fund
- Accidental and Health Insurance Fund
- Family Takaful

Within the Pakistan Life Fund the business can be further classified as individual life conventional business, group insurance business and a small amount of annuity business.

Most of the new individual life conventional policies written by the Corporation contain a Discretionary Participation Feature (DPF). DPF indicates policies in which the investor receives an additional payment, the amount or timing of which is contractually at the discretion of the issuer.

The Overseas Life Fund entirely consists of individual life conventional business. Most of the new business written under the overseas life fund contains a DPF.

The Pension Fund consists of funds administered under Group Pension Deposit Administration contracts.

The Accident and Health Insurance Fund consists of Group Health and Accident Insurance Contracts.

Considering all the five statutory funds together, the bulk of Corporation business consists of individual life conventional policies. Most of the remaining business consists of group life insurance business. Group Health is a relatively new venture of the Corporation which started in 2012 and has yet to register any significant growth. The Corporation also offers some supplementary benefits attached in the form of riders to the individual life policies and the group life contracts. Each of these classes of business are described in greater detail below.

Contract details and measurement

The insurance contracts offered by the Corporation are described below:

3.5.1 Individual life policies

Individual life conventional products

These are long term contracts with either level or single premiums. These plans generally provide for some death benefit on death during the currency of the policy and a survival benefit either on the happening of certain contingencies or on the maturity of the policy. The premiums are payable only in the life time of the policyholder. In case of term insurance products there is no survival benefit.

Universal life policies

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

Term insurance policies

A few products of the Corporation are term insurance plans providing benefits only in case of death. Under these policies no benefit is due if the policyholder survives the duration of the policy. The Corporation sells both level term insurances and decreasing term insurances also known as mortgage protection plans.

Annuities

The Corporation also has a small number of individual and group life-annuities on its books. Under these contracts a periodic income benefit is payable to the insured life for as long as annuitant is alive. Besides, the Corporation offers annuity-certain plans under which periodic income benefit is payable for a stipulated period and is not dependent on the life of the policyholder.

Supplementary riders

The Corporation offers various types of supplementary riders. Some of these riders offer additional life coverage, in some cases they offer accidental death and disability benefits. The benefits can take various forms such as lump sum payment or an income benefit or waiver of premiums due under the host policy contract.

Insured event

Under the individual life insurance policies in most cases the insured event is either death or survival until the maturity date of the policy, except in case of term insurance where there is no maturity benefit. Under the annuity policies the Corporation is exposed to the risk of longevity. In this case the insured event is survival of the life insured for a long duration, exceeding the period normally expected under standard mortality tables.

In case of supplementary rider the insured event is either death or just accidental death or disability whether accidental or natural or both.

Distribution channel

TThe individual life business of the Corporation is sold through its dedicated sales force which is present all over the country. This field force is organised under a three tier system consisting of sales representatives, sales officers and sales managers. Each sales sector headed by a sector head is further grouped over 1000 area offices, more than 1,200 sector offices, 33 zones and 7 regional offices in addition to one zone for the Gulf Region. The Gulf zone has its own marketing team of sector heads, area managers and sales force.

The individual life policy holders of the Corporation come from all strata of society, with greater representation of the rural areas due to wider outreach of its field force. New policyholders have an average age of around 34 years.

3.5.2 Group life policies

Basic coverage

The group life policies are generally one year renewable term insurance contracts. In most cases they provide group coverage to the employees of an employer. Some times the coverage is tied up with loans extended by the employer for house building or purchase of motor vehicles or other household items. In some cases group policies are issued to lending agencies such as banks to provide group coverage to their borrowers. There are also a small number of group endowment policies which provide benefits identical to individual life policies but under the umbrella of a group contract.

Supplementary coverage

In many cases the group policies also provide supplementary coverage which may include accidental or natural disability benefits and additional accidental death benefit. These riders also take the form of one year renewable term insurance policies.

Insured event

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

Distribution channel

The group insurance business is sold through four group and pension zones of the Corporation. Each zone has its own marketing force consisting of sector heads who are full time salaried employees of the Corporation, however, some of the group business is also procured through individual life field force of the Corporation.

Most of the lives covered under the group insurance consist of industrial and office workers, civil servants and employees of corporations, banks, other financial institutions, army, navy etc.

3.6 Policyholders' liabilities

Policyholders' liabilities are stated at a value determined by the appointed actuary through an actuarial valuation carried out as at each reporting date. In determining the value, both acquired policy values (which forms the bulk of policyholders' liabilities) as well as estimated values which will be payable against risks which the Corporation underwrites are taken into account. The basis used are applied consistently from year to year.

The basic liability consists of the estimated actuarial liability against each contract, which is in force. Following elements are added to this amount:

a) any reserve required for premiums;
b) reserve for incurred but not reported (IBNR) claims;
c) reserve for income benefit in course of payment; and
d) reserve for potential losses on a policy to policy basis.

3.7 Re-insurance contracts held

IThe Corporation has re-insurance arrangements with Swiss Re. The net retention limit of the Corporation for individual life is Rs. 5 million (2018: Rs. 5 million) per policy and for group life is Rs. 5 million (2018: Rs. 5 million) per person of risk. Re-insurance premium is recorded as an expense evenly over the period of the re-insurance contract and is off-set against the premium income of the respective year.

The claim recoveries arising out of re-insurance contracts are off-set against the claims expenses of respective year.

3.8 Claims

The liability in respect of outstanding claims represents the ascertained value of claims incurred and reported before the end of the accounting year. Incurred but not reported (IBNR) cases are provided on the basis of actuarial advice and included in the policyholders' liabilities.

On May 19, 2014, the SECP has issued Circular No. 11 of 2014 in which they have prohibited all life insurers from writing back the unclaimed insurance benefit amount in any circumstances. The unclaimed insurance benefits are the amount which have become payable in accordance with the terms and conditions of an insurance policy but have not been claimed by the policyholders or their beneficiaries. Such unclaimed amounts include unclaimed maturity benefits, long outstanding claims and un-intimated or unclaimed death or disability claims. The Corporation has a practice of writing back claims which are outstanding for more than three years from the date from which the claims become payable and an equivalent amount has been placed in 'reserve for unpaid insurance benefits' within the policyholders' liabilities. The Corporation has received letter dated May 22, 2015 from SECP clarifying that the practice to retain the unclaimed insurance benefits in its actuarial reserve is in compliance with the clause 3 of the aforementioned Circular.

3.9 Amount due to other insurers / reinsurers

Liabilities for other insurers / reinsurers are carried at cost which is the fair value of consideration to be paid in future for services.

3.10 Premiums due but unpaid

Premiums due but unpaid are recognised at cost, which is the fair value of consideration to be received less provision for impairment, if any.

3.11 Amount due from other insurers / reinsurers

Amount due from other insurers / reinsurers are carried at cost less provision for impairment, if any.

3.12 Acquisition costs

These are costs incurred in acquiring and maintaining insurance policies and include without limitation all forms of remuneration paid to insurance agents and certain field force staff.

3.13 Expenses of management

Expenses of management represent directly attributable expenses and indirect expenses allocated to statutory funds.

3.14 Staff retirement benefits

a) Provident fund

The Corporation operates a defined contribution plan, a recognized contributory provident fund scheme for all its eligible employees. For employees who have opted for the gratuity scheme, monthly contributions at the rate of 8.33% of their basic salaries are made to the fund by the Corporation. However, in respect of employees who have opted for the pension scheme, no contribution is made by the Corporation to the provident fund.

b) Gratuity fund

Officers

The Corporation maintains a funded defined benefit plan for those officers who opted for gratuity rules. On retirement, resignation, termination or on death they will be paid last month's drawn salary for each completed year of service. Liability for the fund is based on the advice of appointed actuary.

Staff

"The Corporation maintains a unfunded defined benefit plan for those staff who opted for gratuity rules. On retirement, resignation, termination or on death they will be paid last month's drawn salary for each completed year of service. Liability for the fund is based on the advice of appointed actuary.

Previously, the Corporation maintained a defined contribution plan in respect of all those officers of the Corporation who initially opted for the unfunded gratuity scheme. At the end of each month, starting from the effective date of admission of a member to the fund, the Corporation used to make a contribution equal to 8.33% of the member's basic salary. However, pursuant to decision of the Board of Directors taken in their 241st meeting held on October 20, 2015, the gratuity scheme of the officers of the Corporation has been revamped from defined contribution plan to defined benefit plan.

c) Pension fund

The Corporation operates a defined benefit plan, a funded pension scheme for its employees opting for the pension scheme established in 1984 and payments are made annually to the extent allowed under the Income Tax Rules, 2002 to meet the obligations there-under on the basis of actuarial valuation. From a previous year pursuant to the order of Honorable Supreme Court of Pakistan, the Corporation has restored its pension scheme, as aforesaid, that was in effect before December 31, 1999. Liability for the fund is based on the advice of appointed actuary.

d) Compensated absences

From the year 2002, the un-availed earned leave balance of officers is encashed to the extent of two third of the leave balance with simultaneously proceeding on leave for one third leave balances, minimum for twelve days. A policy is already in force for the staff on similar lines. For officers leaves upto 60 days can be carried forward upto the date of retirement and can be encashed at retirement. Similarly, in respect of staff leaves upto 180 days can be carried forward upto the date of retirement and can be encashed at retirement.

The liability in respect of compensated absences as at December 31, 2019 amounting to Rs.1,542 million (2018: Rs. 1,491 million) has been provided in these financial statements based on actuarial valuation.

e) Post retirement medical benefits

The Corporation provides medical facilities to its retired officers and their spouses in accordance with the service regulations. As at December 31, 2019, liability for post retirement medical benefit as computed by the appointed actuary is estimated at Rs. 2,446 million (2018: Rs. 2,073 million) and the same has been provided in these financial statements.

3.15 **Loans secured against life insurance policies**

Cash loans

Loans in cash against the security of life insurance policies may be extended to the policyholders to the extent of 80% of surrender value of the respective policy, provided the policy has been in force for at least two years.

Automatic non-forfeiture provisions

(a) Automatic Premium Loans secured against surrender value of the policy may be extended to the extent of the surrender value of the respective policy, provided the policyholder has exercised Automated Premium Loan option.

(b) An advance equal to one year premium may be allowed to the policyholder only once, if the policyholder has exercised Auto Paid-up option provided the respective policy has been in force for at least two years.

3.16 **Revenue recognition**

Premium

(a) Individual life policies

The initial premium is recognized when the policy is issued after receipt of that premium. Subsequent premiums falling due under the policy are recognized if received before expiry of the grace period, or if advanced by the Corporation under the Automatic Non-Forfeiture provisions. However, premiums due in the month of December but not received by 31st December are recognized if the grace period is to expire after the next 1st January.

(b) Group life policies

The premium on group life policies is recognized on a proportionate basis.

Rental income on investment properties

Rental income is recognized on an accrual basis except where dues are more than six months old in which case income is recognized on a receipt basis, except for the cases that are under litigation.

Investment income

Income on government securities, term finance certificates and other fixed income securities is recognized on an accrual basis for the number of days these are held taking into account effective yield on the instruments.

Dividend income is recognized when the Corporation's right to receive dividend is established. Income on debentures is recognized at the prescribed rates, except where recovery is considered doubtful in which case the income is recognized on a receipt basis.

Capital gain or loss arising on sale of listed securities is recognized on settlement date.

Income on future transactions is taken to income as the difference between ready market purchase price and future sale at settlement of future transactions. Income on reverse repurchase transactions is taken to income at the date of settlement.

Deferred capital grant

Grants received for capital expenditure is credited to "Deferred liabilities". Amount equal to the depreciation charged during the year as per rate applicable to the respective assets is transferred to other income. Grants received in cash for revenue expenditure are treated as income on the basis of expenditure incurred.

Others

All other income are recognised on accrual basis.

3.17 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with prevailing laws (Fourth Schedule to the Income Tax Ordinance, 2001) for taxation of income. All sources of income of the Corporation are taxed as one basket income using prevailing tax rate expected to apply to the profit for the year, if enacted. The charge for the current tax also includes adjustments, where considered necessary, to the provision for tax made in previous years arising from assessments finalized during the current year for such years.

Deferred

Deferred taxation is accounted for using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization on settlement of the carrying amount of assets and liabilities using the tax rates enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.18 Bad and doubtful debts

Known bad debts are written off and impairment loss is recognized for debts / receivables considered doubtful.

3.19 Provisions

Provisions are recognized when the Corporation 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.

3.20 Impairment of non financial assets

The carrying amounts of non financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense, for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

3.21 Related party transactions and transfer pricing

Transactions and contracts with the related parties are carried out at arm's length price determined in accordance with comparable uncontrolled price method.

3.22 Cash and cash equivalents

These include cash and bank balances and deposits maturing within twelve months.

3.23 Dividend distributions and appropriations

Dividend distributions and appropriations are recorded in the year in which the distributions and appropriations are approved.

3.24 Earnings per share

The Corporation presents basic and diluted Earnings Per Share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Corporation by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated if there is any potential dilutive effect on the Corporation's reported net profits.

3.25 Segment reporting

Operating segment is a distinguishable component of the Corporation that is engaged in providing services that are subject to risks and returns that are different from those of other operating segments. The Corporation accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Regulations, 2017.

The Corporation's business segments are currently reported as shareholders' fund and five statutory funds, separately in respect of each class of life insurance business.

3.26 Foreign currency translations

Foreign currency transactions during the year are recorded at the exchange rate approximating those ruling on the date of transaction. Monetary assets and liabilities in foreign currencies are translated at the rate of exchange which approximates those prevailing on the reporting date. Gains and losses on translations are taken to income currently. Non monetary items that are major in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

3.27 Leases

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is depreciated on a straight-line method over the lease term as this method most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Corporation is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component and not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight-line basis over the lease term.

3.28 Financial instruments

Financial assets and financial liabilities are recognised when the Corporation becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are recognised initially at cost including associated transaction costs which is the fair value of the consideration given.

The financial assets and financial liabilities are measured subsequently as described below:

Financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Loans and receivables;
- Held to maturity; and
- Fair value through profit and loss financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are carried at amortized cost.

Held to maturity

These include held to maturity investments that are financial assets with fixed or determinable payments and fixed maturity and the Corporation has a positive intent and ability to hold these investments till maturity. After initial recognition, these are carried at amortized cost.

Fair value through profit and loss

These are investment are initially recognised at cost being the fair value the of consideration given and its related transaction cost are charged to profit and loss account. These investment are subsequently measured at their market value with any gain or loss in statement of comprehensive income.

Impairment of financial assets

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

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognized.

Derecognition

Financial assets are derecognized at the time when the Corporation loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized at the time when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of financial assets and financial liabilities are taken to the statement of comprehensive income immediately.

Off setting

Financial assets and liabilities are off set and the amount is reported in the balance sheet if the Corporation has a legal right to set-off the transactions and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Fair / market value measurements

For investments in Government securities, fair / market value is determined by reference to quotations obtained from Reuters page (PKRV) / (PKISRV) where applicable. For investments in quoted marketable securities, other than Term Finance Certificates / Corporate Sukuks, fair / market value is determined by reference to Stock Exchange quoted market price at the close of business on balance sheet date. The fair market value of Term Finance Certificates / Corporate Sukuks and investment in Mutual Fund is as per the rates issued by the Mutual Funds Association of Pakistan (MUFAP).

Financial liabilities

For the purpose of subsequent measurement, financial liabilities are measured at amortised cost using effective interest method, which approximates to its cost except for policyholders' liabilities and liability for claims incurred but not reported (IBNR) which are measured on the basis of actuarial valuations.

3.29 Investment in subsidiaries

Investment in subsidiaries has been carried at cost less provision for impairment (if any).

3.30 Investment in associates

Investment in associates has been carried at cost less provision for impairment (if any).

4 CHANGE IN ACCOUNTING POLICY

4.1 IFRS 16 - Leases

IFRS 16 'Leases' was issued on January 01, 2016. This standard is adopted locally by the SECP and is effective for accounting periods beginning on or after January 1, 2019. IFRS 16 replaced IAS 17 'Leases', and IFRIC 4 'Determining whether an Arrangement contains a Lease' The Corporation applied IFRS 16 with a date of initial application of January 01, 2019.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is twelve months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Corporation does not have significant impact of IFRS 16 due to short term lease contracts.

5 PROPERTY AND EQUIPMENT

	Note	2019	2018
		------ Rupees in 000------	
5.1 Operating assets	5.1	920,235	881,423

2019

Description	Cost					Depreciation						
	As at 1 January	Additions/ (disposals)	Adjustment	Transfer from Investment Properties	As at 31 December	As at 1 January	For the year / (disposals)	Adjustment	Transfer from Investment Properties	As at 31 December	Written down value as at 31 December	Depreciation Rate (%)
	------	------	------	------	------	Rupees in '000	------	------	------	------	------	
Building, roads and structure	538,269	-	-	89,219	627,488	120,390	892	-	22,028	143,310	484,178	1
Electric installation and fittings	410,712	-	-	68,077	478,789	361,170	6,808	-	72,263	440,241	38,548	10
Furniture and fixtures	530,919	35,281	-	-	565,050	324,831	26,855	1,581	-	353,267	212,838	10
		(1,150)								(1,055)		
Office equipment	193,729	11,100	-	-	203,697	129,182	13,705	432	-	143,319	61,197	10 to 30
		(1,132)								(819)		
Computer installations-basic	794,932	40,276	-	-	834,575	710,976	34,691	1,082	-	746,749	88,294	30
		(633)								(468)		
Computer installations-peripherals	77,356	5,248	-	-	82,488	67,797	6,019	-	-	73,816	8,734	30
		(116)								(62)		
Vehicles	210,135	903	-	-	199,688	160,283	23,369	678	-	184,330	26,446	20
		(11,350)								(11,088)		
	2,756,052	92,808	-	157,296	2,991,775	1,874,629	112,339	3,773	94,291	2,085,032	920,235	
		(14,381)								(13,492)		

2018

Description	Cost					Depreciation						
	As at 1 January	Additions/ (disposals)	Adjustments	Transfer from Investment Properties	As at 31 December	As at 1 January	For the year / (disposals)	Adjustments	Transfer from Investment Properties	As at 31 December	Written down value as at 31 December	Depreciation Rate (%)
	------	------	------	------	------	Rupees in '000	------	------	------	------	------	
Building, roads and structure	-	-	-	38,269	538,269	-	-	-	120,390	120,390	417,879	1
Electric installation and fittings	-	-	-	410,712	410,712	-	-	-	61,170	361,170	49,542	10
Furniture and fixtures	481,299	49,670	-	-	530,919	291,648	32,108	1,075	-	324,831	206,088	10
		(50)						-				
Office equipment	182,345	11,844	-	-	193,729	116,828	12,275	79	-	129,182	64,547	10 to 30
		(460)										
Computer installations-basic	760,114	34,905	-	-	794,932	669,217	41,759	-	-	710,976	83,956	30
		(87)										
Computer installations-peripherals	72,558	4,822	-	-	77,356	60,879	5,461	1,457	-	67,797	9,559	30
		(24)						-				
Vehicles	208,400	1,735	-	-	210,135	129,276	30,017	990	-	160,283	49,852	20
		-										
	1,704,716	102,976	-	948,981	2,756,052	1,267,848	121,620	3,601	481,560	1,874,629	881,423	
		(621)										

5.2 Disposal of property and equipment

Disposal of tangible assets during the year 2019 having net book value exceeding Rs. 50,000 in aggregate

	2019						
Description of Assets	Cost	Net book value	Sale proceed	Gain	Mode of disposal	Particulars of buyers	
	--------------------- Rupees in '000 ---------------------						
Furniture and fixtures	543	54	79	25	by Negotiation	Mr. Jaffar (Al Ain)	Employee
Office Equipment	80	63	63	-	by Negotiation	Abdul Ghufran	Employee
Office Equipment	80	63	63	-	by Negotiation	Abdul Ghufran	Employee
Office Equipment	80	73	73	-	by Negotiation	Roshan Ali Sheikh	Employee
Computers Installation - Basic	186	98	98	-	by Negotiation	Abdul Ghufran	Employee
Computer Installation - Peripheral	93	54	55	1	by Negotiation	Mr. M Mushtaq	Employee
Vehicles	859	166	710	544	by Tender	Asmat Ali Sherazi	External
Vehicles	854	300	890	590	by Tender	Asmat Ali Sherazi	External
Vehicles	921	250	851	601	by Tender	Asmat Ali Sherazi	External
Vehicles	1,129	479	840	361	by Tender	Asmat Ali Sherazi	External
Vehicles	849	300	833	533	by Tender	Asmat Ali Sherazi	External
Vehicles	849	325	733	408	by Tender	Asmat Ali Sherazi	External
Vehicles	859	320	788	468	by Tender	Waqas Gill	External
Vehicles	859	347	829	482	by Tender	M. Numan	External
Vehicles	853	341	791	450	by Tender	Ahmed Jahan	External
Vehicles	741	221	650	429	by Tender	NICL (Insurance Claim)	External

5.3 Assets with zero values

	2019			2018		
Description of Assets	Cost	Net book value	Number of items	Cost	Net book value	Number of items
	---------------- Rupees in '000 ----------------					
Furniture and fixtures	24,130	-	43	22,198	-	42
Office equipment	15,048	-	122	14,080	-	102
Computers installation - Basic	363,933	-	55	342,411	-	53
Computer installation - Peripheral	16,398	-	31	16,398	-	31
Vehicles	52,105	-	66	51,219	-	65

6 INVESTMENT PROPERTIES

	Note	2019	2018
		------ Rupees in 000 ------	
Investment properties	6.1	**1,773,618**	1,831,187
Less: Provision for impairment in value	6.5	**(895)**	(895)
		1,772,723	1,830,292
Capital work in progress	6.9	**1,602,444**	1,359,628
		3,375,167	3,189,920

6.1 Investment Properties

2019

	Cost				Depreciation					
	As at 1 January	Additions/ (disposals)	Transfer to Property and Equipment	As at 31 December	As at 1 January	For the year	Transfer to Property and Equipment	As at 31 December	Written down value as at 31 December 2019	Depreciation Rate (%)
	------	------	------	------	Rupees in '000	------	------	------	------	
Freehold land	**274,616**	**-**	**-**	**274,616**	**-**	**-**	**-**	**-**	**274,616**	**-**
Leasehold land Leasehold	**332,697**	**-**	**-**	**332,697**	**109,489**	**3,864**	**-**	**113,353**	**219,344**	**1 to 5**
improvements Building, roads	**17,431**	**2,609**	**-**	**20,040**	**10,462**	**602**	**-**	**11,064**	**8,976**	**5**
and structure Electric	**1,552,627**	**39,792**	**(89,219)**	**1,503,200**	**342,088**	**21,114**	**(22,028)**	**341,174**	**1,162,026**	**1**
installation cand fittings	**1,181,928**	**33,286**	**(68,077)**	**1,146,981**	**1,066,073**	**44,515**	**(72,263)**	**1,038,325**	**108,656**	**10**
		(156)								
	3,359,299	**75,531**	**(157,296)**	**3,277,534**	**1,528,112**	**70,095**	**(94,291)**	**1,503,916**	**1,773,618**	

2018

	Cost				Depreciation					
	As at 1 January	Additions/ (disposals)	Transfer to Property and Equipment	As at 31 December	As at 1 January	For the year	Transfer to Property and Equipment	As at 31 December	Written down value as at 31 December 2018	Depreciation Rate (%)
	------	------	------	------	Rupees in '000	------	------	------	------	
Freehold land	274,616	-	-	274,616	-	-	-	-	274,616	-
Leasehold land Leasehold	332,697	-	-	332,697	105,624	3,865	-	109,489	223,208	1 to 5
improvements Building, roads	16,693	738	-	17,431	9,894	568	-	10,462	6,969	5
and structure Electric	2,074,141	16,755	(538,269)	1,552,627	441,609	20,869	(120,390)	342,088	1,210,539	1
installation and fittings	1,567,622	25,259	(410,712)	1,181,928	1,382,189	45,054	(361,170)	1,066,073	115,855	10
		(241)		-						
	4,265,769	42,511	(948,981)	3,359,299	1,939,316	70,356	(481,560)	1,528,112	1,831,187	

6.2 Investment property has been transferred to property and equipment based on the occupation of approximately 29% (2018: 27%) of total rentable area of the investment property which is being used by the Corporation for the administrative purpose.

6.3 The market value of the investment properties, owned by the Corporation as determined by the independent valuers, amounted to Rs.50,459 million (2018: Rs.40,907 million). The forced sale value of the investment properties, owned by the Corporation as determined by the independent valuers as at December 31, 2019, amounted to Rs. 48,945 million (2018: Rs. 32,865 million).

6.4 The above includes, title deeds of 61 land/buildings, that were taken over by the Corporation under the Life Insurance (Nationalization) Order, 1972 (LINO) dated November 01, 1972 and have been transferred in the name of the Corporation. The title deeds 12 buildings / plots (2018: 13 buildings / plots) are still in the name of defunct insurance companies that were merged in the Corporation as per the LINO order.

6.5 There are properties costing Rs. 2.250 million (2018: Rs. 2.250 million) having written down value of Rs. 0.895 million (2018: Rs. 0.895 million) to which the Corporation's title is disputed. Against this, a provision of Rs. 0.895 million (2018: Rs. 0.895 million) exists.

6.6 The Corporation has a plot at Rawalpindi costing Rs. 0.581 million (2018: Rs. 0.581 million) for which execution of title deed is pending due to dispute with the Cantonment Board, Rawalpindi.

6.7 The Corporation has a plot at Mirpur (Azad Kashmir) costing Rs. 1.192 million (2018: Rs. 1.192 million) for which execution of title deed remain pending.

6.8 The investment properties also include Rs. 23 million (2018: Rs. 23 million) paid by the Corporation to the People Media Foundation (PMF) for acquisition of ground floor measuring 13,000 sq. ft. in PMF Complex (Press Club Building) at G-8, Markaz, Islamabad. The Corporation has taken over the possession of ground floor in July 1996, under an irrevocable General Power of Attorney, as the construction of building was incomplete. The management of the Corporation is of the opinion that under irrevocable General Power of Attorney, the Corporation is in a position to freely transfer the title of said property in its own name.

6.9 Capital work in progress

	Note	2019	2018
		------ Rupees in 000 ------	
Opening balance		**1,359,628**	859,462
Additions	6.9.1	**242,816**	500,166
Closing balance		**1,602,444**	1,359,628

6.9.1 This mainly represents the amount incurred in respect of Islamabad and Rahim Yar Khan projects.

7 INVESTMENTS IN SUBSIDIARIES

	Note	2019	2018
Alpha Insurance Company Limited	7.1	**298,918**	298,918
State Life (Lakie Road) Properties (Private) Limited	7.1	**12,910**	12,910
Less: Provision for impairement		**(12,910)**	-
State Life (Abdullah Haroon Road) Properties (Private) Limited	7.1	**26,182**	26,182
Less: Provision for impairement		**(6,199)**	-
		318,901	338,010

7.1 **Investment in Subsidiaries**

2019	2018	Face value	Company Name	Note	2019	2018
(Number of Shares)		Rs.			------ Rupees in 000 ------	
47,547,843	47,547,843	**10**	Alpha Insurance Company Limited Equity held 95.15% (2018:95.15%)		**298,918**	298,918
414,916	414,916	**10**	State Life (Lakie Road) Properties (Pvt) Limited Equity held 100% (2018:100%)		**12,910**	12,910
779,500	779,500	**10**	State Life (Abdullah Haroon Road) Properties (Pvt) Limited Equity held 100% (2018:100%)		**26,182**	26,182
					338,010	338,010

7.2 **The Corporation's interests in its subsidiaries were as follows:**

Name	**Country of Incorporation**	**Assets**	**Liabilities**	**Revenues**	**Profit / (Loss)**	**% of interest held**
		------ Rupees in 000 ------				
Alpha Insurance Company Limited*	Pakistan	**1,111,974**	**406,448**	**60,196**	**3,596**	**95.15%**
State Life (Lakie Road) Properties (Private) Limited**	Pakistan	**3,163**	**5,284**	**121**	**(289)**	**100%**
State Life (Abdullah Haroon Road) Properties (Private) Limited**	Pakistan	**23,205**	**1,100**	**6,000**	**4,886**	**100%**
Total at the end of 2019		**1,138,342**	**412,832**	**66,317**	**8,193**	

Name	Country of Incorporation	Assets	Liabilities	Revenues	Profit / (Loss)	% of interest held
		------ Rupees in 000 ------				
Alpha Insurance Company Limited*	Pakistan	1,157,090	485,710	45,119	(47,221)	95.15%
State Life (Lakie Road) Properties (Private) Limited**	Pakistan	3,217	5,111	121	(289)	100%
State Life (Abdullah Haroon Road) Properties (Private) Limited**	Pakistan	18,422	1,100	-	(967)	100%
Total at the end of 2018		1,178,729	491,921	45,240	(48,477)	

The Board of Directors in their meeting held on March 25, 2015 decided to liquidate State Life (Abdullah Haroon Road) Properties (Private) Limited. The Board of Directors in their 240th meeting held on August 11, 2015 approved the above said transaction and authorized certain persons to appear in all matters concerning purchase and transfer of property. As of the reporting date, the transaction is in the process of being executed.

8 INVESTMENTS IN EQUITY SECURITIES

	Note	2019 Cost	2019 Impairment / provision	2019 Carrying value	2018 Cost	2018 Impairment / provision	2018 Carrying value
		------ Rupees in '000 ------					
AIR VALUE THROUGH PROFIT AND LOSS ACCOUNT							
Related parties				18,307,249	3,450,495	-	17,798,141
Listed shares		3,439,097	-	5,000	5,000	-	5,000
Unlisted shares		5,000	-				
Others							
Listed shares	8.1	24,798,121	-	73,221,583	24,624,467	-	69,932,681
Unlisted shares	8.2	275,897	(218,575)	57,322	268,643	-	95,711
Unlisted preference shares		3,743	(2,792)	951	3,743	-	-
		28,521,858	(221,367)	91,592,105	28,352,348	-	87,831,533

8.1 This includes 653,995 shares owned by Corporation in National Bank of Pakistan on behalf of Life Insurance Corporation of India (LICI) which has a carrying value of Rs. 28.32 million.

8.2 Name of the chief executives of companies which forms majority portion of total investment in unlisted equities has been given below:

Company	Chief Executive	Shareholding	No of Shares	Carring Value in Rupees
Peoples Steels Mills Limited	Dr Munir Ahmed	N/A	1,998,967	19,989,670
Al Baraka	Ahmed Shuja	1.10%	4,941,176	84,000,002
Arabian Sea Country Club Limited	Arif Ali Khan	N/A	500,000	5,000,000
State Bank of Pakistan	Reza Baqir	N/A	29,458	3,221,374
Pakistan Emerging Ventures limited	Tameez Ul Haq	3.33%	12,500,000	50,565,450

9 INVESTMENTS IN MUTUAL FUNDS

		2019			2018		
		Cost	Impairment / provision for the year	Carrying value	Cost	Impairment / provision for the year	Carrying value
		---------- Rupees in '000 ----------					
FAIR VALUE THROUGH PROFIT AND LOSS ACCOUNT							
Listed - Others							
Open ended mutual fund	9.1	3,015,482	-	5,924,802	3,015,481	-	5,888,937
Unlisted - Others							
Close end mutual fund	9.2	861,155	-	2,062,719	861,155	-	1,963,695
		3,876,637	-	7,987,521	3,876,636	-	7,852,632

9.1 Open ended mutual funds

	2019			2018		
	Number of units	Cost Rs. in '000	Carrying value Rs. in '000	Number of units	Cost Rs. in '000	Carrying value Rs. in '000
Pakistan Life Fund						
National Investment Trust Units	75,996,262	2,304,969	4,825,763	75,996,262	2,304,969	4,847,032
Pak Capital Market Fund	115,239	373	1,316	115,239	373	1,216
NIT Government Bond Fund	28,278,954	300,000	297,854	28,278,954	300,000	289,859
NIT Income Fund	9,831,295	100,000	104,070	9,831,295	100,000	104,212
NIT Islamic Equity Fund	22,237,094	200,000	192,573	21,666,912	200,000	183,735
HBL Growth Fund"B"(PICIC Growth Fund)	12,024,904	-	229,412	12,024,904	-	205,987
HBL Investment Fund -Class"B"	1,607,710	-	16,009	1,607,710	-	14,389
HBL Money Market Fund	610,029	50,000	66,265	563,384	50,000	59,543
Al Meezan Mutual Fund	8,844,139	39,311	142,534	8,844,139	39,311	136,907
Pakistan Premier Fund	34,348	962	3,152	34,348	962	2,928
JS Growth Fund	270,895	19,867	45,854	270,895	19,866	43,129
		3,015,482	5,924,802		3,015,481	5,888,937

9.2 Closed end mutual funds

	2019			2018		
	Number of units	Cost Rs. in '000	Carrying value Rs. in '000	Number of units	Cost Rs. in '000	Carrying value Rs. in '000
Pakistan Life Fund						
NIT Equity Market Opportunity Fund	10,179,666	594,190	1,918,562	10,179,666	594,190	1,817,274
HBL Growth Fund"A"(PICIC Growth Fund)	12,024,904	243,312	137,565	12,024,904	243,312	138,286
HBL Investment Fund-Class"A"	1,607,710	23,653	6,592	1,607,710	23,653	8,135
		861,155	2,062,719		861,155	1,963,695

10 INVESTMENTS IN GOVERNMENT SECURITIES

	2019					2018	
	Maturity Year	Effective Yield (%)	Amortized Cost	Principal Repayment	Carrying value	Effective Yield (%)	Carrying value
	Rupees in '000						
HELD TO MATURITY							
Pakistan Investment Bond							
3 year Pakistan Investment Bonds	2019 - 2021	11.45% - 14.25%	109,230,108	119,008,000	109,230,108	10.90% - 12.06%	58,864,883
5 year Pakistan Investment Bonds	2019 -2023	6.5% - 12.7%	117,957,286	119,306,000	117,957,286	10.95% - 12.41%	152,057,680
10 year Pakistan Investment Bonds	2019 - 2028	7.5% - 14.29%	349,281,303	345,396,100	349,281,303	10.95% - 12.85%	340,263,996
15 year Pakistan Investment Bonds	2019 -2031	8.05% - 15.38%	11,787,581	11,870,000	11,787,581	10.95% - 13.40%	13,670,780
20 year Pakistan Investment Bonds	2024 - 2031	8.05% - 15.70%	28,397,607	28,900,000	28,397,607	12.43% - 13.40%	28,342,644
30 year Pakistan Investment Bonds	2036 - 2038	11.52% - 16.22%	37,628,226	40,050,000	37,628,226	12.50% - 13.60%	37,580,665
Islamic Republic of Pakistan Bond			6,743,095	-	6,743,095		8,158,801
Treasury Bills							
1 year Pakistan Treasury Bills	2020	14.17%	13,918,136	15,000,000	13,918,136		
			674,943,342	679,530,100	674,943,342		638,939,449

10.1 Government securities include Rs. 410 million (2018: Rs. 350 million) placed with the State Bank of Pakistan, in accordance with Section 29 of the Insurance Ordinance, 2000.

10.2 Market value of government securities carried at amortized cost amounted to Rs. 655,375 million (2018: Rs. 588,138 million).

11 INVESTMENT IN DEBT SECURITIES

		2019			2018		
	Note	Cost	Impairment / provision for the year	Carrying value	Cost	Impairment / provision for the year	Carrying value
		Rupees in '000					
HELD TO MATURITY - OTHERS							
Debentures	11.1	7,573	(7,573)	-	7,573	(7,573)	-
Foreign fixed income securities		3,042,398	-	3,042,398	3,623,918	-	3,623,918
		3,049,971	(7,573)	3,042,398	3,631,491	(7,573)	3,623,918

11.1 Debentures include an amount of Rs. 7.573 million (2018: Rs. 7.573 million) pertaining to those companies which are in liquidation process since 1974. Further, a court case is in process against the Colony Textile Mills Limited against debenture loan amounting to Rs. 0.678 million (2018: Rs. 0.678 million). The Corporation had made full provision against these debentures.

12 INSURANCE / REINSURANCE RECEIVABLES

Unsecured and considered good

	Note	2019	2018
		------ Rupees in 000 ------	
Due from insurance contract holders		5,932,244	21,442,479
Less: provision for impairment of receivables from Insurance contract holders		-	-
Due from other insurers / reinsurers		369,081	360,594
Less: provision for impairment of due from other insurers / reinsurers		-	-
		26,301,325	21,803,073

13 LOANS AND OTHER RECEIVABLES

	Note	2019	2018
Accrued investment income		38,712,693	32,109,897
Loans to agents		81,604	69,694
Loans to employees	13.1	953,037	915,705
Advance to contractors & security deposit		355,831	328,776
Other receivables		2,578,046	1,710,846
		42,681,211	35,134,918

13.1 This represent interest free loans provided to employees repayable within 12 months.

14 PREPAYMENTS

	Note	2019	2018
Prepaid miscellaneous expenses		60,118	49,093
Prepaid rent		4,421	17,161
		64,539	66,254

15 CASH AND BANK

	Note	2019	2018
Cash and Cash Equivalent			
- Cash in hand		16,173	13,481
- Cash in transit		252,822	341,802
Cash and bank			
- Current account		15,901,274	16,071,428
- Saving account	15.2	64,639,806	11,189,987
- Fixed deposits maturing after 12 months		11,049,711	5,681,617
		91,859,786	33,298,315

15.1 Cash and cash equivalent include the following for the purposes of the statement of cash flows:

	2019	2018
Cash and Cash Equivalent		
- Cash in hand	16,173	13,481
- Cash in transit	252,822	341,802
Cash and bank		
- Current account	15,901,274	16,071,428
- Saving account	64,639,806	11,189,987
Cash and cash equivalent	80,810,075	27,616,698

15.2 These carry mark-up ranging from 8% to 12.55% (2018: 4% to 8%) per annum.

16 ORDINARY SHARE CAPITAL

16.1 AUTHORIZED CAPITAL

2019	2018		2019	2018
Number of shares			------ Rupees in 000 ------	
50,000,000	50,000,000	Ordinary shares of Rs. 100 each	5,000,000	5,000,000

16.2 Issued, subscribed and paid up share capital

			Note	2019	2018
				------ Rupees in 000 ------	
35,000,000	30,000,000	Ordinary shares of Rs. 100 each		**3,500,000**	3,000,000
8,000,000	5,000,000	Issued during the year	16.3	**800,000**	500,000
43,000,000	35,000,000			**4,300,000**	3,500,000

16.3 During the year Corporation issued share capital amounting to Rs. 500 and 300 million through retention of dividend with the approval of Finance Division wing of Government of Pakistan with the letters dated April 29, 2019 and December 24, 2019 respectively.

17 RESERVES

	2019	2018
Capital reserve	------ Rupees in 000 ------	
Reserve for exceptional loss		-
Revenue reserves		
General reserve	**7,043**	507,043
	7,043	507,043

18 INSURANCE LIABILITIES

	Note	2019	2018
Reported outstanding claims (including claims in payment)	18.1	**23,153,121**	18,593,297
Incurred but not reported claims (IBNR)	18.2	**3,965,610**	4,027,893
Liabilities under individual conventional insurance contracts	18.3	**987,760,099**	865,810,778
Liabilities under group insurance contracts (other than investment linked)	18.4	**1,603,253**	2,035,780
Other insurance liabilities (premium deficiency reserve)	18.5	**229,210**	208,221
		1,016,711,293	890,675,969

18.1 Reported outstanding claims (including claims in payment)

	2019	2018
Gross of Reinsurance		
Payable within one year	**23,091,997**	18,544,211
Payable over a period of time exceeding one year	**61,124**	49,086
	23,153,121	18,593,297
Recoverable from Reinsurance		
Receivable within one year	**-**	-
Receivable over a period of time exceeding one year	**-**	-
	-	-
Net reported outstanding claims	**23,153,121**	18,593,297

18.2 Incurred but not reported claims (IBNR)

	2019	2018
Gross of reinsurance	**3,965,610**	4,027,893
Reinsurance recoveries	**-**	-
Net of reinsurance	**3,965,610**	4,027,893

18.3 Liabilities under individual conventional insurance contracts

	2019	2018
Gross of reinsurance	**988,649,770**	866,584,409
Reinsurance credit	**(889,671)**	(773,631)
Net of reinsurance	**987,760,099**	865,810,778

18.4 Liabilities under group insurance contracts (other than investment linked)

	2019	2018
Gross of reinsurance	**1,603,253**	2,035,780
Reinsurance credit	**-**	-
Net of reinsurance	**1,603,253**	2,035,780

18.5 Other insurance liabilities (premium deficiency reserve)

	2019	2018
Gross of reinsurance	**229,210**	208,221
Reinsurance recoveries	**-**	-
Net of reinsurance	**229,210**	208,221

19 RETIREMENT BENEFIT OBLIGATIONS

As stated in note 3.14, the Corporation operates Employees' Pension Fund, Officers Gratuity Funds, Employees' Unfunded Gratuity Scheme and Employees' and Post Retirement Medical benefits.

The latest acturial valuation of the scheme as at December 31, 2019 was carried out using the projected unit credit method. The results of the acturial valuation are as follows:

	Employees' Pension Funds		Officers Gratuity Funds		Employee's Unfunded Gratuity Scheme		Employee's PRMB Scheme	
	2019	2018	2019	2018	2019	2018	2019	2018
	---------- Rupees in '000 ----------							
Balance Sheet Reconciliation								
Fair value of plan assets	(23,995,544)	(18,301,618)	(131,224)	(126,308)	-	-	-	-
Present value of defined benefit obligations	24,697,350	21,017,094	153,970	177,274	10,032	13,039	2,445,488	2,073,296
Recognised liability	701,806	2,715,476	22,746	50,966	10,032	13,039	2,445,488	2,073,296
Movement in the fair value of plan assets								
Fair value as at January 1	18,301,617	20,333,061	126,309	152,799	-	-	-	-
Expected return on plan assets	2,503,231	1,920,904	16,840	12,254	-	-	-	-
Actuarial gains / (losses)	679,567	(3,568,187)	(304)	(11,510)	-	-	-	-
Employer contributions	2,511,129	(384,160)	4,788	(131)	-	-	-	-
Benefits paid	-	-	(16,409)	(27,104)	-	-	-	-
Fair value as at December 31	23,995,544	18,301,618	131,224	126,308	-	-	-	-
Movement in the defined benefit obligations								
Obligation as at January 1	21,017,094	19,668,022	177,275	184,562	13,038	70,954	2,073,297	2,301,383
Service cost	696,721	703,727	4,321	4,464	264	1,669	86,391	99,467
Interest cost	2,889,772	1,869,264	21,072	15,108	1,294	5,647	282,315	218,147
Liability in respect of promotees	-	-	-	48,008	-	(48,008)	-	-
Settlement and Curtailment	-	-	-	-	-	-	-	-
Actuarial losses / (gains)	1,122,652	(330,382)	7,431	15,796	6,691	(7,342)	81,033	(478,271)
Benefits paid	(1,028,889)	(893,537)	(56,129)	(90,664)	(11,255)	(9,881)	(77,548)	(67,430)
Obligation as at December 31	24,697,350	21,017,094	153,970	177,274	10,032	13,039	2,445,488	2,073,296
Cost								
Current service cost								
Interest cost	696,721	703,727	4,321	4,464	264	1,669	86,391	99,467
Expected return on plan assets	2,889,772	1,869,264	21,072	15,108	1,294	5,647	282,315	218,147
Settlement and curtailment	(2,503,231)	(1,920,904)	(16,840)	(12,254)	-	-	-	-
Recognition of actuarial loss	-	-	-	-	-	-	-	-
Expense	443,085	3,237,805	7,735	27,306	6,691	(7,342)	81,033	(478,271)
	1,526,347	3,889,892	16,288	34,624	8,249	(26)	449,739	(160,657)
Actual return on plan assets	3,182,798	(1,647,283)	16,536	744	-	-	-	-

	Employees' Pension Funds		Officers Gratuity Funds		Employee's Unfunded Gratuity Scheme		Employee's PRMB Scheme	
	2019	2018	2019	2018	2019	2018	2019	2018
	Rupees in '000							
Principal actuarial assumptions used are as follows:								
Discount rate & expected return on plan assets	**11.75%**	13.75%	**11.75%**	13.75%	**11.75%**	13.75%	**11.75%**	13.75%
Future plan increases (if applicable)	**10.25%**	12.25%	**10.25%**	12.25%	**10.25%**	12.25%	**10.25%**	12.25%
Pension increase rate	**7.75%**	9.75%	**-**	-	**-**	-	**-**	-

Comparison for five years:	2019	2018	2017	2016	2015
As at December 31	Rupees in '000				
Fair value of plan assets	**(24,126,768)**	(18,427,926)	(19,230,452)	18,918,458	16,624,300
Present value of defined benefit obligations	**27,306,840**	23,280,703	22,224,922	(19,432,820)	(17,580,350)
(Deficit) / surplus	**3,180,072**	4,852,777	2,994,470	(514,362)	(956,050)
Experience adjustments					
Gain / (loss) on plan assets (as percentage of plan asssets)	**-13%**	-26%	-16%	-3%	-6%
Gain / (loss) on plan obligations (as percentage of plan obligations)	**12%**	21%	13%	3%	5%

The effect of a 1% movement in actuarial assumptions are as follows:

	2019	2018	2019	2018	2019	2018	2019	2018
	Rupees in '000							
Impact on the defined benefit obligation								
Increase in assumption of discount rate	**22,192,727**	18,884,397	**151,529**	173,961	**9,961**	12,922	**2,222,813**	1,890,933
Decrease in assumption of discount rate	**27,720,734**	23,586,928	**156,491**	180,715	**10,105**	13,156	**2,706,776**	2,285,861
Increase in assumption of long term salary increase	**25,977,963**	21,656,739	**157,211**	177,600	**10,150**	13,038	**2,542,749**	2,175,799
Decrease in assumption of long term salary increase	**23,540,782**	20,429,184	**150,786**	176,952	**9,914**	13,038	**2,358,034**	1,979,811
Increase in assumption of pension increase rate	**26,503,355**	22,574,324	**-**	-	**-**	-	**-**	-
Decrease in assumption of pension increase rate	**23,143,533**	19,697,233	**-**	-	**-**	-	**-**	-

Plan assets comprise of the following:	Employees' Pension Fund				Officers Gratuity Fund			
	2019		2018		2019		2018	
	Rs. In 000	**%**	Rs. In 000	%	**Rs. In 000**	**%**	Rs. In 000	%
Equity	**-**	**-**	-	-	**-**	**-**	-	-
Debt	**23,764,516**	**99%**	18,144,688	99%	**129,068**	**98%**	128,244	102%
Others (including cash and bank balances)	**231,027**	**1%**	156,929	1%	**2,155**	**2%**	(1,935)	-2%
	23,995,543	**100%**	18,301,617	100%	**131,223**	**100%**	126,309	100%

19.1 Movement in Payable to Accumulated Compensation Absences

	2019	2018
	(Rupees in '000)	
Opening Balance	**1,491,000**	1,505,000
Addition / (Reversal) during the year	**51,000**	(14,000)
Closing balance of compensated absences	**1,542,000**	1,491,000

19.2 The Corporation's contributions towards the provident fund for the year ended December 31, 2019 amounted to Rs. 5.1 million (2018: 7.1 million).

20 DEFERRED TAX

	Note	2019	2018
		------ Rupees in 000 ------	
Deffered tax credit arising in respect of			
On retained balance on Ledger Account D		**636,015**	472,871

	Balance as at January 1, 2019	Recognised in statement of profit and loss account	Recognised in Other Comprehensive Income	Balance as at December 31, 2019
	------ Rupees in 000 ------			
Defer credit arising in respect of				
On Retained balance on Ledger Account D	**472,871**	**163,144**	**-**	**636,015**

	Balance as at January 1, 2018	Recognised in statement of profit and loss account	Recognised in Other Comprehensive Income	Balance as at December 31, 2018
	------ Rupees in 000 ------			
Defer credit arising in respect of				
On Retained balance on Ledger Account D	225,754	247,117	-	472,871

21 INSURANCE / REINSURANCE PAYABLES

	Note	2019	2018
		------ Rupees in 000 ------	
Due to other insurers / reinsurers		**480,184**	466,442

22 OTHER CREDITORS AND ACCRUALS

	2019	2018
Agents commission payable	**4,002,039**	5,880,399
Accrued expenses	**5,835,026**	4,695,505
Other liabilities	**8,623,282**	7,724,591
	18,460,347	18,300,495

23 CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

23.1.1 The Corporation has filed appeals on different issues in the Honorable High Court of Sindh contesting the decision of the ATIR for the income years 1992-1993 to 2002-2003 mainly relating to turnover tax and excess perquisites. In addition, the issue of tax rate was raised for the income years 1992-93 to 1996-97. The Inland Revenue Department added back the excess perquisites to the taxable income and tax liability was enhanced accordingly. Further, Inland Revenue Department re-opened these assessments and rectified to invoke provisions of turnover tax on the ground that the tax paid under Fourth Schedule of the Income Tax Ordinance, 2001 is less than turnover tax and hence, should be paid accordingly. The Corporation then filed aforesaid appeals on the ground that the Fourth Schedule of the Income Tax Ordinance, 2001 restricts taxable income to that portion of actuarial surplus which is attributed to the shareholders fund by the appointed Actuary.

All the appeals are pending before Honorable High Court of Sindh, Karachi and management of the Corporation and its tax advisor are confident that ultimate outcome of these matters will be in favour of the Corporation and accordingly, no provision is required in these financial statements on account of these matters.

23.1.2 In the year 2010, the Inland Revenue Department served legal notices to the Corporation, requiring it to explain why the withholding tax under section 151(1)(d) of the Income Tax Ordinance, 2001 has not been deducted on payments made to the policyholders on the maturity . Those notices were related to tax years 2008 and 2009.

According to those notices, the Inland Revenue Department were of opinion that Corporation was required to withhold Income Tax on maturity claims by virtue of the said section. The Department considered that the total amount of a matured policy given to the policy holder consist of bonuses and the sum assured. The bonuses are given to the policy holder on the basis the amount of premium received during the whole term of the policy which is a form of interest or profit on debt. Hence, the Corporation u/s 151 (1)(d) is liable for deducting withholding tax @ 10% on the amount of bonuses paid to policyholder on maturity. Therefore, the Inland Revenue Department raised demands of Rs. 710.124 million and Rs. 738.514 million as withholding tax for tax year 2008 and 2009 respectively. The Corporation had filed appeals before CIR (A) on the grounds that policy contract as a debt instrument lacks legal sanctity and the definition of debt is being misinterpreted by the tax authorities.

CIR(A) decided the subject appeals in favor of Corporation vide order No. 27 & 28 dated September 29, 2011 on the grounds that the provisions of section 151(1)(d) of the Income Tax Ordinance, 2001 are not attracted to the payments made by way of bonus on the maturity of the policies as the same can not be construed to be interest or profit on debt.

The demand raised by the Department has not been enforced after above judgment of CIR (A), therefore, no payment was made against the demand. Inland Revenue Department filed appeals before the ATIR against the above orders of CIR (A) which were dismissed by learned ATIR vide order No. 506-07/KB/2012 on April 17, 2014.

Inland Revenue Department has filed appeals before High Court of Sindh, Karachi against the orders of ATIR. Management of the Corporation and its tax advisor are confident that ultimate outcome of this matter will be in favor of the Corporation and accordingly, no provision is required in these financial statements on account of this matter.

23.1.3 Inland Revenue Department served a legal notice u/s 122 (5A) on apportionment of expenses under section 67 of the Income Tax Ordinance, 2001 to the dividend income for tax year 2004. The said notice was replied by Corporation but not agreed by the concerned ACIR. Subsequently amended assessment order was passed u/s 122 (5A) which resulted in tax demand of Rs. 164.88 million. The Corporation was not in agreement with said order and preferred appeal before CIR(A). Said appeal was not upheld at this forum. Next appeal was filed before ATIR. Meanwhile the Department adjusted demand amount from the pending refunds for tax year 2010.

Appellate Tribunal Inland Revenue (ATIR) decided the above appeal in favor of Corporation vide order No/ 925/KB/2010 dated July 24, 2012; wherein the addition made u/s 67 has been deleted.

The said issue has already been decided by the Honorable High Court of Sindh, Karachi in an other appeal on the issue reported as Commissioner (Legal) Inland Revenue v/s EFU General Insurance Ltd 2011-PTD-2042.

Inland Revenue Department has passed an order u/s 124 of the Income Tax Ordinance, 2001 to give effect to the appeal Ref. Document # 11/54 dated June 24, 2014 and also issued refund of Rs. 153.75 million to the Corporation. The Corporation had adjusted Rs. 8.8 million against demand for Tax year 2014. The refund amounting to Rs. 2.2 million is still pending with the Department. In the year 2013, the Inland Revenue Department filed appeal in the Honorable High Court of Sindh against the decision of ATIR which was dismissed by the High Court of Sindh, Karachi vide order dated August 30, 2016. Inland Revenue Department has filed civil appeal before Honorable Supreme Court of Pakistan against the judgement of Honorable High Court of Sindh, Karachi which is pending adjudication.

23.1.4 In the year 2013, Inland Revenue Department issued similar notices to Corporation regarding withholding of tax on maturity proceeds of insurance policies as described in note 23.1.2. These notices were related to Tax Year 2010 to Tax Year 2012 stating that the Department holds a similar stance as described in the said note. Reply was filed by the Corporation through authorized representative which was not accepted by the Department and order u/s 161 and 205 of the Income Tax Ordinance was passed, resulting in total demand of Rs. 1,577.456 million (Rs. 1,249.138 million as withholding tax and Rs. 328.318 million as default surcharge).

The entire principal demand of Rs. 1,249.138 million was paid under protest and without prejudice to its legal right to appeal. The Corporation filed appeals before CIR (A) which was not upheld. The Corporation then filed appeal before ATIR against the above order which has been decided in favour of Corporation vide consolidated order dated February 21, 2017.

Further, LTU, Karachi had also issued notice u/s 161/205 of the Income Tax Ordinance, 2001 similar to the notices issued in the previous years to invoke the section 151 (1)(d) of the Ordinance to recover withholding tax from the Corporation on the amount of bonus paid to the policyholders on the maturity of the polices during the tax year 2013. Reply was filed through tax consultant which was not agreed by Department and order u/s 161/205 was passed and tax demand amounting to Rs. 609.23 million including default surcharge of Rs. 99.11 million was raised which was discharged without prejudice to legal rights to appeal. Appeal was filed before CIR (A) against said order which was upheld vide order # 34 dated March 30, 2015.

Inland Revenue Department has issued refund amounting to Rs. 500 million from appeal effect of Tax Year 2013 in July, 2015. Further, IR Department has adjusted outstanding demand for tax year 2009, 2010 and 2011 at Rs. 10.8 million, 12.5 million and Rs. 56.3 million respectively against pending appeal effect of tax year 2013. As at December 31, 2019, appeal effect amounting to Rs. 29.4 million is still pending with the Inland Revenue Department. Inland Revenue Department has filed an appeal before ATIR against the said order of the CIR (A) which is pending till to date.

The management and legal counsel are optimistic that ultimate outcome of the cases shall be decided in favor of the Corporation as ATIR has decided the appeals related to similar issue in previous years in favour of the Corporation.

23.1.5 While assessing the income and tax liability thereon for assessment years 2000-01, 2001-02 and 2002-03, Income Tax Department, AJK disallowed excess perquisites u/s 24(i) of the Income Tax Ordinance, 1979 (repealed) as inadmissible business expense of Corporation. Disallowance of said expense increased taxable income for all the three years and tax liability was worked out accordingly which resulted in additional tax demand. The aggregate additional tax demand involved due to addition of excess perquisites to Corporation's taxable income was Rs. 12.669 million (Assessment year 2000-01 to 2002-03 Rs. 1.464 million, Rs. 9.036 million, Rs. 2.169 million respectively).

In addition, Corporation's assessments were also made at higher tax rate of 43% for assessment year 2000-01 and 2001-02 and at 45% for 2002-03 instead @ 5% being entire dividend income. These assessments at higher rates also multiplied Corporation's tax liability for each assessment year.

Being aggrieved, Corporation preferred appeal before CIR(A), Mirpur-AJK against the alleged assessment orders. Corporation's appeals before CIR(A), Mirpur AJK were not upheld. Thereafter, Corporation had challenged the orders of CIR(A) before Appellate Tribunal Inland Revenue, Mirpur AJK. The learned ATIR upheld all the appeals of the Corporation vide order # ITAT/969-73 dated August 20, 2009.

Income Tax Department, AJK had filed reference against the order of ATIR-AJK before Honorable High Court of AJK. At present, Departmental references are still pending before High Court of Mirpur, Azad Jammu and Kashmir.

23.1.6 In 2015, Inland Revenue Department initiated monitoring of withholding of taxes for previous five year from tax year 2009 to 2013 u/s 161/205 of the Income Tax Ordinance, 2001. During the course of monitoring certain payment to insurance agents were held liable to withholding of tax u/s 233 as deemed commission for the first time. In addition payment evidence of withholding taxes under various sections of law were took into scrutiny.

Reply filed by the Corporation were not agreed by the Department and aggregate demand amounting to Rs. 494 million was raised for all tax years u/s 161, 182 and 205 (tax year 2009: Rs. 48 million, tax year 2010: Rs. 58 million, tax year 2011: Rs. 53 million, tax year 2012: Rs. 258 million and tax year 2013: Rs. 77 million). Corporation has paid the above demand under protest and without prejudice to the legal rights to appeal.

Corporation being aggrieved preferred appeals against impugned orders of Inland Revenue Department before Commissioner Inland Revenue -Appeals. CIR (A) vides his order dated July 6, 2015 has vacated the orders passed by Deputy Commissioner Inland Revenue and has directed concerned Deputy Commissioner Inland Revenue Department to re-visit the case and pass order afresh.

Deputy Commissioner Inland Revenue on the directive of CIR (A) had issued notices afresh for tax year 2009 to 2013. Corporation has referred these notices to its tax consultant for compliance. Based on the reply filed by the Corporation through consultant, DCIR passed orders for tax years 2009 and 2010. Corporation challenged above departmental orders before CIRA. CIRA has decided the issue of incorrect CPRs and issue of short deduction on salary payments in favor of the Company. CIRA has not decided the issue of default surcharge and penalty on merit and has stated that as a result of deletion of whole of tax demand, default surcharge and penalty being consequential in nature are hereby deleted. However, CIRA has decided issue of time barred against SLIC. Corporation has filed appeals before Tribunal against above order of CIRA which are pending adjudication.

Similarly, DCIR passed orders for tax years 2011 and 2013 on more or less similar to initial orders. Corporation filed appeals before CIRA against these departmental orders and challenged levy of default surcharge and penalty on the ground that penalties were enhanced and default surcharge was levied without issuing any show-cause notice despite the availability of tax refunds. Appellate orders have been passed by CIRA, whereby CIRA has cancelled the order passed by DCIR with regard to levy of default surcharge and penalty on the ground that no show-cause notice was issued by DCIR in this regard. Corporation has filed appeals before ATIR on the ground that default surcharge and penalty levied by DCIR without issuing any show-cause notice were ab initio void and the issue could not be set-aside by CIRA and that default surcharge and penalties are levied without establishing mens rea. These appeals are pending before ATIR.

Appellate order in respect of tax year 2012 had been passed by CIRA wherein the issues of default surcharge and penalty had been remanded back to DCIR for verifying the availability of tax refunds. Corporation had also challenged tax recovery of Rs. 75 million on arbitrary basis for alleged non provision of tax payment challans which issue was remanded back by CIRA for adjudication being rectificatory matter. In appeal effect proceedings, tax payment challans for Rs. 69 million were provided to taxation officer and appeal effect order has been passed wherein default surcharge and penalty were once again levied and tax demand on the above issue was reduced from Rs. 75 million to Rs. 6 million. However, mistake had been made in the order i.e. tax of Rs. 258 million already paid has not been accounted for in the order. The Corporation has filed rectification application, and mistake has been rectified vide order dated February 07, 2019. Corporation filed appeal before CIRA with regard to levy of default surcharge and penalty and CIRA upheld the order passed by DCIR. The Company has filed appeal before ATIR which is pending for adjudication.

In the year 2016, Inland Revenue Department issued show cause notices related to monitoring of withholding taxes on similar lines for tax year 2014 and 2015. Reply filed by the Corporation was not agreed by the Inland Revenue Department and initial demand amounting to Rs. 450 million and Rs. 572 million was raised for the tax year 2014 and 2015 respectively.

On the advice of the consultant Corporation filed application for rectification of order passed by DCIR for tax year 2014 and 2015. In pursuance of our rectification request, DCIR has passed rectified order whereby rectified demand of Rs.213 million and Rs.166 million was raised for the tax year 2014 and 2015 respectively.

Without prejudice to the legal right to appeal, Corporation has adjusted demand for tax year 2014 from the pending refund of the tax year 2004 and 2012 and has paid demand amounting to Rs. 150 million for tax year 2015 in cash.

Being aggrieved from the order of DCIR for tax year 2014 and 2015, Corporation has filed an appeal before CIRA on alleged non-provision of tax payment challans and levy of default surcharge and Penalty on account of absence of mens rea and also because of availability of significant tax refunds due to the Corporation during the default period. CIRA has set-aside the orders and directed taxation officer to revisit the issue and levy default surcharge and penalty. Corporation had challenged tax recovery of Rs. 71 million and Rs. 11 million on arbitrary basis for alleged non provision of tax payment challans in respect of tax year 2014 and 2015 respectively. CIRA has remanded back the issue for adjudication being rectificatory matter. We have written to the taxation officer to pass appeal effect orders and evidence of tax refunds were also provided, however, appeal effect orders are not yet passed.

23.1.7 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi has served legal notice u/s 122 (9) of the Income Tax Ordinance, 2001 dated 02.01.2017 to SLIC for tax year 2016 whereby certain issues regarding deduction claimed on account of provision for impairment in the value of investment properties, deduction claimed on account of gratuity and pension, deduction claimed on account of provision for impairment in shares, rationale for deduction of investment property related expenses, foreign tax credit u/s 103 of the Ordinance claimed in the annual tax return, taxation of dividend income as single basket income, etc were confronted. SLIC has engaged tax consultant for responding said notice.

Subsequent to the reply filed by SLIC through its counsel, ACIR proceeded to amend an assessment and passed an amended assessment order dated 06.03.2017 u/s 122 (5A) of the Income Tax Ordinance, 2001 whereby demand of Rs. 23.7 million was raised u/s 137 of the Income Tax Ordinance.

Since, SLIC has pending refunds towards Inland Revenue Department, therefore; without prejudice to the legal right to appeal; SLIC through its tax consultant in said case has requested to adjust the above demand against pending refunds.

SLIC filed appeal against the impugned order before CIR (A). Issue related to subjecting dividend income to normal tax rate is decided in favor of SLIC whereas issues related to deduction claimed on account of real estate expenses, provision for impairment in value of shares, value of investment properties and provision for diminution in value of investment are decided against SLIC. Further, issue of refund adjustment amounting to Rs. 220 million against pending appeal effect of tax year 2003 were remanded back to concerned ACIR. Inland Revenue Department as well as SLIC filed appeals before ATIR against order of CIR (A) which are pending till to date. No date for the next hearing has been fixed till date.

23.1.8 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi has served legal notice u/s 122 (9) of the Income Tax Ordinance, 2001 dated 13.03.2017 to SLIC for tax year 2015 whereby almost similar issues as stated in note 23.1.7 were raised. Subsequent to the reply filed by SLIC through its counsel, ACIR proceeded to amend an assessment and passed an amended assessment order dated 13.04.2017 u/s 122 (5A) of the Income Tax Ordinance, 2001 whereby demand of Rs. 163.4 million was raised u/s 137 of the Income Tax Ordinance. In said order, ACIR has incorrectly adjusted Rs. 446.6 million against demand raised u/s 161 / 205 of the Ordinance which was actually duly discharged by SLIC by making cash payment.

SLIC, not in agreement with above order, filed application for rectification u/s 221 dated 24.04.2017 through tax consultant which was rejected by concerned ACIR vide letter dated 28.04.2017. Our tax consultant vide letter dated 05.05.2017 again requested for rectification of order. DCIR passed rectified order vide letter DC # 03/117 dated 21.12.2017 whereby refund of Rs. 316.7 million is determined as refundable to SLIC.

SLIC filed appeal against the impugned order before CIR (A). Issues related to subjecting dividend income to normal tax rate and disallowance on account of exchange loss related to foreign currency balances are decided in favor of SLIC whereas issues related to deduction claimed on account of real estate expenses, provision for impairment in value of shares and provision for bad debts are decided against SLIC. Further, issue of alleged tax adjustment of Rs. 446.6 million was remanded back to taxation officer. Inland Revenue Department as well as SLIC filed appeals before ATIR against order of CIR (A) which are pending till to date. No date for the next hearing has been fixed till date.

23.1.9 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi has served legal notice u/s 122 (9) of the Income Tax Ordinance, 2001 dated 31.12.2014 to SLIC for tax year 2012 whereby certain issues regarding reconciliation of commission expense between cash flow statement and monthly withholding tax statements, short withholding of tax under various provisions of the Ordinance, taxation of dividend income as single basket income, provision for IBNR, etc were confronted. Tax consultant responded said notice on behalf of SLIC. Additional information/explanation were also called vide letters dated 24.02.2015, 22.09.2015 and 25.01.2017. Subsequent to the reply filed by tax consultant ACIR proceeded to amend an assessment and passed an amended assessment order dated 02.02.2017u/s122 (5A) of the Income Tax Ordinance, 2001 whereby outstanding refund for same year was utilized to adjust the demand of Rs. 39.3 million. After adjustment, balance refunds stands at Rs. 93.3 million.

SLIC has filed appeal against the impugned order before CIR (A). Issue of subjecting dividend income to normal tax rate, foreign tax credit claimed u/s 103, disallowance of provision for IBNR and disallowance of amount pertaining to investment arrangement between Corporation and Bureau of Emigration and Overseas Employment has been decided by CIR (A) in favor of Corporation vide order dated 22.05.2017. However, CIR (A) has decided the issue relating to disallowance of provision for impairment in value of shares against the Corporation. Further, issues of alleged non-deduction of tax on commission payments, payment for goods and prizes were remanded back to concerned taxation officer. Inland Revenue Department as well as Corporation has filed cross appeal before Appellate Tribunal Inland Revenue against above order of CIR (A) which is still pending till to date. No date for the next hearing has been fixed till date.

23.1.10 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi also issued notices u/s 122 of the Ordinance to SLIC related to tax years 2011, 2013 and 2014. Vide Said notices, ACIR confronted almost similar issues as stated at note 23.1.7 and 23.1.9. SLIC engaged a tax consultant for responding these notices. Subsequently, ACIR passed amended orders whereby demand of Rs. 520.5 million was raised (Tax Year 2011: Rs. 56.3 million, Tax Year 2013: Rs. 107.1 million and Tax Year 2014: Rs. 357.1 million). Inland Revenue Department adjusted the demand related to tax year 2011 from pending appeal effect related to tax year 2013. Further, demand related to tax years 2013 and 2014 was adjusted by Inland Revenue Department from pending refund related to tax year 2015. SLIC, being aggrieved from above orders of ACIR, filed appeals before CIR (A). Issues related to subjecting dividend income to normal tax rate, addition on account of inter-office rent expense, provision for diminution in value of investments and tax on Bureau Fund has been decided in favor of SLIC by CIR (A). However, issues related to deduction claimed on account of real estate expenses and provision for bad and doubtful debts are decided against SLIC. Further, issues of interest free loans to employees, alleged short withholding of tax on advertisement and training expenses and reduction in tax liability due to reduction in taxable surplus for tax years 2012 and 2013 were remanded back to concerned ACIR for re-adjudication. Inland Revenue Department as well as SLIC filed appeals before ATIR against the orders of CIR (A). Further, on the directives of CIR (A), ACIR issued notice dated 17.04.2020 in respect of remand back issues. SLIC has duly submitted relevant information along with supporting documents to the ACIR. The ACIR has not yet passed an order in respect of the same.

23.1.11 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi served notice u/s 122 of the Income Tax Ordinance, 2001 dated 10.01.2018 to SLIC for tax year 2017. Vide Said notice, ACIR confronted issues like investment arrangement between SLIC and Bureau of Emigration and Overseas Employment, deduction claimed on account of provision for diminution in value of investments, provision for impairment in the value of investment properties, provision for impairment in the value of shares, loans / advances to employees and agents, short withholding of tax under various provisions of the Ordinance. SLIC engaged a tax consultant. for responding the notice.

Subsequently, ACIR passed amended order whereby demand of Rs. 480.2 million was raised. Corporation, being aggrieved from above amended order, file appeal before CIR (A). Further, Corporation, through its tax consultant, also file application for stay of tax demand vide letter dated 05.04.2018 along with application for out of turn hearing vide letter dated 28.03.2018 before CIR (A). Hearing before CIR (A) was held on 26.04.2018. CIR (A) vide order No. 6 dated 03.05.2018 decided issues which involves major tax impact at Rs. 357.1 million like tax on Bureau Fund, disallowance on account of inter-company rent expenses in favour of SLIC. However, issue of disallowance on account of real estate expenses and provision against other receivables are decided against SLIC. Further, issues of interest free loans to employees, alleged short withholding on training expenses and adjustment of tax liability against pending appeal effect for tax year 2010 were remanded back to concerned ACIR. Inland Revenue Department as well as SLIC filed appeals before ATIR against order of CIR (A) which are pending till to date. No date for the next hearing has been fixed till date.

23.1.12 In 1967, one of the defunct insurance company sold a property to certain persons on installments basis on certain agreed terms and conditions. However, later those vendees defaulted in payment of their installments on due dates which render the sale agreement null and void. Although these defaults were committed before Life Insurance Nationalization Order 10, 1972 came into existence, property was recorded in books of defunct insurance company at the time of Nationalization Order, which required all the assets and liabilities of defunct insurance companies to be vested in the Corporation. The matter remained pending till the vendees approached the Corporation in 2006 to execute the sale deed in their favor.

The Corporation had taken advice from their legal advisors who are of the view that since vendees had defaulted in making payment of their installments before Nationalization Order, 1972 came into existence, the above property is the property of the Corporation and vendees are in the possession of said property as licensees.

State Life filed a Suit for possession in respect of State Life Building 102-B, Gulberg, Lahore against vendees in the year 2007 in the Court of Civil judge, Lahore, whereas, the opponent vendee has filed a suit for specific performance. Both the suits have been clubbed and are pending for adjustment. However, management of the Corporation has not recognized the property, which has written down value of Rs. 42,000 as at the balance sheet date, in its books as the said asset does not met the definition of property, plant and equipment as it arises from past events and its existence will be confirmed by uncertain future events not wholly within the control of the Corporation.

23.1.13 Sindh Revenue Board vide notification No.3-4/13/2020 dated 22nd June, 2020 has exempted life insurance from levy of service tax up to 30th June, 2020 subject to the condition that person providing life insurance services commences e-depositing the amount of SST due on such services from July 2020 onwards. Further, health insurance is exempt in Sindh up to 30th June, 2021 by virtue of notification No. 3-4/14/2020 dated 22nd June, 2020. Life and health insurance are also taxable in Balochistan @ 15% whereas both these services are exempt in Khyber Pakhtunkhwa from levy of service tax. Further, life and health insurance are also taxable in Punjab @ 16% w.e.f. 01st November, 2018. However, Punjab Revenue Authority vide notification dated 10.12.2018 had exempted health insurance services provided to Federal Government or Government of Punjab for smooth implementation of Prime Minister National Health Program and Health Insurance Program Punjab. Therefore, government funded health insurance services provided by Corporation are not subject to sales tax in Punjab by virtue of above notification.

Being the collective issue of the industry, life insurance companies through Insurance Association of Pakistan (IAP) engaged a legal representative to negotiate with Provincial Revenue Authorities for resolving the issue administratively. Industry's main contention is that life and health insurance is not a service, but infact, an underwriter promise to pay to the policyholder in the future, a specified sum of money, either on occurrence of an identified event causing loss, or upon maturity of the policy as is also clearly defined in the definition of the term "insurance" under the Insurance Ordinance, 2000. On the basis of this definition, insurance is actually a contract of indemnification from loss, dependent on a contingent event and does not constitute "service". Such contention of the insurance industry has also been upheld in the superior courts of the foreign jurisdictions.

Insurance contract is essentially a financial transaction which is unrelated to sale of any identifiable goods or service. In leading jurisdictions, it has been widely held that insurance is not a service and hence, it does not fall within the scope of taxability under Provincial Sales Tax Laws.

Applicability of sales tax on life and health insurance would be in contravention of global norms where insurance is held to be not a service but rather a financial transaction. Further, any such applicability of tax will greatly inhibit the ability of Corporation or other insurers to provide access to life and health insurance as a basic personal right of the citizen. In most of the foreign jurisdictions, life and health insurance is either permanently exempt or excluded from taxable services.

However, despite continuous follow up and negotiations, exemption from sales tax is not allowed. Subsequently, life insurance companies collectively filed constitutional petitions (CPs) before Lahore High Court and Sindh High Court against levy of sales tax on life and health insurance in Punjab and Sindh respectively. Lahore High Court has also passed stay order wherein PRA has been restrained from taken any coercive measure against SLIC.

Also, a committee has been formed comprising representatives from Provincial Revenue Authorities as well as from Insurance industry to discuss and deliberate the tax issues being faced by insurance industry and to identify the way forward.

In view of the opinion of the legal advisor, and pending the adjudication of the petitions filed, the Company has neither billed its customers nor recognized the contingent liability for sales tax in Punjab and Balochistan which, calculated on the basis of the risk premium and excluding the investment amount allocated to policies as per the opinion of the legal advisors, aggregated to Rs. 835 million in its books of account. The management contends that should the administrative efforts fail, the amount will be charged to the policyholders.

23.1.14 Additional Commissioner Inland Revenue, Audit Range B, Zone-III, LTU Karachi served notice u/s 122(9) of the Ordinance dated 26.11.2019 to SLIC in respect of tax year 2019. Vide above notice, ACIR confronted certain issues like deduction claimed on account of unrealized loss on investment, investment in value, investment related expenses, investment property related expenses, advances to employees at interest rate lower than benchmark rate and adjustment of tax liability against outstanding appeal effect of prior year.

Based on the reply filed by SLIC through tax consultant, ACIR passed amended order u/s 122(5A) of the Ordinance dated 13.03.2020 and raised demand of Rs. 164.68 million.

Since SLIC has pending refunds/appeal effects towards Inland Revenue Department, therefore SLIC through its authorized representative filed application for stay of demand. Further, being aggrieved from above amended order, SLIC also filed appeal before CIR-A. CIR (A) has passed order dated 20.04.2020 wherein issue related to deduction claimed on account of impairment in value of investment has been decided in favor of Corporation. However, issue of disallowance on account of real estate expenses has been decided against SLIC. Further, matters related to unrealized loss on financial assets, loans/advances to employees, adjustment of tax liability against prior year appeal effect has been remanded back to concerned ACIR for re-adjudication. No date for the next hearing has been fixed till date.

23.1.15 An income tax return, been a deemed assessment order under section 120 (1) of the Income Tax Ordinance (the ordinance), declaring a total income under the law of Rs. 1,894.2 million and claiming tax refund of Rs. 1,176.1 million was duly submitted by SLIC with the Federal Board of Revenue (FBR) for the tax year 2018. A notice under section 122 (9) of the Income Tax Ordinance, 2001 (the Ordinance) has been served to the Corporation dated April 29, 2020. SLIC is in the process of submitting the relevant information / document as per notice.

23.2 Commitments

The Corporation is committed in respect of capital expenditure contract aggregating to Rs. 388 million (2018: Rs. 252 million). There were no other commitments as at the balance sheet date.

		2019	2018
24	**NET PREMIUM REVENUE**	--------------(Rupees in '000)----------------	
	Gross Premiums		
	Regular premium individual policies		
	First year	**12,907,165**	18,962,638
	Second year renewal	**12,948,715**	14,427,157
	Subsequent year renewal	**78,336,965**	71,748,850
	Group policies with cash values	**45,125**	31,344
	Group policies without cash values	**14,312,581**	10,068,189
	Less: experience premium refund	**(5,773,796)**	(2,881,677)
	Total Gross Premiums	**112,776,755**	112,356,501
	Less: Reinsurance Premiums Ceded		
	On individual life first year business	**31,002**	44,719
	On individual life second year business	**33,704**	30,513
	On individual life renewal business	**164,873**	147,587
	On group policies	**83,927**	101,012
	-Less: Reinsurance commission on risk premium	**(109,073)**	(90,820)
		204,433	233,011
	Net Premiums	**112,572,322**	112,123,490

		2019	2018
25	**INVESTMENT INCOME**		
	Income from equity securities		
	Fair value through profit or loss		
	- Dividend income	**5,387,958**	5,324,077
	Income from government and debt securities		
	Held to maturity		
	- Return on government and debt securities	**67,796,409**	58,476,911
		73,184,367	63,800,988
26	**NET REALISED FAIR VALUE (LOSS) / GAIN ON FINANCIAL ASSETS**		
	Fair value through profit and loss		
	Realised (loss) / gain on equity securities	**(12,682)**	4,425
27	**NET FAIR VALUE GAIN/(LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS**		
	Net unrealised gain on investments at fair value through profit and loss	**3,771,586**	(8,996,104)
	Impairment in value	**(64,751)**	(21,484)
	Expense related to the appreciation on shares held by LICI	**(28,318)**	-
	Investment Related Expenses	**(63,453)**	(63,704)
		3,615,064	(9,081,292)

		2019	2018
28	**NET RENTAL INCOME**	--------------(Rupees in '000)----------------	
	Rental income	**1,040,199**	1,244,518
	Less: Expenses of investment property	**(471,959)**	(708,353)
		568,240	536,165
29	**OTHER INCOME**		
	Return on bank balances	**2,467,456**	1,046,128
	Gain on sale of property and equipment	**7,421**	-
	Return on loans to employees	**53,506**	49,962
	Return on loans to policyholders	**13,356,925**	9,796,421
	Exchange gain on revaluation	**2,293,266**	3,925,075
	Miscellaneous income	**268,222**	199,318
		18,446,796	15,016,904
30	**NET INSURANCE BENEFITS**		
	Gross Claims		
	Claims under individual policies		
	- by death	**7,143,526**	6,315,258
	- by insured event other than death	**397,113**	378,756
	- by maturity	**15,652,310**	13,572,449
	- by surrender	**27,153,375**	23,096,834
	- annuity payments	**16,752**	18,411
	Total gross individual policy claims	**50,363,076**	43,381,708
	Claims under group policies		
	- by death	**3,136,887**	3,780,102
	- by insured event other than death	**3,640,133**	3,165,764
	- by maturity	**1,225**	187
	- by surrender	**889**	1,369
	- annuity payments	**791**	842
	Total gross group policy claims	**6,779,925**	6,948,264
	Total gross claims	**57,143,001**	50,329,972
	Less: Reinsurance Recoveries		
	-on individual life claims	**(74,363)**	(65,692)
	-on group Life claims	**(32,516)**	(14,800)
		(106,879)	(80,492)
	Claim related expenses	**12,642**	-
	Net insurance benefit expense	**57,048,764**	50,249,480

30.1 There are various cases pertaining to policyholders in relation to individual and group insurance policies, claiming amount due as per policy amounting to Rs. 485.86 million but the corporation is of the view that such claims are not valid based on the criteria provided in the policy issued. In total there are 663 cases out of which 23 cases are in the Supreme Court of Pakistan, 167 cases are pending in different High Courts of Pakistan and remaining in the lower courts.

30.2 Claim Development

Accident years	2015	2016	2017	2018	2019
Estimate of ultimate claims costs:					
At the end of accident year	2,820,134	2,929,240	3,151,939	3,183,132	**5,791,503**
One year later	3,742,530	3,946,938	4,372,211	4,730,194	**-**
Two years later	3,804,809	4,010,193	4,501,981	-	**-**
Three years later	3,828,953	4,034,654	-	-	**-**
Four years later	3,828,953	-	-	-	**-**
Current estimate of cumulative claims	3,828,953	4,034,657	4,501,981	4,730,194	**5,791,503**
Cumulative payment	(3,645,635)	(4,466,696)	(5,388,510)	(5,998,685)	**(6,963,095)**
	183,318	(432,042)	(886,529)	(1,268,491)	**(1,171,592)**
Claim Prior to 2015					**4,728,404**
Liability recognised in the statement of Financial Position					**3,556,812**

31 UNCLAIMED INSURANCE BENEFIT

Circular 11 of 2014 dated May 19, 2014 issued by the Securities and Exchange Commission of Pakistan (SECP) has established requirement for all insurers to disclose age wise break up of unclaimed insurance benefits in accordance with format prescribed in the annexure to the said circular.

The unclaimed benefits are described in the circular as the amounts which have become payable in accordance with the terms and conditions of an insurance policy but have not been claimed by the policyholders or their beneficiaries. Such unclaimed amounts may fall into the following categories:

Description	Total Amount	1-6 Months	7-12 Months	13-24 Months	25-36 Months	Beyond 36 Months
	-----------------------------------Rupees in '000 -----------------------------------					
Unclaimed maturity benefits	7,909,428	5,577,234	833,826	818,623	679,745	-
Unclaimed death benefits	6,802,761	3,594,796	1,105,757	1,336,395	765,814	-
Unclaimed disability benefits	1,588,715	1,148,324	114,175	187,656	138,560	-
Claims not encashed		-	-	-	-	- -
Other unclaimed benefits	6,852,217	2,833,188	2,074,688	1,442,342	501,999	-
	23,153,121	**13,153,542**	**4,128,446**	**3,785,016**	**2,086,118**	**-**

State Life Insurance Corporation of Pakistan

		Note	2019	2018
32	**ACQUISITION EXPENSES**		--------------(Rupees in '000)---------------	
	Remuneration to insurance intermediaries on individual policies:			
	- commission to agent on first year premiums		6,437,356	12,698,741
	- commission to agent on second year premiums		1,957,677	2,224,264
	- commission to agent on subsequent renewal premiums		2,931,108	2,794,300
	- other benefits to insurance intermediaries		1,628,849	1,724,566
	- branch overhead	32.1	2,292,097	2,784,392
			15,247,087	22,226,263
	Remuneration to insurance intermediaries on group policies:			
	- commission		5,464	4,199
	- other benefits to insurance intermediaries		480	896
			5,944	5,095
	Other acquisition costs:			
	- Stamp duty		1,153,995	1,533,862
	- Initial medical fees		95,407	100,406
			1,249,402	1,634,268
			16,502,433	23,865,626
32.1	**Branch overhead**			
	Employee benefit cost		1,618,286	1,965,860
	Traveling expense		289,504	351,683
	Printing & stationary		9,397	11,415
	Postage & telephone		21,314	25,892
	Utilities		251,636	305,682
	Rent		70,918	86,150
	Prize & awards		14,896	18,095
	Conference & meetings		11,700	14,213
	Repair & maintenance		4,446	5,402
			2,292,097	2,784,392
33	**MARKETING AND ADMINISTRATION EXPENSES**			
	Employee benefit cost	33.1	7,349,134	8,882,794
	Travelling expenses		314,270	310,691
	Advertisements and sales promotion		110,949	69,750
	Printing and stationery		189,747	117,217
	Depreciation		122,985	132,456
	Rent, rates and taxes		111,471	269,902
	Legal and professional charges - business related		523,285	284,349
	Electricity, gas and water		924,164	879,687
	Office repairs and maintenance		49,826	26,841
	Bank charges		38,955	43,508
	Postages, telegrams and telephone		118,763	111,924
	Appointed Actuary fees		572	520
	Annual Supervision fees SECP		50,000	50,000
			9,904,121	11,179,639
33.1	**Employee benefit cost**			
	Salaries, allowances and other benefits		5,475,062	5,063,137
	Charges for post employment benefit		1,874,072	3,819,657
			7,349,134	8,882,794

34 OTHER EXPENSES

	Note	2019	2018
		--------------(Rupees in '000)---------------	
Auditors' remuneration	34.1	**8,091**	7,981
Training expense		**64,061**	34,523
Revenue stamps		**40,163**	21,644
Conference and meetings		**50,674**	20,564
Insurance charges		**364,473**	209,905
Office maintenance		**69,789**	30,865
Entertainment		**19,104**	10,296
Other expenses		**30,088**	19,850
		646,443	355,628

34.1 Auditors' remuneration

	2019	2018
Business within Pakistan		
Annual audit and half yearly review fee		
BDO Ebrahim & Co.	**2,484**	-
Riaz Ahmad & Company	**-**	2,484
Grant Thornton Anjum Rahman	**2,484**	2,484
	4,968	4,968
BDO Ebrahim & Co.	**650**	-
Riaz Ahmad & Company	**-**	650
Grant Thornton Anjum Rahman	**650**	650
	1,300	1,300
Business Outside Pakistan		
Audit fee		
Nabeel Al-Saie Public Accountants	**1,823**	1,713
Out of pocket expenses	**-**	-
	1,823	1,713
	8,091	7,981

35 TAXATION

	2019	2018
For the year		
Current	**648,996**	636,093
Deferred	**163,144**	181,437
	812,140	817,530
For the prior year		
Current	**403**	-
Deferred	**-**	65,680
	403	65,680
Total income tax charge for the year	**812,543**	883,210

	Note	2019	2018
		--------------(Rupees in '000)----------------	
35.1 Relationship between tax expense and accounting profit			
Profit before tax		**2,796,846**	2,675,420
Tax at the applicable rate @ 29% (2018: 29%)		**811,085**	775,872
Reconciliation:			
Tax on surplus for the year retained in statutory funds		**-**	75,709
Tax charge on change in policyholders liabilities on restatement		**-**	-
Education cess for the year		**1,055**	662
Super tax for the year		**-**	40,996
Change in tax rate		**-**	(10,029)
Recognition of prior year provision		**403**	-
Tax expense for the year		**812,543**	883,210

36 EARNINGS PER SHARE

	2019	2018
Profit (after tax) for the year	**1,984,303**	1,792,210
	-----------(Numbers in '000)------------------	
Weighted average number of ordinary shares outstanding as at year end	**38,449**	31,667
	--------------(Rupees)----------------	
Earnings per share	**51.61**	56.60

The Corporation has not issued any instrument which would dilute its basic earnings per share when exercised. Therefore, there is no dilutive effect on earnings per share.

37 REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chairman		Directors		Executives	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	---Rupees in '000--					
Fees	**-**	-	**-**	-	**-**	-
Managerial remuneration	**880**	1,614	**6,645**	5,400	**259,410**	236,357
House rent allowance	**423**	778	**2,810**	2,451	**115,398**	107,910
Utilities	**300**	588	**2,117**	1,977	**89,765**	83,926
Special allowance	**-**	-	**-**	-	**-**	-
Medical	**-**	-	**-**	-	**-**	-
Car allowance	**-**	-	**-**	-	**-**	-
Others	**1,615**	3,857	**9,695**	8,802	**113,213**	122,347
Reimbursements	**-**	-	**-**	-	**-**	-
Retirement benefits	**-**	-	**-**	-	**-**	-
Staff provident fund	**-**	-	**-**	-	**-**	-
	3,218	6,837	**21,267**	18,630	**577,786**	550,540
Number of persons	**1**	1	**4**	5	**189**	176

37.1 In addition to the above, Chairman and Executive Directors are also entitled to the Corporation maintained vehicles and mobile phone facility.

37.2 Fee paid to Non-Executive Directors during the year amounted to Rs. 0.912 Million (2018: Rs. 0.912 Million).

37.3 Executives have been provided with cars in accordance with the Corporation's policy.

38 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The Corporation has related party relationships with provident fund, pension fund scheme, gratuity fund, state owned profit oriented entities and its key management personnel.

Accrual of liability in respect of the funds are made annually. Remuneration to key management personnel are determined in accordance with the terms of their employment / appointment. Certain key management personnel are also provided with free use of the Corporation maintained vehicles and post retirement benefits in accordance with their entitlement under the terms of their employment.

The related parties also comprise subsidiaries, directors, key management personnel and employees' benefits funds. The Corporation in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, amounts due from chairman and executives directors are disclosed in the relevant notes.

Terms and conditions of transactions with related parties

Transactions with related parties are made at arms length prices. There have been no guarantees provided or received for any related party receivables or payables.

Other material transactions and balances with related parties are given below:

	2019	2018
	---------------- Rupees in '000 --------------	
	Aggregate	
Profit oriented state-controlled entities		
common ownership		
Investment in shares - State Bank of Pakistan	3,221	3,221
PIB deposited with State Bank of Pakistan	410,000	350,000
Subsidiaries		
Rental income received	2,610	15,242
Staff retirement fund		
Contribution to provident fund	5,114	7,118
Contribution to pension fund	485,862	-
Contribution to funded gratuity	4,791	6,242
Expense charged for pension fund	1,028,889	893,536
Transactions with associated companies		
Dividend received during the year		
Pakistan Reinsurance Company Limited	146,464	256,313
Transactions with related parties - common directorship		
Balances with related parties - common directorship		
Investment in Units:		
NIT Islamic Equity Fund	200,000	200,000
Balances with related parties		
Retirement benefit obligations	4,722,072	6,343,778

Balances with related parties - common directorship	2019	2018
	-------------- Rupees in '000	----------------
Investment in shares:		
Fauji Fertilizer Company Limited	**11,772,827**	10,772,711
Sui Southern Gas Company Limited	**1,242,870**	1,334,122
Sui Northern Gas Pipelines Company Limited	**2,093,391**	2,118,125
Thatta Cement Company Limited	**-**	-
Alpha Insurance Company Limited	**298,818**	298,918
International Industries Limited	**-**	101,060
Pakistan Cables Limited	**326,474**	349,453
Security Papers Limited	**575,077**	447,003
Shahtaj Sugar Mills Limited	**65,767**	43,019
Pak Data Communication Limited	**36,272**	40,560
Premier Insurance Company Limited	**32,300**	37,774
Pakistan Reinsurance Company Limited	**2,153,759**	2,544,087
Arabian Sea Country Club Limited	**5,000**	5,000
PICIC Insurance Limited	**4,013**	5,727
Nina Industries Limited	**4,500**	4,500
State Life Abdullah Haroon Road Property (Private) Limited (Subsidiary Company)	**26,182**	26,182
State Life Lackie Road Property (Private) Limited (Subsidiary Company)	**12,910**	12,910

39 SEGMENTAL INFORMATION

39.1 Revenue account by statutory fund

For the year ended December 31, 2019	Statutory Funds					Aggregate
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Accidental and Health Insurance Fund	Family Takaful	2019
	Rs in '000					
Income						
Premium less reinsurances	105,485,958	2,235,824	45,125	4,805,415	-	112,572,322
Rental income from investment property	568,241	-	-	-	-	568,241
Net investment income	90,679,467	3,409,597	40,950	726,924	13,759	94,870,697
Total net income	196,733,666	5,645,421	86,075	5,532,339	13,759	208,011,260
Insurance benefits and expenditure						
Insurance beneifits, including bonuses, net of reinsurance recoveries	51,470,221	1,960,000	34,049	3,584,494	-	57,048,764
Management expenses less recoveries	25,796,244	469,945	374	754,186	25,503	27,046,252
Total insurance benefits and expenditure	77,266,465	2,429,945	34,423	4,338,680	25,503	84,095,016
Excess of income over insurance benefits and expenditiures	119,467,201	3,215,476	51,652	1,193,659	(11,744)	123,916,244
Net change in insurance liabilities (other than outstanding claims)	(114,542,550)	(2,766,522)	8,086	(29,075)	-	(117,330,061)
Surplus/(deficit before tax)	4,924,651	448,954	59,738	1,164,584	(11,744)	6,586,183
Movement in policyholders' liabilities	114,542,550	2,766,522	(8,086)	29,075	-	117,330,061
Transfers to and from shareholders' fund						
- Surplus appropriated to shareholders' fund	(1,861,077)	(17,098)	-	-	-	(1,878,175)
- Capital returned to shareholders' fund	-	650,000	-	(100,000)	-	550,000
- Capital contributions from shareholders' fund	-	-	-	-	-	-
Balance of statutory fund at beginning of the year	852,937,913	18,936,540	314,328	1,553,694	70,787	873,813,262
Balance of statutory fund at end of the year	970,544,037	22,784,918	365,980	2,647,353	59,043	996,401,331

Revenue account by statutory fund

For the year ended December 31, 2018	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Accidental And Health Insurance Fund	Family Takaful	Aggregate 2018
	Statutory Funds					
	Rs in '000					
Income						
Premium less reinsurances	106,396,337	1,707,251	31,344	3,988,558	-	112,123,490
Rental income from investment property	536,165	-	-	-	-	536,165
Net investment income	64,476,997	4,693,749	24,702	223,261	6,028	69,424,737
Total net income	171,409,499	6,401,000	56,046	4,211,819	6,028	182,084,392
Insurance benefits and expenditure						
Insurance beneifits, including bonuses, net of reinsurance recoveries	45,184,154	1,851,906	105,471	3,107,949	-	50,249,480
Management expenses less recoveries	34,480,777	421,528	1,553	471,438	20,754	35,396,050
Total insurance benefits and expenditure	79,664,931	2,273,434	107,024	3,579,387	20,754	85,645,530
Excess of income over insurance benefits and expenditiures	91,744,568	4,127,566	(50,978)	632,432	(14,726)	96,438,862
Net change in insurance liabilities (other than outstanding claims)	(90,035,796)	(4,098,076)	42,420	16,565	-	(94,074,887)
Surplus/(deficit before tax)	1,708,772	29,490	(8,558)	648,997	(14,726)	2,363,975
Movement in policyholders' liabilities	90,035,796	4,098,076	(42,420)	(16,565)	-	94,074,887
Transfers to and from shareholders' fund						
- Surplus appropriated to shareholders' fund	(1,708,777)	(29,490)	-	-	-	(1,738,267)
- Capital returned to shareholders' fund	-	-	-	(1,100,000)	-	(1,100,000)
- Capital contributions from shareholders' fund	-	-	-	-	-	-
Balance of statutory fund at beginning of the year	762,902,122	14,838,464	365,306	2,021,262	85,513	780,212,667
Balance of statutory fund at end of the year	852,937,913	18,936,540	314,328	1,553,694	70,787	873,813,262

39.2 Segmental results by line of business

Income	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Accidental and Health Insurance Fund	Family Takaful	Aggregate 2019
	Statutory Funds					
	---------- Rs in '000 ----------					
Gross premium						
- First year	12,724,862	182,303	-	-	-	12,907,165
- Second year	12,603,005	345,710	-	-	-	12,948,715
- Subsequent year renewal	76,587,370	1,749,595	-	-	-	78,336,965
Group policies with cash value	-	-	45,125	-	-	45,125
Group policies without cash value	4,599,291	-	-	9,713,290	-	14,312,581
Less experience premium refund	(865,921)	-	-	(4,907,875)	-	(5,773,796)
Total gross premiums	105,648,607	2,277,608	45,125	4,805,415	-	112,776,755
Less: reinsurance premiums ceded						
On individual life first year business	(29,116)	(1,886)	-	-	-	(31,002)
On individual life second year business	(33,704)	-	-	-	-	(33,704)
On individual life renewal business	(121,313)	(43,560)	-	-	-	(164,873)
On group policies	(83,927)	-	-	-	-	(83,927)
Experience premium refund	105,411	3,662	-	-	-	109,073
	(162,649)	(41,784)	-	-	-	(204,433)
Net Premiums	105,485,958	2,235,824	45,125	4,805,415	-	112,572,322
Rental income from investment property	568,241	-	-	-	-	568,241
Net investment income	90,679,467	3,409,597	40,950	726,924	13,759	94,870,697
Total net income	196,733,666	5,645,421	86,075	5,532,339	13,759	208,011,260
Insurance benefits and expenditures						
Claims, including bonuses, net of reinsurance recoveries	51,470,221	1,960,000	34,049	3,584,494	-	57,048,764
Management expenses less recoveries	25,796,244	469,945	374	754,186	25,503	27,046,252
Total insurance benefits and expenditures	77,266,465	2,429,945	34,423	4,338,680	25,503	84,095,016
Excess of income over insurance benefits	119,467,201	3,215,476	51,652	1,193,659	(11,744)	123,916,244
Add : Policyholder liabilities at the beginning of year	820,075,953	15,845,391	185,778	22,443	-	836,129,565
Less : Policyholder liabilities at the end of period	(934,618,503)	(18,611,913)	(177,692)	(51,518)	-	(953,459,626)
Surplus/(deficit) before tax	4,924,651	448,954	59,738	1,164,584	(11,744)	6,586,183

Segmental results by line of business	Statutory Funds					Aggregate
Income	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Accidental and Health Insurance Fund	Family Takaful	2018
	-- Rs in '000					
Gross premium						
- First year	18,829,752	132,886	-	-	-	18,962,638
- Second year	14,196,998	230,159	-	-	-	14,427,157
- Subsequent year renewal	70,376,618	1,372,232	-	-	-	71,748,850
Group policies with cash value	-	-	31,344	-	-	31,344
Group policies without cash value	4,637,289	-	-	5,430,900	-	10,068,189
Less experience premium refund	(1,439,335)	-	-	(1,442,342)	-	(2,881,677)
Total gross premiums	106,601,322	1,735,277	31,344	3,988,558	-	112,356,501
Less: reinsurance premiums ceded						
On individual life first year business	(43,217)	(1,502)	-	-	-	(44,719)
On individual life second year business	(30,513)	-	-	-	-	(30,513)
On individual life renewal business	(108,501)	(39,086)	-	-	-	(147,587)
On group policies	(101,012)	-	-	-	-	(101,012)
Experience premium refund	78,258	12,562	-	-	-	90,820
	(204,985)	(28,026)	-	-	-	(233,011)
Net Premiums	106,396,337	1,707,251	31,344	3,988,558	-	112,123,490
Rental income from investment property	536,165	-	-	-	-	536,165
Net investment income	64,476,997	4,693,749	24,702	223,261	6,028	69,424,737
Total net income	171,409,499	6,401,000	56,046	4,211,819	6,028	182,084,392
Insurance benefits and expenditures						
Claims, including bonuses, net of reinsurance recoveries	45,184,154	1,851,906	105,471	3,107,949	-	50,249,480
Management expenses less recoveries	34,480,777	421,528	1,553	471,438	20,754	35,396,050
Total insurance benefits and expenditures	79,664,931	2,273,434	107,024	3,579,387	20,754	85,645,530
Excess of income over insurance benefits	91,744,568	4,127,566	(50,978)	632,432	(14,726)	96,438,862
Add : Policyholder liabilities at the beginning of year	730,040,156	11,747,315	228,198	39,008	-	742,054,677
Less : Policyholder liabilities at the end of period	(820,075,952)	(15,845,391)	(185,778)	(22,443)	-	(836,129,564)
Surplus/(deficit) before tax	1,708,772	29,490	(8,558)	648,997	(14,726)	2,363,975

39.3 Segment Statement of financial position

	Statutory Funds	Shareholders Fund	2019	Statutory Funds	Shareholders Fund	2018
	Rs in '000					
Property and equipment	920,235	-	920,235	881,423	-	881,423
Investment property	3,375,167	-	3,375,167	3,189,920	-	3,189,920
Investments in subsidiaries and associates	318,901	-	318,901	338,010	-	338,010
Investments	774,615,824	2,949,542	777,565,366	734,791,831	3,455,701	738,247,532
Loans secured against life insurance policies	111,873,885	-	111,873,885	93,313,445	-	93,313,445
Insurance / reinsurance receivables	26,301,325	-	26,301,325	21,803,073	-	21,803,073
Other loans and receivables	42,646,817	34,394	42,681,211	33,284,590	1,850,328	35,134,918
Taxation - payments less provision	3,875,690	-	3,875,690	4,094,370	(136,086)	3,958,284
Prepayments	64,539	-	64,539	66,254	-	66,254
Cash & Bank	91,859,724	62	91,859,786	33,298,089	226	33,298,315
Total assets	1,055,852,107	2,983,998	1,058,836,105	925,061,005	5,170,169	930,231,174
Insurance liabilities net of reinsurance recoveries	1,016,711,293	-	1,016,711,293	890,675,969	-	890,675,969
Retirement benefit obligations	4,722,072	-	4,722,072	6,343,778	-	6,343,778
Deferred capital grant	44,714	-	44,714	14,025	-	14,025
Premium received in advance	10,632,410	-	10,632,410	8,079,218	-	8,079,218
Insurance / reinsurance payables	480,184	-	480,184	466,442	-	466,442
Deferred tax	-	636,015	636,015	-	472,871	472,871
Other creditors and accruals	18,460,347	-	18,460,347	17,750,984	549,511	18,300,495
Total Liabilities	1,051,051,020	636,015	1,051,687,035	923,330,416	1,022,382	924,352,798

40 MOVEMENT IN INVESTMENTS

	Held to Maturity	Fair Value Through Profit and loss Account	Total
	Rs in '000		
At beginning of previous year	642,563,367	95,684,165	738,247,532
Additions	188,595,082	171,210	188,766,292
Disposals (sale and redemptions)	(155,806,419)	(1,700)	(155,808,119)
Amortization of premium	2,633,710	-	2,633,710
Provision created during the year	-	(45,635)	(45,635)
Unrealised fair value gain	-	3,771,586	3,771,586
	677,985,740	99,579,626	777,565,366

41 MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

41.1 Insurance Risk

41.1.1 Insurance contracts - classification

The Corporation maintains five statutory funds which are as follows:

- Pakistan Life Fund
- Overseas Life Fund
- Pension Fund
- Accidental and Health Insurance Fund
- Family Takaful Fund (Not operational)

Within the Pakistan Life Fund the business can be further classified as individual life conventional business, group insurance business and a small amount of annuity business.

Most of the new individual life conventional policies written by the Corporation contain a Discretionary Participation Feature (DPF).

The Overseas Life Fund entirely consists of individual life conventional business. Most of the new business written under the overseas life fund contains a DPF.

The Pension Fund consists of funds administered under Group Pension Deposit Administration contracts.

The Accident and Health Insurance Fund consists of Group Health and Accident Insurance Contracts.

Family Takaful Fund is not operational at the reporting date. Management intends to commence operations of FTF in the ensuing year.

Considering all the five statutory funds together, the bulk of Corporation business consists of individual life conventional policies. Most of the remaining business consists of group life insurance business. Group Health is a relatively new venture of the Corporation which started in 2012 and has yet to register any significant growth. The Corporation also offers some supplementary benefits attached in the form of riders to the individual life policies and the group life contracts. Each of these classes of business are described in greater detail below.

41.1.2 Contract details and measurement

The insurance contracts offered by the Corporation are described below:

41.1.2.1 Individual life policies

Individual life conventional products

These are long term contracts with either level or single premiums. These plans generally provide death benefit on death during the tenure of the policy and a survival benefit either on the happening of certain contingencies or on the maturity of the policy. The premiums are payable only in the life time of the policyholder. In case of term insurance products there is no survival benefit.

Universal life policies

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

Term insurance policies

A few products of the Corporation are term insurance plans providing benefits only in case of death. Under these policies no benefit is due if the policy holder survives the duration of the policy. The Corporation sells both level term insurances and decreasing term insurances also known as mortgage protection plans.

Annuities

The Corporation also has a small number of individual and group life-annuities on its books. Under these contracts a periodic income benefit is payable to the insured life for as long as annuitant is alive. Besides, the Corporation offers annuity-certain plans under which periodic income benefit is payable for a stipulated period and is not dependent on the life of the policyholder.

Supplementary riders

The Corporation offers various types of supplementary riders. Some of these riders offer additional life coverage, in some cases they offer accidental death and disability benefits. The benefits can take various forms such as lump sum payment or an income benefit or waiver of premiums due under the host policy contract.

Insured event

Under the individual life insurance policies in most cases the insured event is either death or survival until the maturity date of the policy, except in case of term insurance where there is no maturity benefit. Under the annuity policies the Corporation is exposed to the risk of longevity. In this case the insured event is survival of the life insured for a long duration, exceeding the period normally expected under standard mortality tables.

In case of supplementary rider the insured event is either death or just accidental death or disability whether accidental or natural or both.

Distribution channel

The individual life business of the Corporation is sold through its dedicated sales force which is present all over the country. This field force is organised under a three tier system consisting of sales representatives, sales officers and sales managers. Each sales sector headed by a sector head is further grouped over 1000 area offices, more than 1,200 sector offices, 33 zones and 7 regional offices in addition to one zone for the Gulf Region. The Gulf zone has its own marketing team of sector heads, area managers and sales force.

The individual life policy holders of the Corporation come from all strata of society, with greater representation of the rural areas due to wider outreach of its field force. New policyholders have an average age of around 34 years.

41.1.2.2 Group life policies

Basic coverage

The group life policies are generally one year renewable term insurance contracts. In most cases they provide group coverage to the employees of an employer. Some times the coverage is tied up with loans extended by the employer for house building or purchase of motor vehicles or other household items. In some cases group policies are issued to lending agencies such as banks to provide group coverage to their borrowers. There are also a small number of group endowment policies which provide benefits identical to individual life policies but under the umbrella of a group contract.

Supplementary coverage

In many cases the group policies also provide supplementary coverage which may include accidental or natural disability benefits and additional accidental death benefit. These riders also take the form of one year renewable term insurance policies.

Insured event

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

Distribution channel

The group insurance business is sold through four group and pension zones of the Corporation. Each zone has its own marketing force consisting of sector heads who are full time salaried employees of the Corporation, however, some of the group business is also procured through individual life field force of the Corporation.

Most of the lives covered under the group insurance consist of industrial and office workers, civil servants and employees of Corporations, banks, other financial institutions, armed forces etc.

41.1.2.3 Pension business

The pension portfolio of the Corporation consists of group deposit administration pension contracts. These are long-term contracts providing pension benefits to the employees of the policyholder. Under these contracts, the Corporation does not retain any insurance risk apart from a nominal investment return guarantee. The services offered by the Corporation include benefit administration, funding advice and investment of the funds.

These contracts do not transfer any significant insurance risk from the policyholders to the Corporation. These are therefore by nature similar to investment contracts.

The distribution channel employed for the pension business is the same as for the group insurance business.

The target market for this business is also similar to the target market for group insurance business.

41.1.2.4 Group Health Business

In 2012, the Corporation entered the Health Insurance Market by signing an agreement with the Benazir Income Support Programme (BISP) authorities for providing Health Insurance to the beneficiaries enrolled under BISP Waseela-e-Sehat Programme. This contract terminated on June 30, 2015. However, settlement of the Equalisation Reserve Fund (ERF) balance is still pending. Consequently, a provision for this has been kept in the Actuarial Reserves.

In the year 2015, the Corporation entered into two other agreements, namely Prime Minister's National Health Insurance Scheme (PMNHIS) and KPK Micro Health Insurance Scheme. However, no health cards were issued under either scheme in 2015. Therefore, no specific liability was kept for these contracts.

Insured event

The PMNHIS and the KPK schemes are aimed at providing the underprivileged sector of the society the access to health care to cope with a variety of health shocks. The schemes provide in-patient health insurance facilities to enrolled families, subject to Rupee limits prescribed under the respective agreements.

41.1.3 Reserving method

41.1.3.1 Individual life policies

The Corporation values its individual life policy liabilities by a modified net level premium method. Under this method the Corporation's future obligations in respect of guaranteed sums assured and declared bonuses are discounted using a conservative interest basis. The policy liabilities are calculated by deducting from this amount the discounted value of future net premiums receivable under the valued policies, using a conservative basis for calculating the net premiums.

41.1.3.2 Universal life policies

For universal life policies the amount of reserve is equal to the actual accumulated value of the portion of premiums invested in the Pakistan Life Fund after accounting for the investment return allocated to these policies.

41.1.3.3 Group life policies

Group life business consists of short duration one year renewable term insurance policies. Besides, it contains a two year life insurance scheme for emigrants. It is the Corporation's policy to record only the earned premium in the revenue account. The Corporation holds reserve for claims incurred but not reported up to the valuation date and provision for experience refunds where applicable.

The Corporation also holds a premium deficiency reserve for this block of business. This reserve is calculated on the basis of the unearned premium reserve. The amount of this reserve reflects the view of the Appointed Actuary regarding the eventual loss ratio expected under group insurance contracts.

41.1.3.4 Supplementary riders

For the supplementary riders attached to individual life policies the Corporation holds a reserve equal to one full year's premium due under these policies. On the other hand, the supplementary riders attached to the group life policies are valued in the same way as the group life policies themselves.

41.1.3.5 Pension plans

The Corporation holds a reserve equal to the market value of the assets backing the pension business statutory fund. Classification of the Government bonds held by this statutory fund as Held to Maturity means that they are valued on an IRR basis, which is currently less than their market value.

41.1.4 Reserves for outstanding claims

The Corporation holds a reserve for all claims which have been reported but are still outstanding at the reporting date. Another estimated reserve is kept within the actuarial liability for claims which have been incurred but have not yet been reported. The pattern of time lag in reporting of claims observed in previous years is used as a means of estimating as accurately as possible the liability expected to arise from the incurred but not reported claims using the chain ladder method of estimation.

41.1.5 Liability adequacy test

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

41.1.6 Reinsurance contracts held

The Corporation reinsures its Pakistan business under a surplus treaty arrangement. Under this arrangement any insurance risk on a particular life which exceeds the retention is automatically ceded to the reinsurer. The retention level is fixed by the Corporation at a level which it considers optimum and safe.

There is a similar surplus treaty arrangement for reinsurance of the Corporation's Gulf business. The retention level of the Gulf business is fixed by the Corporation which it deems to be safe for that business.

Under both these treaties the re-insurer is not under an obligation to reinsure certain high sum assured cases which exceed the obligatory limit of the reinsurer as specified in the respective treaty. Such cases are reinsured by the Corporation on a facultative basis.

The reinsurers of the Corporation are highly rated companies with a sound credit record.

Primarily, reinsurance assets are amounts due from reinsurers with respect to recoveries under claims and profit commission. Reinsurance recoveries are measured according to the terms and conditions of the reinsurance contracts.

Reinsurance liabilities consist of amounts due to reinsurers on account of reinsurance premiums due which are measured according to the terms of the arrangements.

The Corporation assesses impairment on its reinsurance assets on a regular basis to identify any losses in recoveries. As of now, the Corporation's all reinsurance assets are due from re-insurers with a credit rating of "A or above". The reinsurers maintain a sound credit history and hence no impairment provision is required.

41.1.7 Accounting estimates and judgments and process used for deciding assumptions

41.1.7.1 Mortality and disability

Due to nature of its business the Corporation is exposed to the risk of mortality. The reserving basis utilizes a conservative estimate of mortality. The Corporation carries out a continuous mortality investigation of its individual life and group life business to assess the actual level of mortality experienced by it. The result of this study utilized to ascertain the safety margin built into its reserving basis and the mortality level to be utilized for testing the adequacy of its liability.

The Corporation also has a small exposure to disability risk covered by some of its supplementary contracts. The Corporation constantly monitors its disability experience and an investigation is carried out whenever it feels that there is an adequate data for arriving at credible results.

41.1.7.2 Investment income

Due to the long term nature of its individual life policies the Corporation is exposed to the risk of adverse fluctuations in interest rates. In particular a long term declining trend in the interest rates can produce a financial strain for the Corporation.

To some extent this risk is mitigated by the Corporation's policy to match the duration of its assets with the duration of its liabilities, whenever this is possible. The reserving basis employed by the Corporation for valuing its liabilities contains adequate safeguards to counter any residual interest rate risk.

The past trend in returns available on Government bonds and the relationship of these returns to other financial variables such as inflation rate and short term interest rates is constantly analysed to form an opinion regarding the investment returns expected to be earned in the future on a medium term and long term basis. These estimates are utilized in testing the adequacy of liabilities on a realistic basis.

41.1.7.3 Expenses

The Corporation is also exposed to the risk of management expenses being beyond the permissible limits or increase in expenses at a pace faster than expected. The Corporation carries out an annual expense analysis to keep track of its expenses. The result of this study is utilized in the estimation of liability under realistic assumptions to ensure the adequacy of the reserves being held.

41.1.8 Frequency and severity of claims

41.1.8.1 Frequency

Since the Corporation covers a large number of lives from diverse backgrounds, which are geographically spread all over the country, the frequency of claims is normally expected to remain relatively stable over time due to the law of large numbers. However, the frequency can be affected in case there is a variation in the mortality rates experienced by the group of lives insured by the Corporation. An unusual catastrophic event such as a disease epidemic, flash floods or a major earthquake can produce a sudden spike in the frequency.

41.1.8.2 Severity

To some extent the Corporation is protected from isolated large claims because the liability for any claim exceeding its retention level is automatically passed on to the reinsurer under the existing treaty arrangements. However, there is also the risk of a large number of small claims occurring due to a catastrophic event. Exposure to catastrophic events is also dependent upon the concentration of risk.

The Corporation is represented by 33 zones which are spread out all over the country. However, as the population of the country is concentrated more in the Punjab and Sindh provinces, the business distribution of the Corporation naturally reflects the same pattern. Nearly 88 % of the Corporation's business emanates from these two provinces.

In addition, there is also some concentration of risk due to the nature of group business. These policies are typically issued to an employer for coverage of all the persons in their employment. Normally, the employees of an employer are distributed over one or more establishments maintained by the employer's business. This produces local concentration of risk wherever such establishments happen to exist. Furthermore, a large number of such establishments can exist in a small geographical area such as an industrial zone or the business district of a major city.

41.1.9 Sources of uncertainty in estimation of future benefit payments and premium receipts

There are many theoretical reasons giving rise to uncertainty in estimation of future benefit payments and premium receipts.

Generally, mortality rates for a large segment of the population are quite stable from year to year but mortality is dependent upon a number of factors. Unhygienic living conditions, inadequate health care facilities, prevalence of general stress in society or emergence of epidemic disease are some socio-economic reasons which may give rise to an adverse trend in mortality rates.

Life insurance also serves as a channel for savings. However, in times of economic recession the savings rate can fall. This can reflect upon the Corporation in the form of lower new business growth and higher lapse rates of existing policies.

41.1.10 Management of insurance risk

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

The Corporation's strategy for management of insurance risk meets the minimum standards laid down by the law in addition to certain other practices which are specified by the Corporation.

41.1.10.1 Financial risk

a) Interest risk

The Corporation values its liabilities at the rate of 3.75% per annum, which is a requirement prescribed by the SECP. However, the actual return earned by the Corporation is much more than this. This large gap between the valuation discount rate and the market rate ensures that there is an adequate margin for the Corporation to absorb any impact of adverse fluctuation in the interest rates.

As a further security mechanism all the guaranteed liabilities of the Corporation are fully backed by the combined value of cash in hand, Government bonds and policy loans. The first two of these asset classes are by definition risk free. Also the policy loans are fully backed by the cash values of the underlying policies. Hence this asset class also does not carry any default risk.

The practice of valuing the assets Held to Maturity by the IRR method precludes any possibility of sudden changes in the investment return for which credit is taken in the accounts. This stability in the returns add another layer of security against interest risk.

b) Expense risk

Expense risk is the risk that the actual expenses of the Corporation will exceed the expense margins built in the premium rates. To cover this risk, a specific provision is kept in the actuarial reserves.

c) Mortality risk

The mortality used in the reserving basis is the mortality prescribed by the SECP, which is the SLIC 2001-2005 table. Due to advancement in health care technology the current mortality levels are lower than the mortality rates of this table. Hence, the reserving basis has adequate margins for absorbing the impact of adverse fluctuation in mortality.

d) Surrenders risk

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

e) Inflation risk

To a certain extent some inflation risk is already built into the reserving basis, since the average premium size and the average sum assured per policy tends to increase in line with inflation. Also at each actuarial valuation date the Appointed Actuary reviews the special provisions required to be kept as described under the heading Expense risk, keeping in view the expense level of the Corporation on the valuation date. This provides a mechanism of adjusting for any unanticipated movements in the inflation rate.

f) Catastrophe risk

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

The situation is a bit different on the group insurance side where there is a higher concentration of risk because by its very nature this business often covers a large number of persons located within a restricted geographical area, such as a building or a factory premises.

This risk is mitigated to an extent due to the presence of reinsurance cover for the individual and group policies. In addition the premium rates of the Corporation are designed to adequately cater for this risk. Premium deficiency reserve held by the Corporation for its group business provides an extra layer of security against this risk.

g) Currency risk

The Corporation deals in only one currency within Pakistan. Hence, this risk is non-existent for the Pakistan Life Fund.

In case of the Gulf business the Corporation writes business in UAE Dirhams and US Dollars. The exchange rate parity between these two currencies is relatively stable. Also, there is a high degree of matching between the assets and liabilities in these two currencies.

The effect of fluctuation of currency risk upto 10% on the net assets to the revenue account will be as follows:

	UAE Dirhams	US Dollars
December 31, 2019		
10% increase	**625,718**	**1,581,939**
10% decrease	**625,718**	**1,581,939**
December 31, 2018		
10% increase	476,457	1,482,020
10% decrease	(476,457)	(1,482,020)

41.1.10.2 Credit risk and asset risk

Management of credit risk and asset risk deals with risks emanating from the assets side of the balance sheet. Management of this risk has already been adequately explained under the heading “Financial risk management objectives and policies”. Hence, no further explanation is deemed to be necessary.

41.1.10.3 Operational risk or pricing risk

The Corporation utilizes industry recognized underwriting practices to ensure that only standard risks are written on standard rates. Any sub standard risks identified during the underwriting process are charged suitable extra premiums. This ensures fair and equitable treatment between various risk categories and helps in keeping its standard rates competitive by the insurance industry standards.

This practice also protects the Corporation against the risk of large number of sub-standard impaired lives accumulating on its policy portfolio, since extra premium automatically charged to commensurates with such risk.

For lives which are otherwise uninsurable, the Corporation offers a special product line known as the non-declinature scheme. Individuals who are unable to obtain insurance cover due to their poor state of health can choose to obtain cover under this scheme, which bypasses normal underwriting in return for a suitable extra premium and waiting period.

41.1.11 Sensitivity analysis

Mortality rates and the discounting factor are the two most significant variables which can have an impact on the policyholder liabilities. The Corporation has tested the sensitivity of its liabilities to both these variables which is as follows:

Variable	Quantum of Change	% change in liability
Increase in mortality	10%	0.12%
Decrease in mortality	10%	-0.12%
Increase in discount rate	0.5% addition in rate	-4.16%
Decrease in discount rate	0.5% reduction in rate	4.38%

According to the Life Insurance (Nationalization) Order, 1972, any increase or decrease in the actuarial surplus is shared by the policyholders and the Government as the sole shareholder in the ratio of 97.5% and 2.5% respectively.

41.2 Financial risk

The Corporation is exposed to variety of financial risks: market risk (comprising interest rate risk, currency risk, and other price risk), credit risk and liquidity risk in relation to the financial statements on its balance sheet. The Corporation's risk management program is geared to ensure the survival of the Corporation as a going concern in the face of all sources of significant identifiable financial risks. It focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Corporation's financial performance.

The Board of Directors has the overall responsibility for establishment and oversight of the Corporation's risk management framework and is responsible for developing risk management policies and its monitoring.

41.2.1 Interest rate risk

		2019						
		Interest / Markup bearing			Non-interest / Non-markup bearing			
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
	Note	(Rupees in '000)						
Financial Assets								
Investments								
Equity securities	8	-	-	-	91,592,105	-	91,592,105	91,592,105
Government securities	10	86,794,551	588,148,791	674,943,342	-	-	-	674,943,342
Debt securities	11	-	3,042,398	3,042,398	-	-	-	3,042,398
Mutual funds	9	-	-	-	7,987,521	-	7,987,521	7,987,521
Loans secured against life insurance policies		12,617,280	99,256,605	111,873,885	-	-	-	111,873,885
Insurance / reinsurance receivables	12	-	-	-	25,932,244	369,081	26,301,325	26,301,325
Other loans and receivables	13	-	-	-	42,681,211	-	42,681,211	42,681,211
Cash and bank	15	64,639,806	11,049,711	75,689,517	16,170,269	-	16,170,269	91,859,786
As at December 31, 2019		164,051,637	701,497,505	865,549,142	184,363,350	369,081	184,732,431	1,050,281,573
Financial Liabilities								
Insurance liabilities	18	-	-	-	23,153,121	993,558,172	1,016,711,293	1,016,711,293
Premium received in advance		-	-	-	10,632,410	-	10,632,410	10,632,410
Insurance / reinsurance payables	21	-	-	-	-	480,184	480,184	480,184
Other creditors and accruals	22	-	-	-	18,460,347	-	18,460,347	18,460,347
As at December 31, 2019		-	-	-	52,245,878	994,038,356	1,046,284,234	1,046,284,234
Off Balance Sheet Financial Instrument								
As at December 31, 2019		164,051,637	701,497,505	865,549,142	132,117,472	(993,669,275)	(861,551,803)	3,997,339

		2018						
		Interest / Markup bearing			Non-interest / Non-markup bearing			
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
	Note	(Rupees in '000)						
Financial Assets								
Investments								
Equity securities	8	-	-	-	87,831,533	-	87,831,533	87,831,533
Government securities	10	122,120,543	516,818,906	638,939,449	-	-	-	638,939,449
Debt securities	11	-	3,623,918	3,623,918	-	-	-	3,623,918
Mutual funds	9	-	-	-	7,852,632	-	7,852,632	7,852,632
Loans secured against life insurance policies		21,144,355	72,169,090	93,313,445	-	-	-	93,313,445
Insurance / reinsurance receivables	12	-	-	-	21,442,479	360,594	21,803,073	21,803,073
Other loans and receivables	13	-	-	-	35,134,918	-	35,134,918	35,134,918
Cash and Bank	15	-	-	-	33,298,315	-	33,298,315	33,298,315
As at December 31, 2018		143,264,898	592,611,914	735,876,812	185,559,877	360,594	185,920,471	921,797,283
Financial Liabilities								
Insurance liabilities	18	-	-	-	18,593,297	872,082,672	890,675,969	890,675,969
Premium received in advance		-	-	-	8,079,218	-	8,079,218	8,079,218
Insurance / reinsurance payables	21	-	-	-	466,442	-	466,442	466,442
Other creditors and accruals	22	-	-	-	18,300,495	-	18,300,495	18,300,495
As at December 31, 2018		-	-	-	45,439,452	872,082,672	917,522,124	917,522,124
Off Balance Sheet Financial Instruments								
As at December 31, 2018		143,264,898	592,611,914	735,876,812	140,120,425	(871,722,078)	(731,601,653)	4,275,159

41.2.2 Market risk

Market risk is the risk of adverse financial impact as a consequence of market movements of prices of financial instruments and securities. Such price movements can arise due to variation of market interest rates, currency exchange rates, industry profitability and other economic factors.

The Corporation's investments are primarily in long term Government bonds. In addition, the Corporation also has a significant exposure to the equity market and invests some funds in corporate term finance certificates. Funds awaiting long term investment are kept in short duration fixed deposits with banks.

41.2.3 Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk since it issues insurance policies which are long term in nature. These policies are essentially backed by long term Government bonds and cash at bank.

It is the policy of the Corporation to match the average duration of its investments in Government bonds with the average duration of its policyholders liabilities as much as possible but this is not always possible due to market limitations. This is because sufficient quantities of the Government bonds of longer duration are not available in the market. As a result some mismatch in the average duration of the Corporation's liabilities and assets is possible.

Interest rate risk exposures from options and guarantees embedded in insurance liabilities

The Corporation's deposit administration pension contracts have certain guarantees that transfer interest rate risk to the Corporation. These guarantees include a minimum guaranteed investment return of 0.375% per month on the pension funds being managed by the Corporation. The pension liabilities of the Corporation are a very insignificant proportion of overall liabilities of the Corporation and historically investment return earned on the assets backing these liabilities has never been below the amount of the guaranteed return.

41.2.4 Currency risk

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. This risk arises if there is a currency mismatch between the assets and liabilities.

All assets and liabilities of the Corporation within Pakistan are in Pakistan rupees. This business is therefore not exposed to any currency risk.

The Corporation's Overseas Life Fund undertakes business in US Dollars and UAE Dirhams. It is policy of the Corporation to ensure the maximum possible currency matching between its assets and liabilities in each currency. Historically, UAE Dirham has remained pegged to US Dollar, hence any inadvertent mismatch between these two currencies is not expected to entail any significant currency risk.

Carrying amounts of the Corporation's foreign currency denominated assets, liabilities and reserves are as follows:

	2019		2018	
	UAE Dirhams	**US Dollars**	UAE Dirhams	US Dollars
	000'		000'	
Assets	**161,012**	**121,655**	150,192	116,663
Liabilities	**12,585**	**19,494**	8,892	17,980
Reserves	**148,427**	**102,161**	159,084	134,643

41.2.5 Other price risk

Other price risk is the risk that equity prices can fluctuate due to speculative investment activity, variations in the profit outlook of industries, interest rates prevailing in the market and general market sentiment, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Corporation's listed securities are exposed to market price risk arising from uncertainties about the future value of investment securities. The Corporation limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity. In addition, the Corporation actively monitors the key factors that affect stock market.

41.2.6 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the Corporation. The key areas of exposure to credit risk for the Corporation are in relation to its investment portfolio, reinsurance program and to a lesser extent amounts due from policyholders and intermediaries.

The Corporation has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Corporation only transacts with entities that are rated the equivalent to investment grade and above.

This information is supplied by independent rating agencies where available and if not available the Corporation uses other publicly available financial information and its own trading records to rate its major policyholders and reinsurers. The Corporation's exposure and credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Receivables consist of a large number of policyholders, spread across diverse industries and geographical areas. The Corporation extends policy loans to its policyholders. These loans are entirely backed by the cash values of their policies.

The Corporation does not have any significant credit risk exposure to any single counterparty or any group of counterparties. Concentration of credit did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings. The Corporation does not invest in derivative financial instruments.

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

	Note	**2019**	2018
		----------- Rupees in '000 -----------	
Bank deposits		**91,590,791**	32,943,032
Loans		**112,908,526**	94,298,844
Investments		**777,565,366**	738,247,532
Insurance / reinsurance receivables	12	**26,301,325**	21,803,073
Other receivables		**41,290,739**	33,820,743
Total		**1,049,656,747**	921,113,224
The age analysis of insurance/reinsurance receivable:			
Up to 1 year		**25,932,244**	21,442,479

Subsequent years premium falling due under the policy are recognized if received before expiry of the grace period, or if advanced by the corporation under the Automatic Non-forfeiture provisions. However, premiums due in the month of December but not received are recognized if the grace period is to expire after the next 1st January. Hence the age of outstanding premium is always less than one year.

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

Bank Name	Long Term	Short Term	Rating Agency	2019	2018
				(Rupees in '000)	
Allied Bank Ltd	AAA	A1+	PACRA	1,382	2,255
Bank Al-Falah Ltd	AA+	A1+	JCR-VIS	941,282	4,243
Dubai Islamic Bank	AA	A1+	JCR-VIS	129,363	5,326
First Women Bank Ltd	A-	A2	PACRA	7,252	9,386
Habib Bank Ltd	AAA	A1+	JCR-VIS	52,998,732	7,715,282
Mcb Bank Ltd	AAA	A1+	PACRA	14	388
National Bank Of Pakistan	AAA	A1+	JCR-VIS	40,870	23,524
Nib Bank Ltd	AA-	A1+	JCR-VIS	6,084	2,551
Bank Of Punjab	AA-	A1+	PACRA	25	10,709
Samba Bank Ltd	AA	A1	JCR-VIS	11,064	5,363
Silk Bank Ltd	A-	A2	JCR-VIS	10,176	62,317
Sindh Bank Ltd	A+	A1	JCR-VIS	1	1
Soneri Bank Limited	AA-	A1+	PACRA	1	1
Standard Chartered Bank Ltd	AAA	A1+	PACRA	100	287,525
Summit Bank Ltd	-	-	JCR-VIS	13,242	17,045
United Bank Ltd	AAA	A1+	JCR-VIS	37,254,806	19,090,212
Julius Bar Bank	AA2	AA2	-	33,965	26,037
Al Ahli Bank Kuwait	A+	-	-	139,026	-
Emirates Nbd	A+	-	-	980	5,680,867
Bank Of Singapore	AAA	-	-	2,426	-
				91,590,791	32,943,032

The credit quality of amount due from other insurers and reinsurers can be assessed with reference to external credit ratings as follows:

	2019	2018
Amount due from other insurers / reinsurers	---------- Rupees in '000 ----------	
A or above	**369,081**	360,594

41.2.7 Liquidity risk

Liquidity risk is the risk that the Corporation cannot meet its obligations associated with financial liabilities as they fall due.

The Corporation has adopted an appropriate liquidity risk management framework for the management of the Corporation's liquidity requirements. The Corporation manages liquidity risk by maintaining banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The Corporation is exposed to liquidity risk arising from clients on its insurance and investment contracts. The Corporation maintains adequate liquid reserves to meet any eventuality arising from a catastrophe.

Liquidity management ensures that the Corporation has sufficient access to funds necessary to cover insurance claims, surrenders, withdrawals and maturing liabilities. In practice, most of the Corporation's assets are marketable securities which could be converted into cash when required.

41.2.8 The fair values of all major financial assets are estimated to be not significantly different from their carrying values except for the following:

	2019	
	Carrying value	Fair value
	----------- Rupees in '000 -----------	
Government securities	**674,943,342**	**655,375,066**

	2018	
	Carrying value	Fair value
	----------- Rupees in '000 -----------	
Government securities	638,939,449	588,138,802

42 CAPITAL RISK MANAGEMENT

The Corporation manages its capital to ensure that it remains financially solvent while maintaining adequate financial strength to sustain business growth. It also complies with the minimum capital requirements of the SECP. The capital structure of the Corporation consists of equity attributable to the Government which is the sole shareholder of the Corporation and accumulated surplus.

There were no changes made to the objectives, policies and processes for managing capital.

Further details are given in the table below:

	2019	2018
	---------- Rupees in '000 ----------	
Accumulated surplus	**1,284,882**	713,615
Ledger account C & D	**2,207,145**	1,257,718
General reserve	**7,043**	507,043
Capital contributed to statutory fund	**(650,000)**	(100,000)
Issued, subscribed and paid-up capital	**4,300,000**	3,500,000
Shareholders' equity	**7,149,070**	5,878,376

43 FAIR VALUE OF FINANCIAL INSTRUMENTS

43.1 Carrying amount versus fair value

The following table compares the carrying amounts and fair values of the Corporation's financial assets and financial liabilities as at December 31, 2019.

The Corporation considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

	As at December 31, 2019		As at December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	-------- Rupees in '000 ------		-------- Rupees in '000 ------	
Financial Assets				
- Cash and bank	**91,859,786**	**91,859,786**	33,298,315	33,298,315
- Loans secured against life insurance policies	**111,873,885**	**111,873,885**	93,313,445	93,313,445
- Loan to employees	**953,037**	**953,037**	915,705	915,705
- Loan to agents	**81,604**	**81,604**	69,694	69,694
Investments				
Fair value through Profit and loss Accounts				
Listed equity securities and mutual fund units	**97,453,634**	**97,453,634**	87,730,822	87,831,533
Unlisted equity securities and mutual fund units	**2,125,992**	**2,125,992**	100,711	100,711
Held-to-maturity				
Government securities	**674,943,342**	**655,375,066**	638,939,449	588,138,801
Holding in subsidiary companies	**318,901**	**318,901**	338,010	338,010
Other fixed income securities	**3,042,398**	**3,042,398**	3,623,918	3,623,918
	777,884,267	**758,315,991**	730,732,910	680,032,973
Other receivable - excluding taxation	**67,592,064**	**67,592,064**	55,623,816	55,623,816
Financial Liabilities				
- Balance of statutory funds-including policyholders' liabilities	**1,016,711,293**	**1,016,711,293**	890,675,969	890,675,969
- Creditors and accruals	**18,460,347**	**18,460,347**	18,300,495	18,300,495
- Premium received in advance	**10,632,410**	**10,632,410**	8,079,218	8,079,218
- Insurance / reinsurance payables	**480,184**	**480,184**	466,442	466,442

43.2 FAIR VALUE HIERARCHY

"The level in the fair value hierarchy within which the asset or liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

Assets and liabilities are classified in their entirety into only one of the three levels.

The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

The table below analyses assets measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	As at December 31, 2019	Level 1	Level 2	Level 3
	---------------------------- Rupees in '000	----------------------------		
Financial Assets at Carrying Value				
Investments at carrying value fair value through profit and loss account				
Other fixed income securities	**3,042,398**	**-**	**3,042,398**	**-**
Listed equity securities and mutual fund units	**97,453,634**	**97,453,634**	**-**	**-**
Unlisted equity securities and mutual fund units	**2,125,992**	**-**	**2,125,992**	**-**
Holding in subsidiary companies	**318,901**	**-**	**-**	**318,901**
	102,940,925	**97,453,634**	**5,168,390**	**318,901**

	As at December 31, 2018	Level 1	Level 2	Level 3
	--------------------------------- Rupees in '000	---------------------------------		
Financial Assets at Carrying Value				
Investments at carrying value fair value through profit and loss account				
Other fixed income securities	3,623,918	-	3,623,918	-
Listed equity securities and mutual fund units	87,730,822	87,730,822	-	-
Unlisted equity securities and mutual fund units	100,711	-	100,711	-
Holding in subsidiary companies	338,010	-	-	338,010
	91,793,461	87,730,822	3,724,629	338,010

Carrying values of all other financial assets and liabilities approximate their fair value.

43.3 Transfers during the period

During the year to December 31, 2019:

- There were no transfers between Level 1 and Level 2 fair value measurements.
- There were no transfers into or out of Level 3 fair value measurements.

43.4 Valuation techniques

Fair value of investments is determined as follows:

- Fair value of listed equity securities is determined on the basis of closing market prices quoted on the respective stock exchange.

- Unlisted equity securities are carried at cost.

- Investments in subsidiary companies are being carried at cost.

44 SUBSEQUENT EVENTS

a) The Board of Directors of the Corporation in their meeting held on July 27, 2020 declared dividend of Rs. 1,046.88 million. These unconsolidated financial statements for the year ended December 31, 2019 do not include the effect of these appropriations and these will be accounted in the financial statements for the year ending December 31, 2020.

b) Subsequent to the year end, the novel coronavirus (COVID 19) emerged and since then, the condition has continued to deteriorate. On January 30, 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a "Public Heallh Emergency of International Concern". The COVID-19 pandemic has significantly impacted the market around the world to date and may continue to do so in the coming months of 2020 whereby potentially impacting the earnings and cash flows of the Corporation . The Corporation considers this outbreak to be a non-adjusting post balance sheet event based on the fact that COVID 19 was not declared as public health emergency until January 30, 2020 . The scale and duration of this outbreak remains uncertain and as it evolves globally in 2020, the Corporation will evaluate the potential impacts and respond accordingly.

45 NUMBER OF EMPLOYEES

	2019	2018
The details of number of employees are as follows:		
Permanent employees as at year end	**3,954**	4,013
Area managers	**1,329**	1,107
	5,283	5,120
Average number of employees during the year	**5,202**	5,138

46 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Corporation on July 27, 2020.

47 CORRESPONDING FIGURES

Previous year figures have been rearranged and/or reclassified, wherever necessary, for the purpose of comparison in the financial statements. For better presentation, reclassification made in the financial statements were as follows:

Reclassification from	Reclassification to	Rupees '000
Statement of financial position		
Prepayments	Loans and other receivables	328,776
Investment properties	Property and equipment	467,421
Statement of comprehensive income		
Insurance benefits	Premium revenue	2,881,677

48 GENERAL

Figures in these unconsolidated financial statements have been rounded off to nearest thousand of rupees. In narrative notes, certain figures have been rounded off to million of rupees.

Riaz Ahmad Memon	**Ali Mubashar Karmi**	**Abdul Qadir Memon**	**Muhammad Rashid**
Chairman	Director	Director	Chief Financial Officer


Financial Statements
Consolidated
2500
2000
1500
1000
500
0

Independent Auditor's Report

To the Members of State Life Insurance Corporation of Pakistan

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of State Life Insurance Corporation of Pakistan and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of signiflcant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Emphasis of Matters

We draw attention to the following:

- Note 1.2 to the consolidated financial statements, the Presidential Order dated April 06, 2016 in respect of State Life (Reorganization and Conversion) Ordinance, 2016 was issued by Government of Pakistan Ministry of Law and Justice to provide for the re-organization and conversion of the State Life Insurance Corporation of Pakistan into a Public Limited Company. As a consequence of reorganization and conversion, the Group is not expected to continue as a going concern. The Group Company formed shall be taking over the business, functions, contracts, policies, proceedings, undertakings, assets, liabilities, etc. of the Group at a specific date that is uncertain. Since there will be no change in operational activities of the Group pursuant to change in legal structure, no adjustments are expected to the carrying values of the assets and liabilities.

- Note 22.1.13 to the consolidated financial statements, which describes the chargeability of sales tax on premium by provincial revenue authority.

Our opinion is not modified in respect of the above matters.

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

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other Matter

The consolidated financial statements of the Group for the preceding year ended December 31, 2018 were audited by Grant Thornton Anjum Rahman and Riaz Ahmad and Company, whose audit report dated May 31, 2019 expressed a modified opinion on chargeability of sale tax on premium by provincial revenue authority and an emphasis of matter paragraph on re-organization and conversion of the Corporation.

The engagement partners on the audit resulting in this independent auditors' report are Muhammad Khalid Aziz and Zulfiqar Ali Causer on behalf of Grant Thornton Anjum Rahman and BDO Ebrahim & Co. respectively.

Grant Thornton Anjum Rahman.

Grant Thornton Anjum Rahman
Chartered Accountants

BDO Ebrahim & Co
Chartered Accountants

Karachi
Dated: July 27, 2020

Consolidated Statement of Financial Position as at December 31, 2019

	Note	2019	2018
		----------(Rupees in '000)----------	
ASSETS			
Property and equipment	5	952,710	885,289
Intangibles	6	-	-
Investment properties	7	3,375,165	3,199,448
Investments			
Equity securities	8	91,827,187	88,082,263
Mutual funds	9	7,987,521	7,852,632
Government securities	10	675,362,454	639,496,752
Debt securities	11	3,042,398	3,623,918
Loans secured against life insurance policies		111,873,885	93,313,445
Insurance / reinsurance receivables	12	26,363,873	21,857,380
Loans and other receivables	13	42,708,645	34,817,386
Reinsurance recoveries against outstanding claims		118,466	211,644
Salvage recoveries accrued		8	8
Deferred commission expense/acquisition cost		10,889	5,296
Taxation - payments less provision		3,945,262	4,021,578
Prepayments	14	79,369	413,913
Cash & bank	15	92,001,766	33,329,715
TOTAL ASSETS		1,059,649,598	931,110,667
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO Group'S EQUITY HOLDERS			
Ordinary share capital	16	4,300,000	3,500,000
Ledger account C & D		2,197,116	1,247,689
Group reserves		1,577,850	1,480,772
Capital contributed to statutory fund		(650,000)	(100,000)
		7,424,966	6,128,461
Non-controlling interest		35,303	34,222
TOTAL EQUITY		7,460,269	6,162,683
LIABILITIES			
Insurance liabilities	17	1,016,987,357	891,148,453
Retirement benefit obligations	18	4,721,750	6,342,368
Deferred capital grant		44,714	14,025
Deferred tax	19	630,386	471,294
Premium received in advance		10,637,312	8,086,315
Insurance / reinsurance payables	20	504,729	509,450
Other creditors and accruals	21	18,663,081	18,376,079
TOTAL LIABILITIES		1,052,189,329	924,947,984
TOTAL EQUITY AND LIABILITIES		1,059,649,598	931,110,667
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

Riaz Ahmad Memon	**Ali Mubashar Karmi**	**Abdul Qadir Memon**	**Muhammad Rashid**
Chairman	Director	Director	Chief Financial Officer

Consolidated Statement of Comprehensive Income for the Year Ended December 31, 2019

	Note	2019	2018
		-----------------(Rupees in '000)-----------------	
Premium revenue		112,876,783	115,331,763
Premium ceded to reinsurers		(244,264)	(369,997)
Net insurance premium revenue	23	112,632,519	114,961,766
Investment income	24	73,236,086	63,844,803
Net realised fair value (loss)/gain on financial assets	25	(12,682)	6,238
Net fair value gain/(loss) on financial assets at fair value through profit or loss	26	3,606,621	(9,069,258)
Net rental income	27	574,240	536,165
Other income	28	18,471,752	15,021,387
		95,876,017	70,339,335
Net income		208,508,536	185,301,101
Insurance benefits		57,158,843	53,257,427
Recoveries from reinsurers		(125,418)	(171,066)
Premium deficiency		(6,653)	(3,445)
Claim related expense		12,642	-
Net insurance benefits	29	57,039,414	53,082,916
Net change in insurance liabilities (other than outstanding claims)		121,376,785	94,088,772
Acquisition expenses	31	16,517,046	23,876,671
Marketing and administration expenses	32	9,997,925	11,270,961
Other expenses	33	748,851	361,122
Total expenses		148,640,607	129,597,526
Results of operating activities		2,828,515	2,620,659
Finance cost	34	(2,631)	-
Profit before tax		2,825,884	2,620,659
Income tax expense	35	(814,689)	(879,198)
Profit for the year		2,011,195	1,741,461
Other comprehensive income		-	-
Total comprehensive income for the year		2,011,195	1,741,461
Profit for the year attributable to:			
Equity holder of parent		2,010,114	1,743,180
Non controlling interest		1,081	(1,719)
		2,011,195	1,741,461
Earnings per share - Rupees	36	52.28	55.05

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

Riaz Ahmad Memon	Ali Mubashar Karmi	Abdul Qadir Memon	Muhammad Rashid
Chairman	Director	Director	Chief Financial Officer

Consolidated Statement of Cash Flow for the Year Ended December 31, 2019

		Note	2019	2018
			-----------(Rupees in '000)-----------	
	Operating Cash flows			
(a)	**Underwriting activities**			
	Premiums received		117,787,696	102,009,614
	Reinsurance premiums paid		(353,438)	(360,503)
	Claims paid		(31,319,273)	(28,575,844)
	Surrenders paid		(27,153,375)	(23,096,834)
	Reinsurance and other recoveries received		282,105	299,387
	Commissions paid		(14,862,277)	(18,849,794)
	Commission received		703	877
	Other underwriting payments, if any		(3,622,334)	(4,485,634)
	Net cash flow from underwriting activities		40,759,807	26,941,269
(b)	**Other operating activities**			
	Income tax paid		(575,009)	(715,311)
	Other operating payments		(933)	579,123
	General management expense paid		(10,707,640)	(8,008,890)
	Other operating receipts		(644,254)	(1,401)
	Other loans		(428)	8
	Loans secured against life insurance policies - advanced		(25,749,990)	(8,937,795)
	Loans secured against life insurance policies - repayments received		9,474,058	11,079,182
	Net cash flow used in other operating activities		(28,204,196)	(6,005,084)
	Total cash flow from all operating activities		12,555,611	20,936,185
	Investment activities			
	Profit / return received		72,712,294	58,054,279
	Dividends received		5,253,600	5,414,039
	Rentals received		1,748,301	1,193,611
	Payments for investments		(192,609,182)	(156,648,446)
	Proceeds from disposal of investments		154,776,439	67,096,400
	Fixed capital expenditure		(415,928)	(648,603)
	Proceeds from disposal of fixed assets		2,437	2,933
	Total cash flow generated from / (used in) investing activities		41,467,961	(25,535,787)
	Financing activities			
	Unclaimed dividend paid during the period		(10)	-
	Lease payments		(5,996)	-
	Dividends paid		(713,609)	(1,269,914)
	Total cash flow used in financing activities		(719,615)	(1,269,914)
	Net cash flow generated from / (used in) all activities		53,303,957	(5,869,516)
	Cash and cash equivalents at beginning of year		27,648,098	33,517,613
	Cash and cash equivalents at end of year	15.1	80,952,055	27,648,098
	Reconciliation to profit and loss account			
	Operating cash flows		12,555,612	20,936,185
	Depreciation expense		(180,011)	(149,476)
	Gain on disposal of fixed assets		1,679	-
	Investment income		95,845,064	70,722,921
	Amortization/capitalization		419,224	662,116
	Non Cash Adjustments (APL)		(3,393,075)	(9,796,421)
	Other income		23,156	4,362
	Increase in assets other than cash		24,545,206	19,837,732
	Increase in liabilities other than running finance		(5,591,583)	(6,387,186)
	Allocation of surplus		(100,000)	-
	Other adjustments		(737,292)	-
	Net change in insurance liabilities (other than outstanding claims)		(121,376,785)	(94,088,772)
	Profit after taxation		2,011,195	1,741,461

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

Riaz Ahmad Memon	**Ali Mubashar Karmi**	**Abdul Qadir Memon**	**Muhammad Rashid**
Chairman	Director	Director	Chief Financial Officer

Consolidated Statement of Changes in Equity for the Year Ended December 31, 2019

	Ordinary share capital	Capital contributed to Statutory Fund	Ledger Account C & D*	Group Reserves	Non Controlling Interest	Total
	Attributable to equity holders of the parent					
	---------- Rupees in '000 ----------					
Balance as at January 1, 2018	3,000,000	(1,200,000)	1,979,122	1,876,073	35,941	5,691,136
Dividend paid for the year December 31, 2017				(1,214,038)		(1,214,038)
Transferred to BESOS from profit for the year	-	-	-			
ended December 31, 2017	-	-	-	(55,876)		(55,876)
Total comprehensive income for the year	-	-	-	1,743,180	(1,719)	1,741,461
Surplus for the year retained in statutory funds-net of tax	-	-	368,567	(368,567)	-	-
Capital contributed from statutory fund - eliminated	-	1,100,000	(1,100,000)	-	-	-
Transfer for the issuance of share capital	500,000	-	-	(500,000)	-	-
Balance as at December 31, 2018	3,500,000	(100,000)	1,247,689	1,480,772	34,222	6,162,683
Balance as at January 1, 2019	**3,500,000**	**(100,000)**	**1,247,689**	**1,480,772**	**34,222**	**6,162,683**
Dividend paid for the year December 31, 2018	**-**	**-**	**-**	**(713,609)**	**-**	**(713,609)**
Total comprehensive income for the year	**-**	**-**	**-**	**2,010,114**	**1,081**	**2,011,195**
Surplus for the year retained in statutory funds-net of tax	**-**	**-**	**949,427**	**(949,427)**	**-**	**-**
Capital contributed to statutory fund	**-**	**(650,000)**	**-**	**650,000**	**-**	**-**
Capital received from statutory fund - eliminated	**-**	**100,000**	**-**	**(100,000)**	**-**	**-**
Transfer for the issuance of share capital	**800,000**	**-**	**-**	**(800,000)**	**-**	**-**
Balance as at December 31, 2019	**4,300,000**	**(650,000)**	**2,197,116**	**1,577,850**	**35,303**	**7,460,269**

* This includes balances maintained in accordance with the requirements of Section 35 of the Insurance Ordinance, 2000 read with Rule 14 of the Insurance Rules, 2017 (previously the SEC Insurance Rules, 2002) to meet solvency margins, which are mandatorily maintained for the carrying on of the life insurance business.

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

Riaz Ahmad Memon	**Ali Mubashar Karmi**	**Abdul Qadir Memon**	**Muhammad Rashid**
Chairman	Director	Director	Chief Financial Officer

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2019

1 LEGAL STATUS AND NATURE OF BUSINESS

The Group consists of:
Holding Corporation: State Life Insurance Corporation of Pakistan
Subsidiary companies:

1 State Life (Lakie road) properties (Private) Limited
2 State Life (Abdullah Haroon Road) Properties (Private) Limited
3 Alpha Insurance Company Limited

a) State Life Insurance Corporation of Pakistan

The Holding Corporation was incorporated in Pakistan on November 1, 1972 under the Life Insurance Nationalization Order, 1972 (LINO). The Holding Corporation's principal office is located at State Life Building No. 9, Dr. Ziauddin Ahmad Road, Karachi. It operates in Pakistan through 34 zones for individual life business, 4 zones for Group life business and in the gulf countries {comprising United Arab Emirates (UAE) and Kuwait} through zonal office located at Dubai (UAE).

The Holding Corporation is engaged in the life insurance business and health and accident insurance business.

b) State Life (Lakie road) properties (Private) Limited

The Company was incorporated in Pakistan in the month of July 1979 as Private Limited Company under the Companies Ordinance 1984. The Company was incorporated to deal in Real Estate including Renting, Purchase & Sale of properties. The Company is wholly owned subsidiary of State Life Insurance Group of Pakistan. The geographical location and address of the Company's registered office and business unit is situated at 6th Floor State Life Building No. 09, Dr. Ziauddin Road, Karachi.

c) State Life (Abdullah Haroon Road) Properties (Private) Limited

State Life (Abdullah Haroon Road) Properties (Pvt) Limited ('the Company') was incorporated in Pakistan in the month of June 1979 as Private Limited Company under the Companies Ordinance 1984. The Company was incorporated to deal in Real Estate including Renting, Purchase & Sale of properties. The Company was incorporated to deal in Real Estate including Renting, Purchase & Sale of properties. The geographical location and address of the Company's registered office and business unit is situated at 6th Floor State Life Building No. 09, Dr. Ziauddin Road, Karachi.

d) Alpha Insurance Company Limited

Alpha Insurance Company Limited ("the Company") was incorporated in Pakistan on 24 December 1951 under the Indian Companies Act VII of 1913 as a public limited company and registered as a non-life insurance company by the Securities and Exchange Commission of Pakistan (SECP) under the Insurance Ordinance, 2000. The Company is engaged in providing non-life insurance business comprising fire and property, marine, motor, health, credit and suretyship and miscellaneous. The Company commenced its commercial operations on 23 January 1952.

The registered office of the Company is situated at 4th Floor, Building # 1-B, State Life Square, I. I. Chundrigar Road, Karachi. The Company has 13 (31 December 2018: 13) branches in Pakistan. The parent entity of the Company is State Life Insurance Corporation of Pakistan holding 95.15% (31 December 2018: 95.15%) shares of the Company.

1.1 The Holding Corporation was issued the certificate of authorization for commencement of Window Takaful Operation under rule 6 of the Takaful rules, 2012 by SECP vide letter no. 0097, dated September 22, 2016. However the Holding Corporation is in the process of launching the Window Takaful Operations at the year end i.e., December 31, 2018. For the purpose of carrying on the takaful business, the Operator has formed an Individual Family Participant Takaful Fund (IFPTF) on August 18, 2017 under the Waqf deed and cede Rupees 1 million to the IFPTF. The Waqf deed governs the relationship of Operator and participants for management of takaful operations.

1.2 The Presidential Order dated April 06, 2016 in respect of State Life (Reorganization and Conversion) Ordinance, 2016 was issued by Government of Pakistan Ministry of Law and Justice to provide for the re-organization and conversion of the State Life Insurance Group of Pakistan into a Public Limited Company. After the commencement of this Ordinance, the Federal Government established a Company namely, State Life Insurance Company Limited under the repealed Companies Ordinance, 1984 (XLVII of 1984) with the objective of taking over the business, functions, contracts, policies, proceedings, undertakings, assets, liabilities. etc of the Group on fulfillment of the statutory requirements. The National Assembly converted the said Ordinance into Bill for the conversion of State Life Insurance Group of Pakistan to State Life Insurance Company Limited and sent the Bill to Senate for approval and the Senate, instead of passing the Bill, proposed few amendments in the Bill. For the consideration of the proposed amendments the matter was moved to National Assembly Standing Committee on Commerce and the matter is still pending with that Committee.

Under the new scheme all the assets, liabilities, contracts, policies, proceedings and undertakings of the Group shall stand transferred to and vest in the Company on a specific date which is uncertain. Accordingly, the Group is not expected to continue as going concern. Since there will be no change in operational activities of the Group pursuant to change in aforesaid legal structure, no adjustments are expected to the carrying amounts of assets and liabilities.

1.3 The Group maintains a shareholders' fund and five statutory funds, separately in respect of its each class of life insurance business. The details relating to each fund has been described in note 3.4.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared on the format of financial statements issued by the Securities and Exchange Commission of Pakistan (SECP) through the Insurance Rules, 2017 vide its S.R.O. 89(1) / 2017 dated 09 February 2017.

2.1 BASIS OF CONSOLIDATION

Subsidiaries are those entities over which the Holding Corporation has control. Control is achieved when the Holding Corporation is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Holding Corporation controls an investee if, and only if, the Holding Corporation has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Holding Corporation has less than a majority of the voting or similar rights of an investee, the Holding Corporation considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Holding Corporation's voting rights and potential voting rights.

The Holding Corporation re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one.

Subsidiaries are consolidated from the date on which the Holding Corporation obtains control, and continue to be consolidated until the date when such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the year are included in the consolidated statement of profit and loss account from the date the Holding Corporation gains control until the date the Holding Corporation ceases to control the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition is recorded as goodwill. If the cost of acquisition is less than fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of profit and loss account

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill acquired in a business combination is, on the acquisition date, allocated to each of the Holding Corporation's cash generating units that are expected to benefit from the combination. Goodwill is tested annually or whenever there is an indication of impairment exists. Impairment loss in respect of goodwill is recognized in consolidated statement of profit and loss account and is not reversed in future periods.

The assets, liabilities, income and expenses of subsidiary companies are consolidated on a line by line basis and the carrying value of investments held by the Holding Corporation is eliminated against the subsidiaries' shareholders' equity in these consolidated financial statements.

All intra-Group transactions, balances, income, expenses and unrealized gains and losses on transactions between Group companies are eliminated in full.

Subsidiaries have same reporting period as that of the Holding Corporation. The accounting policies of subsidiaries have been changed to confirm with accounting policies of the Holding Corporation, wherever needed.

2.2 STATEMENT OF COMPLIANCE

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

2.3 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies mentioned below (refer note 3).

2.4 Functional and presentation currency

These consolidated financial statements have been presented in Pakistani Rupee, which is the Group's functional and presentation currency. Amounts have been rounded off to the nearest thousand.

2.5 Standards, amendments and interpretations to the published standards that are relevant to the Group and adopted in the current year

The Group has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

Standard or Interpretation		**Effective Date (Annual period beginning on or after)**
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	January 1, 2019
IFRS 9	Prepayment Feature with Negative Compensation (Amendment to IFRS 9)	January 1, 2019
IAS 19	Plan Amendment, Curtail or Settlement (Amendments to IAS 19)	January 1, 2019
Annual Improvements to IFRSs (2015 – 2017) Cycle:		January 01, 2019

Adoption of the above revisions, amendments and interpretations of the standards have no significant effect on the amounts for the year ended December 31, 2019.

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

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

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

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

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

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

b) all other financial assets

Description	31 December 2019					
	Fail the SPPI test			Pass the SPPI test		
	Fair Value	Impairment	Change in unrealised Gain / loss during the year	Carrying Value	Impairment	Change in unrealised Gain / loss during the year
	------ Rupees in '000 ------					
Cash and bank	92,001,766	-	-	-	-	-
Investment in equity securities	91,827,187	-	-	-	-	-
Investment in government securities	-	-	-	675,362,454	-	-
Investment in debt securities	-	-	-	3,042,398	7,573	-
Investment in mutual funds	7,987,521	-	-	-	-	-
Loans and other receivables	42,708,645	-	-	-	-	-
Loans secured against life insurance policies	-	-	-	111,873,885	-	-

Description	31 December 2019								
	Carrying amount of debt instrument that pass the SPPI test								
	AA	A+	A	AA-	AAA	A-	A-1	A-2	Unrated
	------ Rupees in '000 ------								
Investment in Debt Securities	-	-	3,034,825	-	-	-	-	-	-
Investment in government Securities	-	-	-	-	-	-	-	-	675,362,454
Loans secured against life insurance policies	-	-	-	-	-	-	-	-	111,873,885

2.6 Standards, amendments to published standards and interpretations that are effective but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 01, 2019 are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations and are therefore not presented here.

2.7 Standards, interpretations and amendments to published accounting and reporting standards that are relevant but not yet effective and nor early adopted by the Group

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretation	Effective Date (Annual period beginning on or after)

IFRS 14	Regulatory Deferral accounts	July 1, 2019
IFRS 3	Definition of a business' Amendment to IFRS 3	January 1, 2020
IAS 1 and IAS 8	Definition of Material' (Amendments to IAS 1 and IAS 8)	January 1, 2020
	Various Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020

The management of the Group is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the consolidated financial statements of the Group.

2.8 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP)

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation		**IASB effective date (Annual periods beginning on or after)**
IFRS 1	First Time Adoption of International Financial Reporting Standards	July 01, 2009
IFRS 17	Insurance Contract	January 1, 2022
IFRIC 4	Determining whether an Arrangement Contains a Lease	January 1, 2016
IFRIC 12	Service Concession Agreements	Not yet notified

2.9 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

a) Classification of investments

In investments classified as "amortized cost", the Group has included financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

b) Provision for outstanding claims (including IBNR)

The Group records claims based on the sum assured or other basis set by the Group. However, settlement of all the claims is made based on the nature of insured event.

Provision of claims incurred but not reported (IBNR) is made on the basis of actuarial valuation. Actuarial valuation is made on the basis of past trend and pattern of reporting of claims. Actual amount of IBNR may materially differ from the actuarial estimates.

c) **Provision for income taxes**

In making estimates for income taxes currently payable by the Group, management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

d) **Impairment of other assets, including premium due but unpaid**

The Group also considers the need for impairment provision against other assets, including premium due but unpaid and provision required there-against. While assessing such a requirement, various factors including delinquency in the account and financial position of the policyholders are considered.

e) **Fixed assets, investment properties, depreciation and amortisation**

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

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

The Group also reviews value of the assets for possible impairment on an annual basis. Any change in estimates in future years might affect the carrying amounts of respective items of fixed assets with a corresponding effect on the depreciation / amortization charge and impairment.

f) **Staff retirement benefits**

Staff retirement benefits are provided as per actuarial valuation or following the actuarial advice which is based upon certain assumptions.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of this consolidated financial statement are same as those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2019.

3.1 Property and equipment

These are stated at cost less accumulated depreciation and impairment losses, if any.

Subsequent costs

Subsequent costs are included in the assets carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to income currently.

Depreciation

Depreciation is calculated on straight-line method to write off the cost of assets over their expected useful lives at the rates specified in note 5 to the financial statements, after taking into account residual values, if any. The useful lives, residual values and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date. Depreciation on fixed assets is charged on a proportionate basis.

Gain and losses on disposal

An item of fixed asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of fixed assets are included in current year's income and expenses respectively.

Capital work in progress

Capital work in progress is stated at cost less impairment, if any and consist of expenditure incurred and advances made in respect of fixed assets in the course of their acquisition, erection, construction and installation. The assets are transferred to relevant category of fixed asset when they are available for use.

3.2 Investment properties

Investment properties are accounted for under the cost model in accordance with International Accounting Standard 40, 'Investment Property' and S.R.O. 938 (1)/2002 dated December 12, 2002 issued by the SECP.

These are carried at cost less accumulated depreciation and impairment losses, if any. Subsequent expenditure, depreciation and gains or losses on disposal are accounted for in the same manner as of operating fixed assets.

3.3 Other assets

Stock of stationery, printed material and maintenance store in hand for investment properties etc. are valued at lower of cost or net realizable value. Cost is determined on 'first in first out' basis.

3.4 Funds

The Group maintains a shareholders' fund and five statutory funds, separately in respect of its each class of life insurance business, namely:

- Pakistan Life Fund (ordinary life);
- Overseas Life Fund (ordinary life);
- Pension Fund;
- Health Insurance Fund; and
- Family Takaful Fund.

Assets, liabilities, revenues and expenses are referable to respective statutory funds or allocated to shareholders' fund.

Expenses of principal office are distributed among all funds on fair and equitable basis.

a) Pakistan Life Fund (ordinary life)

Pakistan Life Fund comprises individual life business and Group life business carried out in Pakistan as well as individual life Rupee business conducted outside Pakistan. Policyholders' liabilities as shown in the Pakistan Life Fund are based on an actuarial valuation conducted by the Appointed Actuary as at the reporting date.

Within the Pakistan Life Fund, business can be further classified as individual life conventional business, BANCA business, Group insurance business and a small amount of annuity business. Most of the policies contain Discretionary Participation Feature (DPF).

b) Overseas Life Fund (ordinary life)

The Overseas Life Fund entirely consists of individual life conventional business carried out at UAE, Kingdom of Saudi Arabia and Kuwait through zonal office located in Dubai (UAE). Policyholders' liabilities as shown in the Overseas Life Fund are based on an actuarial valuation conducted by the Appointed Actuary as at the reporting date.

Exchange gains and losses on translation of currencies of Overseas Life Fund and Pakistan Life Fund (Rupee business) are taken to revenue account through statement of investment income. Most of the new business written under the Overseas Life Fund contains a Discretionary Participation Feature (DPF).

c) Pension Fund

The Pension Fund consists of funds on account of Group pension deposit administration contracts. Policyholders' liabilities as shown in the pension fund are based on an actuarial valuation conducted by the Appointed Actuary as at the reporting date.

d) Accidental and Health Insurance Fund

The Group has entered into an agreement in 2015 with Government of Khyber Pakhtunkhwa (KP) to implement Social Health Protection Initiative. As per the agreement, the Group received 60% of coasted plan and will receive 40% of the said amount on completion of the plan certified by the consultant firm designated for the said purpose. Under the scheme, about 100,000 households in four districts of KP will be covered for micro health insurance benefits under the prescribed limit of Rs. 25,000 per member per annum. The Group has also entered into an agreement with the Federal Government under Prime Minister Health Insurance Program. Under the scheme, about 3,020,000 households which will be covered for micro health insurance benefits under the prescribed limit of Rs. 250,000 per household for specialized diseases and Rs. 50,000 for other disease.

e) Family Takaful Fund

The Group on receipt of license to start Window Takaful Operations, established a statutory fund namely 'Family Takaful Fund' to offer Family Takaful Contracts. Family Takaful Contract is an arrangement which rests on key Shariah principles of mutual cooperation, solidarity and well-being of a community, and is based on the principles of Wakala Waqf Model. Under a Takaful arrangement, individuals come together and contribute towards the common objective of protecting each other against financial losses by sharing the risk on the basis of mutual assistance.

The obligation of Waqf for Waqf participants' liabilities is limited to the amount available in the Waqf fund. In case there is a deficit in the Waqf Fund, the Window Takaful Operator shall grant an interest free loan (Qard-e-Hasna) to make good the deficit. The loan shall be repayable from the future surpluses generated in the Waqf Fund, without any excess of the actual amount given to it. Repayment of Qard-e-Hasna shall receive priority over surplus distribution to Participants from the Waqf Fund.

The takaful operations under the 'Family Takaful Fund' are expected to start from the next year as disclosed in note 1.1 to these financial statements.

3.5 Insurance contracts - classification

The Group maintains five statutory funds which are as follows:

- Pakistan Life Fund
- Overseas Life Fund
- Pension Fund
- Accidental and Health Insurance Fund
- Family Takaful Fund

Within the Pakistan Life Fund the business can be further classified as individual life conventional business, Group insurance business and a small amount of annuity business.

Most of the new individual life conventional policies written by the Group contain a Discretionary Participation Feature (DPF). DPF indicates policies in which the investor receives an additional payment, the amount or. timing of which is contractually at the discretion of the issuer.

The Overseas Life Fund entirely consists of individual life conventional business. Most of the new business written under the overseas life fund contains a DPF.

The Pension Fund consists of funds administered under Group Pension Deposit Administration contracts.

The Accident and Health Insurance Fund consists of Group Health and Accident Insurance Contracts.

Considering all the five statutory funds together, the bulk of Group business consists of individual life conventional policies. Most of the remaining business consists of Group life insurance business. Group Health is a relatively new venture of the Group which started in 2012 and has yet to register any significant growth. The Group also offers some supplementary benefits attached in the form of riders to the individual life policies and the Group life contracts. Each of these classes of business are described in greater detail below.

Contract details and measurement

The insurance contracts offered by the Group are described below:

3.5.1 Individual life policies

Individual life conventional products

These are long term contracts with either level or single premiums. These plans generally provide for some death benefit on death during the currency of the policy and a survival benefit either on the happening of certain contingencies or on the maturity of the policy. The premiums are payable only in the life time of the policyholder. In case of term insurance products there is no survival benefit.

Universal life policies

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

Term insurance policies

A few products of the Group are term insurance plans providing benefits only in case of death. Under these policies no benefit is due if the policy holder survives the duration of the policy. The Group sells both level term insurances and decreasing term insurances also known as mortgage protection plans.

Annuities

The Group also has a small number of individual and Group life-annuities on its books. Under these contracts a periodic income benefit is payable to the insured life for as long as annuitant is alive. Besides, the Group offers annuity-certain plans under which periodic income benefit is payable for a stipulated period and is not dependent on the life of the policyholder.

Supplementary riders

The Group offers various types of supplementary riders. Some of these riders offer additional life coverage, in some cases they offer accidental death and disability benefits. The benefits can take various forms such as lump sum payment or an income benefit or waiver of premiums due under the host policy contract.

Insured event

Under the individual life insurance policies in most cases the insured event is either death or survival until the maturity date of the policy, except in case of term insurance where there is no maturity benefit. Under the annuity policies the Group is exposed to the risk of longevity. In this case the insured event is survival of the life insured for a long duration, exceeding the period normally expected under standard mortality tables.

In case of supplementary rider the insured event is either death or just accidental death or disability whether accidental or natural or both.

Distribution channel

The individual life business of the Group is sold through its dedicated sales force which is present all over the country. This field force is organised under a three tier system consisting of sales representatives, sales officers and sales managers. Each sales sector headed by a sector head is further Grouped over 1000 area offices, more than 1,200 sector offices, 33 zones and 7 regional offices in addition to one zone for the Gulf Region. The Gulf zone has its own marketing team of sector heads, area managers and sales force.

The individual life policy holders of the Group come from all strata of society, with greater representation of the rural areas due to wider outreach of its field force. New policyholders have an average age of around 34 years.

3.5.2 Group life policies

Basic coverage

The Group life policies are generally one year renewable term insurance contracts. In most cases they provide Group coverage to the employees of an employer. Some times the coverage is tied up with loans extended by the employer for house building or purchase of motor vehicles or other household items. In some cases Group policies are issued to lending agencies such as banks to provide Group coverage to their borrowers. There are also a small number of Group endowment policies which provide benefits identical to individual life policies but under the umbrella of a Group contract.

Supplementary coverage

In many cases the Group policies also provide supplementary coverage which may include accidental or natural disability benefits and additional accidental death benefit. These riders also take the form of one year renewable term insurance policies.

Insured event

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

Distribution channel

The Group insurance business is sold through four Group and pension zones of the Group. Each zone has its own marketing force consisting of sector heads who are full time salaried employees of the Group, however, some of the Group business is also procured through individual life field force of the Group.

Most of the lives covered under the Group insurance consist of industrial and office workers, civil servants and employees of Groups, banks, other financial institutions, army, navy etc.

3.6 Insurance contracts (Non Life Business)

Insurance contracts are those contracts under which the Holding Corporation, as insurer, has accepted insurance risk from the insurance contract holder (insured) by agreeing to compensate the insured if a specified uncertain future event (the insured event) adversely affects the insured.

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

Insurance contracts are classified into the following main categories, depending on the nature and duration of risk and whether or not the terms and conditions are fixed.

- Fire and property damage;
- Marine, aviation and transport;
- Motor;
- Accident and health;
- Credit and suretyship; and
- Miscellaneous.

(a) Fire and property damage insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. 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.

(b) Marine, aviation and transport insurance covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired or held between the points of origin and final destination.

(c) Motor insurance provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident.

(d) Accident and health insurance covers unforeseen cash flows and financial hardships arising due to ailments, accidents and other natural causes necessitating hospitalisation.

(e) Credit and suretyship insurance covers performance bonds in which surety assures the oblige that the principal can perform the task.

(f) Other types of insurance contracts are classified in the miscellaneous category which includes mainly engineering, terrorism, worker compensation, and travel insurances, etc.

These contracts are provided to individuals as well as commercial organisations with various tenures according to the nature and terms of the contract and the needs of the insurer.

3.7 Policyholders' liabilities

Policyholders' liabilities are stated at a value determined by the Appointed Actuary through an actuarial valuation carried out as at each reporting date. In determining the value, both acquired policy values (which forms the bulk of policyholders' liabilities) as well as estimated values which will be payable against risks which the Group underwrites are taken into account. The liability under all policies of assurance was arrived at by deducting from the present value of the sums assured and bonuses (if any), the present value of the net premiums. Net premiums were taken, under the modified preliminary term method, to be the level net premiums on the valuation basis plus adjustments to allow for the first year expenses at 5 % of net premiums for each year of the premium paying term (e.g. 50 % for a term of 10 years) limited to 100 % for a term of 20 years or more. For Pakistan Life Fund business and Overseas Life Fund business, the actual net premiums valued were 97.71387% and 99.8210% respectively of these net premiums.

The basic liability consists of the estimated actuarial liability against each contract, which is in force. Following elements are added to this amount:

a) any reserve required for premiums;
b) reserve for incurred but not reported (IBNR) claims;
c) reserve for income benefit in course of payment; and
d) reserve for potential losses on a policy to policy basis.

3.8 Re-insurance contracts held

The Group has re-insurance arrangements with Swiss Re. The net retention limit of the Group for individual life is Rs. 5 million (2018: Rs. 5 million) per policy and for Group life is Rs. 5 million (2018: Rs. 5 million) per person of risk. Re-insurance premium is recorded as an expense evenly over the period of the re-insurance contract and is off-set against the premium income of the respective year.

The claim recoveries arising out of re-insurance contracts are off-set against the claims expenses of respective year.

3.9 Claims

The liability in respect of outstanding claims represents the ascertained value of claims incurred and reported before the end of the accounting year. Incurred but not reported (IBNR) cases are provided on the basis of actuarial advice and included in the policyholders' liabilities.

On May 19, 2014, Securities and Exchange Commission of Pakistan (SECP) has issued Circular No. 11 of 2014 in which they have prohibited all life insurers from writing back the unclaimed insurance benefit amount in any circumstances. The unclaimed insurance benefits are the amount which have become payable in accordance with the terms and conditions of an insurance policy but have not been claimed by the policyholders or their beneficiaries. Such unclaimed amounts include unclaimed maturity benefits, long outstanding claims and un-intimated or unclaimed death or disability claims. The Group has a practice of writing back claims which are outstanding for more than three years from the date from which the claims become payable and an equivalent amount has been placed in 'reserve for unpaid insurance benefits' within the policyholders' liabilities. The Group has received letter dated May 22, 2015 from SECP clarifying that the practice to retain the unclaimed insurance benefits in its actuarial reserve is in compliance with the clause 3 of the aforementioned Circular.

3.10 Amount due to other insurers / reinsurers

Liabilities for other insurers / reinsurers are carried at cost which is the fair value of consideration to be paid in future for services.

3.11 Premiums due but unpaid

Premiums due but unpaid are recognised at cost, which is the fair value of consideration to be received less provision for impairment, if any.

3.12 Amount due from other insurers / reinsurers

Amount due from other insurers / reinsurers are carried at cost less provision for impairment, if any.

3.13 Premium deficiency

The cumulative unearned premium reserve for any classes of business is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after the reporting date in respect of policies in that class of business in force at the reporting date, a premium deficiency reserve is recognised as a liability to meet the deficit. The movement in premium deficiency reserve is recorded as an expense / income in the profit and loss account for the year.

3.14 Acquisition costs

These are costs incurred in acquiring and maintaining insurance policies and include without limitation all forms of remuneration paid to insurance agents and certain field force staff.

3.15 Expenses of management

Expenses of management represent directly attributable expenses and indirect expenses allocated to statutory funds.

3.16 Staff retirement benefits

a) Provident fund

The Group operates a defined contribution plan, a recognized contributory provident fund scheme for all its eligible employees. For employees who have opted for the gratuity scheme, monthly contributions at the rate of 8.33% of their basic salaries are made to the fund by the Group. However, in respect of employees who have opted for the pension scheme, no contribution is made by the Group to the provident fund.

b) Gratuity fund

Officers

The Group maintains a funded defined benefit plan for those officers who opted for gratuity rules. On retirement, resignation, termination or on death they will be paid last month's drawn salary for each completed year of service. Liability for the fund is based on the advice of appointed actuary.

Staff

The Group maintains a unfunded defined benefit plan for those staff who opted for gratuity rules. On retirement, resignation, termination or on death they will be paid last month's drawn salary for each completed year of service. Liability for the fund is based on the advice of appointed actuary.

Previously, the Group maintained a defined contribution plan in respect of all those officers of the Group who initially opted for the unfunded gratuity scheme. At the end of each month, starting from the effective date of admission of a member to the fund, the Group used to make a contribution equal to 8.33% of the member's basic salary. However, pursuant to decision of the Board of Directors taken in their 241st meeting held on October 20, 2015, the gratuity scheme of the officers of the Group has been revamped from defined contribution plan to defined benefit plan.

c) Pension fund

The Group operates a defined benefit plan, a funded pension scheme for its employees opting for the pension scheme established in 1984 and payments are made annually to the extent allowed under the Income Tax Rules, 2002 to meet the obligations there-under on the basis of actuarial valuation. From a previous year pursuant to the order of Honorable Supreme Court of Pakistan, the Group has restored its pension scheme, as aforesaid, that was in effect before December 31, 1999. Liability for the fund is based on the advice of appointed actuary.

d) Compensated absences

From the year 2002, the un-availed earned leave balance of officers is encashed to the extent of two third of the leave balance with simultaneously proceeding on leave for one third leave balances, minimum for twelve days. A policy is already in force for the staff on similar lines. For officers leaves upto 60 days can be carried forward upto the date of retirement and can be encashed at retirement. Similarly, in respect of staff leaves upto 180 days can be carried forward upto the date of retirement and can be encashed at retirement.

e) Post retirement medical benefits

The Group provides medical facilities to its retired officers and their spouses in accordance with the service regulations.

3.17 Loans secured against life insurance policies

Cash loans

Loans in cash against the security of life insurance policies may be extended to the policyholders to the extent of 80% of surrender value of the respective policy, provided the policy has been in force for at least two years.

Automatic non-forfeiture provisions

(a) Automatic Premium Loans secured against surrender value of the policy may be extended to the extent of the surrender value of the respective policy, provided the policyholder has exercised Automated Premium Loan option.

(b) An advance equal to one year premium may be allowed to the policyholder only once, if the policyholder has exercised Auto Paid-up option provided the respective policy has been in force for at least two years.

3.18 Revenue recognition

Premium

(a) Individual life policies

The initial premium is recognized when the policy is issued after receipt of that premium. Subsequent premiums falling due under the policy are recognized if received before expiry of the grace period, or if advanced by the Group under the Automatic Non-Forfeiture provisions. However, premiums due in the month of December but not received by 31st December are recognized if the grace period is to expire after the next 1st January.

(b) Group life policies

The premium on Group life policies is recognized on a proportionate basis.

Premium - General insurance

Premium received / receivables under a policy is recognised as written from the date of attachment of the policy to which it relates. Premium income under a policy for direct businesses is recognised over the period of insurance from inception to expiry evenly over the period of the policy.

Premium income also includes administrative surcharge that represents documentation and other charges recovered by the Holding Corporation from policy holders in respect of policies issued, at the rate of 5% of the premium written restricted to a maximum of Rs. 2,000 per policy. Administrative surcharge is recognised as premium at the time the policies are written.

Receivables 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 Holding Corporation reduces the carrying amount of the receivable accordingly and recognises that impairment loss in the profit and loss account.

Premium income under a policy is recognised over the period of insurance contract from the date of inception of the policy to which it relates till the expiry in case of marine cargo business whereas, for all other cases of premium, income is recognised as a difference between total premium written and provision for unearned premium.

Rental income on investment properties

Rental income is recognized on an accrual basis except where dues are more than six months old in which case income is recognized on a receipt basis, except for the cases that are under litigation.

Investment income

Income on government securities, term finance certificates and other fixed income securities is recognized on an accrual basis for the number of days these are held taking into account effective yield on the instruments.

Dividend income is recognized when the Group's right to receive dividend is established. Income on debentures is recognized at the prescribed rates, except where recovery is considered doubtful in which case the income is recognized on a receipt basis.

Capital gain / loss arising on sale of listed securities is recognized on settlement date.

Income on future transactions is taken to income as the difference between ready market purchase price and future sale at settlement of future transactions. Income on reverse repurchase transactions is taken to income at the date of settlement.

Deferred capital grant

Grants received for capital expenditure is credited to "Deferred liabilities". Amount equal to the depreciation charged during the year as per rate applicable to the respective assets is transferred to other income. Grants received in cash for revenue expenditure are treated as income on the basis of expenditure incurred.

Others

All other income are recognised on accrual basis.

3.19 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with prevailing laws (Fourth Schedule to the Income Tax Ordinance, 2001) for taxation of income. All sources of income of the Group are taxed as one basket income using prevailing tax rate expected to apply to the profit for the year, if enacted. The charge for the current tax also includes adjustments, where considered necessary, to the provision for tax made in previous years arising from assessments finalized during the current year for such years.

Deferred

Deferred taxation is accounted for using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization on settlement of the carrying amount of assets and liabilities using the tax rates enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.20 Bad and doubtful debts

Known bad debts are written off and impairment loss is recognized for debts / receivables considered doubtful.

3.21 Provisions

Provisions are recognized when the Group 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.

3.22 Impairment of non financial assets

The carrying amounts of non financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense, for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

3.23 Related party transactions and transfer pricing

Transactions and contracts with the related parties are carried out at arm's length price determined in accordance with comparable uncontrolled price method.

3.24 Cash and cash equivalents

These include cash and bank balances and deposits maturing within twelve months.

3.25 Dividend distributions and appropriations

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

3.26 Earnings per share

The Group presents basic and diluted Earnings Per Share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated if there is any potential dilutive effect on the Group's reported net profits.

3.27 Segment reporting

Operating segment is a distinguishable component of the Group that is engaged in providing services that are subject to risks and returns that are different from those of other operating segments. The Group accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Regulations, 2017.

The Group’s business segments are currently reported as shareholders' fund and five statutory funds, separately in respect of each class of life insurance business.

3.28 Foreign currency translations

Foreign currency transactions during the year are recorded at the exchange rate approximating those ruling on the date of transaction. Monetary assets and liabilities in foreign currencies are translated at the rate of exchange which approximates those prevailing on the reporting date. Gains and losses on translations are taken to income currently. Non monetary items that are major in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

3.29 Leases

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is depreciated on a straight-line method over the lease term as this method most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component and not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight-line basis over the lease term.

3.30 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are recognised initially at cost including associated transaction costs which is the fair value of the consideration given.

The financial assets and financial liabilities are measured subsequently as described below:

Financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables;
- held to maturity; and
- fair value through profit or loss financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are carried at amortized cost.

Held to maturity

These include held to maturity investments that are financial assets with fixed or determinable payments and fixed maturity and the Group has a positive intent and ability to hold these investments till maturity. After initial recognition, these are carried at amortized cost.

Fair value through profit or loss

These are investment are initially recognised at cost being the fair value the of consideration given and its related transaction cost are charged to profit and loss account. These investment are subsequently measured at their market value with any gain or loss in consolidated statement of comprehensive income.

Impairment of financial assets

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

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognized.

Derecognition

Financial assets are derecognized at the time when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized at the time when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on derecognition of financial assets and financial liabilities are taken to the consolidated statement of comprehensive income immediately.

Off setting

Financial assets and liabilities are off set and the amount is reported in the balance sheet if the Group has a legal right to set-off the transactions and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Fair / market value measurements

For investments in Government securities, fair / market value is determined by reference to quotations obtained from Reuters page (PKRV) / (PKISRV) where applicable. For investments in quoted marketable securities, other than Term Finance Certificates / Corporate Sukuks, fair / market value is determined by reference to Stock Exchange quoted market price at the close of business on balance sheet date. The fair market value of Term Finance Certificates / Corporate Sukuks and investment in Mutual Fund is as per the rates issued by the Mutual Funds Association of Pakistan (MUFAP).

Financial liabilities

For the purpose of subsequent measurement, financial liabilities are measured at amortised cost using effective interest method, which approximates to its cost except for policyholders' liabilities and liability for claims incurred but not reported (IBNR) which are measured on the basis of actuarial valuations.

3.31 Investment in associates

Investment in associates has been carried at cost less provision for impairment (if any).

4 CHANGE IN ACCOUNTING POLICY

4.1 IFRS 16 - Leases

IFRS 16 'Leases' was issued on January 01, 2016. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective for accounting periods beginning on or after January 1, 2019. IFRS 16 replaced IAS 17 'Leases', and IFRIC 4 'Determining whether an Arrangement contains a Lease' The Group applied IFRS 16 with a date of initial application of January 01, 2019.

The Company has applied IFRS 16 using the modified retrospective approach, therefore, the comparative information has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

The right-of-use asset is initially measured at cost, are subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company has applied incremental borrowing rate as the discount rate i.e 1 Year KIBOR + 2% at the date of initial recognition.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options.

	2019 Rupees in '000
Impact on statement of financial position	
Increase in fixed assets - right of use assets	16,212
Increase in other liabilities - lease liability against right of use assets	(17,018)
Decrease in prepaid rent	(188)
Decrease in net asset - before tax	**(994)**
Impact on profit and loss account	
Increase in finance cost - lease liabilities	(2,631)
Increase / decrease in management expenses	0
Increase in depreciation expense - right of use assets	(4,173)
Decrease in rent expense	5,810
Decrease in profit before tax	**(994)**

5 PROPERTY AND EQUIPMENT

	Note	2019	2018
		Rupees in 000	
Operating assets	5.1	**936,498**	885,289
Right-of-use of assets	5.2	**16,212**	-
		952,710	885,289

5.1 Operating assets

2019

Description	Cost: As at 1 January	Cost: Additions/ (disposals)	Cost: Adjustment	Cost: Transfer from Investment Properties	Cost: As at 31 December	Depreciation: As at 1 January	Depreciation: For the year / (disposals)	Depreciation: Adjustment	Depreciation: Transfer from Investment Properties	Depreciation: As at 31 December	Written down value as at 31 December	Depreciation Rate (%)
	Rupees in '000											
Building, roads and structure	538,269	-	-	89,219	627,488	120,390	-	-	22,028	142,418	485,070	1
Electric installation and fittings	410,712	892	-	68077	479,681	365,433	38,051	-	72,263	475,747	3,934	10
Furniture and fixture	545,350	35,281 (1,150)	-	-	579,481	216,056	5,447	-	-	221,503	357,978	10
Office equipment	198,870	11,154 (1,132)	-	-	208,892	162,409	13,705	-	-	176,113	32,778	10 to 30
Computer installations-basic	803,968	40,686 (633)	-	-	844,021	811,946	14,691	-	-	826,637	17,385	30
Computer installations-peripherals	77,356	5,248 (116)	-	-	82,488	67,797	6,019	-	-	73,816	8,673	30
Vehicles	232,713	19,842 (15,657)	-	-	236,898	182,849	23,369	-	-	206,217	30,681	20
	2,807,238	113,103 (18,688)	-	157,296	3,058,949	1,926,880	101,282	-	94,291	2,122,451 -	936,498	

2018

Description	Cost: As at 1 January	Cost: Additions/ (disposals)	Cost: Adjustments	Cost: Transfer from Investment Properties	Cost: As at 31 December	Depreciation: As at 1 January	Depreciation: For the year / (disposals)	Depreciation: Adjustments	Depreciation: Transfer from Investment Properties	Depreciation: As at 31 December	Written down value as at 31 December	Depreciation Rate (%)
	Rupees in '000											
Building, roads and structure	-	-	-	538,269	538,269	-	-	-	120,390	120,390	417,879	1
Electric installation and fittings	-	-	-	410,712	410,712	-	-	-	361,170	361,170	49,542	10
Furniture and fixture	495,730	49,670 (50)	-	-	545,350	181,866	33,115	1,075 -	-	216,056	329,294	10
Office equipment	187,486	11,844 (460)	-	-	198,870	121,866	40,464	79	-	162,409	36,462	10 to 30
Computer installations-basic	769,014	35,041 (87)	-	-	803,968	677,811	134,135	-	-	811,946	(7,977)	20 to 30
Computer installations-peripherals	72,558	4,822 (24)	-	-	77,356	60,879	5,461	1,456	-	67,797	9,559	20 to 30
Vehicles	230,978	1,735	-	-	232,713	151,618	30,241	990	-	182,849	49,865	20
Electric installation	4,689	240	-	-	4,929	3,936	327	-	-	4,263	666	15
	1,760,455	103,352 (621)	-	948,981	2,812,167	1,197,976	243,742	3,601	481,560	1,926,879	885,289	

5.1.1 Detail of disposal of property and equipment

Disposal of tangible assets during the year 2019 having net book value exceeding Rs. 50,000

2019

Description of Assets	Cost	Net book value	Sale proceed	Gain	Mode of disposal	Particulars of buyers	
	---------------------- Rupees in '000			----------------------			
Furniture and fixtures	543	54	79	25	by Negotiation	Mr. Jaffar (Al Ain)	Employee
Office Equipment	80	63	63	-	by Negotiation	Abdul Ghufran	Employee
Office Equipment	80	63	63	-	by Negotiation	Abdul Ghufran	Employee
Office Equipment	80	73	73	-	by Negotiation	Roshan Ali Sheikh	Employee
Computers Installation - Basic	186	98	98	-	by Negotiation	Abdul Ghufran	Employee
Computer Installation - Peripheral	93	54	55	1	by Negotiation	Mr. M Mushtaq	Employee
Vehicles	859	166	710	544	by Tender	Asmat Ali Sherazi	External
Vehicles	854	300	890	590	by Tender	Asmat Ali Sherazi	External
Vehicles	921	250	851	601	by Tender	Asmat Ali Sherazi	External
Vehicles	1,129	479	840	361	by Tender	Asmat Ali Sherazi	External
Vehicles	849	300	833	533	by Tender	Asmat Ali Sherazi	External
Vehicles	849	325	733	408	by Tender	Asmat Ali Sherazi	External
Vehicles	859	320	788	468	by Tender	Waqas Gill	External
Vehicles	859	347	829	482	by Tender	M. Numan	External
Vehicles	853	341	791	450	by Tender	Ahmed Jahan	External
Vehicles	741	221	650	429	by Tender	NICL (Insurance Claim)	External

5.2 Right-of-use assets

	2019	2018
	---------- Rupees in 000	----------
Balance at 1 January 2019	20,385	-
Depreciation charge for the period	(4,173)	-
Balance at 31 December 2019	16,212	-

Right-of-use assets

	2019									
	Cost				Depreciation					
	As at 1 January	Additions/ (disposals)	Adjustmentst	As at 31 December	As at 1 January	For the year / (disposals)	Adjustmentst	As at 31 December	Written down value as at 31 December	Depreciation rate %
	-----------------Rupees in '000-----------------									
Right-of-use assets	-	20,385	-	20,385	-	4,173	-	4,173	16,212	20 & 33

5.3 Assets with zero values

	2019			2018		
Description of Assets	Cost	Net book value	Number of items	Cost	Net book value	Number of items
	---------------------- Rupees in '000 ----------------------					
Furniture and fixtures	24,130	-	43	22,198	-	42
Office equipment	15,048	-	122	14,080	-	102
Computers installation - Basic	363,933	-	55	342,411	-	53
Computer installation - Peripheral	16,398	-	31	16,398	-	31
Vehicles	52,105	-	66	51,219	-	65

6 INTANGIBLE ASSETS

2019

Cost				Amortization					
As at 1 January	Additions/ (disposals)	Adjustments	As at 31 December	As at 1 January	For the year / (disposals)	Adjustments	As at 31 December	Written down value as at 31 December	Amortization rate %
Rupees in '000									
2,411,912	**-**	**-**	**2,411,912**	**2,411,912**	**-**	**-**	**2,411,912**	**-**	**30**

2018

Cost				Amortization					
As at 1 January	Additions/ (disposals)	Adjustments	As at 31 December	As at 1 January	For the year / (disposals)	Adjustments	As at 31 December	Written down value as at 31 December	Amortization rate %
Rupees in '000									
2,411,912	-	-	2,411,912	2,411,912	-	-	2,411,912	-	20 & 33

7 INVESTMENT PROPERTIES

	Note	2019	2018
		------ Rupees in 000 ------	
Investment properties	7.1	**1,773,616**	1,839,819
Less: Provision for impairment in value	7.5	**(895)**	(895)
		1,772,721	1,838,924
Capital work in progress	7.9	**1,602,444**	1,360,524
		3,375,165	3,199,448

7.1 Investment properties

2019

	Cost				Depreciation					
Right of use of assets	As at 1 January	Additions/ (Disposals)/ adjustments	Transfer to Property and Equipment	As at 31 December	As at 1 January	For the year	Transfer to Property and Equipment / Adjustment	As at 31 December/ (Disposal)	Written down value as at December 31, 2019	Depreciation Rate
	Rupees in '000									
Freehold land	274,616	-	-	274,616	-	-	-	-	274,616	-
Leasehold land	332,697	-	-	332,697	109,489	12,498	-	121,987	210,710	1 to 5
Leasehold improvements	26,064	2,609	-	28,673	10,462	602	-	11,064	17,609	5
Building, roads and structure	1,552,626	39,792	(89,219)	1,503,199	342,088	21,114	(22,028)	341,174	1,162,025	1
Electric installation and fittings	1,181,928	33,286	(68,077)	1,146,981	1,066,073	44,515	(72,263)	1,038,325	108,656	10
		(156)								
	3,367,931	75,531	(157,296)	3,286,166	1,528,112	78,729	(94,291)	1,512,550	1,773,616	

2018

	Cost				Depreciation					
	As at 1 January	Additions/ (Disposals)	Transfer to Property and Equipment	As at 31 December	As at 1 January	Charge for the year	Transfer to Property and Equipment	"As at 31 December	Written down value as at December 31, 2018	Depreciation Rate
	Rupees in '000									
Freehold land	274,616	-	-	274,616	-	-	-	-	274,616	1 to 5
Leasehold land	332,697	-	-	332,697	105,624	3,865	-	109,489	223,208	5
Leasehold improvements	25,326	738	-	26,064	9,894	568	-	10,462	15,602	1
Building, roads and structure	2,074,141	16,754	(538,269)	1,552,626	441,609	20,869	(120,390)	342,088	1,210,538	10
Electric installation and fittings	1,567,622	25,018	(410,712)	1,181,928	1,382,189	45,054	(361,170)	1,066,073	115,855	
	4,274,402	42,510	(948,981)	3,367,931	1,939,316	70,356	(481,560)	1,528,112	1,839,819	

7.2 Investment property has been transferred to property and equipment based on the occupation of approximately 29% (2018: 27%) of total rentable area of the investment property which is being used by the Group for the administrative purpose.

7.3 The market value of the investment properties, owned by the Group as determined by the independent valuers, amounted to Rs.50,459 million (2018: Rs.40,907 million). The forced sale value of the investment properties, owned by the Group as determined by the independent valuers as at December 31, 2019, amounted to Rs. 48,945 million (2018: Rs. 32,865 million).

7.4 The above includes, title deeds of 61 land/buildings, that were taken over by the Group under the Life Insurance (Nationalization) Order, 1972 (LINO) dated November 01, 1972 and have been transferred in the name of the Group. The title deeds 12 buildings / plots (2018: 13 buildings / plots) are still in the name of defunct insurance companies that were merged in the Group as per the LINO order.

7.5 There are properties costing Rs. 2.250 million (2018: Rs. 2.250 million) having written down value of Rs. 0.895 million (2018: Rs. 0.895 million) to which the Group's title is disputed. Against this, a provision of Rs. 0.895 million (2018: Rs. 0.895 million) exists.

7.6 The Group has a plot at Rawalpindi costing Rs. 0.581 million (2018: Rs. 0.581 million) for which execution of title deed is pending due to dispute with the Cantonment Board, Rawalpindi.

7.7 The Group has a plot at Mirpur (Azad Kashmir) costing Rs. 1.192 million (2018: Rs. 1.192 million) for which execution of title deed remain pending.

7.8 The investment properties also include Rs. 23 million (2018: Rs. 23 million) paid by the Group to the People Media Foundation (PMF) for acquisition of ground floor measuring 13,000 sq. ft. in PMF Complex (Press Club Building) at G-8, Markaz, Islamabad. The Group has taken over the possession of ground floor in July 1996, under an irrevocable General Power of Attorney, as the construction of building was incomplete. The management of the Group is of the opinion that under irrevocable General Power of Attorney, the Group is in a position to freely transfer the title of said property in its own name.

			2019	2018
7.9	**Capital work in progress**	Note	------- Rupees in 000 -------	
	Opening balance		**1,360,524**	859,462
	Additions	7.9.1	**241,920**	501,062
	Closing balance		**1,602,444**	1,360,524

7.9.1 This mainly represents the amount incurred in respect of Islamabad and Rahim Yar Khan projects.

8 INVESTMENTS IN EQUITY SECURITIES

	Note	2019 Cost	2019 Impairment / provision	2019 Carrying value	2018 Cost	2018 Impairment / provision	2018 Carrying value
		---------- Rupees in '000 ----------					
FAIR VALUE THROUGH PROFIT AND LOSS ACCOUNT							
Related parties					3,450,495	-	17,798,141
Listed shares		**3,439,097**	**-**	**18,307,249**	5,000	-	5,000
Unlisted shares		**5,000**	**-**	**5,000**			
Others							
Listed shares	8.1	**24,923,989**	**-**	**73,456,665**	24,750,335	-	70,183,411
Unlisted shares	8.2	**275,897**	**(218,574)**	**57,322**	268,643	-	95,711
Unlisted preference shares		**13,743**	**(3,743)**	**951**	3,743	-	-
		28,657,726	**(222,317)**	**91,827,187**	28,478,216	-	88,082,263

8.1 This includes 653,995 shares owned by Corporation in National Bank of Pakistan on behalf of Life Insurance Corporation of India (LICI) which has a carrying value of Rs. 28.32 Millions.

8.2 Name of the chief executives of companies which forms majority portion of total investment in unlisted equities has been given below :

Company	Chief Executive	Shareholding	No of Shares	Carring Value in Rupees
Peoples Steels Mills Limited	Dr Munir Ahmed	N/A	1,998,967	19,989,670
Al Baraka	Ahmed Shuja	1.10%	4,941,176	84,000,002
Arabian Sea Country Club Limited	Arif Ali Khan	N/A	500,000	5,000,000
State Bank of Pakistan	Reza Baqir	N/A	29,458	3,221,374
Pakistan Emerging Ventures limited	Tameez Ul Haq	3.33%	12,500,000	50,565,450

9 INVESTMENTS IN MUTUAL FUNDS

		2019			2018		
		Cost	Impairment / provision for the year	Carrying value	Cost	Impairment / provision for the year	Carrying value
		---------- Rupees in '000 ----------					
FAIR VALUE THROUGH PROFIT AND LOSS							
Listed - Others							
Open end mutual fund	9.1	**3,015,482**	**-**	**5,924,802**	3,015,481	-	5,888,937
Unlisted - Others							
Close end mutual fund	9.2	**861,155**	**-**	**2,062,719**	861,155	-	1,963,695
		3,876,637	**-**	**7,987,521**	3,876,636	-	7,852,632

9.1 Open ended mutual funds

	2019			2018		
	Number of units	Cost Rs. in '000	Carrying value Rs. in '000	Number of units	Cost Rs. in '000	Carrying value Rs. in '000
Pakistan Life Fund						
National Investment Trust Units	**75,996,262**	**2,304,969**	**4,825,763**	75,996,262	2,304,969	4,847,032
Pak Capital Market Fund	**115,239**	**373**	**1,316**	115,239	373	1,216
NIT Government Bond Fund	**28,278,954**	**300,000**	**297,854**	28,278,954	300,000	289,859
NIT Income Fund	**9,831,295**	**100,000**	**104,070**	9,831,295	100,000	104,212
NIT Islamic Equity Fund	**22,237,094**	**200,000**	**192,573**	21,666,912	200,000	183,735
HBL Growth Fund"B"(PICIC Growth Fund)	**12,024,904**	**-**	**229,412**	12,024,904	-	205,987
HBL Investment Fund -Class"B"	**1,607,710**	**-**	**16,009**	1,607,710	-	14,389
HBL Money Market Fund	**610,029**	**50,000**	**66,265**	563,384	50,000	59,543
Al Meezan Mutual Fund	**8,844,139**	**39,311**	**142,534**	8,844,139	39,311	136,907
Pakistan Premier Fund	**34,348**	**962**	**3,152**	34,348	962	2,928
JS Growth Fund	**270,895**	**19,867**	**45,854**	270,895	19,866	43,129
		3,015,482	**5,924,802**		3,015,481	5,888,937

9.2 Closed end mutual funds

	2019			2018		
	Number of units	Cost Rs. in '000	Carrying value Rs. in '000	Number of units	Cost Rs. in '000	Carrying value Rs. in '000
Pakistan Life Fund						
NIT Equity Market Opportunity Fund	**10,179,666**	**594,190**	**1,918,562**	10,179,666	594,190	1,817,274
HBL Growth Fund"A"(PICIC Growth Fund)	**12,024,904**	**243,312**	**137,565**	12,024,904	243,312	138,286
HBL Investment Fund-Class"A"	**1,607,710**	**23,653**	**6,592**	1,607,710	23,653	8,135
		861,155	**2,062,719**		861,155	1,963,695

10 INVESTMENTS IN GOVERNMENT SECURITIES

	2019					2018	
	Maturity Year	Effective Yield (%)	Amortized Cost	Principal Repayment	Carrying value	Effective Yield (%)	Carrying value
	Rupees in '000						
HELD TO MATURITY							
Pakistan Investment Bond							
3 year Pakistan Investment Bonds	2018 - 2020	-	-	-	-	7% - 8.75%	308,311
3 year Pakistan Investment Bonds	2019 - 2021	11.45% - 14.25%	109,230,108	119,008,000	109,230,108	10.90% - 12.06%	58,864,883
5 year Pakistan Investment Bonds	2019 -2023	6.5% - 12.7%	118,248,380	119,306,000	118,248,380	10.95% - 12.41%	152,057,680
10 year Pakistan Investment Bonds	2019 - 2028	7.5% - 14.29%	349,328,509	345,396,100	349,328,509	10.95% - 12.85%	340,263,996
15 year Pakistan Investment Bonds	2019 -2031	8.05% - 15.38%	11,787,581	11,870,000	11,787,581	10.95% - 13.40%	13,670,780
20 year Pakistan Investment Bonds	2024 - 2031	8.05% - 15.70%	28,397,607	28,900,000	28,397,607	12.43% - 13.40%	28,342,644
30 year Pakistan Investment Bonds	2036 - 2038	11.52% - 16.22%	37,628,226	40,050,000	37,628,226	12.50% - 13.60%	37,580,665
Islamic Republic of Pakistan Bond			6,743,095	-	6,743,095		8,158,801
Treasury Bills							
1 year Pakistan Treasury Bills	2020	14.17%	13,998,948	15,000,000	13,998,948		248,992
			675,362,454	679,530,100	675,362,454		639,496,752

10.1 Government securities include Rs.410 million (2018: Rs. 350 million) placed with the State Bank of Pakistan, in accordance with Section 29 of the Insurance Ordinance, 2000.

10.2 Market value of government securities carried at amortized cost amounted to Rs. 655,375 million (2018: Rs. 588,138 million).

11 INVESTMENT IN DEBT SECURITIES

		2019			2018		
	Note	Cost	Impairment / provision for the year	Carrying value	Cost	Impairment / provision for the year	Carrying value
		Rupees in '000					
HELD TO MATURITY - OTHERS							
Debentures	11.1	7,573	(7,573)	-	7,573	(7,573)	-
Foreign fixed income securities		3,042,398	-	3,042,398	3,623,918	-	3,623,918
		3,049,971	(7,573)	3,042,398	3,631,491	(7,573)	3,623,918

11.1 Debentures include an amount of Rs. 7.573 million (2018: Rs. 7.573 million) pertaining to those companies which are in liquidation process since 1974. Further, a court case is in process against the Colony Textile Mills Limited against debenture loan amounting to Rs. 0.678 million (2018: Rs. 0.678 million). The Corporation had made full provision against these debentures.

		Note	2019	2018
12	**INSURANCE / REINSURANCE RECEIVABLES**		------ Rupees in 000 ------	
	Unsecured and considered good			
	Due from insurance contract holders		26,027,747	21,538,723
	Less: provision for impairment of receivables from Insurance contract holders		(86,270)	(78,695)
	Due from other insurers / reinsurers		452,805	447,903
	Less: provision for impairment of due from other insurers / reinsurers		(30,409)	(50,551)
			26,363,873	21,857,380
13	**LOANS AND OTHER RECEIVABLES**			
	Accrued investment income		38,721,765	32,121,973
	Loans to agents		81,654	69,694
	Loans to employees	13.1	953,781	916,021
	Other receivables		2,595,433	1,707,765
	Federal insurance fees		129	-
	Security deposit		355,883	1,933
			42,708,645	34,817,386

13.1 This represent interest free loans provided to employees repayable within 12 months.

		Note	2019	2018
14	**PREPAYMENTS**			
	Advance to contractors & security deposit		-	328,776
	Prepaid reinsurance premium ceded		14,724	18,695
	Prepaid miscellaneous expenses		60,224	49,093
	Prepaid rent		4,421	17,349
			79,369	413,913
15	**CASH AND BANK**			
	Cash and cash equivalent	15.1		
	- Cash in hand		16,252	13,531
	- Cash in transit		252,822	341,802
	- Policy and Revenue stamps, Bond papers		63	145
	Cash at bank			
	- Current account		15,917,648	16,072,812
	- Saving account	15.2	64,765,270	11,219,808
	- Fixed deposits maturing after 12 months		11,049,711	5,681,617
			92,001,766	33,329,715

15.1 Cash and cash equivalent include the following for the purposes of the statement of cash flows:

	2019	2018
Cash and cash equivalent		
- Cash in hand	16,252	13,531
- Cash in transit	252,822	341,802
- Policy and Revenue stamps, Bond papers	63	145
Cash at bank		
- Current account	15,917,648	16,072,812
- Saving account	64,765,270	11,219,808
- Cash and cash equivalent	80,952,055	27,648,098

15.2 These carry mark-up ranging from 8% to 12.55% (2018: 3.14% to 8.75%) per annum.

16 ORDINARY SHARE CAPITAL

16.1 AUTHORIZED CAPITAL

2019	2018		Note	2019	2018
Number of shares				------ Rupees in 000 ------	
50,000,000	50,000,000	Ordinary shares of Rs. 100 each		5,000,000	5,000,000

16.2 Issued, subscribed and paid up share capital

35,000,000	30,000,000	Ordinary shares of Rs. 100 each		3,500,000	3,000,000
8,000,000	5,000,000	Issued during the year	16.3	800,000	500,000
43,000,000	35,000,000			4,300,000	3,500,000

16.3 During the year Group issued share capital amounting to 500 and 300 Million Rupees through retention of dividend with the approval of Finance Division wing of Government of Pakistan with the letters dated April 29, 2019 and December 24, 2019 respectively.

17 INSURANCE LIABILITIES

	Note	2019	2018
Reported outstanding claims (including claims in payment)	17.1	23,153,121	18,593,297
Incurred but not reported claims (IBNR)	17.2	3,965,610	4,027,893
Liabilities under individual conventional insurance contracts	17.3	987,760,099	865,909,493
Liabilities under Group insurance contracts (other than investment linked)	17.4	1,603,253	2,035,780
Other insurance liabilities (premium deficiency reserve)	17.5	229,210	208,221
		1,016,711,293	890,774,684
Underwriting provisions		199,814	318,693
Outstanding claims including IBNR		48,770	33,943
Unearned premium reserves		27,252	20,599
Premium deficiency reserves		228	534
Unearned reinsurance commission	17.6	276,064	373,769
		1,016,987,357	891,148,453

17.1 Reported outstanding claims (including claims in payment)

	2019	2018
Gross of Reinsurance		
Payable within one year	23,153,121	18,593,297
Payable over a period of time exceeding one year	-	-
	23,153,121	18,593,297
Recoverable from Reinsurance		
Receivable within one year	-	-
Receivable over a period of time exceeding one year	-	-
	-	-
Net reported outstanding claims	23,153,121	18,593,297

17.2 Incurred but not reported claims (IBNR)

	2019	2018
Gross of reinsurance	3,965,610	4,027,893
Reinsurance recoveries	-	-
Net of reinsurance	3,965,610	4,027,893

17.3 Liabilities under individual conventional insurance contracts

	2019	2018
Gross of reinsurance	988,649,770	866,683,124
Reinsurance credit	(889,671)	(773,631)
Net of reinsurance	987,760,099	865,909,493

	2019	2018
	------ Rupees in 000 ------	

17.4 Liabilities under group insurance contracts (other than investment linked)

	2019	2018
Gross of reinsurance	1,603,253	2,035,780
Reinsurance credit	-	-
Net of reinsurance	1,603,253	2,035,780

17.5 Other insurance liabilities (premium deficiency reserve)

	2019	2018
Gross of reinsurance	229,210	208,221
Reinsurance recoveries	-	-
Net of reinsurance	229,210	208,221

17.6 Underwriting provisions

	2019	2018
Outstanding claims including IBNR		
Claims paid	103,037	158,075
Add: Outstanding claims including IBNR closing	199,814	318,693
Less: Outstanding claims including IBNR opening	(318,693)	(430,990)
Claims expense	(15,842)	45,778
Reinsurance and other recoveries received	74,640	113,902
Less: Reinsurance and other recoveries received in respect of outstanding claims opening	(211,644)	(325,792)
Add: Reinsurance and other recoveries received in respect of outstanding claims closing	118,466	211,644
Reinsurance and other recoveries revenue	(18,539)	(246)
	2,697	46,024
Unearned premium reserves		
Written Gross Premium	114,854	83,474
Add: Unearned premium reserve opening	33,943	44,054
Less: Unearned premium reserve closing	48,770	33,943
Premium earned	100,027	93,585
Less: Reinsurance premium ceded	35,860	45,437
Add: Prepaid reinsurance premium opening	18,695	19,424
Less: Prepaid reinsurance premium closing	14,724	18,695
Reinsurance expense	39,831	46,166
	60,196	47,419
Unearned reinsurance commission		
Commission paid or payable	21,214	13,165
Add: Deferred commission expense opening	5,296	7,169
Less: Deferred commission expense closing	10,889	5,296
Net Commission	15,621	15,038
Less: Commission received or recoverable	703	877
Add: Unearned Reinsurance commission	534	3,650
Less: Unearned Reinsurance commission	228	534
Commission from reinsurers	1,009	3,993
	14,612	11,045

18 RETIREMENT BENEFIT OBLIGATIONS

As stated in note 3.16, the Group operates Employees' Pension Fund, Officers Gratuity Funds, Employees' Unfunded Gratuity Scheme and Employees' and Post Retirement Medical benefits.

The latest acturial valuation of the scheme as at December 31, 2019 was carried out using the projected unit credit method. The results of the acturial valuation are as follows:

	Employees' Pension Funds		Officers Gratuity Funds		Employee's Unfunded Gratuity Scheme		Employee's PRMB Scheme	
	2019	2018	2019	2018	2019	2018	2019	2018
	------- Rupees in '000 -------							
Balance Sheet Reconciliation								
Fair value of plan assets	23,995,544	(18,301,618)	137,924	(133,768)	-	-	-	-
Present value of defined benefit obligations	(24,697,350)	21,017,095	(160,348)	183,324	(10,032)	13,038	(2,445,488)	2,073,297
Recognised liability	(701,806)	2,715,477	(22,424)	49,556	(10,032)	13,038	(2,445,488)	2,073,297
Movement in the fair value of plan assets								
Fair value as at January 1	18,301,617	20,333,061	133,768	159,689	-	-	-	-
Expected return on plan assets	2,503,231	1,920,904	17,586	12,908	-	-	-	-
Actuarial gains / (losses)	679,567	(3,568,187)	(2,339)	(11,392)	-	-	-	-
Employer contributions	2,511,129	(384,160)	4,788	(131)	-	-	-	-
Benefits paid	-	-	(15,880)	(27,307)	-	-	-	-
Fair value as at December 31	23,995,544	18,301,618	137,924	133,768	-	-	-	-
Movement in the defined benefit obligations								
Obligation as at January 1	21,017,094	19,668,022	183,324	190,087	13,038	70,954	2,073,297	2,301,383
Service cost	696,721	703,727	4,810	4,961	264	1,669	86,391	99,467
Interest cost	2,889,772	1,869,264	21,677	15,633	1,294	5,647	282,315	218,147
Liability in respect of promotees	-	-	-	48,008	-	(48,008)	-	-
Settlement and Curtailment	-	-	-	-	-	-	-	-
Actuarial losses / (gains)	1,122,652	(330,382)	7,195	15,501	6,691	(7,342)	81,033	(478,271)
Benefits paid	(1,028,889)	(893,537)	(56,658)	(90,867)	(11,255)	(9,881)	(77,548)	(67,430)
Obligation as at December 31	24,697,350	21,017,094	160,348	183,324	10,032	13,038	2,445,488	2,073,297
Cost								
Current service cost								
Interest cost	696,721	703,727	4,810	4,961	264	1,669	86,391	99,467
Expected return on plan assets	2,889,772	1,869,264	21,677	15,633	1,294	5,647	282,315	218,147
Settlement and curtailment	(2,503,231)	(1,920,904)	(17,586)	(12,908)	-	-	-	-
Recognition of actuarial loss	-	-	-	-	-	-	-	-
Expense	443,085	3,237,805	9,534	27,306	6,691	(7,342)	81,033	(478,271)
	1,526,347	3,889,893	18,435	34,992	8,249	(26)	449,739	(160,657)
Actual return on plan assets	3,182,798	(1,647,284)	15,247	1,516	-	-	-	-

	Employees' Pension Funds		Officers Gratuity Funds		Employee's Unfunded Gratuity Scheme		Employee's PRMB Scheme	
	2019	2018	2019	2018	2019	2018	2019	2018
Principal actuarial assumptions used are as follows:								
Discount rate & expected return on plan assets	11.75%	13.75%	11.75%	13.75%	11.75%	13.75%	11.75%	13.75%
Future plan increases (if applicable)	10.25%	12.25%	10.25%	12.25%	10.25%	12.25%	10.25%	12.25%
Pension increase rate	7.75%	9.75%	-	-	-	-	-	-

Comparison for five years:	2019	2018	2017	2016	2015
As at December 31	Rupees in '000				
Fair value of plan assets	24,133,468	18,435,386	20,492,750	(18,911,799)	(16,615,796)
Benefit obligations	(27,313,218)	(23,286,753)	(22,230,446)	19,428,027	17,574,035
(Deficit) / surplus	(3,179,750)	(4,851,368)	(1,737,696)	516,228	958,239
Experience adjustments					
Gain / (loss) on plan assets (as percentage of plan asssets)	-13.18%	-26.32%	-8.48%	-2.73%	-5.77%
Gain / (loss) on plan obligations (as percentage of plan obligations)	11.64%	20.83%	7.82%	2.66%	5.45%

The effect of a 1% movement in actuarial assumptions are as follows:

	2019	2018	2019	2018	2019	2018	2019	2018
	Rupees in '000							
Impact on the defined benefit obligation								
Increase in assumption of discount rate	22,192,727	18,884,397	151,529	173,961	9,961	12,922	2,222,813	1,890,933
Decrease in assumption of discount rate	27,720,734	23,586,928	156,491	180,715	10,105	13,156	2,706,776	2,285,861
Increase in assumption of long term salary increase	25,977,963	21,656,739	157,211	177,600	10,150	13,038	2,542,749	2,175,799
Decrease in assumption of long term salary increase	23,540,782	20,429,184	150,786	176,952	9,914	13,038	2,358,034	1,979,811
Increase in assumption of pension increase rate	26,503,355	22,574,324	-	-	-	-	-	-
Decrease in assumption of pension increase rate	23,143,533	19,697,233	-	-	-	-	-	-

Plan assets comprise of the following:	Employees' Pension Fund				Officers Gratuity Fund			
	2019		2018		2019		2018	
	Rs. In 000	%	Rs. In 000	%	Rs. In 000	%	Rs. In 000	%
Equity	-	-	-	-	-	-	-	-
Debt	23,764,516	99%	18,144,688	99%	129,068	94%	128,417	96%
Others (including cash and bank balances)	231,027	1%	156,929	1%	8,855	6%	5,351	4%
	23,995,543	100%	18,301,618	100%	137,923	100%	133,768	100%

19 DEFERRED TAX

	Note	2019	2018
		------ Rupees in 000 ------	
Deferred debit arising in respect of			
Accelerated depreciation on fixed asset		1,355	1,637
Lease liability		4,935	-
Provision against premium due but unpaid		25,018	22,822
Provision for diminution in value of investment		6,296	4,750
Provision against amount due from other insurers/reinsurers		8,819	14,659
Minimum tax		1,925	-
		48,348	43,868
Deferred credit arising in respect of			
On Retained balance on Ledger Account D		(636,015)	(472,871)
Right-of-use assets		(4,701)	-
Provision for employees benefit plan		(50)	(264)
Unrealized gain or loss on revaluation of AFS		(37,968)	(42,027)
		(678,734)	(515,162)
Net deferred tax liability		(630,386)	(471,294)

20 INSURANCE / REINSURANCE PAYABLES

Due to other insurers / reinsurers		499,777	504,238
Cash margins against performance bonds		4,952	5,212
		504,729	509,450

21 OTHER CREDITORS AND ACCRUALS

Agents commission payable		4,040,735	5,920,864
Accrued expenses		5,839,041	4,698,437
Lease liability	21.1	17,018	-
Sindh Workers' Welfare Fund	21.2	2,198	2,198
Federal Excise Duty / Sales tax		17,635	-
Salaries & wages payable		824	-
Compensated absences		1,783	2,570
Income tax liabilities		199	173
Other tax payables		58	1
Unpaid and unclaimed dividend		3,001	3,011
Accounts payable for goods & services		760	1,889
Guarantee payable to court against claims		10,983	-
Other liabilities		8,728,846	7,746,935
		18,663,081	18,376,079

21.1 Lease liability

Current		3,278	-
Non - Current		13,740	-
		17,018	-

21.2 The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court.

The Honourable Supreme Court of Pakistan vide its judgment dated 10 November 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution.

The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated 10 November 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

In view of the above, on prudent basis the management has decided not to reverse charge for WWF recorded for the years upto 2015 amounting to Rs. 2.198 million.

22 CONTINGENCIES AND COMMITMENTS

22.1.1 The Group has filed appeals on different issues in the Honorable High Court of Sindh contesting the decision of the ATIR for the income years 1992-1993 to 2002-2003 mainly relating to turnover tax and excess perquisites. In addition, the issue of tax rate was raised for the income years 1992-93 to 1996-97. The Inland Revenue Department added back the excess perquisites to the taxable income and tax liability was enhanced accordingly. Further, Inland Revenue Department re-opened these assessments and rectified to invoke provisions of turnover tax on the ground that the tax paid under Fourth Schedule of the Income Tax Ordinance, 2001 is less than turnover tax and hence, should be paid accordingly. The Group then filed aforesaid appeals on the ground that the Fourth Schedule of the Income Tax Ordinance, 2001 restricts taxable income to that portion of actuarial surplus which is attributed to the shareholders fund by the appointed Actuary.

All the appeals are pending before Honorable High Court of Sindh, Karachi and management of the Group and its tax advisor are confident that ultimate outcome of these matters will be in favour of the Group and accordingly, no provision is required in these financial statements on account of these matters.

22.1.2 In the year 2010, the Inland Revenue Department served legal notices to the Group, requiring it to explain why the withholding tax under section 151(1)(d) of the Income Tax Ordinance, 2001 has not been deducted on payments made to the policyholders on the maturity . Those notices were related to tax years 2008 and 2009.

According to those notices, the Inland Revenue Department were of opinion that Group was required to withhold Income Tax on maturity claims by virtue of the said section. The Department considered that the total amount of a matured policy given to the policy holder consist of bonuses and the sum assured. The bonuses are given to the policy holder on the basis the amount of premium received during the whole term of the policy which is a form of interest or profit on debt. Hence, the Group u/s 151 (1)(d) is liable for deducting withholding tax @ 10% on the amount of bonuses paid to policyholder on maturity. Therefore, the Inland Revenue Department raised demands of Rs. 710.124 million and Rs. 738.514 million as withholding tax for tax year 2008 and 2009 respectively. The Group had filed appeals before CIR (A) on the grounds that policy contract as a debt instrument lacks legal sanctity and the definition of debt is being misinterpreted by the tax authorities.

CIR(A) decided the subject appeals in favor of Group vide order No. 27 & 28 dated September 29, 2011 on the grounds that the provisions of section 151(1)(d) of the Income Tax Ordinance, 2001 are not attracted to the payments made by way of bonus on the maturity of the policies as the same can not be construed to be interest or profit on debt.

The demand raised by the Department has not been enforced after above judgment of CIR (A), therefore, no payment was made against the demand. Inland Revenue Department filed appeals before the ATIR against the above orders of CIR (A) which were dismissed by learned ATIR vide order No. 506-07/KB/2012 on April 17, 2014.

Inland Revenue Department has filed appeals before High Court of Sindh, Karachi against the orders of ATIR. Management of the Group and its tax advisor are confident that ultimate outcome of this matter will be in favor of the Group and accordingly, no provision is required in these financial statements on account of this matter.

22.1.3 Inland Revenue Department served a legal notice u/s 122 (5A) on apportionment of expenses under section 67 of the Income Tax Ordinance, 2001 to the dividend income for tax year 2004. The said notice was replied by Group but not agreed by the concerned ACIR. Subsequently amended assessment order was passed u/s 122 (5A) which resulted in tax demand of Rs. 164.88 million. The Group was not in agreement with said order and preferred appeal before CIR(A). Said appeal was not upheld at this forum. Next appeal was filed before ATIR. Meanwhile the Department adjusted demand amount from the pending refunds for tax year 2010.

Appellate Tribunal Inland Revenue (ATIR) decided the above appeal in favor of Group vide order No/ 925/KB/2010 dated July 24, 2012; wherein the addition made u/s 67 has been deleted.

The said issue has already been decided by the Honorable High Court of Sindh, Karachi in an other appeal on the issue reported as Commissioner (Legal) Inland Revenue v/s EFU General Insurance Ltd 2011-PTD-2042.

Inland Revenue Department has passed an order u/s 124 of the Income Tax Ordinance, 2001 to give effect to the appeal Ref. Document # 11/54 dated June 24, 2014 and also issued refund of Rs. 153.75 million to the Group. The Group had adjusted Rs. 8.8 million against demand for Tax year 2014. The refund amounting to Rs. 2.2 million is still pending with the Department. In the year 2013, the Inland Revenue Department filed appeal in the Honorable High Court of Sindh against the decision of ATIR which was dismissed by the High Court of Sindh, Karachi vide order dated August 30, 2016. Inland Revenue Department has filed civil appeal before Honorable Supreme Court of Pakistan against the judgement of Honorable High Court of Sindh, Karachi which is pending adjudication.

22.1.4 In the year 2013, Inland Revenue Department issued similar notices to Group regarding withholding of tax on maturity proceeds of insurance policies as described in note 22.1.2. These notices were related to Tax Year 2010 to Tax Year 2012 stating that the Department holds a similar stance as described in the said note. Reply was filed by the Group through authorized representative which was not accepted by the Department and order u/s 161 and 205 of the Income Tax Ordinance was passed, resulting in total demand of Rs. 1,577.456 million (Rs. 1,249.138 million as withholding tax and Rs. 328.318 million as default surcharge).

The entire principal demand of Rs. 1,249.138 million was paid under protest and without prejudice to its legal right to appeal. The Group filed appeals before CIR (A) which was not upheld. The Group then filed appeal before ATIR against the above order which has been decided in favour of Group vide consolidated order dated February 21, 2017.

Further, LTU, Karachi had also issued notice u/s 161/205 of the Income Tax Ordinance, 2001 similar to the notices issued in the previous years to invoke the section 151 (1)(d) of the Ordinance to recover withholding tax from the Group on the amount of bonus paid to the policyholders on the maturity of the polices during the tax year 2013. Reply was filed through tax consultant which was not agreed by Department and order u/s 161/205 was passed and tax demand amounting to Rs. 609.23 million including default surcharge of Rs. 99.11 million was raised which was discharged without prejudice to legal rights to appeal. Appeal was filed before CIR (A) against said order which was upheld vide order # 34 dated March 30, 2015.

Inland Revenue Department has issued refund amounting to Rs. 500 million from appeal effect of Tax Year 2013 in July, 2015. Further, IR Department has adjusted outstanding demand for tax year 2009, 2010 and 2011 at Rs. 10.8 million, 12.5 million and Rs. 56.3 million respectively against pending appeal effect of tax year 2013. As at December 31, 2019, appeal effect amounting to Rs. 29.4 million is still pending with the Inland Revenue Department. Inland Revenue Department has filed an appeal before ATIR against the said order of the CIR (A) which is pending till to date.

The management and legal counsel are optimistic that ultimate outcome of the cases shall be decided in favor of the Group as ATIR has decided the appeals related to similar issue in previous years in favour of the Group.

22.1.5 While assessing the income and tax liability thereon for assessment years 2000-01, 2001-02 and 2002-03, Income Tax Department, AJK disallowed excess perquisites u/s 24(i) of the Income Tax Ordinance, 1979 (repealed) as inadmissible business expense of Group. Disallowance of said expense increased taxable income for all the three years and tax liability was worked out accordingly which resulted in additional tax demand. The aggregate additional tax demand involved due to addition of excess perquisites to Group's taxable income was Rs. 12.669 million (Assessment year 2000-01 to 2002-03 Rs. 1.464 million, Rs. 9.036 million, Rs. 2.169 million respectively).

In addition, Group's assessments were also made at higher tax rate of 43% for assessment year 2000-01 and 2001-02 and at 45% for 2002-03 instead @ 5% being entire dividend income. These assessments at higher rates also multiplied Group's tax liability for each assessment year.

Being aggrieved, Group preferred appeal before CIR(A), Mirpur-AJK against the alleged assessment orders. Group's appeals before CIR(A), Mirpur AJK were not upheld. Thereafter, Group had challenged the orders of CIR(A) before Appellate Tribunal Inland Revenue, Mirpur AJK. The learned ATIR upheld all the appeals of the Group vide order # ITAT/969-73 dated August 20, 2009.

Income Tax Department, AJK had filed reference against the order of ATIR-AJK before Honorable High Court of AJK. At present, Departmental references are still pending before High Court of Mirpur, Azad Jammu and Kashmir.

22.1.6 In 2015, Inland Revenue Department initiated monitoring of withholding of taxes for previous five year from tax year 2009 to 2013 u/s 161/205 of the Income Tax Ordinance, 2001. During the course of monitoring certain payment to insurance agents were held liable to withholding of tax u/s 233 as deemed commission for the first time. In addition payment evidence of withholding taxes under various sections of law were took into scrutiny.

Reply filed by the Group were not agreed by the Department and aggregate demand amounting to Rs. 494 million was raised for all tax years u/s 161, 182 and 205 (tax year 2009: Rs. 48 million, tax year 2010: Rs. 58 million, tax year 2011: Rs. 53 million, tax year 2012: Rs. 258 million and tax year 2013: Rs. 77 million). Group has paid the above demand under protest and without prejudice to the legal rights to appeal.

Group being aggrieved preferred appeals against impugned orders of Inland Revenue Department before Commissioner Inland Revenue -Appeals. CIR (A) vides his order dated July 6, 2015 has vacated the orders passed by Deputy Commissioner Inland Revenue and has directed concerned Deputy Commissioner Inland Revenue Department to re-visit the case and pass order afresh.

Deputy Commissioner Inland Revenue on the directive of CIR (A) had issued notices afresh for tax year 2009 to 2013. Group has referred these notices to its tax consultant for compliance. Based on the reply filed by the Group through consultant, DCIR passed orders for tax years 2009 and 2010. Group challenged above departmental orders before CIRA. CIRA has decided the issue of incorrect CPRs and issue of short deduction on salary payments in favor of the Company. CIRA has not decided the issue of default surcharge and penalty on merit and has stated that as a result of deletion of whole of tax demand, default surcharge and penalty being consequential in nature are hereby deleted. However, CIRA has decided issue of time barred against Group. Group has filed appeals before Tribunal against above order of CIRA which are pending adjudication.

Similarly, DCIR passed orders for tax years 2011 and 2013 on more or less similar to initial orders. Group filed appeals before CIRA against these departmental orders and challenged levy of default surcharge and penalty on the ground that penalties were enhanced and default surcharge was levied without issuing any show-cause notice despite the availability of tax refunds. Appellate orders have been passed by CIRA, whereby CIRA has cancelled the order passed by DCIR with regard to levy of default surcharge and penalty on the ground that no show-cause notice was issued by DCIR in this regard. Group has filed appeals before ATIR on the ground that default surcharge and penalty levied by DCIR without issuing any show-cause notice were ab initio void and the issue could not be set-aside by CIRA and that default surcharge and penalties are levied without establishing mens rea. These appeals are pending before ATIR.

Appellate order in respect of tax year 2012 had been passed by CIRA wherein the issues of default surcharge and penalty had been remanded back to DCIR for verifying the availability of tax refunds. Group had also challenged tax recovery of Rs. 75 million on arbitrary basis for alleged non provision of tax payment challans which issue was remanded back by CIRA for adjudication being rectificatory matter. In appeal effect proceedings, tax payment challans for Rs. 69 million were provided to taxation officer and appeal effect order has been passed wherein default surcharge and penalty were once again levied and tax demand on the above issue was reduced from Rs. 75 million to Rs. 6 million. However, mistake had been made in the order i.e. tax of Rs. 258 million already paid has not been accounted for in the order. The Group has filed rectification application, and mistake has been rectified vide order dated February 07, 2019. Group filed appeal before CIRA with regard to levy of default surcharge and penalty and CIRA upheld the order passed by DCIR. The Company has filed appeal before ATIR which is pending for adjudication.

In the year 2016, Inland Revenue Department issued show cause notices related to monitoring of withholding taxes on similar lines for tax year 2014 and 2015. Reply filed by the Group was not agreed by the Inland Revenue Department and initial demand amounting to Rs. 450 million and Rs. 572 million was raised for the tax year 2014 and 2015 respectively.

On the advice of the consultant Group filed application for rectification of order passed by DCIR for tax year 2014 and 2015. In pursuance of our rectification request, DCIR has passed rectified order whereby rectified demand of Rs.213 million and Rs.166 million was raised for the tax year 2014 and 2015 respectively.

Without prejudice to the legal right to appeal, Group has adjusted demand for tax year 2014 from the pending refund of the tax year 2004 and 2012 and has paid demand amounting to Rs. 150 million for tax year 2015 in cash.

Being aggrieved from the order of DCIR for tax year 2014 and 2015, Group has filed an appeal before CIRA on alleged non-provision of tax payment challans and levy of default surcharge and Penalty on account of absence of mens rea and also because of availability of significant tax refunds due to the Group during the default period. CIRA has set-aside the orders and directed taxation officer to revisit the issue and levy default surcharge and penalty. Group had challenged tax recovery of Rs. 71 million and Rs. 11 million on arbitrary basis for alleged non provision of tax payment challans in respect of tax year 2014 and 2015 respectively. CIRA has remanded back the issue for adjudication being rectificatory matter. We have written to the taxation officer to pass appeal effect orders and evidence of tax refunds were also provided, however, appeal effect orders are not yet passed.

22.1.7 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi has served legal notice u/s 122 (9) of the Income Tax Ordinance, 2001 dated 02.01.2017 to Group for tax year 2016 whereby certain issues regarding deduction claimed on account of provision for impairment in the value of investment properties, deduction claimed on account of gratuity and pension, deduction claimed on account of provision for impairment in shares, rationale for deduction of investment property related expenses, foreign tax credit u/s 103 of the Ordinance claimed in the annual tax return, taxation of dividend income as single basket income, etc were confronted. Group has engaged tax consultant for responding said notice.

Subsequent to the reply filed by Group through its counsel, ACIR proceeded to amend an assessment and passed an amended assessment order dated 06.03.2017 u/s 122 (5A) of the Income Tax Ordinance, 2001 whereby demand of Rs. 23.7 million was raised u/s 137 of the Income Tax Ordinance.

Since, Group has pending refunds towards Inland Revenue Department, therefore; without prejudice to the legal right to appeal; Group through its tax consultant in said case has requested to adjust the above demand against pending refunds.

Group filed appeal against the impugned order before CIR (A). Issue related to subjecting dividend income to normal tax rate is decided in favor of Group whereas issues related to deduction claimed on account of real estate expenses, provision for impairment in value of shares, value of investment properties and provision for diminution in value of investment are decided against Group. Further, issue of refund adjustment amounting to Rs. 220 million against pending appeal effect of tax year 2003 were remanded back to concerned ACIR. Inland Revenue Department as well as Group filed appeals before ATIR against order of CIR (A) which are pending till to date. No date for the next hearing has been fixed till date.

22.1.8 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi has served legal notice u/s 122 (9) of the Income Tax Ordinance, 2001 dated 13.03.2017 to Group for tax year 2015 whereby almost similar issues as stated in note 22.1.7 were raised. Subsequent to the reply filed by Group through its counsel, ACIR proceeded to amend an assessment and passed an amended assessment order dated 13.04.2017 u/s 122 (5A) of the Income Tax Ordinance, 2001 whereby demand of Rs. 163.4 million was raised u/s 137 of the Income Tax Ordinance. In said order, ACIR has incorrectly adjusted Rs. 446.6 million against demand raised u/s 161 / 205 of the Ordinance which was actually duly discharged by Group by making cash payment.

Group, not in agreement with above order, filed application for rectification u/s 221 dated 24.04.2017 through tax consultant which was rejected by concerned ACIR vide letter dated 28.04.2017. Our tax consultant vide letter dated 05.05.2017 again requested for rectification of order. DCIR passed rectified order vide letter DC # 03/117 dated 21.12.2017 whereby refund of Rs. 316.7 million is determined as refundable to Group.

Group filed appeal against the impugned order before CIR (A). Issues related to subjecting dividend income to normal tax rate and disallowance on account of exchange loss related to foreign currency balances are decided in favor of Group whereas issues related to deduction claimed on account of real estate expenses, provision for impairment in value of shares and provision for bad debts are decided against Group. Further, issue of alleged tax adjustment of Rs. 446.6 million was remanded back to taxation officer. Inland Revenue Department as well as Group filed appeals before ATIR against order of CIR (A) which are pending till to date. No date for the next hearing has been fixed till date.

22.1.9 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi has served legal notice u/s 122 (9) of the Income Tax Ordinance, 2001 dated 31.12.2014 to Group for tax year 2012 whereby certain issues regarding reconciliation of commission expense between cash flow statement and monthly withholding tax statements, short withholding of tax under various provisions of the Ordinance, taxation of dividend income as single basket income, provision for IBNR, etc were confronted. Tax consultant responded said notice on behalf of Group. Additional information/explanation were also called vide letters dated 24.02.2015, 22.09.2015 and 25.01.2017. Subsequent to the reply filed by tax consultant ACIR proceeded to amend an assessment and passed an amended assessment order dated 02.02.2017u/s122 (5A) of the Income Tax Ordinance, 2001 whereby outstanding refund for same year was utilized to adjust the demand of Rs. 39.3 million. After adjustment, balance refunds stands at Rs. 93.3 million.

Group has filed appeal against the impugned order before CIR (A). Issue of subjecting dividend income to normal tax rate, foreign tax credit claimed u/s 103, disallowance of provision for IBNR and disallowance of amount pertaining to investment arrangement between Group and Bureau of Emigration and Overseas Employment has been decided by CIR (A) in favor of Group vide order dated 22.05.2017. However, CIR (A) has decided the issue relating to disallowance of provision for impairment in value of shares against the Group. Further, issues of alleged non-deduction of tax on commission payments, payment for goods and prizes were remanded back to concerned taxation officer. Inland Revenue Department as well as Group has filed cross appeal before Appellate Tribunal Inland Revenue against above order of CIR (A) which is still pending till to date. No date for the next hearing has been fixed till date.

22.1.10 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi also issued notices u/s 122 of the Ordinance to Group related to tax years 2011, 2013 and 2014. Vide Said notices, ACIR confronted almost similar issues as stated at note 22.1.7 and 22.1.9. Group engaged a tax consultant for responding these notices. Subsequently, ACIR passed amended orders whereby demand of Rs. 520.5 million was raised (Tax Year 2011: Rs. 56.3 million, Tax Year 2013: Rs. 107.1 million and Tax Year 2014: Rs. 357.1 million). Inland Revenue Department adjusted the demand related to tax year 2011 from pending appeal effect related to tax year 2013. Further, demand related to tax years 2013 and 2014 was adjusted by Inland Revenue Department from pending refund related to tax year 2015. Group, being aggrieved from above orders of ACIR, filed appeals before CIR (A). Issues related to subjecting dividend income to normal tax rate, addition on account of inter-office rent expense, provision for diminution in value of investments and tax on Bureau Fund has been decided in favor of Group by CIR (A). However, issues related to deduction claimed on account of real estate expenses and provision for bad and doubtful debts are decided against Group. Further, issues of interest free loans to employees, alleged short withholding of tax on advertisement and training expenses and reduction in tax liability due to reduction in taxable surplus for tax years 2012 and 2013 were remanded back to concerned ACIR for re-adjudication. Inland Revenue Department as well as Group filed appeals before ATIR against the orders of CIR (A). Further, on the directives of CIR (A), ACIR issued notice dated 17.04.2020 in respect of remand back issues. Group has duly submitted relevant information along with supporting documents to the ACIR. The ACIR has not yet passed an order in respect of the same.

22.1.11 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi served notice u/s 122 of the Income Tax Ordinance, 2001 dated 10.01.2018 to Group for tax year 2017. Vide Said notice, ACIR confronted issues like investment arrangement between Group and Bureau of Emigration and Overseas Employment, deduction claimed on account of provision for diminution in value of investments, provision for impairment in the value of investment properties, provision for impairment in the value of shares, loans / advances to employees and agents, short withholding of tax under various provisions of the Ordinance. Group engaged a tax consultant. for responding the notice.

Subsequently, ACIR passed amended order whereby demand of Rs. 480.2 million was raised. Group, being aggrieved from above amended order, file appeal before CIR (A). Further, Group, through its tax consultant, also file application for stay of tax demand vide letter dated 05.04.2018 along with application for out of turn hearing vide letter dated 28.03.2018 before CIR (A). Hearing before CIR (A) was held on 26.04.2018. CIR (A) vide order No. 6 dated 03.05.2018 decided issues which involves major tax impact at Rs. 357.1 million like tax on Bureau Fund, disallowance on account of inter-company rent expenses in favour of Group.

However, issue of disallowance on account of real estate expenses and provision against other receivables are decided against Group. Further, issues of interest free loans to employees, alleged short withholding on training expenses and adjustment of tax liability against pending appeal effect for tax year 2010 were remanded back to concerned ACIR. Inland Revenue Department as well as Group filed appeals before ATIR against order of CIR (A) which are pending till to date. No date for the next hearing has been fixed till date.

22.1.12 In 1967, one of the defunct insurance company sold a property to certain persons on installments basis on certain agreed terms and conditions. However, later those vendees defaulted in payment of their installments on due dates which render the sale agreement null and void. Although these defaults were committed before Life Insurance Nationalization Order 10, 1972 came into existence, property was recorded in books of defunct insurance company at the time of Nationalization Order, which required all the assets and liabilities of defunct insurance companies to be vested in the Group. The matter remained pending till the vendees approached the Group in 2006 to execute the sale deed in their favor.

The Group had taken advice from their legal advisors who are of the view that since vendees had defaulted in making payment of their installments before Nationalization Order, 1972 came into existence, the above property is the property of the Group and vendees are in the possession of said property as licenses.

State Life filed a Suit for possession in respect of State Life Building 102-B, Gulberg, Lahore against vendees in the year 2007 in the Court of Civil judge, Lahore, whereas, the opponent vendee has filed a suit for specific performance. Both the suits have been clubbed and are pending for adjustment. However, management of the Group has not recognized the property, which has written down value of Rs. 42,000 as at the balance sheet date, in its books as the said asset does not met the definition of property, plant and equipment as it arises from past events and its existence will be confirmed by uncertain future events not wholly within the control of the Group.

22.1.13 Sindh Revenue Board vide notification No.3-4/13/2020 dated 22nd June, 2020 has exempted life insurance from levy of service tax up to 30th June, 2020 subject to the condition that person providing life insurance services commences e-depositing the amount of SST due on such services from July 2020 onwards. Further, health insurance is exempt in Sindh up to 30th June, 2021 by virtue of notification No. 3-4/14/2020 dated 22nd June, 2020. Life and health insurance are also taxable in Balochistan @ 15% whereas both these services are exempt in Khyber Pakhtunkhwa from levy of service tax. Further, life and health insurance are also taxable in Punjab @ 16% w.e.f. 01st November, 2018. However, Punjab Revenue Authority vide notification dated 10.12.2018 had exempted health insurance services provided to Federal Government or Government of Punjab for smooth implementation of Prime Minister National Health Program and Health Insurance Program Punjab. Therefore, government funded health insurance services provided by Group are not subject to sales tax in Punjab by virtue of above notification.

Being the collective issue of the industry, life insurance companies through Insurance Association of Pakistan (IAP) engaged a legal representative to negotiate with Provincial Revenue Authorities for resolving the issue administratively. Industry's main contention is that life and health insurance is not a service, but infact, an underwriter promise to pay to the policyholder in the future, a specified sum of money, either on occurrence of an identified event causing loss, or upon maturity of the policy as is also clearly defined in the definition of the term "insurance" under the Insurance Ordinance, 2000. On the basis of this definition, insurance is actually a contract of indemnification from loss, dependent on a contingent event and does not constitute "service". Such contention of the insurance industry has also been upheld in the superior courts of the foreign jurisdictions.

Insurance contract is essentially a financial transaction which is unrelated to sale of any identifiable goods or service. In leading jurisdictions, it has been widely held that insurance is not a service and hence, it does not fall within the scope of taxability under Provincial Sales Tax Laws.

Applicability of sales tax on life and health insurance would be in contravention of global norms where insurance is held to be not a service but rather a financial transaction. Further, any such applicability of tax will greatly inhibit the ability of Group or other insurers to provide access to life and health insurance as a basic personal right of the citizen. In most of the foreign jurisdictions, life and health insurance is either permanently exempt or excluded from taxable services.

However, despite continuous follow up and negotiations, exemption from sales tax is not allowed. Subsequently, life insurance companies collectively filed constitutional petitions (CPs) before Lahore High Court and Sindh High Court against levy of sales tax on life and health insurance in Punjab and Sindh respectively. Lahore High Court has also passed stay order wherein PRA has been restrained from taken any coercive measure against Group.

Also, a committee has been formed comprising representatives from Provincial Revenue Authorities as well as from Insurance industry to discuss and deliberate the tax issues being faced by insurance industry and to identify the way forward.

In view of the opinion of the legal advisor, and pending the adjudication of the petitions filed, the Company has neither billed its customers nor recognized the contingent liability for sales tax in Punjab and Balochistan which, calculated on the basis of the risk premium and excluding the investment amount allocated to policies as per the opinion of the legal advisors, aggregated to Rs. 835 million in its books of account. The management contends that should the administrative efforts fail, the amount will be charged to the policyholders.

22.1.14 Additional Commissioner Inland Revenue, Audit Range B, Zone-III, LTU Karachi served notice u/s 122(9) of the Ordinance dated 26.11.2019 to Group in respect of tax year 2019. Vide above notice, ACIR confronted certain issues like deduction claimed on account of unrealized loss on investment, investment in value, investment related expenses, investment property related expenses, advances to employees at interest rate lower than benchmark rate and adjustment of tax liability against outstanding appeal effect of prior year.

Based on the reply filed by Group through tax consultant, ACIR passed amended order u/s 122(5A) of the Ordinance dated 13.03.2020 and raised demand of Rs. 164.68 million.

Since Group has pending refunds/appeal effects towards Inland Revenue Department, therefore Group through its authorized representative filed application for stay of demand. Further, being aggrieved from above amended order, Group also filed appeal before CIR-A. CIR (A) has passed order dated 20.04.2020 wherein issue related to deduction claimed on account of impairment in value of investment has been decided in favor of Group. However, issue of disallowance on account of real estate expenses has been decided against Group. Further, matters related to unrealized loss on financial assets, loans/advances to employees, adjustment of tax liability against prior year appeal effect has been remanded back to concerned ACIR for re-adjudication. No date for the next hearing has been fixed till date.

22.1.15 An income tax return, been a deemed assessment order under section 120 (1) of the Income Tax Ordinance (the ordinance), declaring a total income under the law of Rs. 1,894.2 million and claiming tax refund of Rs. 1,176.1 million was duly submitted by Group with the Federal Board of Revenue (FBR) for the tax year 2018. A notice under section 122 (9) of the Income Tax Ordinance, 2001 (the Ordinance) has been served to the Group dated April 29, 2020. Group is in the process of submitting the relevant information / document as per notice.

22.1.16 Various claims amounting to Rs. 69.704 million (2018:Rs. 56.704 million) has been lodged by various parties against the Group. The Group has not acknowledge these claims as the management considers that the Group is not liable to settle the amount.

22.1.17 The deemed assessment under section 120 of Income Tax Ordinance, 2001 of the Group have been finalised upto tax year 2019. Matters of disagreement exist between the Group and the tax authorities for the tax year 2009, 2011, 2012, 2013, 2014, 2015 and 2016. In prior years, the Commissioner has passed amended assessment orders for the these tax years under section 122(5A), wherein tax on dividend income has been charged at corporate tax rate by treating such income as business income of the Group under Fourth Schedule to the Ordinance. Further, certain disallowances were made in respect of provision for IBNR claims, non-withholding of tax on commission expenses and payment of certain expenses in cash. The management is contesting these matters with the tax authorities and has filed appeals with the Appellate Tribunal Inland Revenue (ATIR), the Honorable High Court of Sindh (the Court) and with the Commissioner Inland Revenue Appeals (CIRA) and is confident that these matters will be decided in favour of the Group. Consequently, no provision has been made in these financial statements in respect of the above matters.

For tax years 2009 and 2014, the ACIR has passed amended assessment order under section 122(5A) of the Income Tax Ordinance, 2001 wherein tax on dividend income has been charged at corporate tax rate by treating such income as business income of the Group under Fourth Schedule to the Ordinance. As a result of the amended assessment order for tax year 2009, demand of Rs. 4.627 million was created and for tax year 2014, demand of Rs. 18.583 million was created against which the Group has paid Rs. 9.292 million. The Group has filed appeals before CIRA and if the appeal is decided against the Group, a tax liability of Rs. 13.918 million would arise, however the management believes that the case will be decided in favour of the Group.

For tax years 2015 and 2016, the ACIR passed an amended assessment order under section 122(5A), wherein tax on dividend income has been charged at corporate tax rate by treating such income as business income of the Group under Fourth Schedule to the Ordinance. Further, certain disallowances were made in respect of non-withholding of tax on commission expenses and payment of certain expenses in cash. Consequently, tax demand of Rs. 2.298 million and Rs. 6.825 million was created respectively. Against the amended assessment order, an appeal was filed before the CIRA, who vide combined appellate order dated 21 November 2017 allowed relief in respect chargeability of dividend at corporate tax rates and levy of Worker's Welfare Fund whereas additions on account of non-withholding of tax commission expense and cash expenses made by the Group were confirmed. The Group has filed a further appeal before the ATIR on the issues confirmed by the CIRA. Moreover, the department has also filed appeal before the ATIR challenging the relief granted by the CIRA. If the appeal is decided against the Group, a tax liability of Rs. 9.123 million would arise, however the management believes that the case will be decided in favour of the Group.

During 2017, the ACIR issued notice dated 16 May 2017, under section 122(5A) for passing an amended order on certain issues for the tax year 2011. However, the Group has filed a writ petition before the Honorable High Court of Sindh challenging the validity of the notice being barred by limitation of time. The Court has granted an order and the said order is operating. Based on tax advisor opinion the management is confident of favourable outcome of the said appeal. accordingly, no tax provision has been recorded in these financial statements.

22.2 Commitments

The Group is committed in respect of capital expenditure contract aggregating to Rs. 388 million (2018: Rs. 252 million). There were no other commitments as at the balance sheet date.

		2019	2018
23	**NET INSURANCE PREMIUM REVENUE**	--------------(Rupees in '000)----------------	
	Gross Premiums		
	Regular premium individual policies		
	First year	**12,907,165**	18,962,638
	Second year renewal	**12,948,715**	14,427,157
	Subsequent year renewal	**78,336,965**	71,748,850
	Group policies with cash values	**45,125**	4,668,633
	Group policies without cash values	**14,312,581**	-
	Health insurance	**-**	5,430,900
	Less: experience premium refund	**(5,773,796)**	(2,881,677)
		112,776,755	112,356,501
	Non-life business		
	Written Gross Premium	**100,028**	93,585
	Total Gross Premiums	**112,876,783**	115,331,763
	Less: Reinsurance Premiums Ceded		
	On individual life first year business	**31,002**	44,719
	On individual life second year business	**33,704**	30,513
	On individual life renewal business	**164,873**	147,587
	On Group policies	**83,927**	101,012
	-Less: Reinsurance commission on risk premium	**(109,073)**	(90,820)
		204,433	233,011
	Non-life business		
	Less :Re-insurance premium ceded	**39,831**	46,166
	Net Premiums	**112,632,519**	114,961,766
24	**INVESTMENT INCOME**		
	Income from equity securities		
	Fair value through profit or loss		
	- Dividend income	**5,396,303**	5,331,874
	Income from government and debt securities		
	Held to maturity		
	- Return on government and debt securities	**67,839,783**	58,512,929
		73,236,086	63,844,803
25	**NET REALISED FAIR VALUE (LOSS) / GAIN ON FINANCIAL ASSETS**		
	Fair value through profit and loss		
	Realised (loss) / gain on equity securities	**(12,682)**	6,238
26	**NET FAIR VALUE GAIN / (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS ACCOUNT**		
	Net unrealised gain on investments at fair value through profit and loss account	**3,771,586**	(8,982,219)
	Impairment in value	**(73,194)**	(23,335)
	Expense related to the appreciation on shares held by LICI	**(28,318)**	-
	Less: Investment related expenses	**(63,453)**	(63,704)
		3,606,621	(9,069,258)

27 NET RENTAL INCOME

	2019	2018
	--------------(Rupees in '000)----------------	
Rental income	**1,046,199**	1,244,518
Less: Expenses of investment property	**(471,959)**	(708,353)
	574,240	536,165

28 OTHER INCOME

	2019	2018
Return on bank balances	**2,474,196**	1,050,456
Gain on sale o fixed assets	**9,100**	-
Return on loans to employees	**53,506**	49,962
Return on loans to policyholders	**13,356,925**	9,796,421
Exchange gain on revaluation	**2,293,523**	3,925,075
Liabilities written back	**16,151**	
Miscellaneous income	**268,351**	199,473
	18,471,752	15,021,387

29 NET INSURANCE BENEFITS

	2019	2018
Gross Claims		
Claims under individual policies		
- by death	**7,143,526**	6,315,258
- by insured event other than death	**397,113**	378,756
- by maturity	**15,652,310**	13,572,449
- by surrender	**27,153,375**	23,096,834
- annuity payments	**16,752**	18,411
Total gross individual policy claims	**50,363,076**	43,381,708
Claims under Group policies		
- by death	**3,136,887**	3,780,102
- by insured event other than death	**3,640,133**	3,165,764
- by maturity	**1,225**	187
- by surrender	**889**	1,369
- annuity payments	**791**	842
Total gross Group policy claims	**6,779,925**	6,948,264
Non-life business		
Gross Claims	**15,842**	45,778
Total gross claims	**57,158,843**	53,257,427
Less: Reinsurance Recoveries		
-on individual life claims	**(74,363)**	(65,692)
-on Group life claims	**(32,516)**	(14,800)
-on experience refund of premium	**-**	(90,820)
	(106,879)	(171,312)
Non-life business		
Less: Reinsurance Recoveries	**(18,539)**	246
Premium deficiency	**(6,653)**	(3,445)
Claim related expenses	**12,642**	-
Net insurance benefit expense	**57,039,414**	53,082,916

29.1 There are various cases pertaining to policyholders in relation to individual and Group insurance policies, claiming amount due as per policy amounting to Rs. 485.86 million but the Group is of the view that such claims are not valid based on the criteria provided in the policy issued. In total there are 663 cases out of which 23 cases are in the Supreme Court of Pakistan, 167 cases are pending in different High Courts of Pakistan and remaining in the lower courts.

29.2 Claim Development

Accident years	**2015**	**2016**	**2017**	**2018**	**2019**
Estimate of ultimate claims costs:	--------	----------	**Rupees in '000**	----------	--------
At the end of accident year	3,000,189	3,100,401	3,488,648	3,232,990	**5,811,828**
One year later	3,949,175	4,135,264	4,693,682	4,771,556	**-**
Two years later	3,987,685	4,193,069	4,787,090	-	**-**
Three years later	4,034,186	4,225,826	-	-	**-**
Four years later	4,070,702	-	-	-	**-**
Current estimate of cumulative claims	19,041,938	15,654,560	12,969,420	8,004,546	**5,811,828**
Cumulative payment	(3,848,919)	(4,594,897)	(5,597,045)	(6,032,245)	**(6,969,420)**
	15,193,018	11,059,663	7,372,375	1,972,302	**(1,157,592)**
Claim Prior to 2015					**4,728,404**
Liability recognised in the statement of Financial Position					**3,570,812**

30 UNCLAIMED INSURANCE BENEFIT

Circular 11 of 2014 dated May 19, 2014 issued by the Securities and Exchange Commission of Pakistan (SECP) has established requirement for all insurers to disclose age wise break up of unclaimed insurance benefits in accordance with format prescribed in the annexure to the said circular.

The unclaimed benefits are described in the circular as the amounts which have become payable in accordance with the terms and conditions of an insurance policy but have not been claimed by the policyholders or their beneficiaries. Such unclaimed amounts may fall into the following categories:

Description	**Total Amount**	**1-6 Months**	**7-12 Months**	**13-24 Months**	**25-36 Months**	**Beyond 36 Months**
	--------	--------	**Rupees in '000**	--------	--------	--------
Unclaimed maturity benefits	7,909,428	5,577,234	833,826	818,623	679,745	-
Unclaimed death benefits	6,802,761	3,594,796	1,105,757	1,336,395	765,814	-
Unclaimed disability benefits	1,588,715	1,148,324	114,175	187,656	138,560	-
Claims not encashed		-	-	-	-	- -
Other unclaimed benefits	6,852,217	2,833,188	2,074,688	1,442,342	501,999	-
	23,153,121	**13,153,542**	**4,128,446**	**3,785,016**	**2,086,118**	**-**

		Note	2019	2018
31	**ACQUISITION EXPENSES**	Note	--------------(Rupees in '000)---------------	
	Remuneration to insurance intermediaries on individual policies:			
	- commission to agent on first year premiums		**6,437,356**	12,698,741
	- commission to agent on second year premiums		**1,957,677**	2,224,264
	- commission to agent on subsequent renewal premiums		**2,931,108**	2,794,300
	- other benefits to insurance intermediaries		**1,628,849**	1,724,566
	- branch overhead	31.1	**2,292,097**	2,784,392
			15,247,087	22,226,263
	Remuneration to insurance intermediaries on group policies:			
	- commission		**5,464**	4,199
	- other benefits to insurance intermediaries		**480**	896
			5,944	5,095
	Other acquisition costs:			
	- Stamp duty		**1,153,995**	1,533,862
	- Initial medical fees		**95,407**	100,406
			1,249,402	1,634,268
	Non-Life business			
	Less: Acquistion expense		**14,613**	11,045
			16,517,046	23,876,671

		2019	2018
31.1	**Branch overhead**		
	Employee benefit cost	**1 1,618,286**	1,965,860
	Traveling expense	**289,504**	351,683
	Printing & stationary	**9,397**	11,415
	Postage & telephone	**21,314**	25,892
	Utilities	**251,636**	305,682
	Rent	**70,918**	86,150
	Prize & awards	**14,896**	18,095
	Conference & meetings	**11,700**	14,213
	Repair & maintenance	**4,446**	5,402
		2,292,097	2,784,392

		Note	2019	2018
32	**MARKETING AND ADMINISTRATION EXPENSES**			
		32.1		
	Employee benefit cost		**7,397,937**	8,922,990
	Travelling expenses		**316,469**	313,075
	Advertisements and sales promotion		**113,970**	70,115
	Printing and stationery		**190,699**	118,071
	Depreciation		**180,011**	134,187
	Rent, rates and taxes		**112,197**	276,410
	Legal and professional charges - business related		**529,876**	340,498
	Electricity, gas and water		**926,251**	881,784
	Office repairs and maintenance		**52,048**	28,332
	Bank charges		**39,232**	43,648
	Postages, telegrams and telephone		**69,300**	113,620
	Appointed Actuary fees		**572**	-
	Annual Supervision fees SECP		**56,103**	626
	Entertainment		**862**	622
	Vehicle running expenses		**107**	5,542
	Bad and doubtful debts		**6,781**	19,985
	Coinsurance service charges		**1,133**	790
	Insurance expense		**452**	374
	Security deposits write off		**1,883**	-
	Miscellaneous		**2,042**	292
			9,997,925	11,270,961

		Note	2019	2018
			--------------(Rupees in '000)----------------	
32.1	**Employee benefit cost**			
	Salaries, allowances and other benefits		**5,523,865**	5,098,148
	Charges for post employment benefit		**1,874,072**	3,824,842
			7,397,937	8,922,990
33	**OTHER EXPENSES**			
	Auditors' remuneration	33.1	**8,983**	8,854
	Directors' fee		**2,280**	
	Training expense		**64,351**	-
	Revenue stamps		**40,163**	-
	Conference and meetings		**50,674**	-
	Insurance charges		**463,188**	-
	Office maintenance		**69,789**	-
	Entertainment		**19,104**	-
	Other expenses		**30,319**	352,268
			748,851	361,122
33.1	**Auditors' remuneration**			
	Business within Pakistan			
	Annual audit and half yearly review fee			
	BDO Ebrahim & Co.		**2,484**	-
	Riaz Ahmad & Company		**-**	2,484
	KPMG		**736**	736
	Grant Thornton Anjum Rahman		**2,484**	2,484
			5,704	5,704
	BDO Ebrahim & Co.		**650**	-
	Riaz Ahmad & Company		**-**	650
	KPMG		**156**	137
	Grant Thornton Anjum Rahman		**650**	650
			1,456	1,437
	Business Outside Pakistan			
	Audit fee			
	Nabeel Al-Saie Public Accountants		**1,823**	1,713
			8,983	8,854
34	**FINANCE COST**			
	Lease finance charges		**2,631**	-
35	**TAXATION**			
	For the year			
	Current	35.1	**650,921**	637,129
	Deferred		**163,365**	176,389
			814,286	813,518
	For the prior year			
	Current		**403**	-
	Deferred		**-**	65,680
			403	65,680
	Total income tax charge for the year		**814,689**	879,198

35.1 It includes foreign taxation amounts to Rs. 21.1 million (2018: Rs. 21.8 million).

		Note	2019	2018
			--------------(Rupees in '000)----------------	
35.2	**Relationship between tax expense and accounting profit**			
	Profit before tax		**2,825,884**	2,620,659
	Tax at the applicable rate @ 29% (2018: 29%)			
	Reconciliation:		**812,750**	759,991
	Tax on surplus for the year retained in statutory funds			
	Tax charge on change in policyholders liabilities on restatement		**-**	87,578
	Education cess for the year		**-**	-
	Super tax for the year		**1,055**	662
	Change in tax rate		**-**	40,996
	Tax effect of minimum tax		**-**	(10,029)
	Deferred tax asset not booked on taxable losses		**1,925**	-
	Recognition of prior year provision		**(1,444)**	-
	Tax expense for the year		**403**	-
			814,689	879,198

36 EARNINGS PER SHARE

	2019	2018
Profit (after tax) for the year	**2,010,114**	1,743,180
	----------------(Numbers)------------------	
Weighted average number of ordinary shares outstanding as at year end	**38,449**	31,667
Earnings per share - Rupees	**52.28**	55.05

The Group has not issued any instrument which would dilute its basic earnings per share when exercised. Therefore, there is no dilutive effect on earnings per share.

37 REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chairman/Chief Executive		Directors		Executives	
	2019	2018	2019	2018	2019	2018
	Rupees in '000					
Fees	-	-	2,280	2,900	-	-
Managerial remuneration	4,480	5,164	6,645	8,300	265,863	244,278
House rent allowance	423	778	2,810	2,451	115,398	107,910
Utilities	300	588	2,117	1,977	89,765	83,926
Ex-gratia allowance	300	-	-	-	590	263
Special allowance	-	-	-	-	-	-
Rent and house allowance	-	-	-	-	3,344	2,053
Medical	-	-	-	-	-	51
Car allowance	-	-	-	-	-	-
Conveyance					42	309
Others	1,615	3,857	9,695	8,802	114,860	123,994
Reimbursements	-	-	-	-	-	-
Retirement benefits	-	-	-	-	-	-
Entertainment	240	136	-	-	-	-
Staff provident fund	-	-	-	-	-	-
	7,358	10,523	23,547	24,430	589,862	562,784
Number of persons	2	2	11	13	198	185

37.1 In addition to the above, Chairman and Executive Directors are also entitled to the Group maintained vehicles and mobile phone facility.

37.2 Fee paid to Non-Executive Directors during the year amounted to Rs. 0.912 Million (2018: Rs. 0.912 Million).

37.3 Executives have been provided with cars in accordance with the Group policy.

38 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The Group has related party relationships with provident fund, pension fund scheme, gratuity fund, state owned profit oriented entities and its key management personnel.

Accrual of liability in respect of the funds are made annually. Remuneration to key management personnel are determined in accordance with the terms of their employment / appointment. Certain key management personnel are also provided with free use of the Group maintained vehicles and post retirement benefits in accordance with their entitlement under the terms of their employment.

The related parties also comprise subsidiaries, directors, key management personnel and employees' benefits funds. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, amounts due from chairman and executives directors are disclosed in the relevant notes.

Terms and conditions of transactions with related parties

Transactions with related parties are made at arms length prices. There have been no guarantees provided or received for any related party receivables or payables.

Other material transactions and balances with related parties are given below:

	2019	2018
	---------------- Rupees in '000 --------------	
	Aggregate	
Profit oriented state-controlled entities		
common ownership		
Investment in shares - State Bank of Pakistan	**3,221**	3,221
PIBs deposited with State Bank of Pakistan	**410,000**	8,029
Staff retirement fund		
Contribution to provident fund	**6,061**	8,029
Contribution to pension fund	**485,862**	-
Contribution to funded gratuity	**4,791**	6,242
Expense charged for pension fund	**1,028,889**	893,536
Others - Transactions		
Remuneration to key management personnel	**16,217**	17,105
Others - Balances		
Receivable from gratuity fund	**322**	1,410
Receivable from provident fund	**-**	135
Payable to retirement benefit obligations	**4,722,072**	6,343,778
Transactions with associated companies		
Dividend received during the year		
Pakistan Reinsurance Company Limited	**146,464**	256,313
Transactions with related parties - common directorship		
Balances with related parties - common directorship		
Investment in Units:		
NIT Islamic Equity Fund	**200,000**	200,000

Balances with related parties - common directorship	2019	2018
	------------- Rupees in '000 -------------	
Investment in shares:		
Fauji Fertilizer Company Limited	**11,772,827**	2,504,433
Sui Southern Gas Company Limited	**1,242,870**	552,256
Sui Northern Gas Pipelines Company Limited	**2,093,391**	210,932
International Industries Limited	**-**	11,399
Pakistan Cables Limited	**326,474**	84,883
ORIX Leasing pakistan Limited		174,270
Security Papers Limited	**575,077**	4,894
Shahtaj Sugar Mills Limited	**65,767**	6,698
Pak Data Communication Limited	**36,272**	13,202
Premier Insurance Company Limited	**32,300**	396
Pakistan Reinsurance Company Limited	**2,153,759**	2,400
Arabian Sea Country Club Limited	**5,000**	5,000
PICIC Insurance Limited	**4,013**	38,982
Nina Industries Limited	**4,500**	20,020

39 SEGMENTAL INFORMATION

39.1 Revenue account by statutory fund

For the year ended December 31, 2019	Statutory Funds					Aggregate
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Accidental and Health Insurance Fund	Family Takaful	2019
	---------- Rs in '000 ----------					
Income						
Premium less reinsurances	105,485,958	2,235,824	45,125	4,805,415	-	112,572,322
Rental income from investment property	568,241	-	-	-	-	568,241
Net investment income	90,679,467	3,409,597	40,950	726,924	13,759	94,870,697
Total net income	196,733,666	5,645,421	86,075	5,532,339	13,759	208,011,260
Insurance benefits and expenditure						
Insurance beneifits, including bonuses, net of reinsurance recoveries	51,470,221	1,960,000	34,049	3,584,494	-	57,048,764
Management expenses less recoveries	25,796,244	469,945	374	754,186	25,503	27,046,252
Total insurance benefits and expenditure	77,266,465	2,429,945	34,423	4,338,680	25,503	84,095,016
Excess of income over insurance benefits and expendıtiures	119,467,201	3,215,476	51,652	1,193,659	(11,744)	123,916,244
Net change in insurance liabilities (other than outstanding claims)	(114,542,550)	(2,766,522)	8,086	(29,075)	-	(117,330,061)
Surplus/(deficit before tax)	4,924,651	448,954	59,738	1,164,584	(11,744)	6,586,183
Movement in policyholders' liabilities	114,542,550	2,766,522	(8,086)	29,075	-	117,330,061
Transfers to and from shareholders' fund						
- Surplus appropriated to shareholders' fund	(1,861,077)	(17,098)	-	-	-	(1,878,175)
- Capital returned to shareholders' fund	-	650,000	-	(100,000)	-	550,000
- Capital contributions from shareholders' fund	-	-	-	-	-	-
Balance of statutory fund at beginning of the year	852,937,913	18,936,540	314,328	1,553,694	70,787	873,813,262
Balance of statutory fund at end of the year	970,544,037	22,784,918	365,980	2,647,353	59,043	996,401,331

Revenue account by statutory fund

For the year ended December 31, 2018	Statutory Funds: Pakistan Life Fund	Overseas Life Fund	Pension Fund	Accidental And Health Insurance Fund	Family Takaful	Aggregate 2018
	---------- Rs in '000 ----------					
Income						
Premium less reinsurances	106,396,337	1,707,251	31,344	3,988,558	-	112,123,490
Rental income from investment property	536,165	-	-	-	-	536,165
Net investment income	64,476,997	4,693,749	24,702	223,261	6,028	69,424,737
Total net income	171,409,499	6,401,000	56,046	4,211,819	6,028	182,084,392
Insurance benefits and expenditure						
Insurance beneifits, including bonuses, net of reinsurance recoveries	45,184,154	1,851,906	105,471	3,107,949	-	50,249,480
Management expenses less recoveries	34,480,777	421,528	1,553	471,438	20,754	35,396,050
Total insurance benefits and expenditure	79,664,931	2,273,434	107,024	3,579,387	20,754	85,645,530
Excess of income over insurance benefits and expenditiures	91,744,568	4,127,566	(50,978)	632,432	(14,726)	96,438,862
Net change in insurance liabilities (other than outstanding claims)	(90,035,796)	(4,098,076)	42,420	16,565	-	(94,074,887)
Surplus/(deficit before tax)	1,708,772	29,490	(8,558)	648,997	(14,726)	2,363,975
Movement in policyholders' liabilities	90,035,796	4,098,076	(42,420)	(16,565)	-	94,074,887
Transfers to and from shareholders' fund						
- Surplus appropriated to shareholders' fund	(1,708,777)	(29,490)	-	-	-	(1,738,267)
- Capital returned to shareholders' fund	-	-	-	(1,100,000)	-	(1,100,000)
- Capital contributions from shareholders' fund	-	-	-	-	-	-
Balance of statutory fund at beginning of the year	762,902,122	14,838,464	365,306	2,021,262	85,513	780,212,667
Balance of statutory fund at end of the year	852,937,913	18,936,540	314,328	1,553,694	70,787	873,813,262

39.2 Segmental results by line of business

Income	Statutory Funds: Pakistan Life Fund	Overseas Life Fund	Pension Fund	Accidental and Health Insurance Fund	Family Takaful	Aggregate 2019
	Rs in '000					
Gross premium						
- First year	12,724,862	182,303	-	-	-	12,907,165
- Second year	12,603,005	345,710	-	-	-	12,948,715
- Subsequent year renewal	76,587,370	1,749,595	-	-	-	78,336,965
Group policies with cash value	-	-	45,125	-	-	45,125
Group policies without cash value	4,599,291	-	-	9,713,290	-	14,312,581
Less experience premium refund	(865,921)	-	-	(4,907,875)	-	(5,773,796)
Total gross premiums	105,648,607	2,277,608	45,125	4,805,415	-	112,776,755
Less: reinsurance premiums ceded						
On individual life first year business	(29,116)	(1,886)	-	-	-	(31,002)
On individual life second year business	(33,704)	-	-	-	-	(33,704)
On individual life renewal business	(121,313)	(43,560)	-	-	-	(164,873)
On group policies	(83,927)	-	-	-	-	(83,927)
Experience premium refund	105,411	3,662	-	-	-	109,073
	(162,649)	(41,784)	-	-	-	(204,433)
Net Premiums	105,485,958	2,235,824	45,125	4,805,415	-	112,572,322
Rental income from investment property	568,241	-	-	-	-	568,241
Net investment income	90,679,467	3,409,597	40,950	726,924	13,759	94,870,697
Total net income	196,733,666	5,645,421	86,075	5,532,339	13,759	208,011,260
Insurance benefits and expenditures						
Claims, including bonuses, net of reinsurance recoveries	51,470,221	1,960,000	34,049	3,584,494	-	57,048,764
Management expenses less recoveries	25,796,244	469,945	374	754,186	25,503	27,046,252
Total insurance benefits and expenditures	77,266,465	2,429,945	34,423	4,338,680	25,503	84,095,016
Excess of income over insurance benefits	119,467,201	3,215,476	51,652	1,193,659	(11,744)	123,916,244
Add : Policyholder liabilities at the beginning of year	820,075,953	15,845,391	185,778	22,443	-	836,129,565
Less : Policyholder liabilities at the end of period	(934,618,503)	(18,611,913)	(177,692)	(51,518)	-	(953,459,626)
Surplus/(deficit) before tax	4,924,651	448,954	59,738	1,164,584	(11,744)	6,586,183

Segmental results by line of business	Statutory Funds					Aggregate
Income	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Accidental and Health Insurance Fund	Family Takaful	2018
	-- Rs in '000					
Gross premium						
- First year	18,829,752	132,886	-	-	-	18,962,638
- Second year	14,196,998	230,159	-	-	-	14,427,157
- Subsequent year renewal	70,376,618	1,372,232	-	-	-	71,748,850
Group policies with cash value	-	-	31,344	-	-	31,344
Group policies without cash value	4,637,289	-	-	5,430,900	-	10,068,189
Less experience premium refund	(1,439,335)	-	-	(1,442,342)	-	(2,881,677)
Total gross premiums	106,601,322	1,735,277	31,344	3,988,558	-	112,356,501
Less: reinsurance premiums ceded						
On individual life first year business	(43,217)	(1,502)	-	-	-	(44,719)
On individual life second year business	(30,513)	-	-	-	-	(30,513)
On individual life renewal business	(108,501)	(39,086)	-	-	-	(147,587)
On group policies	(101,012)	-	-	-	-	(101,012)
Experience premium refund	78,258	12,562	-	-	-	90,820
	(204,985)	(28,026)	-	-	-	(233,011)
Net Premiums	106,396,337	1,707,251	31,344	3,988,558	-	112,123,490
Rental income from investment property	536,165	-	-	-	-	536,165
Net investment income	64,476,997	4,693,749	24,702	223,261	6,028	69,424,737
Total net income	171,409,499	6,401,000	56,046	4,211,819	6,028	182,084,392
Insurance benefits and expenditures						
Claims, including bonuses, net of reinsurance recoveries	45,184,154	1,851,906	105,471	3,107,949	-	50,249,480
Management expenses less recoveries	34,480,777	421,528	1,553	471,438	20,754	35,396,050
Total insurance benefits and expenditures	79,664,931	2,273,434	107,024	3,579,387	20,754	85,645,530
Excess of income over insurance benefits	91,744,568	4,127,566	(50,978)	632,432	(14,726)	96,438,862
Add : Policyholder liabilities at the beginning of year	730,040,156	11,747,315	228,198	39,008	-	742,054,677
Less : Policyholder liabilities at the end of period	(820,075,952)	(15,845,391)	(185,778)	(22,443)	-	(836,129,564)
Surplus/(deficit) before tax	1,708,772	29,490	(8,558)	648,997	(14,726)	2,363,975

39.3 Segment information for general insurance business

The class wise revenues and results are as follows:

2019	Fire and property damage	Marine, aviation and transport	Motor	Accidental and health	Bond	Miscellaneous	Total
	---------- Rs in '000 ----------						
Premium receivable (inclusive of federal excise duty, federal insurance fee and administrative surcharge)	37,995	26,711	35,326	10,387	406	19,648	130,473
Less: Federal excise duty	(4,596)	(2,755)	(3,870)	-	(46)	(2,376)	(13,643)
Federal insurance fee	(327)	(227)	(288)	(2)	(4)	(164)	(1,012)
Others	(47)	(644)	(188)	(7)	(4)	(77)	(967)
Gross written premium (inclusive of administrative surcharge)	33,025	23,085	30,980	10,378	352	17,031	114,851
Gross direct premium	32,010	22,087	27,856	10,376	339	16,096	108,764
Facultative inward premium	465	419	2,166	-	-	661	3,711
Administrative surcharge	550	579	958	2	13	274	2,376
	33,025	23,085	30,980	10,378	352	17,031	114,851
Insurance premium earned	27,419	19,721	25,508	10,130	936	16,313	100,027
Insurance premium ceded to reinsurers	(22,922)	(7,783)	(3,121)	-	(766)	(5,238)	(39,830)
Net insurance premium	4,497	11,938	22,387	10,130	170	11,075	60,197
Commission income	392	(7)	68	-	219	337	1,009
Net underwriting income	4,889	11,931	22,455	10,130	389	11,412	61,206
Insurance claims	31,121	6,068	(11,038)	(8,924)	-	(1,384)	15,843
Insurance claims recovered from reinsurer	(19,519)	(1,126)	2,226	-	-	(120)	(18,539)
Net claims	11,602	4,942	(8,812)	(8,924)	-	(1,504)	(2,696)

The class wise revenues and results are as follows:

2019	Fire and property damage	Marine, aviation and transport	Motor	Accidental and health	Bond	Miscellaneous	Total
	Rs in '000						
Commission expense	(6,256)	(2,773)	(2,900)	(507)	(296)	(2,890)	(15,622)
Management expense	(26,535)	(18,548)	(24,892)	(8,339)	(283)	(13,684)	(92,281)
Premium deficiency expense	2,134	(4,294)	(3,654)	(590)	687	(935)	(6,652)
Net insurance claims and expenses	(19,055)	(20,673)	(40,258)	(18,360)	108	(19,013)	(117,251)
Underwriting result	(14,166)	(8,742)	(17,803)	(8,230)	497	(7,601)	(56,045)
Net investment income							43,277
Rental income							-
Other income							24,836
Other expenses							(3,693)
Profit before tax							8,375
Segment assets	65,749	43,004	52,153	14,565	502	29,677	205,650
Unallocated assets							903,333
	65,749	43,004	52,153	14,565	502	29,677	1,108,983
Segment liabilities	204,530	19,453	44,055	14,124	8,209	15,139	305,510
Unallocated liabilities							100,938
	204,530	19,453	44,055	14,124	8,209	15,139	406,448

2018	Fire and property damage	Marine, aviation and transport	Motor	Accidental and health	Bond	Miscellaneous	Total
	Rs in '000						
Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	30,660	13,446	22,878	8,807	4,233	14,400	94,423
Less: Federal Excise Duty / Sales Tax	3,146	1,280	2,688	-	502	1,804	9,420
Federal Insurance Fee	220	114	194	3	37	119	686
Others	51	574	128	12	24	53	842
Gross written premium (inclusive of Administrative Surcharge)	27,243	11,477	19,867	8,792	3,670	12,424	83,474

2018	Fire and property damage	Marine, aviation and transport	Motor	Accidental and health	Bond	Miscellaneous	Total
	Rs in '000						
Gross direct premium	26,804	10,999	19,185	8,790	3,567	12,205	81,550
Facultative inward premium	-	-	-	-	-	-	-
Administrative surcharge	439	478	683	2	103	219	1,924
	27,243	11,477	19,867	8,792	3,670	12,424	83,474
Insurance premium earned	36,898	12,823	20,140	8,703	4,237	10,783	93,585
Insurance premium ceded to reinsurers	(25,524)	(10,704)	(3,611)	-	(1,703)	(4,624)	(46,166)
Net insurance premium	11,374	2,120	16,528	8,703	2,535	6,159	47,419
Commission income	2,930	136	26	-	491	409	3,993
Net underwriting income	14,304	2,256	16,554	8,703	3,026	6,568	51,412
Insurance claims	(21,297)	(4,374)	(5,543)	(8,877)	(6,425)	738	(45,778)
Insurance claims recovered from reinsurer	(10,163)	(4,810)	5,570	-	3,855	5,302	(246)
Net claims	(31,460)	(9,184)	27	(8,877)	(10,280)	6,040	(46,024)
Commission expense	(7,283)	(2,613)	(2,468)	(435)	(636)	(1,603)	(15,038)
Management expense	(29,805)	(12,557)	(21,735)	(9,619)	(4,015)	(13,592)	(91,323)
Premium deficiency expense	8,149	(325)	(3,254)	(863)	554	(815)	3,445
Net Insurance Claims and expenses	(60,399)	(24,679)	(27,430)	(19,794)	(14,378)	(9,970)	(148,939)
Underwriting result	(46,094)	(22,423)	(10,876)	(11,090)	(11,352)	(3,402)	(97,527)
Net investment income							43,777
Other income							4,362
Other expenses							(4,077)
(Loss)/Profit before tax							(53,466)
Segment assets	101,466	39,613	67,007	25,025	12,702	44,138	289,951
Unallocated assets							926,118
	101,466	39,613	67,007	25,025	12,702	44,138	1,216,069
Segment liabilities	318,396	23,331	35,964	16,899	10,888	18,397	423,874
Unallocated liabilities							86,594
	318,396	23,331	35,964	16,899	10,888	18,397	510,467

39.4 Segment Statement of financial position	Statutory Funds	Shareholders Fund	2019	Statutory Funds	Shareholders Fund	2018
	Rs in '000					
Property and equipment	952,710	-	952,710	885,289	-	885,289
Investment property	3,375,165	-	3,375,165	3,199,448	-	3,199,448
Investments	775,270,018	2,949,542	778,219,560	735,599,864	3,455,701	739,055,565
Loans secured against life insurance policies	111,873,885	-	111,873,885	93,313,445	-	93,313,445
Insurance / reinsurance receivables	26,363,873	-	26,363,873	21,857,380	-	21,857,380
Loans and other receivables	42,674,251	34,394	42,708,645	32,967,058	1,850,328	34,817,386
Taxation - payments less provision	3,945,262	-	3,945,262	4,157,664	(136,086)	4,021,578
Prepayments	79,369	-	79,369	413,913	-	413,913
Reinsurance recoveries against outstanding claims	118,466	-	118,466	211,644	-	211,644
Salvage recoveries accrued	8		8	8	-	8
Deferred commission expense/acquisition cost	10,889		10,889	5,296	-	5,296
Cash & Bank	92,001,704	62	92,001,766	33,329,489	226	33,329,715
Total assets	1,056,665,600	2,983,998	1,059,649,598	925,940,498	5,170,169	931,110,667
Insurance liabilities net of reinsurance recoveries	1,016,987,357	-	1,016,987,357	891,148,453	-	891,148,453
Retirement benefit obligations	4,721,750	-	4,721,750	6,342,368	-	6,342,368
Deferred capital grant	44,714	-	44,714	14,025	-	14,025
Premium received in advance	10,637,312	-	10,637,312	8,086,315	-	8,086,315
Insurance / reinsurance payables	504,729	-	504,729	509,450	-	509,450
Deferred tax	-	630,386	630,386	-	471,294	471,294
Other creditors and accruals	18,663,081	-	18,663,081	17,826,569	549,510	18,376,079
Total Liabilities	1,051,558,943	630,386	1,052,189,329	923,927,180	1,020,804	924,947,984

40 MOVEMENT IN INVESTMENTS

	Held to Maturity	Fair Value Through Profit and loss Account	Total
	Rs in '000		
At beginning of previous year	643,120,670	95,934,895	739,055,565
Additions	189,536,097	171,210	189,707,307
Disposals (sale and redemptions)	(156,880,915)	(1,700)	(156,882,615)
Amortization of premium	2,629,000	-	2,629,000
Provision created during the year	-	(45,637)	(45,637)
Unrealised fair value gain	-	3,764,381	3,764,381
Impairment loss	-	(8,441)	(8,441)
	678,404,852	99,814,708	778,219,560

41 MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

41.1 Insurance Risk

41.1.1 Insurance contracts - classification

The Group maintains five statutory funds which are as follows:
- Pakistan Life Fund
- Overseas Life Fund
- Pension Fund
- Accidental and Health Insurance Fund
- Family Takaful Fund (Not operational)

Within the Pakistan Life Fund the business can be further classified as individual life conventional business, Group insurance business and a small amount of annuity business.

Most of the new individual life conventional policies written by the Group contain a Discretionary Participation Feature (DPF).

The Overseas Life Fund entirely consists of individual life conventional business. Most of the new business written under the overseas life fund contains a DPF.

The Pension Fund consists of funds administered under Group Pension Deposit Administration contracts.

The Accident and Health Insurance Fund consists of Group Health and Accident Insurance Contracts.

Family Takaful Fund is not operational at the reporting date. Management intends to commence operations of FTF in the ensuing year.

Considering all the five statutory funds together, the bulk of Group business consists of individual life conventional policies. Most of the remaining business consists of Group life insurance business. Group Health is a relatively new venture of the Group which started in 2012 and has yet to register any significant growth. The Group also offers some supplementary benefits attached in the form of riders to the individual life policies and the Group life contracts. Each of these classes of business are described in greater detail below.

41.1.2 Contract details and measurement

The insurance contracts offered by the Group are described below:

41.1.2.1 Individual life policies

Individual life conventional products

These are long term contracts with either level or single premiums. These plans generally provide death benefit on death during the tenure of the policy and a survival benefit either on the happening of certain contingencies or on the maturity of the policy. The premiums are payable only in the life time of the policyholder. In case of term insurance products there is no survival benefit.

Universal life policies

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

Term insurance policies

A few products of the Group are term insurance plans providing benefits only in case of death. Under these policies no benefit is due if the policy holder survives the duration of the policy. The Group sells both level term insurances and decreasing term insurances also known as mortgage protection plans.

Annuities

The Group also has a small number of individual and Group life-annuities on its books. Under these contracts a periodic income benefit is payable to the insured life for as long as annuitant is alive. Besides, the Group offers annuity-certain plans under which periodic income benefit is payable for a stipulated period and is not dependent on the life of the policyholder.

Supplementary riders

The Group offers various types of supplementary riders. Some of these riders offer additional life coverage, in some cases they offer accidental death and disability benefits. The benefits can take various forms such as lump sum payment or an income benefit or waiver of premiums due under the host policy contract.

Insured event

Under the individual life insurance policies in most cases the insured event is either death or survival until the maturity date of the policy, except in case of term insurance where there is no maturity benefit. Under the annuity policies the Group is exposed to the risk of longevity. In this case the insured event is survival of the life insured for a long duration, exceeding the period normally expected under standard mortality tables.

In case of supplementary rider the insured event is either death or just accidental death or disability whether accidental or natural or both.

Distribution channel

The individual life business of the Group is sold through its dedicated sales force which is present all over the country. This field force is organised under a three tier system consisting of sales representatives, sales officers and sales managers. Each sales sector headed by a sector head is further Grouped over 1000 area offices, more than 1,200 sector offices, 33 zones and 7 regional offices in addition to one zone for the Gulf Region. The Gulf zone has its own marketing team of sector heads, area managers and sales force.

The individual life policy holders of the Group come from all strata of society, with greater representation of the rural areas due to wider outreach of its field force. New policyholders have an average age of around 34 years.

41.1.2.2 Group life policies

Basic coverage

The Group life policies are generally one year renewable term insurance contracts. In most cases they provide Group coverage to the employees of an employer. Some times the coverage is tied up with loans extended by the employer for house building or purchase of motor vehicles or other household items. In some cases Group policies are issued to lending agencies such as banks to provide Group coverage to their borrowers. There are also a small number of Group endowment policies which provide benefits identical to individual life policies but under the umbrella of a Group contract.

Supplementary coverage

In many cases the Group policies also provide supplementary coverage which may include accidental or natural disability benefits and additional accidental death benefit. These riders also take the form of one year renewable term insurance policies.

Insured event

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

Distribution channel

The Group insurance business is sold through four Group and pension zones of the Group. Each zone has its own marketing force consisting of sector heads who are full time salaried employees of the Group, however, some of the Group business is also procured through individual life field force of the Group.

Most of the lives covered under the Group insurance consist of industrial and office workers, civil servants and employees of Groups, banks, other financial institutions, armed forces etc.

41.1.2.3 Pension business

The pension portfolio of the Group consists of Group deposit administration pension contracts. These are long-term contracts providing pension benefits to the employees of the policyholder. Under these contracts, the Group does not retain any insurance risk apart from a nominal investment return guarantee. The services offered by the Group include benefit administration, funding advice and investment of the funds.

These contracts do not transfer any significant insurance risk from the policyholders to the Group. These are therefore by nature similar to investment contracts.

The distribution channel employed for the pension business is the same as for the Group insurance business.

The target market for this business is also similar to the target market for Group insurance business.

41.1.2.4 Group Health Business

In 2012, the Group entered the Health Insurance Market by signing an agreement with the Benazir Income Support Programme (BISP) authorities for providing Health Insurance to the beneficiaries enrolled under BISP Waseela-e-Sehat Programme. This contract terminated on June 30, 2015. However, settlement of the Equalisation Reserve Fund (ERF) balance is still pending. Consequently, a provision for this has been kept in the Actuarial Reserves.

In the year 2015, the Group entered into two other agreements, namely Prime Minister's National Health Insurance Scheme (PMNHIS) and KPK Micro Health Insurance Scheme. However, no health cards were issued under either scheme in 2015. Therefore, no specific liability was kept for these contracts.

Insured event

The PMNHIS and the KPK schemes are aimed at providing the underprivileged sector of the society the access to health care to cope with a variety of health shocks. The schemes provide in-patient health insurance facilities to enrolled families, subject to Rupee limits prescribed under the respective agreements.

41.1.3 Reserving method

41.1.3.1 Individual life policies

The Group values its individual life policy liabilities by a modified net level premium method. Under this method the Group's future obligations in respect of guaranteed sums assured and declared bonuses are discounted using a conservative interest basis. The policy liabilities are calculated by deducting from this amount the discounted value of future net premiums receivable under the valued policies, using a conservative basis for calculating the net premiums.

41.1.3.2 Universal life policies

For universal life policies the amount of reserve is equal to the actual accumulated value of the portion of premiums invested in the Pakistan Life Fund after accounting for the investment return allocated to these policies.

41.1.3.3 Group life policies

Group life business consists of short duration one year renewable term insurance policies. Besides, it contains a two year life insurance scheme for emigrants. It is the Group's policy to record only the earned premium in the revenue account. The Group holds reserve for claims incurred but not reported up to the valuation date and provision for experience refunds where applicable.

The Group also holds a premium deficiency reserve for this block of business. This reserve is calculated on the basis of the unearned premium reserve. The amount of this reserve reflects the view of the Appointed Actuary regarding the eventual loss ratio expected under Group insurance contracts.

41.1.3.4 Supplementary riders

For the supplementary riders attached to individual life policies the Group holds a reserve equal to one full year's premium due under these policies. On the other hand, the supplementary riders attached to the Group life policies are valued in the same way as the Group life policies themselves.

41.1.3.5 Pension plans

The Group holds a reserve equal to the market value of the assets backing the pension business statutory fund. Classification of the Government bonds held by this statutory fund as Held to Maturity means that they are valued on an IRR basis, which is currently less than their market value.

41.1.3.6 Reserves for outstanding claims

The Group holds a reserve for all claims which have been reported but are still outstanding at the reporting date. Another estimated reserve is kept within the actuarial liability for claims which have been incurred but have not yet been reported. The pattern of time lag in reporting of claims observed in previous years is used as a means of estimating as accurately as possible the liability expected to arise from the incurred but not reported claims using the chain ladder method of estimation.

41.1.3.7 Liability adequacy test

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

41.1.3.8 Reinsurance contracts held

The Group reinsures its Pakistan business under a surplus treaty arrangement. Under this arrangement any insurance risk on a particular life which exceeds the retention is automatically ceded to the reinsurer. The retention level is fixed by the Group at a level which it considers optimum and safe.

There is a similar surplus treaty arrangement for reinsurance of the Group's Gulf business. The retention level of the Gulf business is fixed by the Group which it deems to be safe for that business.

Under both these treaties the re-insurer is not under an obligation to reinsure certain high sum assured cases which exceed the obligatory limit of the reinsurer as specified in the respective treaty. Such cases are reinsured by the Group on a facultative basis.

The reinsurers of the Group are highly rated companies with a sound credit record.

Primarily, reinsurance assets are amounts due from reinsurers with respect to recoveries under claims and profit commission. Reinsurance recoveries are measured according to the terms and conditions of the reinsurance contracts.

Reinsurance liabilities consist of amounts due to reinsurers on account of reinsurance premiums due which are measured according to the terms of the arrangements.

The Group assesses impairment on its reinsurance assets on a regular basis to identify any losses in recoveries. As of now, the Group's all reinsurance assets are due from re-insurers with a credit rating of "A or above". The reinsurers maintain a sound credit history and hence no impairment provision is required.

41.1.4 Accounting estimates and judgments and process used for deciding assumptions

41.1.4.1 Mortality and disability

Due to nature of its business the Group is exposed to the risk of mortality. The reserving basis utilizes a conservative estimate of mortality. The Group carries out a continuous mortality investigation of its individual life and Group life business to assess the actual level of mortality experienced by it. The result of this study utilized to ascertain the safety margin built into its reserving basis and the mortality level to be utilized for testing the adequacy of its liability.

The Group also has a small exposure to disability risk covered by some of its supplementary contracts. The Group constantly monitors its disability experience and an investigation is carried out whenever it feels that there is an adequate data for arriving at credible results.

41.1.4.2 Investment income

Due to the long term nature of its individual life policies the Group is exposed to the risk of adverse fluctuations in interest rates. In particular a long term declining trend in the interest rates can produce a financial strain for the Group. To some extent this risk is mitigated by the Group's policy to match the duration of its assets with the duration of its liabilities, whenever this is possible. The reserving basis employed by the Group for valuing its liabilities contains adequate safeguards to counter any residual interest rate risk.

The past trend in returns available on Government bonds and the relationship of these returns to other financial variables such as inflation rate and short term interest rates is constantly analysed to form an opinion regarding the investment returns expected to be earned in the future on a medium term and long term basis. These estimates are utilized in testing the adequacy of liabilities on a realistic basis.

41.1.4.3 Expenses

The Group is also exposed to the risk of management expenses being beyond the permissible limits or increase in expenses at a pace faster than expected. The Group carries out an annual expense analysis to keep track of its expenses. The result of this study is utilized in the estimation of liability under realistic assumptions to ensure the adequacy of the reserves being held.

41.1.5 Frequency and severity of claims

41.1.5.1 Frequency

Since the Group covers a large number of lives from diverse backgrounds, which are geographically spread all over the country, the frequency of claims is normally expected to remain relatively stable over time due to the law of large numbers. However, the frequency can be affected in case there is a variation in the mortality rates experienced by the Group of lives insured by the Group. An unusual catastrophic event such as a disease epidemic, flash floods or a major earthquake can produce a sudden spike in the frequency.

41.1.5.2 Severity

To some extent the Group is protected from isolated large claims because the liability for any claim exceeding its retention level is automatically passed on to the reinsurer under the existing treaty arrangements. However, there is also the risk of a large number of small claims occurring due to a catastrophic event. Exposure to catastrophic events is also dependent upon the concentration of risk.

The Group is represented by 33 zones which are spread out all over the country. However, as the population of the country is concentrated more in the Punjab and Sindh provinces, the business distribution of the Group naturally reflects the same pattern. Nearly 88 % of the Group's business emanates from these two provinces.

In addition, there is also some concentration of risk due to the nature of Group business. These policies are typically issued to an employer for coverage of all the persons in their employment. Normally, the employees of an employer are distributed over one or more establishments maintained by the employer's business. This produces local concentration of risk wherever such establishments happen to exist. Furthermore, a large number of such establishments can exist in a small geographical area such as an industrial zone or the business district of a major city.

41.1.6 Sources of uncertainty in estimation of future benefit payments and premium receipts

There are many theoretical reasons giving rise to uncertainty in estimation of future benefit payments and premium receipts.

Generally, mortality rates for a large segment of the population are quite stable from year to year but mortality is dependent upon a number of factors. Unhygienic living conditions, inadequate health care facilities, prevalence of general stress in society or emergence of epidemic disease are some socio-economic reasons which may give rise to an adverse trend in mortality rates.

Life insurance also serves as a channel for savings. However, in times of economic recession the savings rate can fall. This can reflect upon the Group in the form of lower new business growth and higher lapse rates of existing policies.

41.1.7 Management of insurance risk

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

The Group's strategy for management of insurance risk meets the minimum standards laid down by the law in addition to certain other practices which are specified by the Group.

41.1.7.1 Financial risk

a) Interest risk

The Group values its liabilities at the rate of 3.75% per annum, which is a requirement prescribed by the SECP. However, the actual return earned by the Group is much more than this. This large gap between the valuation discount rate and the market rate ensures that there is an adequate margin for the Group to absorb any impact of adverse fluctuation in the interest rates.

As a further security mechanism all the guaranteed liabilities of the Group are fully backed by the combined value of cash in hand, Government bonds and policy loans. The first two of these asset classes are by definition risk free. Also the policy loans are fully backed by the cash values of the underlying policies. Hence this asset class also does not carry any default risk.

The practice of valuing the assets Held to Maturity by the IRR method precludes any possibility of sudden changes in the investment return for which credit is taken in the accounts. This stability in the returns add another layer of security against interest risk.

b) Expense risk

Expense risk is the risk that the actual expenses of the Group will exceed the expense margins built in the premium rates. To cover this risk, a specific provision is kept in the actuarial reserves.

c) Mortality risk

The mortality used in the reserving basis is the mortality prescribed by the SECP, which is the SLIC 2001-2005 table. Due to advancement in health care technology the current mortality levels are lower than the mortality rates of this table. Hence, the reserving basis has adequate margins for absorbing the impact of adverse fluctuation in mortality.

d) Surrenders risk

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

e) Inflation risk

To a certain extent some inflation risk is already built into the reserving basis, since the average premium size and the average sum assured per policy tends to increase in line with inflation. Also at each actuarial valuation date the Appointed Actuary reviews the special provisions required to be kept as described under the heading Expense risk, keeping in view the expense level of the Group on the valuation date. This provides a mechanism of adjusting for any unanticipated movements in the inflation rate.

f) Catastrophe risk

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

The situation is a bit different on the Group insurance side where there is a higher concentration of risk because by its very nature this business often covers a large number of persons located within a restricted geographical area, such as a building or a factory premises.

This risk is mitigated to an extent due to the presence of reinsurance cover for the individual and Group policies. In addition the premium rates of the Group are designed to adequately cater for this risk. Premium deficiency reserve held by the Group for its Group business provides an extra layer of security against this risk.

g) Currency risk

The Group deals in only one currency within Pakistan. Hence, this risk is non-existent for the Pakistan Life Fund.

In case of the Gulf business the Group writes business in UAE Dirhams and US Dollars. The exchange rate parity between these two currencies is relatively stable. Also, there is a high degree of matching between the assets and liabilities in these two currencies.

The effect of fluctuation of currency risk upto 10% on the net assets to the revenue account will be as follows:

	UAE Dirhams	US Dollars
December 31, 2019		
10% increase	**625,718**	**1,581,939**
10% decrease	**625,718**	**1,581,939**
December 31, 2018		
10% increase	476,457	1,482,020
10% decrease	(476,457)	(1,482,020)

41.1.7.2 Credit risk and asset risk

Management of credit risk and asset risk deals with risks emanating from the assets side of the balance sheet. Management of this risk has already been adequately explained under the heading "Financial risk management objectives and policies". Hence, no further explanation is deemed to be necessary.

41.1.7.3 Operational risk or pricing risk

The Group utilizes industry recognized underwriting practices to ensure that only standard risks are written on standard rates. Any sub standard risks identified during the underwriting process are charged suitable extra premiums. This ensures fair and equitable treatment between various risk categories and helps in keeping its standard rates competitive by the insurance industry standards.

This practice also protects the Group against the risk of large number of sub-standard impaired lives accumulating on its policy portfolio, since extra premium automatically charged to commensurates with such risk.

For lives which are otherwise uninsurable, the Group offers a special product line known as the non-declinature scheme. Individuals who are unable to obtain insurance cover due to their poor state of health can choose to obtain cover under this scheme, which bypasses normal underwriting in return for a suitable extra premium and waiting period.

41.1.8 Sensitivity analysis

Mortality rates and the discounting factor are the two most significant variables which can have an impact on the policyholder liabilities. The Group has tested the sensitivity of its liabilities to both these variables which is as follows:

Variable	Quantum of Change	% change in liability
Increase in mortality	10%	0.12%
Decrease in mortality	10%	-0.12%
Increase in discount rate	0.5% addition in rate	-4.16%
Decrease in discount rate	0.5% reduction in rate	4.38%

According to the Life Insurance (Nationalization) Order, 1972, any increase or decrease in the actuarial surplus is shared by the policyholders and the Government as the sole shareholder in the ratio of 97.5% and 2.5% respectively.

41.2 Financial risk

The Group is exposed to variety of financial risks: market risk (comprising interest rate risk, currency risk, and other price risk), credit risk and liquidity risk in relation to the financial statements on its balance sheet. The Group's risk management program is geared to ensure the survival of the Group as a going concern in the face of all sources of significant identifiable financial risks. It focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Board of Directors has the overall responsibility for establishment and oversight of the Group's risk management framework and is responsible for developing risk management policies and its monitoring.

41.2.1 Interest rate risk

		2019						
		Interest / Markup bearing			Non-interest / Non-markup bearing			
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
	Note	(Rupees in '000)						
Financial Assets								
Investments								
Equity securities	8	-	-	-	91,827,187	-	91,827,187	91,827,187
Government securities	10	86,794,551	588,567,904	675,362,455	-	-	-	675,362,455
Debt securities	11	-	-	3,042,398	-	-	-	3,042,398
Mutual funds	9	-	-	-	7,987,521	-	7,987,521	7,987,521
Loans secured against life insurance policies		12,617,280	99,256,605	111,873,885	-	-	-	111,873,885
Insurance / reinsurance receivables	12	-	-	-	25,941,477	422,396	26,363,873	26,363,873
Loans and other receivables	13	-	-	-	42,708,645	-	42,708,645	42,708,645
Cash & bank	15	-	-	-	92,001,766	-	92,001,766	92,001,766
As at December 31, 2019		99,411,831	687,824,509	790,278,738	260,466,596	422,396	260,888,992	1,051,167,730
Financial Liabilities								
Insurance liabilities	17	-	-	-	23,153,121	993,834,236	1,016,987,357	1,016,987,357
Premium received in advance		-	-	-	10,637,312	-	10,637,312	10,637,312
Insurance / reinsurance payables	20	-	-	-	-	504,729	504,729	504,729
Other creditors and accruals	21	-	-	-	18,663,081	-	18,663,081	18,663,081
As at December 31, 2019		-	-	-	52,453,514	994,338,965	1,046,792,479	1,046,792,479
Off Balance Sheet Financial Instrument								
As at December 31, 2019		99,411,831	687,824,509	790,278,738	208,013,082	(993,916,569)	(785,903,487)	4,375,251

		2018						
		Interest / Markup bearing			Non-interest / Non-markup bearing			
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
	Note	(Rupees in '000)						
Financial Assets								
Investments								
Equity securities	8	-	-	-	88,082,263	-	88,082,263	88,082,263
Government securities	10	122,399,195	517,097,557	639,496,752	-	-	-	639,496,752
Debt securities	11	-	-	3,623,918	-	-	-	3,623,918
Mutual funds	9	-	-	-	7,852,632	-	7,852,632	7,852,632
Loans secured against life insurance policies		21,144,355	72,169,090	93,313,445	-	-	-	93,313,445
Insurance / reinsurance receivables	12	-	-	-	-	-	21,857,380	21,857,380
Other loans and receivables	13	-	-	-	34,817,386	-	34,817,386	34,817,386
Cash and Bank	15	-	-	-	33,329,715	-	33,329,715	33,329,715
As at December 31, 2018		143,543,550	589,266,647	736,434,115	164,081,996	-	185,939,376	922,373,491
Financial Liabilities								
Insurance liabilities	17	-	-	-	-	-	891,148,453	891,148,453
Premium received in advance		-	-	-	8,086,315	-	8,086,315	8,086,315
Insurance / reinsurance payables	20	-	-	-	509,450		509,450	509,450
Other creditors and accruals	21	-	-	-	18,376,079	-	18,376,079	18,376,079
As at December 31, 2018		-	-	-	26,971,844	-	918,120,297	918,120,297
Off Balance Sheet Financial Instruments								
As at December 31, 2018		143,543,550	589,266,647	736,434,115	137,110,152	-	(732,180,921)	4,253,194

41.2.2 Market risk

Market risk is the risk of adverse financial impact as a consequence of market movements of prices of financial instruments and securities. Such price movements can arise due to variation of market interest rates, currency exchange rates, industry profitability and other economic factors.

The Group's investments are primarily in long term Government bonds. In addition, the Group also has a significant exposure to the equity market and invests some funds in corporate term finance certificates. Funds awaiting long term investment are kept in short duration fixed deposits with banks.

41.2.3 Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk since it issues insurance policies which are long term in nature. These policies are essentially backed by long term Government bonds and cash at bank.

It is the policy of the Group to match the average duration of its investments in Government bonds with the average duration of its policyholders liabilities as much as possible but this is not always possible due to market limitations. This is because sufficient quantities of the Government bonds of longer duration are not available in the market. As a result some mismatch in the average duration of the Group's liabilities and assets is possible.

Interest rate risk exposures from options and guarantees embedded in insurance liabilities

The Group’s deposit administration pension contracts have certain guarantees that transfer interest rate risk to the Group. These guarantees include a minimum guaranteed investment return of 0.375% per month on the pension funds being managed by the Group. The pension liabilities of the Group are a very insignificant proportion of overall liabilities of the Group and historically investment return earned on the assets backing these liabilities has never been below the amount of the guaranteed return.

41.2.4 Currency risk

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. This risk arises if there is a currency mismatch between the assets and liabilities.

All assets and liabilities of the Group within Pakistan are in Pakistan rupees. This business is therefore not exposed to any currency risk.

The Group’s Overseas Life Fund undertakes business in US Dollars and UAE Dirhams. It is policy of the Group to ensure the maximum possible currency matching between its assets and liabilities in each currency. Historically, UAE Dirham has remained pegged to US Dollar, hence any inadvertent mismatch between these two currencies is not expected to entail any significant currency risk.

Carrying amounts of the Group’s foreign currency denominated assets, liabilities and reserves are as follows:

	2019		2018	
	UAE Dirhams	**US Dollars**	UAE Dirhams	US Dollars
	000’		000’	
Assets	**161,012**	**121,655**	150,192	116,663
Liabilities	**12,585**	**19,494**	8,892	17,980
Reserves	**148,427**	**102,161**	159,084	134,643

41.2.5 Other price risk

Other price risk is the risk that equity prices can fluctuate due to speculative investment activity, variations in the profit outlook of industries, interest rates prevailing in the market and general market sentiment, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's listed securities are exposed to market price risk arising from uncertainties about the future value of investment securities. The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity. In addition, the Group actively monitors the key factors that affect stock market.

41.2.6 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the Group. The key areas of exposure to credit risk for the Group are in relation to its investment portfolio, reinsurance program and to a lesser extent amounts due from policyholders and intermediaries.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent to investment grade and above.

This information is supplied by independent rating agencies where available and if not available the Group uses other publicly available financial information and its own trading records to rate its major policyholders and reinsurers. The Group's exposure and credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Receivables consist of a large number of policyholders, spread across diverse industries and geographical areas. The Group extends policy loans to its policyholders. These loans are entirely backed by the cash values of their policies.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties. Concentration of credit did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings. The Group does not invest in derivative financial instruments.

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

	Note	2019	2018
		----------- Rupees in '000 -----------	
Bank deposits		**91,732,629**	32,974,237
Loans		**112,909,320**	94,299,160
Investments		**778,219,560**	3,623,918
Insurance / reinsurance receivables	12	**26,363,873**	21,857,380
Other receivables		**39,077,648**	863,481
Total		**1,048,303,030**	153,618,176

Provision is made for receivables against premium due but unpaid in accordance with the Group's policies. The remaining past due balances were not impaired as they relate to a number of policyholders from whom there is no history of default.

	2019	2018
The age analysis of insurance/reinsurance receivable:	----------- Rupees in '000 -----------	
Up to 1 year	**26,027,747**	21,538,723

Subsequent years premium falling due under the policy are recognized if received before expiry of the grace period, or if advanced by the Group under the Automatic Non-forfeiture provisions. However, premiums due in the month of December but not received are recognized if the grace period is to expire after the next 1st January. Hence the age of outstanding premium is always less than one year.

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

Bank Name	Long Term	Short Term	Rating Agency	2019	2018
				(Rupees in '000)	
Allied Bank Ltd	AAA	A1+	PACRA	**1,512**	2,392
Bank Al-Habib Ltd	AA+	A1+	PACRA	**-**	-
Bank Al-Falah Ltd	AA+	A1+	JCR-VIS	**941,282**	4,243
Dubai Islamic Bank	AA	A1+	JCR-VIS	**129,363**	5,326
Faysal Bank Ltd	AA	A1+	JCR-VIS	**-**	-
First Women Bank Ltd	A-	A2	PACRA	**7,252**	9,386
Habib Bank Ltd	AAA	A1+	JCR-VIS	**52,998,732**	7,715,282
Mcb Bank Ltd	AAA	A1+	PACRA	**161**	1,259
National Bank Of Pakistan	AAA	A1+	JCR-VIS	**40,937**	45,836
Nib Bank Ltd	AA-	A1+	JCR-VIS	**6,084**	2,551
Bank Of Punjab	AA-	A1+	PACRA	**26**	10,709
Samba Bank Ltd	AA	A1	JCR-VIS	**11,064**	5,363
Silk Bank Ltd	A-	A2	JCR-VIS	**10,176**	62,317
Sindh Bank Ltd	A+	A1	JCR-VIS	**1**	1
Soneri Bank Limited	AA-	A1+	PACRA	**93**	93
Standard Chartered Bank Ltd	AAA	A1+	PACRA	**100**	287,525
Summit Bank Ltd	-	-	JCR-VIS	**13,242**	17,045
United Bank Ltd	AAA	A1+	JCR-VIS	**37,394,987**	19,096,841
Julius Bar Bank	AA2	AA2	-	**33,965**	26,037
Al Ahli Bank Kuwait	A+	-	-	**139,026**	-
Emirates Nbd	A+	-	-	**980**	5,680,867
Bank Of Singapore	AAA	-	-	**2,426**	-
JS Bank	AA-	A-1+	PACRA	**1,220**	1,164
				-	-
				91,732,629	32,974,237

The credit quality of amount due from other insurers and reinsurers can be assessed with reference to external credit ratings as follows:

	2019	2018
	---------- Rupees in '000 ----------	
Amount due from other insurers / reinsurers		
A or above	**452,805**	447,903

41.2.7 Liquidity risk

Liquidity risk is the risk that the Group cannot meet its obligations associated with financial liabilities as they fall due.

The Group has adopted an appropriate liquidity risk management framework for the management of the Group's liquidity requirements. The Group manages liquidity risk by maintaining banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The Group is exposed to liquidity risk arising from clients on its insurance and investment contracts. The Group maintains adequate liquid reserves to meet any eventuality arising from a catastrophe.

Liquidity management ensures that the Group has sufficient access to funds necessary to cover insurance claims, surrenders, withdrawals and maturing liabilities. In practice, most of the Group's assets are marketable securities which could be converted into cash when required.

41.2.8 The fair values of all major financial assets are estimated to be not significantly different from their carrying values except for the following:

	2019	
	Carrying value	Fair value
	----------- Rupees in '000 -----------	
Government securities	**675,362,454**	**655,781,766**

	2018	
	Carrying value	Fair value
	----------- Rupees in '000 -----------	
Government securities	639,496,752	589,314,718

42 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it remains financially solvent while maintaining adequate financial strength to sustain business growth. It also complies with the minimum capital requirements of the SECP. The capital structure of the Group consists of equity attributable to the Government which is the sole shareholder of the Group and accumulated surplus.

There were no changes made to the objectives, policies and processes for managing capital.

Further details are given in the table below:

	2019	2018
	---------- Rupees in '000 ----------	
Issued, subscribed and paid-up capital	**4,300,000**	3,500,000
Ledger account C & D	**2,197,116**	1,247,689
General reserve	**1,577,850**	1,480,772
Capital contributed to statutory fund	**(650,000)**	(100,000)
Non controlling interest	**35,303**	34,222
Shareholders' equity	**7,460,269**	6,162,683

43 FAIR VALUE OF FINANCIAL INSTRUMENTS

43.1 Carrying amount versus fair value

The following table compares the carrying amounts and fair values of the Group's financial assets and financial liabilities as at December 31, 2019.

The Group considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

	As at December 31, 2019		As at December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	-------- Rupees in '000 ------		-------- Rupees in '000 ------	
Financial Assets				
- Cash and bank deposits	**92,001,766**	**92,001,766**	33,329,715	33,329,715
- Loans secured against life insurance policies	**111,873,885**	**111,873,885**	93,313,445	93,313,445
- Loan to employee	**953,781**	**953,781**	916,021	916,021
- loan to agents	**81,654**	**81,654**	69,694	69,694
Investments				
Fair value through Profit and loss				
Listed equity securities and mutual fund units	**97,688,716**	**97,688,716**	87,981,552	87,981,552
Unlisted equity securities and mutual fund units	**2,125,992**	**2,125,992**	100,711	100,711
Held-to-maturity				
Government securities	**675,362,454**	**655,781,766**	639,496,752	588,138,801
Other fixed income securities	**3,042,398**	**3,042,398**	3,623,918	3,623,918
	778,219,560	**758,638,872**	731,202,933	679,844,982
Other receivable - excluding taxation	**65,441,521**	**65,441,521**	55,688,051	55,688,051
Financial Liabilities				
- Balance of statutory funds-including policyholders' liabilities	**1,016,987,357**	**1,016,987,357**	891,148,453	891,148,453
- Creditors and accruals	**18,663,081**	**18,663,081**	18,376,079	18,376,079
- Premium received in advance	**10,637,312**	**10,637,312**	8,086,315	8,086,315
- Insurance / reinsurance payables	**504,729**	**504,729**	509,450	509,450

43.2 FAIR VALUE HIERARCHY

The level in the fair value hierarchy within which the asset or liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

Assets and liabilities are classified in their entirety into only one of the three levels.

The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

The table below analyses assets measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	As at December 31, 2019	Level 1	Level 2	Level 3
	Rupees in '000			
Financial Assets at Carrying Value				
Investments at carrying value fair value through profit and loss account				
Listed equity securities and mutual fund units	**97,688,716**	**97,688,716**	**-**	**-**
Unlisted equity securities and mutual fund units	**2,125,992**	**-**	**2,125,992**	**-**
	99,814,708	**97,688,716**	**2,125,992**	**-**

	As at December 31, 2018	Level 1	Level 2	Level 3
	Rupees in '000			
Financial Assets at Carrying Value				
Investments at carrying value fair value through profit and loss account				
Other fixed income securities	3,623,918	-	3,623,918	-
Listed equity securities and mutual fund units	87,981,552	87,981,552	-	-
Unlisted equity securities and mutual fund units	100,711	-	100,711	-
	91,706,181	87,981,552	3,724,629	-

Carrying values of all other financial assets and liabilities approximate their fair value.

43.3 Transfers during the period

During the year to December 31, 2019:

- There were no transfers between Level 1 and Level 2 fair value measurements.
- There were no transfers into or out of Level 3 fair value measurements.

43.4 Valuation techniques

Fair value of investments is determined as follows:

- Fair value of listed equity securities is determined on the basis of closing market prices quoted on the respective stock exchange.

- Unlisted equity securities are carried at cost.

- Investments in subsidiary companies are being carried at cost.

44 SUBSEQUENT EVENTS

a) The Board of Directors of the Group in their meeting held on July 27, 20 declared dividend of Rs. 1,046.88 million. These consolidated financial statements for the year ended December 31, 2019 do not include the effect of these appropriations and these will be accounted in the consolidated financial statements for the year ending December 31, 2020.

b) Subsequent to the year end, the novel coronavirus (COVID 19) emerged and since then, the condition has continued to deteriorate. On January 30, 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a "Public Health Emergency of International Concern". The COVID-19 pandemic has significantly impacted the market around the world to date and may continue to do so in the coming months of 2020 whereby potentially impacting the earnings and cash flows of the Group . The Group considers this outbreak to be a non-adjusting post balance sheet event based on the fact that COVID 19 was not declared as public health emergency until January 30, 2020 . The scale and duration of this outbreak remains uncertain and as it evolves globally in 2020, the Group will evaluate the potential impacts and respond accordingly.

45 NUMBER OF EMPLOYEES

	2019	2018
The details of number of employees are as follows:		
Permanent employees as at year end	**4,024**	4,071
Area managers	**1,329**	1,107
	5,353	5,178
Average number of employees during the year	**5,266**	5,167

46 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue by the Board of Directors of the Group on July 27, 2020.

47 CORRESPONDING FIGURES

Previous year figures have been rearranged and/or reclassified, wherever necessary, for the purpose of comparison in the consolidated financial statements. For better presentation, reclassification made in the consolidated financial statements were as follows:

Reclassification from	Reclassification to	Rupees '000
Statement of financial position		
Prepayments	Loans and other receivables	328,776
Investment properties	Property and equipment	467,421
Statement of comprehensive income		
Insurance benefits	Premium revenue	2,881,677

48 GENERAL

Figures in these consolidated financial statements have been rounded off to nearest thousand of rupees. In narrative notes, certain figures have been rounded off to million of rupees.

Riaz Ahmad Memon	**Ali Mubashar Karmi**	**Abdul Qadir Memon**	**Muhammad Rashid**
Chairman	Director	Director	Chief Financial Officer

Statement by the Appointed Actuary

Form LM

Required under section 52(2) (a) & (b) of the Insurance Ordinance, 2000

In my opinion,

a. The policyholders liabilities / technical liabilities included in the balance sheet of State Life Insurance Corporation of Pakistan as at December 31, 2019 have been determined in accordance with the provisions of the Insurance Ordinance, 2000; and

b. Each statutory fund of the State Life Insurance Corporation of Pakistan complies with the solvency requirements of the Insurance Ordinance, 2000.

Dated: July 27, 2020

(Shujaat Siddiqui)
Appointed Actuary of the Corporation
MA, FIA, FPSA

Statement of Directors

Form LN

(As per requirement of section 46(6) and section 52(2) (c) of the Insurance Ordinance, 2000)

Section 46 (6)

a. In our opinion the annual audited financial statements of the State Life Insurance Corporation of Pakistan for the year ended December 31, 2019, set out in the forms attached to the statement have been drawn up in accordance with the Insurance Ordinance, and any rules made there under;

b. State Life Insurance Corporation of Pakistan has at all times in the year complied with the provisions of the Insurance Ordinance and the Insurance Rules made there under relating to paid-up-capital, solvency and re-insurance arrangements; and

c. As at December 31, 2019, State Life Insurance Corporation of Pakistan continues to be in compliance with the provisions of the Ordinance and the rules made there under relating to paid-up-capital, solvency and reinsurance arrangements.

Section 52 (2) (c)

d. In our opinion, each statutory fund of the State Life Insurance Corporation of Pakistan complies with the solvency requirements of the Insurance Ordinance, 2000 and the Insurance Rules, 2017.

Dated: July 27, 2020

Riaz Ahmad Memon Chairman	**Ali Mubashar Karmi** Director	**Abdul Qadir Memon** Director	**Muhammad Rashid** Chief Financial Officer

Progress at a Glance since Inception

(Rupees in Million)

	1973	1975	1978	1980	1985	1988	1993	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
First Year Premium (Net)	48	50	80	110	341	678	918	2,026	1,698	1,490	1,306	1,275	1,041	1,124	1,350	1,797	2,348
Renewal Premium (Net)	219	244	305	365	847	1,515	3,284	3,935	4,694	4,364	4,413	4,312	4,538	4,565	5,489	5,790	6,655
Group Premium (Net)	50	61	114	164	347	880	930	1,178	1,266	1,413	1,244	1,251	1,102	1,249	1,518	2,281	1,997
Pension Premium	–	–	–	–	–	–	–	–	–	–	–	–	–	7	8	13	15
Health & Accidental Premium	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Premium (Net)	317	354	500	638	1,535	3,073	5,132	7,139	7,658	7,266	6,964	6,838	6,681	6,945	8,364	9,881	11,014
Investment Income	81	122	221	279	767	1,323	3,675	5,066	5,984	5,901	5,996	8,406	7,873	8,492	11,200	10,202	13,610
Total Income	391	504	727	920	2,307	4,406	8,814	12,231	13,650	13,177	12,976	15,286	14,592	15,436	19,564	20,082	24,624
Total Outgo	292	307	427	593	1,342	2,597	4,138	6,245	7,355	7,477	8,451	8,060	8,745	8,342	8,165	9,938	11,544
Life Fund	1,494	1,735	2,494	3,111	6,422	11,327	28,333	39,339	45,582	51,010	55,460	62,484	68,127	75,343	86,211	95,957	108,808
Yield on Life Fund (%)	7	8	10	10	14	14	15	15	15	13	12	15	13	13	15	12	14
Overall Expense Ratio (%)	33	33	31	34	36	34	34	43	43	43	54	46	54	40	38	39	41
Renewal Expense Ratio(%)	26	27	26	30	25	26	26	30	35	39	56	45	57	37	34	35	34
Investment Portfolio	1,401	1,766	2,512	3,155	6,367	11,140	27,601	37,969	43,084	48,289	54,017	59,933	64,829	74,029	86,203	96,415	110,488
Policy Benefits (Net)	141	191	271	375	796	1,560	2,391	3,146	4,097	4,341	4,715	4,904	5,136	5,572	5,005	6,123	7,063
No. of Policies in Force (Individual Life)	357,413	379,083	397,158	413,231	599,423	945,258	1,681,946	2,034,969	2,087,919	2,092,404	2,033,388	1,963,723	1,878,139	1,806,476	1,801,919	1,849,125	1,926,254
No. of Lives Covered (Group Life)	–	1,500,000	2,340,472	2,585,775	3,003,387	3,767,266	4,250,232	4,190,181	4,341,011	4,198,974	4,456,347	3,501,163	3,259,618	3,295,387	3,443,916	3,632,688	3,898,333
Total Business in Force (Sum Assured and Bonuses)	17,899	17,952	30,055	45,847	77,542	117,726	311,306	407,296	440,762	489,772	539,751	656,776	499,136	506,245	629,011	816,210	947,239

(Rupees in Million)

	2005	2006	2007	2008	2009	2010	2011	2012 Restated	2013	2014	2015	2016	2017	2018	2019	Annual Compound Growth Rates (1973-2019)
First Year Premium (Net)	2,806	3,327	3,854	5,159	7,196	9,647	11,990	13,947	15,442	16,156	16,271	17,036	17,688	18,918	**12,876**	**13%**
Renewal Premium (Net)	8,454	9,785	12,054	13,993	17,634	22,287	28,144	35,145	43,348	53,363	57,729	66,707	74,462	85,998	**91,087**	**14%**
Group Premium (Net)	2,548	2,866	2,796	3,532	3,514	3,676	4,645	6,802	6,832	6,728	5,854	5,597	4,634	4,627	**3,759**	**10%**
Pension Premium	12	14	14	11	23	29	33	54	20	10	49	59	65	31	**45**	**11%**
Health & Accidental Premium	–	–	–	–	–	–	–	70	104	85	38	422	3,912	2,549	**4,805**	**83%**
Total Premium (Net)	13,820	15,992	18,717	22,695	28,367	35,639	44,812	56,018	65,745	76,342	79,941	89,821	100,761	112,123	**112,572**	**14%**
Investment Income	13,106	14,924	17,505	19,133	21,545	27,434	31,175	37,977	50,949	50,715	60,316	64,526	69,566	70,277	**95,802**	**17%**
Total Income	26,926	30,915	36,222	41,828	49,914	63,073	75,988	93,995	116,694	127,057	140,257	154,347	170,326	182,400	**208,374**	**15%**
Total Outgo	12,673	15,393	17,049	20,779	27,356	31,489	37,122	47,296	50,663	54,307	62,019	65,523	75,885	85,650	**84,102**	**13%**
Life Fund	122,775	137,960	156,737	177,459	199,445	230,422	268,580	313,754	378,608	450,025	526,676	614,177	707,388	873,813	**996,401**	**16%**
Yield on Life Fund (%)	12	12	13	12	12	14	13	14	16	13	13	12	11	8.87	**10.80**	**-**
Overall Expense Ratio (%)	36	41	33	35	41	40	39	41	38	31	33	31	31	31	**31**	**-**
Renewal Expense Ratio(%)	28	34	9	11	19	18	17	16	17	13	16	15	17	18	**15**	**-**
Investment Portfolio	124,984	142,159	161,966	182,874	205,804	235,935	275,110	316,878	380,981	445,381	513,293	598,271	688,721	852,043	**965,780**	**16%**
Policy Benefits (Net)	7,654	8,912	10,783	12,779	15,724	17,072	19,420	24,067	25,836	30,505	35,961	37,939	44,955	50,249	**57,049**	**14%**
No. of Policies in Force (Individual Life)	2,044,015	2,183,783	2,348,791	2,568,698	2,895,354	3,317,192	3,774,293	4,202,171	4,641,854	4,996,805	5,251,732	5,478,460	5,694,670	5,907,669	**5,823,921**	**6%**
No. of Lives Covered (Group Life)	3,731,002	3,915,529	4,061,865	3,879,686	3,754,296	3,835,712	6,043,553	8,421,667	8,644,577	8,732,453	5,023,906	4,104,990	3,266,814	2,901,531	**2,505,860**	**-**
Total Business in Force (Sum Assured and Bonuses)	1,040,556	1,143,770	1,289,079	1,602,159	1,674,745	2,013,298	2,690,594	3,786,440	4,281,206	4,438,510	4,713,080	4,664,333	5,244,282	5,661,397	**6,937,712**	**14%**

STATE LIFE OFFICES IN PAKISTAN AND U.A.E.

Regional Office (South)
State Life Building # 2
10th Floor, wallace Road, Karachi.
Tel. 021-99217035-36

Karachi South
State Life Building # 2
11th Floor, wallace Road, Karachi.
Tel. 021-99217023-24 & 26

Karachi Central
State Life Building #11
7th Floor, Abdullah Haroon
Road, Opp. Zainab Market
Saddar Karachi.
Tel. 021-99205123-24

Karachi Eastern
Bunglow # 2, Block 7 & 8
Maqboolabad, Fine House Stop
Sharah-e-Faisal, Karachi
Tel. 021-34538095,34535760

Quetta
2nd Floor, PIA Building, Hali Road
Tel. 081-9201520/30

Regional Office (Hyderabad)
State Life Building
3rd Floor, R.C. Sectt.
Thandi Sarak, Hyderabad
Tel. 022-9200352-9201482

Hyderabad
State Life Building
5th Floor, Thandi Sarak,
Tel. 022-9200622

Sukkur
State Life Building
Minara Road
Tel. 071-9310501

Mirpurkhas
State Life Building
M.A. Jinnah Road, Near D.C. Office
Tel. 0233-9290295

Larkana
State Life Building
Qaim Shah Bukhari Road,
Tel. 074-9410801

Benazirabad
Banglow No. I-A/2, Govt. Employees
HousingSociety, Nawab Shah
Tel. 0244-9370572

Gulf
P.O. Box # 11278, Dubai U.A.E.
Tel. 0097142729061
Fax 0097142729051

Regional Office (Central)
Ground Floor, 15-A,
Davis Road Lahore
Tel. 042-99205121-22

Lahore Central
State Life
Ghazi Ilmuddin Shaheed Road
Lahore
Tel. 042-99210269-70

Lahore Western
State Life
Ghazi Ilmuddin Shaheed Road
Lahore
Tel. 042-99211711-642

Gujranwala
Opp. Quaid-e-Azam Divisional
Public School, G.T. Road
Tel. 055-9200282-285

Sialkot
Siddique Plaza, Paris Road
Tel. 052-9250101-111

Narowal
City Tower Building
Ist Floor New Lahore Road
Tel. 0542-411902-6

Regional Office (Faisalabad)
State Life Bldg. 2, 7th FloorLiaquat Road
Tel. 041-9201482-83

Faisalabad
State Life Bldg. 2
10th Floor, Liaquat Road
Tel. 041-9200390

Sargodha
M.M.Plaza, Opp. Hut's Hotel, Queen Road
Tel. 048-3215517-18

Jhang
New District Courts
UBL Chowk, Jhang Saddar
Tel. 047-9200390

Real Estate (Division)
State Life Building # 9
5th Floor, Ziauddin A. Road, Karachi
Tel. 021-99202816

Real Estate (Islamabad)
State Life Building # 5, Basement
Blue Area, Jinnah Avenue, Islamabad
Tel. 051-9203347

Real Estate (Lahore)
State Life Building # 11
First Floor, 15-A Davis Road, Lahore
Tel. 042-99200396

Regional Office (North)
State Life Building # 9, 4th Floor
33-E, Blue Area, Islamabad.
Tel. 051-9205047

Rawalpindi
State Life Building # 1
The Mall, Saddar Rawalpindi Cantt
Tel. 051-9270315

Mirpur (AK)
Barry Mian Plaza, Sector F-1, Kotli Road
Tel. 05827-927465

Islamabad
State Life Bldg No.9,
3rd Floor, 33-E, Blue Area,
Tel. 051-9206162

Gujrat
State Life Building, 5th Floor, G.T. Road
Tel. 053-9260252-242

Jhelum
Ch. Ghulam Ahmed Plaza #1,
G.T. Road, Jada Jhelum
Tel. 0544-922621

Gilgit
Shahra-e-Quaid Azam
Jubilee Marketing, Main Road Gilgit
Tel. 05811-9260252

Regional Office (KPK)
State Life Building, 2nd Floor
34-The Mall, Peshawar Cantt.
Tel. 091-9210918-19

Peshawar
State Life Building, 3rd Floor
34-The Mall, Peshawar Cantt.
Tel. 091-9212314

Abbottabad
Mir Alam Shopping Plaza,
P.O. Jhangi, Mansehra Road
Tel. 0992-9310353

Swat
State Life, Royal Campus, Saidu Sharif
Tel. 0946-710046

Kohat
Khan Bab Plaza, Opp. Saif CNG
University Road, Kohat
Tel. 292-933600

Health & Accident Ins. (Div.)
State Life Building # 9
6th Floor, Ziauddin A. Road, Karachi.
Tel. 021-99204941

Bancassurance Division
State Life Building # 9, 2ndFloor
Dr. Ziauddin Ahmed Road, Karachi.
Ph: 021-99206796

Regional Office (Multan)
4th Floor, State Life Building,
Chowk Nawan Shaher. Abdali Road,
Tel. 061-9200670

Multan
State Life Building, 3rd Floor
Chowk Nawan Shaher. Abdali Road,
Tel. 061-9200676

Sahiwal
Room # 35, 2nd Floor
Sattar Complex, Stadium Road
Tel. 040-9200022-23

Rahim Yar Khan
3rd Floor Iqbal Complex, Model Town
Tel. 068-9230027

Dera Ghazi Khan
1st Floor, Dubai Trade Center
Near Pull Daat Jam pur Road
Tel. 064-9260048

Bahawalpur
Barq Poly Complex, 1st & 2nd Floor
Ahmed Pur Road, Dubai Chowk
Tel. 062-9255717

Vehari
ZTBL Building-V, Chowk Vehari
Tel. 067-9201131-32

G&P (Division)
State Life Building # 9
7th Floor, Ziauddin A. Road, Karachi.
Tel. 021-99202890

G&P Peshawar
State Life Building, 2nd Floor
34- The Mall, Peshawar cantt
Tel. 091-9211596

G&P Karachi
State Life Building # 2
Wallace Road, Karachi.
Tel. 021-99217060 & 99217097

G&P Lahore
State Life Building
15-A, Sir Agha Khan Road, Lahore
Tel. 042-99200355-58

G&P Rawalpindi
State Life Building # 8, Kashmir Road
Rawalpindi Cantt.
Tel. 051-9272598

Takaful Division
State Life Building # 1, 8th Floor
I.I.Chundrigar Road, Karachi
Ph: 021-99217281-92

State Life The Only Insurance Corporation in Pakistan with a AAA Rating

The AAA Rating from PACRA reflects our exceptionally strong capacity to meet contractual obligations with our policyholders. It also denotes the leading position of State Life amongst insurance companies in Pakistan. Our extensive distribution network, good management, comprehensive information systems and growing business volumes are the basis for the ever-growing confidence that our policyholders repose in us.

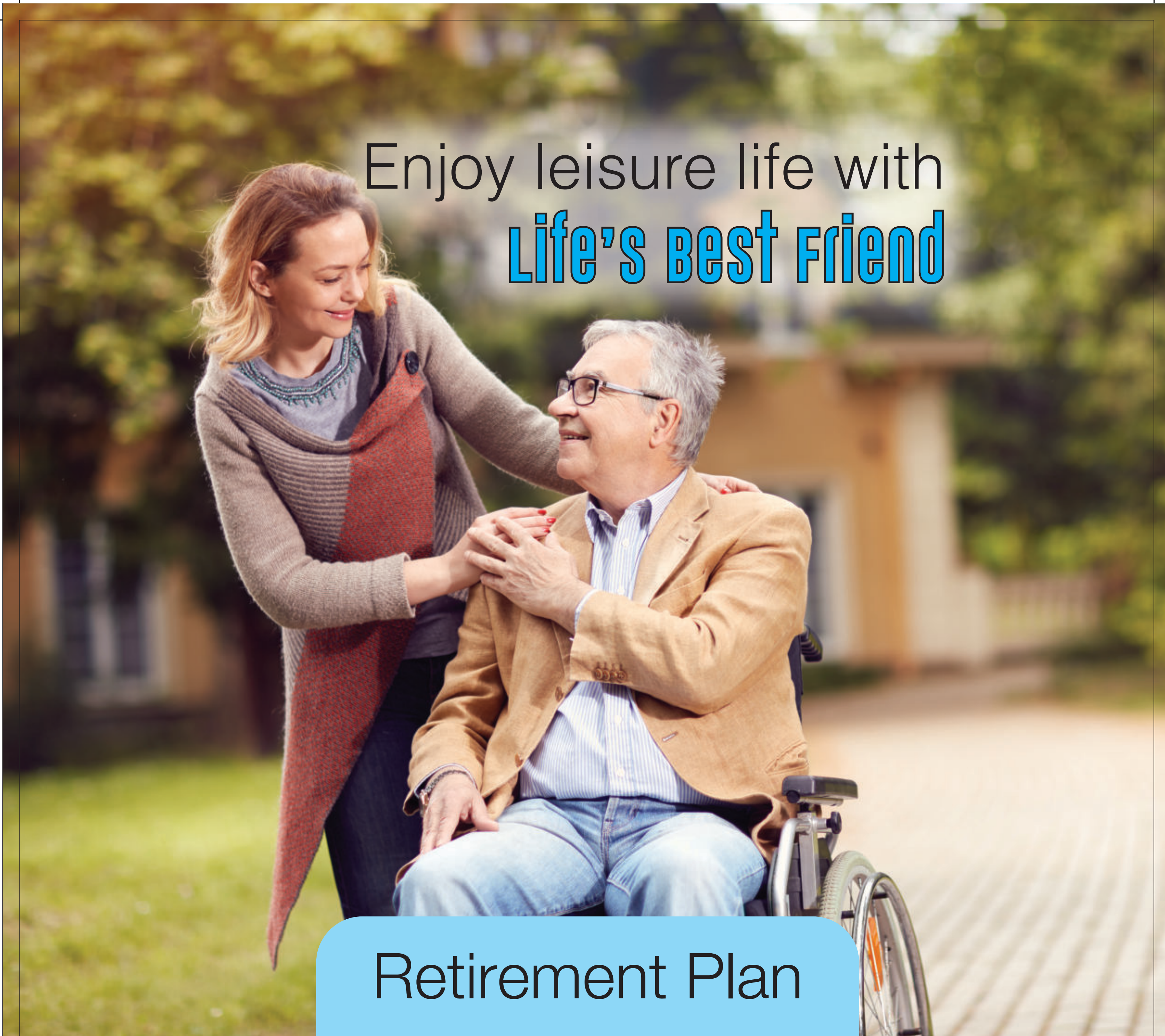
State Life's senior management extends its gratitude to its policyholders for their unshakable trust and appreciates the hard work and dedication of its employees, officers and marketing force.

State Life's Insurance Policy
A Lasting Tradition for Every Generation

اسٹیٹ لائف کی بیمہ پالیسی۔ایک تابندہ روایت نسل در نسل

STATE LIFE
INSURANCE CORPORATION OF PAKISTAN

www.statelife.com.pk



Retirement Plan

Retirement is wonderful when you stop working a start living life to its fullest. State Life's Retirement Plan promises a journey on which you can explore your lifelong dreams with comfort and celebrate life. State Life, the only AAA rated and Pakistan's largest Life Insurance Corporation.