



42nd Annual Report 2014

**IT'S HIS GOOD LIFE**



**STATE LIFE**  
INSURANCE CORPORATION OF PAKISTAN

Principal Office: State Life Building No. 9, Dr. Ziauddin Ahmed Road, Karachi-75530.  
Telephone: 021-99202800-9 UAN: 111-111-888 Fax: 021-99202820  
e-mail: edpgs@statelife.com.pk Website: www.statelife.com.pk



**STATE LIFE**  
INSURANCE CORPORATION OF PAKISTAN





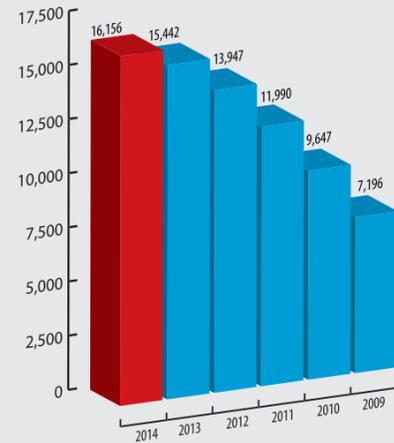
## IT'S HIS GOOD LIFE

We spend most of our life worrying about the future, working for the future and regretting any missed opportunities that could have helped us for future which prevents us from enjoying our youth and beautiful present. However, if we remove anxiety for the future from our life, then we can live it to the fullest. State Life, the largest and most stable Insurance Corporation of Pakistan can secure from future so you can embrace life to the fullest.

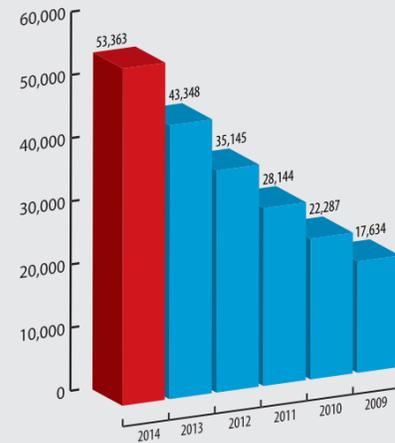


### Financial Highlights

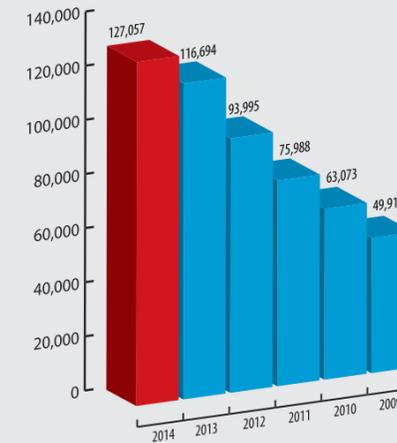
First Year Premium (Rs. in Million)



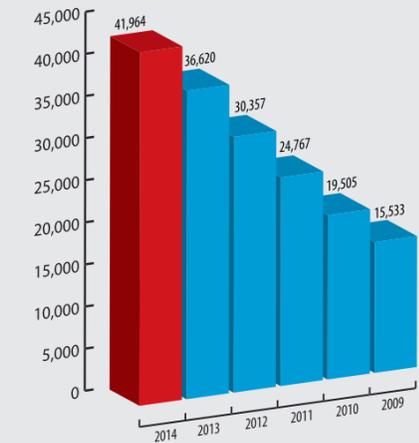
Renewal Premium (Rs. in Million)



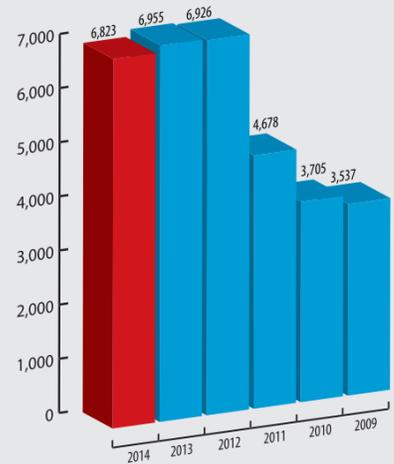
Total Income (Rs. in Million)



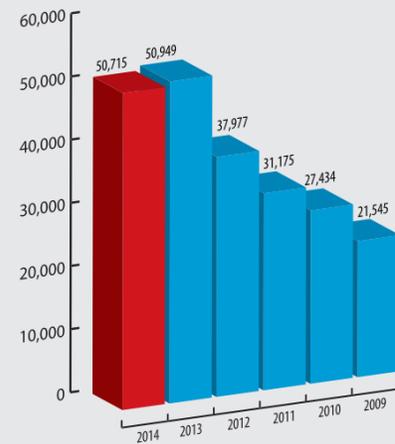
Bonus to Policyholders (Rs. in Million)



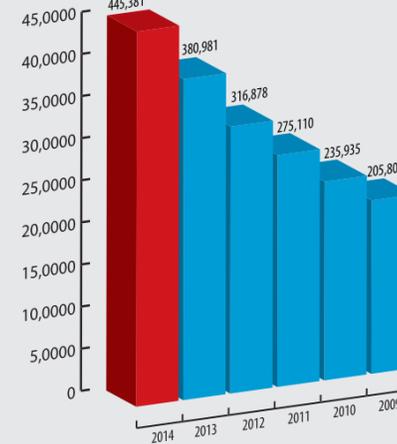
Group Premium (Rs. in Million)



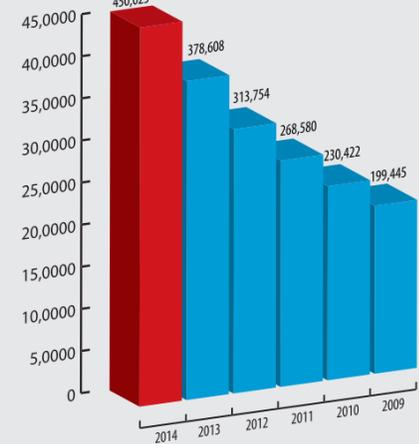
Investment Income (Rs. in Million)



Investment Portfolio (Rs. in Million)



Life Fund (Rs. in Million)





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## CORE VALUES

### 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 yield on investment.

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

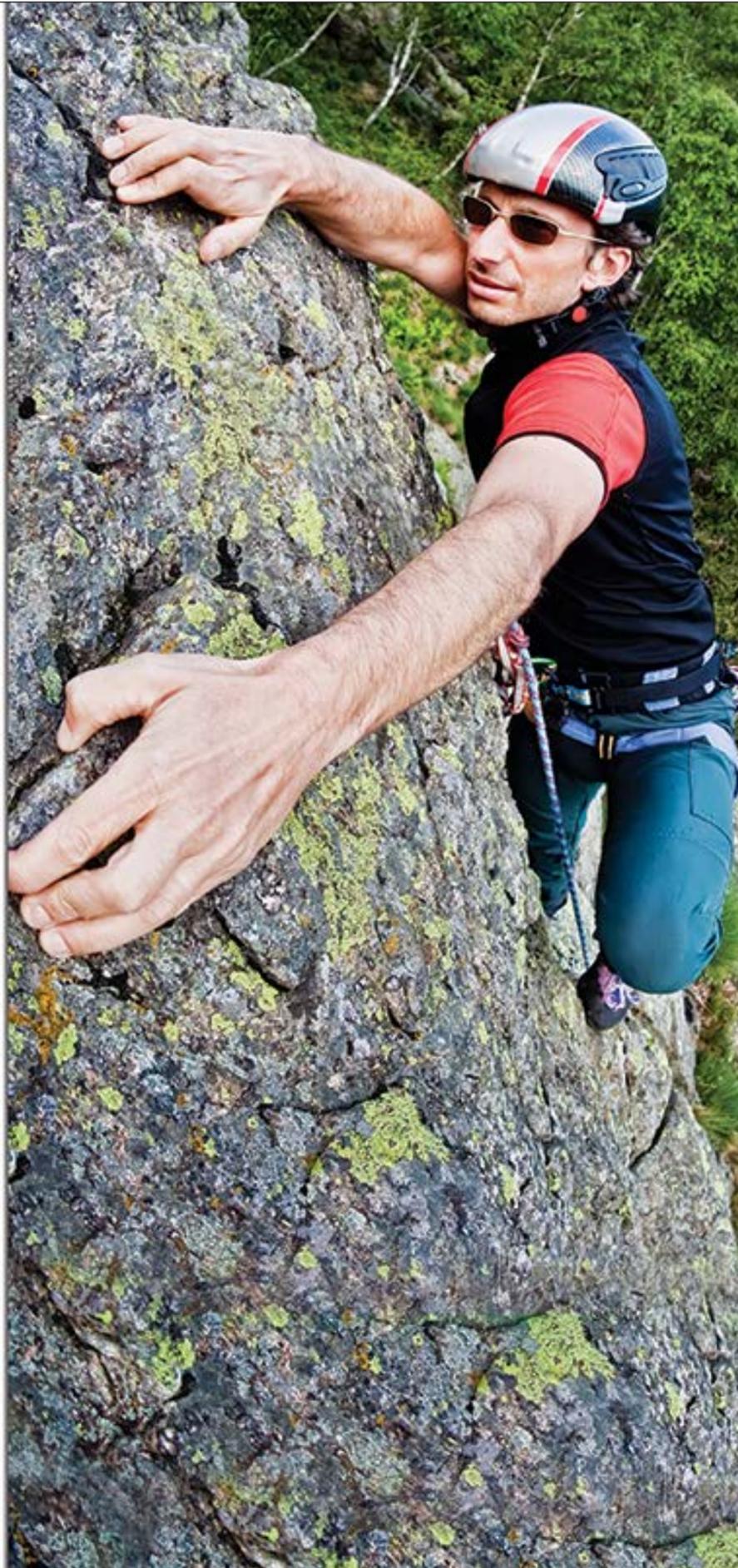
To widen the area of operation of life Insurance and making it available to as large a section of the population as possible, extending it from comparatively more affluent sections of society to the common man in towns and villages. To use policyholders fund in the wider interest of the community.

### MISSION

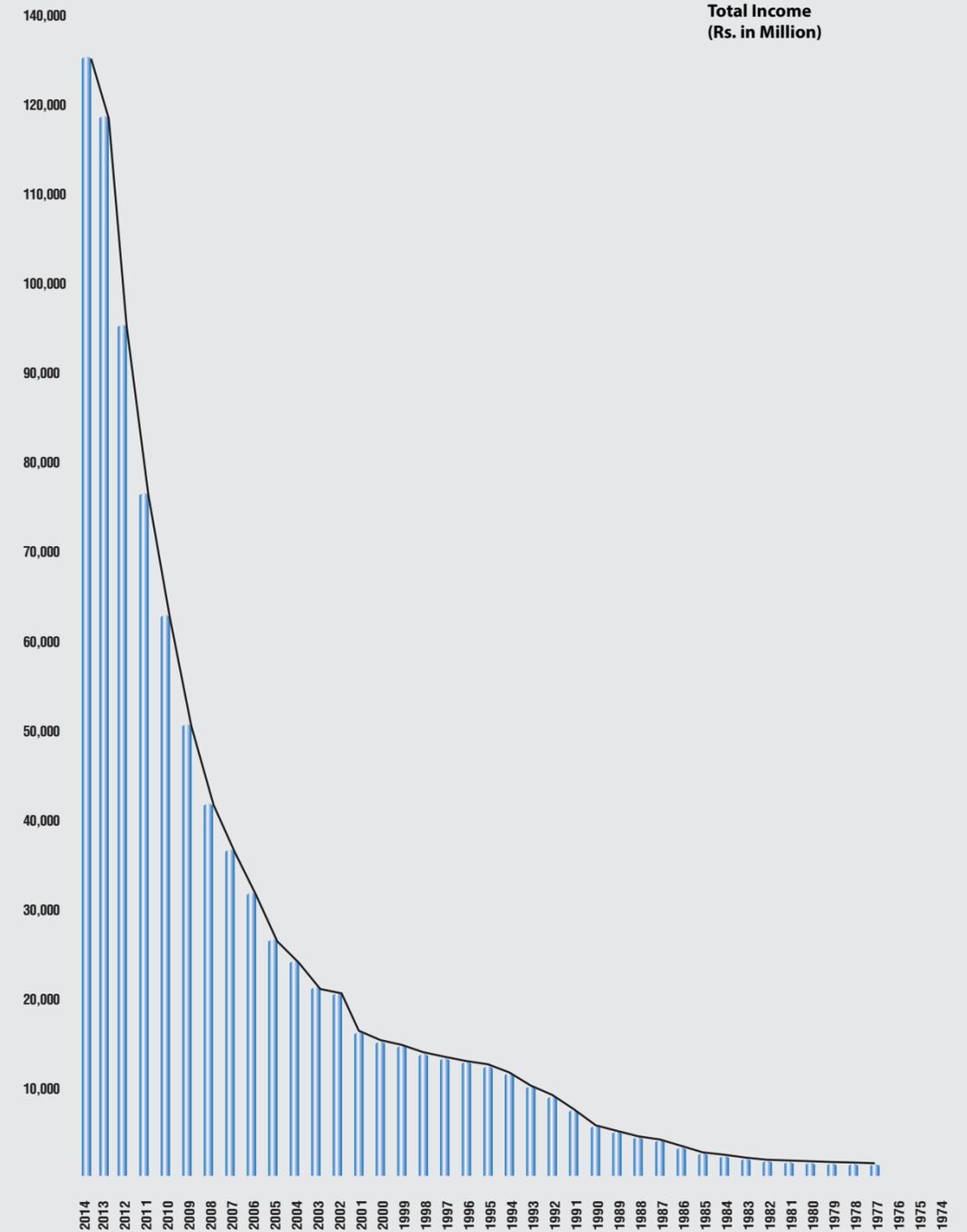
To remain a leading insurer in the country by extending the benefits of life Insurance to all sections of society and meeting our commitments to our policyholders and nation.

### 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

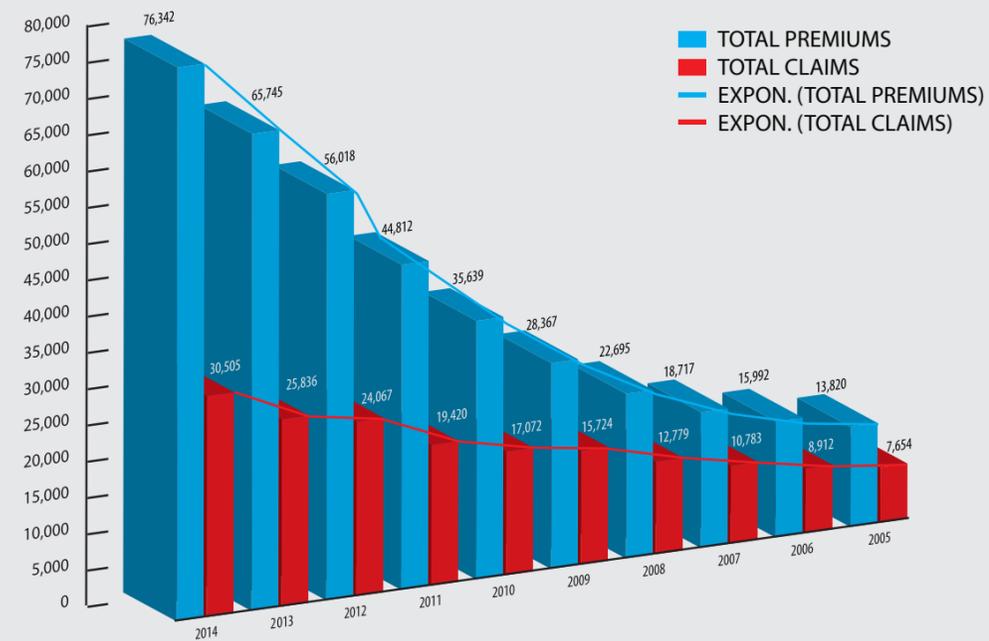




### Total Premiums vs. Total Claims

2005 - 2014

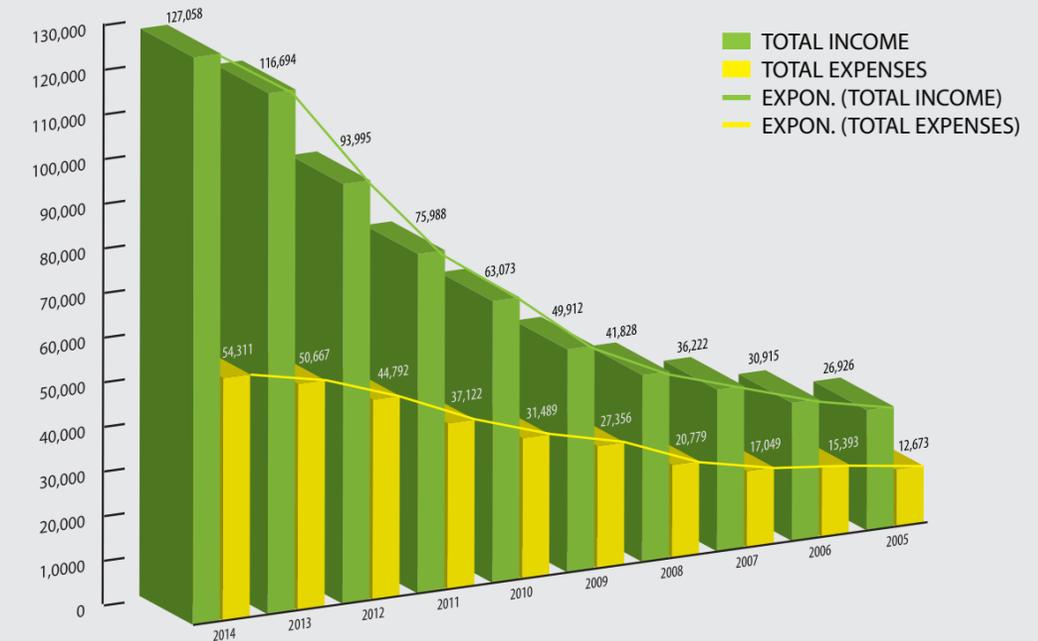
(Rs. in Million)



### Total Income vs. Total Expenses

2005 - 2014

(Rs. in Million)





## HUMAN RESOURCE

1. SLIC Human Resource Management (HRM) is the strategic and coherent approach to management, its most 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 all five Regions and 28 Zones, G&P at PO and G&P Zones across Pakistan.
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/up-gradation, 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 commitments 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.

## POLICYHOLDER SATISFACTION

High quality policyholder service is an integral part of State Life's philosophy and it is our constant endeavor to provide greater services with wider accessibility.

Our corporate slogan is "Policyholder First". We always emphasize on providing the best quality service to our policyholders. We continuously develop and improve policyholder service oriented culture within State Life.

We understand that our commitment to satisfying policyholder needs must be fulfilled with a professional and ethical framework hence knowing our policyholders and their needs is the key to our business success, our managers are well equipped and well trained to provide the most efficient and personalized services to our policyholders.

Besides, we also feel that well updated IT infrastructure is one of the most important tools to provide best services to policyholders. State Life is continuously upgrading its IT infrastructure in line with modern technology in order to have efficient operations and speedy services for policyholders.

We shall continue to look forward to maintain high-level policyholder satisfaction through improvement of strength and values.

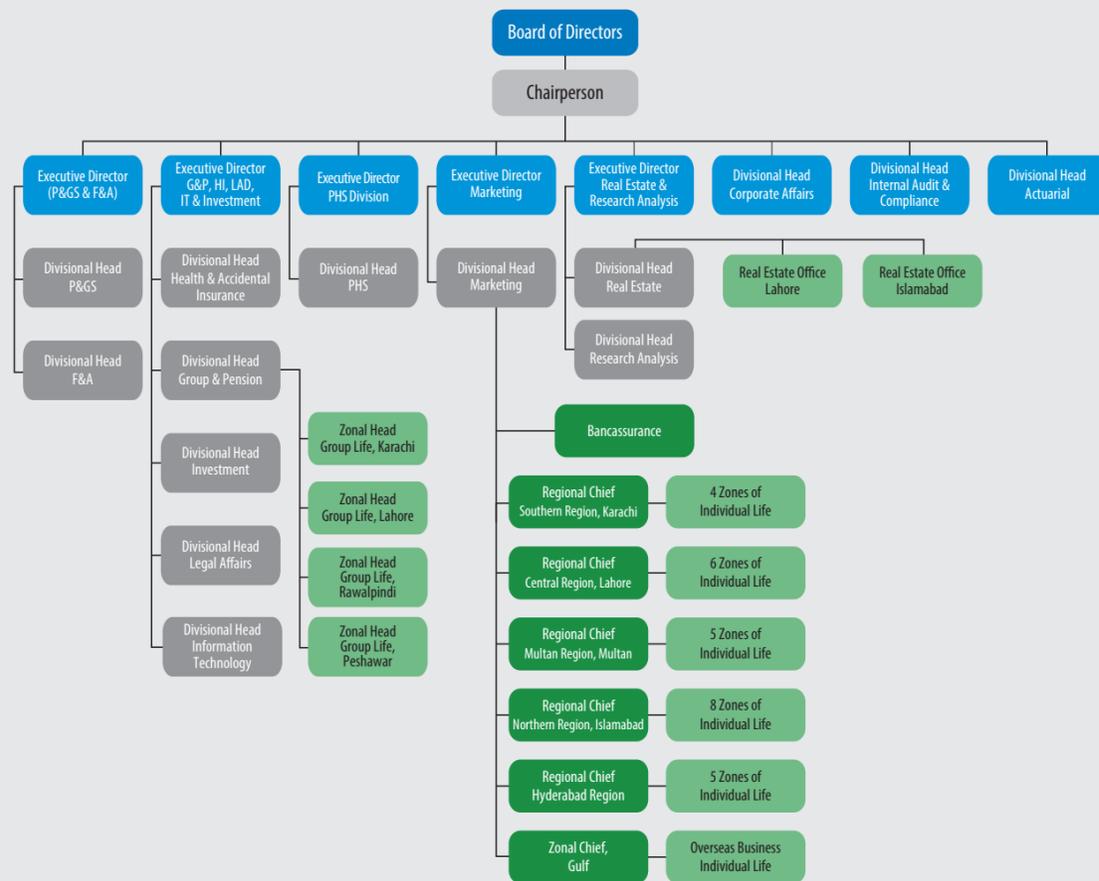
## CORPORATE INFORMATION

As at December 31, 2014

BOARD OF DIRECTORS	BOARD AUDIT COMMITTEE	HUMAN RESOURCE & NOMINATION COMMITTEE
Ms. Nargis Ghaloo Chairperson	Mr. Saeed Chaman Chairman	Ms. Nargis Ghaloo Chairperson
Mr. Saeed Chaman Director	Mr. Saad Amanullah Khan Member	Mr. Azher Ali Choudhry Member
Mr. Saad Amanullah Khan Director	Mr. Azhar Ali Chaudhry Member	Mr. Saeed Chaman Member
Mr. Shafqaat Ahmed Director	Mr. Altaf Ahmed Shaikh Secretary	Mr. Saad Amanullah Khan Member
Mr. Azher Ali Choudhry Director	<b>REAL ESTATE AND INVESTMENT COMMITTEE</b>	Mr. Riaz Ahmed Shaikh Non-Member/Secretary
Mr. Naved Arif Director	Ms. Nargis Ghaloo Chairperson	<b>PRINCIPAL OFFICE</b>
Dr. Aliya Hashmi Khan Director	Mr. Azher Ali Choudhry Member	State Life Building No. 9, Dr. Ziauddin Ahmed Road, Karachi-75530 Tel: 021-99202800-9 Fax: 021-99202845 E-mail: edpgs@statelife.com.pk Website: www.statelife.com.pk
<b>SECRETARY BOARD</b>	Mr. Akbar Ali Hussain	
<b>AUDITORS PAKISTAN</b>	M/s. Riaz Ahmad & Company Chartered Accountants	
M/s. BDO Ebrahim & Co. Chartered Accountants	Mr. Saeed Chaman Member	
<b>GULF COUNTRIES</b>	Mr. Saad Amanullah Khan Member	
M/s. Nabeel Al-Saie Public Accountants DMCC	Mr. Attaullah A. Rasheed Non-Member/Secretary	
<b>APPOINTED ACTUARY</b>		
Mr. Shujaat Siddiqui MA, FIA, FPSA,		



## Organogram of the Corporation



### MANAGEMENT

#### CHAIRPERSON

Ms. Nargis Ghaloo (from 29-10-2014)

#### EXECUTIVE DIRECTORS

Mr. Raeesuddin Paracha  
Mr. Ajaz Ali Khan  
Mr. Jamil Anwar  
Mr. Muhammad Izqar Khan  
Mr. Naseem-ul-Haq

#### DIVISIONAL HEADS

(Principal Office)

Mr. Akbar Ali Hussain  
Mr. Muhammad Rashid  
Mr. Nadeem Bessey  
Mr. Riaz Ahmed Shaikh  
Mr. Saleem Khaliq  
Mr. Attaullah A. Rasheed  
Mr. Altaf Ahmed Shaikh  
Mr. Faisal Mumtaz  
Mr. Mohsin Abbas  
Mr. Fazal-ur-Rehman  
Mr. Nabil Ghafoorzada  
Mr. Irfan Anwer Baloch

Company Secretary/Corporate Affairs  
CFO/Finance & Accounts  
Group and Pension & Health Insurance  
P&GS (from 21.10.2014)  
Information Technology  
Investment  
Internal Audit & Compliance  
Actuarial  
Marketing  
Legal Affairs  
Real Estate  
Policy Holder Services

#### CHIEF MEDICAL OFFICER

Dr. Mrs. Ghazala Nafees

### INDIVIDUAL LIFE

#### REGIONAL CHIEFS

Mr. Tahir Ahmed Khan  
Chaudhry Akhtar Hussain  
Mr. Azhar Hussain  
Mr. Muhammad Iqbal Gill  
Mr. Dur Muhammad Baladi

Central Region (Lahore)  
Multan Region (Multan)  
Northern Region (Islamabad)  
Southern Region (Karachi)  
Hyderabad Region (Hyderabad)

#### Bancassurance

Mr. Gian Chand Deputy General Manager

#### ZONAL CHIEF

Gulf Countries  
Mr. Khalid Mehmood Shahid Gulf Zone, UAE-Dubai

### ZONAL HEADS

#### Central Region

Ch. Anjum Rashid  
Mr. Tahir Mehmood Cheema  
Mr. Abdul Sattar Javed  
Ch. Abdul Nasir  
Ch. Inam Ullah  
Mr. Sarfaraz Ahmed

Lahore Zone (Central)  
Lahore Zone (Western)  
Faisalabad Zone  
Sargodha Zone  
Gujranwala Zone  
Sialkot Zone

#### Multan Region

Ch. Muhammad Shafiq  
Mr. Z. M. Kamran Shamsi  
Mr. Muhammad Ramzan Shahid  
Mr. Muhammad Yousuf Mukhtar  
Mr. Muhammad Akbar Mughal

Multan Zone  
Sahiwal Zone  
Rahim Yar Khan Zone  
Dera Ghazi Khan Zone  
Bahawalpur Zone

#### Northern Region

Mr. Mehmood H. Malik  
Mr. Muhammad Yousuf Farooqi  
Ch. Muhammad Arshad  
Mr. Namaish Khan  
Mr. Anwar Ul Haq  
Ch. Rukhsar A. Qaisar  
Mr. Shah Jehan Khan  
Ch. Muhammad Ejaz

Rawalpindi Zone  
Mirpur (AK) Zone  
Islamabad Zone  
Peshawar zone  
Abbottabad Zone  
Gujrat Zone  
Kohat Zone  
Swat Zone

#### Southern Region

Mr. Kazi Jawed  
Mr. M. Saeed Khan  
Qazi Fawad Saleem  
Mr. Muhammad Aurangzeb

Karachi Zone (Southern)  
Karachi Zone (Eastern)  
Karachi Zone (Central)  
Quetta Zone

#### Hyderabad Region

Mr. Masood Anwar Arain  
Mr. Abdul Hussain Kapri  
Mr. Ghulam Qadir Baladi  
Mr. Wazir Ali Hashmani

Hyderabad Zone  
Mirpurkhas Zone  
Sukkur Zone  
Larkana Zone

### GROUP LIFE/HEALTH INSURANCE

#### Zonal Heads

Mr. Adnan Samiullah  
Mr. Muhammad Shoaib Khan  
Mr. M. Abbas Kazmi  
Mr. Tahir Majeed

Karachi Zone  
Lahore Zone  
Rawalpindi Zone  
Peshawar Zone



## CHAIRPERSON'S REVIEW

I feel pleasure in presenting the 42nd. Annual Report of State Life Insurance Corporation of Pakistan, together with the audited accounts for the year ended December 31, 2014 prepared in terms of Article 30 of the Life Insurance (Nationalization) Order, 1972, (President's Order No.10 of 1972).

Accounts for the year 2014 are prepared on the accounting formats in accordance with the accounting regulations issued by the Securities and Exchange Commission of Pakistan (SECP) vide SRO 938 dated December 12, 2002 under the Insurance Ordinance 2000.

### 1. OVERALL PERFORMANCE:

During the period under review, State Life performed well in its core business operation. An overview of overall performance of State Life during the year 2014 as compared to year 2013 is given hereunder:

- 1.1 Total Income of the State Life increased to Rs. 127,057 million in 2014 as against Rs. 116,694 million in the preceding year, registering an increase of 9%.
- 1.2 Management expenses for the year 2014 were Rs. 23,807 million as compared to Rs. 24,831 million in 2013 showing decrease of 4%. Overall management expense ratio to total premium income for the year 2014 was 31% as against 38% for the year 2013.
- 1.3 Payments to policyholders in the year 2014 were Rs. 30,505 million as against Rs. 25,836 million in 2013, showing an increase of 18%.
- 1.4 Total amount of statutory funds for the year 2014 was Rs. 450,025 million as against Rs. 378,608 million in 2013, showing an increase of 19%.

### 2. BUSINESS PORTFOLIO WISE PERFORMANCE:

#### 2.1 INDIVIDUAL LIFE BUSINESS – PAKISTAN'S OPERATIONS:

First year gross premium income under Individual Life policies, during the year 2014 was Rs. 15,695 million as compared to Rs. 14,977 million in the year 2013, resulting in an increase of 5%. Gross renewal premium was Rs. 51,761 million in 2014 whereas it was Rs. 41,910 million in 2013, resulting in an increase of 24%.

#### 2.2 INDIVIDUAL LIFE BUSINESS – OVERSEAS OPERATIONS:

First year gross premium income under Individual Life policies, during the year 2014 was Rs. 490 million as compared to Rs. 500 million in the year 2013, being decrease of 2%. Gross renewal premium in 2014 was Rs. 1,747 million as compared to Rs. 1,568 million in 2013, showing an increase of 11%.

#### 2.3 GROUP LIFE BUSINESS:

Gross premium under Group Life policies during the year 2014 was Rs. 6,783 million as compared to Rs. 6,872/- million in the year 2013, showing decrease of 1%.

#### 2.4 GROUP HEALTH INSURANCE BUSINESS:

Gross premium under Group Health Insurance policies during the year 2014 was Rs. 85 million as compared to Rs. 104 million in the year 2013, showing decreases of 18%, this decline is due to reduction of BISP (Waseela-e-Sehat) program premium rate.

## 2.5 REAL ESTATE:

In the year 2014 Real Estate Division (RED) performed better in the context of Real Estate Management and in overall rental income, breakup of rental income and expenses are stated hereunder:

	Rs. in Million		
	2014	2013	Inc/(Dec)
Rental Income	848	812	36
Expenses	567	510	(57)
Net	281	302	(21)

The net income decreased by Rs. 21 million due to increase in overheads, utilities payments i.e. water charges, property taxes, Sindh Sales Tax, inflation and increase in minimum wages of labour.

The projects, in progress/under construction and in planning stages, are back on track as the competent forum is now available for decision/approval of matters:

- i. The project under construction at State Life Tower-Islamabad
- ii. The projects under planning are at Rahim Yar Khan, Sargodha, Sahiwal, Sialkot and Benazirabad (Nawabshah).

## 2.6 INVESTMENT:

Net investment income including capital gains during the year 2014 was Rs. 50,440 million as compared to Rs. 50,647 million in 2013, showing decrease of 0.41%.

## 3. BUSINESS SUPPORTING ACTIVITIES:

- 3.1 Training plays an important role in development of manpower/human resources and success of an organization. State Life, a dynamic and leading public sector Corporation is maintaining the largest marketing network in Insurance Industry in the country and is continuously providing training for improving marketing skills of its manpower by arranging seminars and imparting various regular training courses. Region wise detail of the courses conducted in the year 2014 by Field Manpower Development (FMD) Department is as under:-

Region	Foundation Course		M.O.S.C Course		M.M.S Course		Total	
	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants
South	21	589	11	212	2	33	34	834
Hyderabad	72	1,648	27	422	4	85	103	2,155
Central	119	4,075	47	1,987	8	180	174	6,242
Multan	91	3,373	38	1,327	6	140	135	4,840
North	82	2,992	26	880	4	102	112	3,974
<b>Total</b>	<b>385</b>	<b>12,677</b>	<b>149</b>	<b>4,828</b>	<b>24</b>	<b>540</b>	<b>558</b>	<b>18,045</b>

The above training figures clearly indicate that State Life is committed to improve the skills of its manpower/human resources to ensure their success in the field of life insurance and to make them productive and proud members of the society.



**3.2** The primary purpose of the Policyholders Services Division is to render quality service to the policyholders of the Corporation. In this regard, measures have been taken at the zonal offices level to improve services such as quality underwriting, prompt settlement of claims and handling of complaints of policyholders or their successors on priority basis. These steps not only have increased the level of policyholders satisfaction but have also contributed towards the retention of our existing policyholders. New and improved online access makes it quick, simple and secure to view and make queries to obtain feedback on policy related transactions. Policyholders can, register for online access, download forms, view policy status, make request for change in address, nomination and more.

**3.3** 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 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 of the Corporation has provided adequate funds and support to Corporate Communications Department (CCD); to implement its multimedia advertising programs/campaigns in consultation with the Marketing Division in the year under review. In 2014, CCD systematized many mix corporate and plan based campaigns on different prominent terrestrial and satellite T.V channels and newspapers (English/Urdu & regional) with an intention to highlight the robust business growth. CCD organized versatile Chairperson's briefings on different prominent T.V. channels and newspapers.

Apart from these campaigns, Corporate Image Building, Popular Life Insurance plans, Bonus Announcement to Policyholders, Business Achievements, Recognition to Marketing Force etc., has also been launched on national and regional newspapers. Being assigned 'AAA' rating for the straight fourth 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 fully utilized. Specially produced Radio Programs/campaigns in Urdu language have been broadcasted from Radio Pakistan and popular FM channels. All these multimedia campaigns were amicably concluded at the end of the year 2014. Under the slot of corporate social responsibility; State Life also sponsored some major sports and philanthropic events for corporate image building in 2014.

**3.4** In the year 2014, we recruited 61,114 new Sales Representatives and provided the job opportunities. Our Field Force counts number 197,174 (Sales Representatives, Sales Officers and Sales Managers) who all are serving the country to provide protection with savings.

#### **4. INSURER FINANCIAL STRENGTH RATING:**

**4.1** In 2009, a strategic decision was taken to obtain Insurer Financial Strength (IFS) rating for State Life. This task was assigned to the Pakistan Credit Rating Agency (PACRA). It is a matter of pride for State Life that it has been assigned Insurer Financial Strength (IFS) rating of 'AAA' for the 6th consecutive year. The rating denotes State Life's exceptionally strong capacity to meet policyholders and contract obligation. The rating reflects State Life's leading position in life insurance business in Pakistan, its extensive distribution network, good management quality, comprehensive information system and growing business volumes. The rating also represents State Life's robust financial profile emanating from its sound investment portfolio and prudent system of risk management. State Life retains this rating in 2014.

**4.2** A rating of 'AAA' is the highest possible for an insurer to achieve and State Life stands alone in the life insurance industry in Pakistan to have been assigned this rating.

#### **5. THE FUTURE:**

**5.1** Takaful insurance is another line of business which offers bright prospects in the future. The Takaful rules were published by the Securities and Exchange Commission of Pakistan (SECP) in 2005. In 2012, the SECP issued revised Takaful rules allowing Conventional Insurers to initiate window Takaful operations. State Life's Board has also granted approval for initiating Takaful Insurance. In this regard, a working committee has been constituted to formulate a business plan to enter this market and setup operations accordingly. It is anticipated that State Life will be formally able to start Takaful Operations shortly.

**5.2** Bancassurance is an alternate distribution channel to sell life insurance products through banks. This line of insurance business ensures wide coverage at lesser procurement cost. During the last quarter of 2012, this channel started its operations after State Life signed an agreement with the United Bank Limited and in 2013, also signed agreements with First Women Bank Limited and Bank Alfalah. State Life has started to gain firm ground in this channel and negotiations with more banks are underway. Recently, bancassurance agreements have been signed with National Bank of Pakistan, NIB Bank, Samba Bank and Summit Bank. Bolstered with State Life's reputation in the market, its bancassurance channel is steadily showing sustainable growth and will undoubtedly contribute to significant all round improvement in the financial performance of State Life in coming years while providing a new avenue for business growth.

**5.3** State Life entered into an agreement with the Government of Pakistan to provide Life and Health Insurance services to families covered under the Benazir Income Support Program (BISP). We intend to expand our Health Insurance Operations beyond the scope of BISP and provide competitive insurance packages that would ultimately provide diversification to benchmark services that define State Life Insurance Corporation as the largest insurance provider of the country. In this regard, the Corporation has recently signed an agreement with the Government of Khyber Pakhtunkhwa and is currently in the process of making arrangements for administering micro-health insurance scheme covering about 1.5 million lives in Khyber Pakhtunkhwa province for low income families. Besides, State Life has been shortlisted for Prime Minister's National Health Insurance initiative to cover about 22 million lives from micro-health Insurance Scheme for Gilgit Baltistan.

**5.4** The SECP took the initiative of realizing the importance and issues of micro insurance, its benefits to the masses and the need for regulatory framework to ensure its proper practice and promotion. The regulatory framework has been formulated and finalized in this regard by SECP with the issuance of Micro-insurance rules in 2014. State Life is also looking forward to launch micro-insurance products such as micro-insurance accidental cover and micro-insurance endowment cover.

**5.5** Unit linked life insurance products were introduced in Pakistan with the entry of private sector life insurers. With increasing consumer awareness, the market for these products has been growing in the country. State Life also plans to enter this line of business. With the implementation of IT infrastructure enhancements, which is in hand, State Life would be in a position to enter this market segment also.

**5.6** State Life has further enhanced the network of its zones in Pakistan. In this regard, new zones have been created at Jhang, Vehari, Jhelum and Narawal. Besides, the number of regions has been raised to six with the inclusion of Faisalabad Region. It is expected that these new centers will further contribute in expanding and carrying out the Pakistan business more convincingly.

**5.7** State Life has successfully completed implementation Core Insurance Business related ERP on pilot sites Karachi (Southern) and Karachi (Eastern) Zones. Newly acquired fully integrated and centralized Software Solution is smoothly running in said zones since January 1, 2015 and its replication across the enterprise is planned to be completed by December 2016. Besides the implementation of newly acquired (ERP Suit) Software Solution, State Life has initiated extensive efforts to enhance its IT infrastructure to smoothly run all IT operations. In continuation of that, a Tier-2+ level Data Centre was established and successfully working to dispense real time IT Services to all stakeholders including policyholders, regulators and senior management of State Life since December 2012.

#### **6. ACTUARIAL VALUATION**

As per 28th actuarial valuation as at 31st December 2014, the actuarial surplus arising during the inter-valuation period on participating policies was Rs. 47,448 million. The details of bonuses declared are stated as an appendix.

#### **7. DIVIDEND**

Total dividend for the year 2014 is Rs. 905.107 million (2013: Rs. 810.123 million) in which Rs. 810 million (2013: Rs. 712.908 million) is payable to the Government of Pakistan after deduction of Rs. 95.106 million (2013: Rs.97.215 million) share of dividend of Benazir Employees Stock Option Scheme (BESOS). However, the share of Government dividend for the year 2014 for Rs. 64.80 million has been adjusted for increase in paid up capital of the Corporation as allowed by the Ministry of Finance vide its Memo No. 4(1)/CF-III/91-92-252 dated April 3, 2012 and also 20% out of dividend for the year 2014 is earmarked as seed money for takaful operation. After adjustment of Rs. 64.80 million and Rs. 181.021 million, increase in paid up capital and takaful operation respectively, the remaining amount of Rs. 564.181 million has been paid to the Government of Pakistan.

#### **8. AUDITORS**

The accounts for the year ended 31st December, 2014 were jointly audited by a panel of auditors comprising of (i) M/s. Riaz Ahmad & Company, Chartered Accountants, Karachi and (ii) M/s. BDO Ebrahim & Co., Chartered Accountants, Karachi. The accounts of Gulf Countries zone were audited by M/s. Nabeel Al-Saie, Public Accountants DMCC, Dubai, UAE.

#### **9. NOTE OF APPRECIATION**

I am happy to place on record the deep appreciation on behalf of the Board of Directors and myself 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. May our future efforts continue to contribute to the nation's well being in the economic and fiscal fields.

Karachi,  
Date: 30 May, 2015

  
Ms. Nargis Ghaloo  
Chairperson

**ACTUARIAL VALUATION**

AS AT DECEMBER 31, 2014

Appendix

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 2014:

a. Reversionary bonuses per thousand sum assured per annum (2013 figures are given for comparison).

	2013			2014		
	For First Five Policy Years Rs.	From 6th Policy Year to 16th Policy Year Rs.	From 17th Policy Year Onwards Rs.	For First Five Policy Years Rs.	From 6th Policy Year to 16th Policy Year Rs.	From 17th Policy Year Onwards Rs.
Whole Life	60	110	150	60	110	150
Endowments Term:						
20 years and over	50	94	130	50	94	130
15 to 19 years inclusive	35	81	81	35	81	81
14 years and less	20	66	-	20	66	-

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 2015, 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 2013 valuation).

d. Special Terminal Bonus will be paid on claims by maturity in 2015, where a Family Income Benefit (FIB) is in force 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 2013 valuation).

e. Loyalty Terminal Bonus will be paid on claims by death or maturity in 2015 to policies with risk year 1995 or earlier. The rate will be Rs.200 per thousand sum assured (same as 2013 valuation).

**Notes:**

- Jeevan Sathi and Shadabad policies will be treated as Endowment policies.
- Big Deal policies will receive bonuses on 25% of the sum assured only.
- 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 2014:

a. Reversionary bonuses per thousand sum assured per annum (2013 figures are given for comparison).

Term:	2013			2014		
	For First Five Policy Years Rs.	From 6th Policy Year to 16th Policy Year Rs.	From 17th Policy Year Onwards Rs.	For First Five Policy Years Rs.	From 6th Policy Year to 16th Policy Year Rs.	From 17th Policy Year Onwards Rs.
20 years and over	35	69	100	35	69	100
15 to 19 years inclusive	25	59	59	25	59	59
14 years and less	19	53	-	19	53	-

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 2015 to policies with risk year 1995 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 2015, which the policyholder opts to leave, Special Reversionary Bonuses will be allowed as follows (same as 2013 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 2014:

(a) Reversionary bonuses per thousand sum assured per annum would be as per following schedule (2013 figures are given for comparison):

Term:	2013		2014	
	For First Five Policy Years Rs.	From 6th policy year to 16th policy year Rs.	For First Five Policy Years Rs.	From 6th policy year to 16th policy year Rs.
20 years and over	44	86	44	86
15 to 19 years inclusive	31	74	31	74
14 years and less	24	66	24	66



- (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 2015 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. 105 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 2015 shall be calculated at 10.16% per annum (10.72% per annum in 2013) 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 2015. This increase will also be available on pension payments commencing in 2015.
- (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 2014 valuation. This benefit is available to all with-profit policies, which have been in full force as at 31st December 2014 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 2014 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 2015 to 31st December 2015 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 2013 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 2016 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 2015.

#### 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 2015, 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 2015.
- (c) Loyalty Terminal Bonus on Whole Life and Endowment paid up policies will be paid on claims by death or maturity in 2015 to policies with risk year 1995 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 2015.

**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.L., 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 (2013 figures are given for comparison).

	2013		2014	
	For First Five Policy Years Dh.	From Sixth Policy Year Onwards Dh.	For First Five Policy Years Dh.	From Sixth Policy Year Onwards Dh.
Whole Life	21	43	21	43
Endowments Term:				
20 years and over	17	36	17	36
15 to 19 years inclusive	10	26	10	26
14 years and less	5	19	5	19
Anticipated Endowments				
20 years and over	8	29	8	29
15 to 19 years inclusive	5	20	5	20
14 years and less	3	15	3	15

## b. Policies expressed in US Dollar:

Reversionary bonuses per thousand sum insured per annum (2013 figures are given for comparison).

	2013		2014	
	For First Five Policy Years \$	From Sixth Policy Year Onwards \$	For First Five Policy Years \$	From Sixth Policy Year Onwards \$
Whole Life	23	46	23	46
Endowments Term:				
20 years and over	17	36	17	36
15 to 19 years inclusive	10	25	10	25
14 years and less	5	18	5	18
Anticipated Endowments				
20 years and over	8	26	8	26
15 to 19 years inclusive	5	19	5	19
14 years and less	3	14	3	14

- 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. Terminal Bonus will be paid on claims by death or maturity in 2015, 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 2013 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 2015, 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 2013 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 2016 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 2015.

**C. NO CASH VALUE OF BONUSES UNTIL THREE YEARS' PREMIUMS HAVE BEEN PAID**

Surrender Value of Reversionary Bonuses on an in force 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 2015.

**OPERATING AND FINANCIAL HIGHLIGHTS****FINANCIAL POSITION****Balance Sheet**

	Rs. in Million					
	2014	2013	2012	2011	2010	2009
<b>ASSETS</b>						
Cash and Banks	20,261	33,112	30,722	30,426	25,522	14,944
Loans secured against life insurance policies	41,303	33,100	27,095	22,596	19,057	16,046
Loans to employee and field force	424	420	430	422	406	356
Investment properties	2,955	2,990	3,028	2,917	2,734	2,538
Investment in securities	390,102	319,279	262,884	218,152	192,539	174,735
Current assets and others	41,312	31,508	24,731	18,950	11,001	8,907
Fixed assets	332	397	307	250	219	158
<b>Total assets</b>	<b>496,689</b>	<b>420,806</b>	<b>349,197</b>	<b>293,714</b>	<b>251,478</b>	<b>217,685</b>
<b>EQUITY AND LIABILITIES</b>						
Issued, subscribed and paid up capital	3,000	1,100	1,100	1,100	1,100	1,100
Reserve and surplus	840	1,932	1,214	508	407	319
Policy holders liability	450,025	378,608	313,754	267,848	230,422	199,445
Employees retirement benefit	2,465	2,156	1,688	1,261	1,424	1,269
Government grant for health insurance fund	-	-	-	362	-	-
Creditors and accruals	40,359	37,010	31,441	22,635	18,126	15,552
<b>Total equity and liability</b>	<b>496,689</b>	<b>420,806</b>	<b>349,197</b>	<b>293,714</b>	<b>251,478</b>	<b>217,685</b>
<b>OPERATING AND FINANCIAL TRENDS</b>						
<b>Profit and Loss</b>						
Net Investment Income	147	132	135	125	112	107
Surplus appropriated	1,186	1,046	1,019	642	499	390
Profit before Tax	1,333	1,178	1,155	767	611	496
Taxation	428	368	388	259	204	178
Profit After Tax	905	810	767	508	407	319
<b>Revenue Account</b>						
Premium net of Reinsurance	76,342	65,745	56,018	44,812	35,639	28,367
Net Investment Income	50,569	50,817	37,842	31,050	27,323	21,438
Total Inflow	126,911	116,562	93,860	75,863	62,961	49,805
Total Outflow	54,307	50,662	47,296	37,119	31,486	27,354
Increase Policyholders liability	67,030	60,609	36,090	37,137	30,994	22,319
Surplus before Tax	5,574	5,290	10,474	1,606	482	132
Taxation	-	-	-	75	-	(75)
Surplus after Tax	5,574	5,290	10,474	1,681	482	57
Surplus transfer to P & L	1,186	1,046	1,019	642	499	390
<b>Cash Flows</b>						
Operating activities	17,951	9,714	13,136	8,815	4,470	366
Investing activities	(30,522)	(7,357)	(13,220)	(3,631)	6,780	(3,582)
Financing activities	-	-	-	(358)	(319)	(96)
Cash and cash equivalents at the end of the year	18,959	31,531	29,265	29,350	24,525	13,594

**FINANCIAL RATIOS**

	2014	2013	2012	2011	2010	2009
<b>Profitability</b>						
Profit before tax/Gross Premium	1.74%	1.79%	2.05%	1.70%	1.70%	1.74%
Profit before tax/Net Premium	1.75%	1.79%	2.06%	1.71%	1.71%	1.75%
Profit after tax/Gross Premium	1.18%	1.23%	1.36%	1.13%	1.14%	1.12%
Profit after tax/Net Premium	1.19%	1.23%	1.37%	1.13%	1.14%	1.12%
Net Claims/Net Premium (IL)	34.43%	33.49%	37.46%	37.87%	41.90%	48.13%
Net Claims/Net Premium (GL)	96.32%	88.41%	81.92%	90.26%	99.63%	107.05%
Net Commission/Net Premium (IL)	23.21%	25.65%	27.47%	28.34%	28.65%	27.32%
Net Commission/Net Premium (GL)	0.05%	0.06%	0.07%	0.10%	0.13%	0.09%
Area Managers Costs/Net Premium	2.75%	3.55%	3.52%	3.76%	3.53%	3.36%
Total Acquisition Cost/Net Premium	27.17%	30.60%	32.50%	33.81%	33.80%	32.34%
Administration Expenses/Net Premium	6.29%	10.23%	12.77%	9.14%	9.97%	12.56%
<b>Return to Shareholders</b>						
Return on Equity (ROE) Net income/Avg Equity	26.34%	30.30%	39.12%	32.62%	27.81%	24.38%
Earnings/Loss per Share (Pre Tax)	Rs. 106.09	107.14	104.99	69.71	55.53	45.12
Earnings/Loss per Share (After Tax)	Rs. 72.05	73.65	69.75	46.18	36.99	28.98
Return on Assets (Net Income)/Avg total Assets	0.20%	0.21%	0.24%	0.19%	0.17%	0.16%
Paid up Capital/Total Assets	0.60%	0.26%	0.32%	0.37%	0.44%	0.51%
<b>Market Value</b>						
Face Value per Share	Rs. 100	100	100	100	100	100
Break up Value per Share	Rs. 172.05	173.65	169.75	146.18	136.99	128.98
Cash Dividend per Share	Rs. 72.05	73.65	69.75	46.18	36.99	28.98
Dividend Yield-EPS/100*100	72.05%	73.65%	69.75%	46.18%	36.99%	28.98%
Dividend Pay out	100%	100%	100%	100%	100%	100%

**VERTICAL ANALYSIS****Balance Sheet**

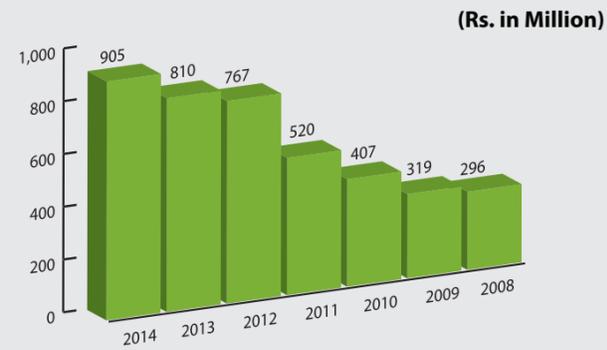
ASSETS	2014		2013		2012		2011		2010		2009	
	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%
Cash and Banks	20,261	4.08%	33,112	7.87%	30,722	8.80%	30,426	10.36%	25,522	10.15%	14,944	6.87%
Loans secured against life insurance policies	41,303	8.32%	33,100	7.87%	27,095	7.76%	22,596	7.69%	19,057	7.58%	16,046	7.37%
Loans to employee and field force	424	0.09%	420	0.10%	430	0.12%	422	0.14%	406	0.16%	356	0.16%
Investment properties	2,955	0.59%	2,990	0.71%	3,028	0.87%	2,917	0.99%	2,734	1.09%	2,538	1.17%
Investment in securities	390,102	78.54%	319,279	75.87%	262,884	75.28%	218,152	74.27%	192,539	76.56%	174,735	80.27%
Current assets and others	41,312	8.32%	31,508	7.49%	24,731	7.08%	18,950	6.45%	11,001	4.37%	8,907	4.09%
Fixed assets	332	0.07%	397	0.09%	307	0.09%	250	0.09%	219	0.09%	158	0.07%
<b>Total assets</b>	<b>496,689</b>	<b>100%</b>	<b>420,806</b>	<b>100%</b>	<b>349,197</b>	<b>100%</b>	<b>293,714</b>	<b>100%</b>	<b>251,478</b>	<b>100%</b>	<b>217,685</b>	<b>100%</b>
<b>EQUITY AND LIABILITIES</b>												
Issued, subscribed and paid up capital	3,000	0.60%	1,100	0.26%	1,100	0.32%	1,100	0.37%	1,100	0.44%	1,100	0.51%
Reserve and surplus	840	0.17%	1,932	0.46%	1,214	0.35%	508	0.17%	407	0.16%	319	0.15%
policy holders liability	450,025	90.60%	378,608	89.97%	313,754	89.85%	267,848	91.19%	230,422	91.63%	199,445	91.62%
employees retirement benefit	2,465	0.50%	2,156	0.51%	1,688	0.48%	1,261	0.43%	1,424	0.57%	1,269	0.58%
Government grant for health insurance fund	-	-	-	-	-	-	362	0.12%	-	-	-	-
Creditors and accruals	40,359	8.13%	37,010	8.80%	31,441	9.00%	22,635	7.71%	18,126	7.21%	15,552	7.14%
<b>Total equity and liability</b>	<b>496,689</b>	<b>100.00%</b>	<b>420,806</b>	<b>100%</b>	<b>349,197</b>	<b>100%</b>	<b>293,714</b>	<b>100%</b>	<b>251,478</b>	<b>100%</b>	<b>217,685</b>	<b>100%</b>
<b>OPERATING AND FINANCIAL TRENDS</b>												
<b>Profit and Loss</b>												
Net Investment Income	147	11%	132	11%	135	12%	125	16%	112	18%	107	22%
Surplus appropriated	1,186	89%	1,046	89%	1,019	88%	642	84%	499	82%	390	78%
Profit before Tax	1,333	100%	1,178	100%	1,155	100%	767	100%	611	100%	496	100%
Taxation	428	32%	368	31%	388	34%	259	34%	204	33%	178	36%
<b>Profit After Tax</b>	<b>905</b>	<b>68%</b>	<b>810</b>	<b>69%</b>	<b>767</b>	<b>66%</b>	<b>508</b>	<b>66%</b>	<b>407</b>	<b>67%</b>	<b>319</b>	<b>64%</b>
<b>Revenue Account</b>												
Premium net of Reinsurance	76,342	60%	65,745	56%	56,018	60%	44,812	59%	35,639	57%	28,367	57%
Net Investment Income	50,569	40%	50,817	44%	37,842	40%	31,050	41%	27,323	43%	21,438	43%
<b>Total Inflow</b>	<b>126,911</b>	<b>100%</b>	<b>116,562</b>	<b>100%</b>	<b>93,860</b>	<b>100%</b>	<b>75,863</b>	<b>100%</b>	<b>62,961</b>	<b>100%</b>	<b>49,805</b>	<b>100%</b>
<b>Total Outflow</b>	<b>54,307</b>	<b>43%</b>	<b>50,662</b>	<b>43%</b>	<b>47,296</b>	<b>50%</b>	<b>37,119</b>	<b>49%</b>	<b>31,486</b>	<b>50%</b>	<b>27,354</b>	<b>54.92%</b>
Increase Policyholders liability	67,030	53%	60,609	52%	36,090	38%	37,137	49%	30,994	49%	22,319	44.81%
Taxation	-	-	-	-	-	-	75	0.10%	-	-	75	0.15%
<b>Surplus after Tax</b>	<b>5,574</b>	<b>4%</b>	<b>5,290</b>	<b>5%</b>	<b>10,474</b>	<b>11%</b>	<b>1,681</b>	<b>2%</b>	<b>482</b>	<b>1%</b>	<b>57</b>	<b>0.09%</b>

**HORIZONTAL ANALYSIS****Balance Sheet**

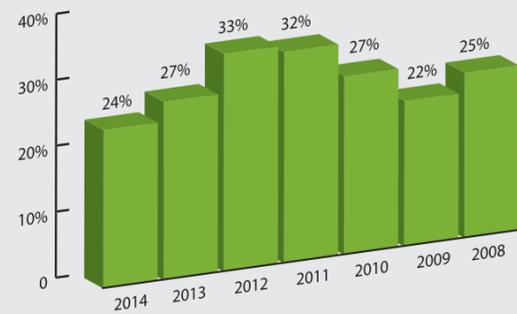
ASSETS	Rupees in Millions						% increase/decrease over preceding year					
	2014	2013	2012	2011	2010	2009	2014	2013	2012	2011	2010	2009
Cash and Banks	20,261	33,112	30,722	30,426	25,522	14,944	-39%	8%	1%	19%	71%	-18%
Loans secured against life insurance policies	41,303	33,100	27,095	22,596	19,057	16,046	25%	22%	20%	19%	19%	21%
Loans to employee and field force	424	420	430	422	406	356	1%	-2%	2%	4%	14%	7%
Investment properties	2,955	2,990	3,028	2,917	2,734	2,538	-1%	-1%	4%	7%	8%	4%
Investment in securities	390,102	319,279	262,884	218,152	192,539	174,735	22%	21%	21%	13%	10%	15%
Current assets and others	41,312	31,508	24,731	18,950	11,001	8,907	31%	27%	31%	72%	24%	21%
Fixed assets	332	397	307	250	219	158	-16%	29%	23%	14%	39%	27%
<b>Total assets</b>	<b>496,689</b>	<b>420,806</b>	<b>349,197</b>	<b>293,714</b>	<b>251,478</b>	<b>217,685</b>						
<b>EQUITY AND LIABILITIES</b>												
Issued, subscribed and paid up capital	3,000	1,100	1,100	1,100	1,100	1,100	173%	0%	0%	0%	0%	0%
Reserve and surplus	840	1,932	1,214	508	407	319	-57%	59%	139%	25%	28%	231%
Policyholders liability	450,025	378,608	313,754	267,848	230,422	199,445	19%	21%	17%	16%	16%	12%
Employees retirement benefit	2,465	2,156	1,688	1,261	1,424	1,269	14%	28%	34%	-11%	12%	14%
Government grant for health insurance fund	-	-	-	-	362	-	-	-	-100%	-	-	-
Creditors and accruals	40,359	37,010	31,441	22,635	18,126	15,552	9%	18%	39%	25%	17%	17%
<b>Total equity and liability</b>	<b>496,689</b>	<b>420,806</b>	<b>349,197</b>	<b>293,714</b>	<b>251,478</b>	<b>217,685</b>						
<b>OPERATING AND FINANCIAL TRENDS</b>												
<b>Profit and Loss</b>												
Net Investment Income	147	132	135	125	112	107	11%	-2%	8%	12%	4%	14%
Surplus appropriated	1,186	1,046	1,019	642	499	390	13%	3%	59%	29%	28%	11%
Profit before Tax	1,333	1,178	1,155	767	611	496	13%	2%	51%	26%	23%	11%
Taxation	428	368	388	259	204	178	16%	-5%	50%	27%	15%	18%
<b>Profit After Tax</b>	<b>905</b>	<b>810</b>	<b>767</b>	<b>508</b>	<b>407</b>	<b>319</b>	<b>12%</b>	<b>6%</b>	<b>51%</b>	<b>25%</b>	<b>28%</b>	<b>8%</b>
<b>Revenue Account</b>												
Premium net of Reinsurance	76,342	65,745	56,018	44,812	35,639	28,367	16%	17%	25%	26%	26%	25%
Net Investment Income	50,569	50,817	37,842	31,050	27,323	21,438	-	34%	22%	14%	27%	13%
<b>Total Inflow</b>	<b>126,911</b>	<b>116,562</b>	<b>93,860</b>	<b>75,863</b>	<b>62,961</b>	<b>49,805</b>	<b>9%</b>	<b>24%</b>	<b>24%</b>	<b>20%</b>	<b>26%</b>	<b>19%</b>
<b>Total Outflow</b>	<b>54,307</b>	<b>50,662</b>	<b>47,296</b>	<b>37,119</b>	<b>31,486</b>	<b>27,354</b>	<b>7%</b>	<b>7%</b>	<b>27%</b>	<b>18%</b>	<b>15%</b>	<b>32%</b>
Increase Policyholders liability	67,030	60,609	36,090	37,137	30,994	22,319	11%	68%	-3%	20%	39%	16%
Taxation	-	-	-	75	-	75	-	-	-100%	100%	-100%	-36%
<b>Surplus after Tax</b>	<b>5,574</b>	<b>5,290</b>	<b>10,474</b>	<b>1,681</b>	<b>482</b>	<b>57</b>	<b>5%</b>	<b>-49%</b>	<b>523%</b>	<b>249%</b>	<b>749%</b>	<b>-97%</b>



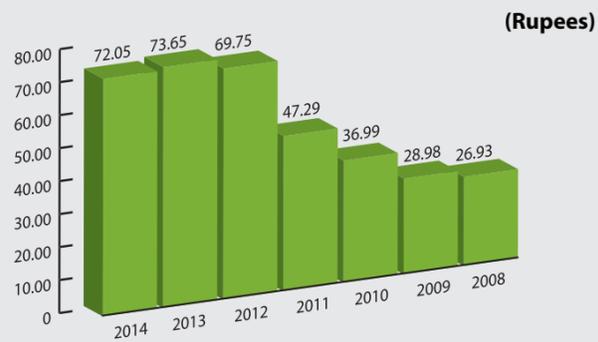
### PROFIT AFTER TAXATION



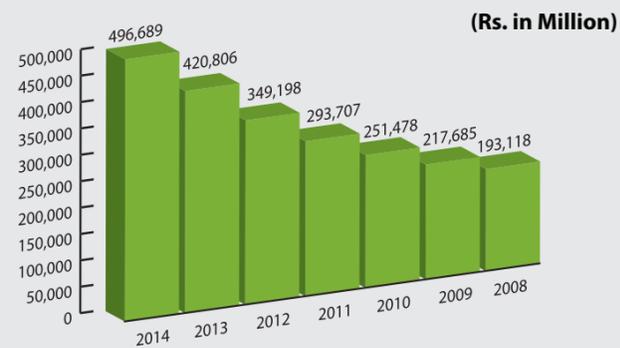
### RETURN ON EQUITY



### EARNINGS PER SHARE

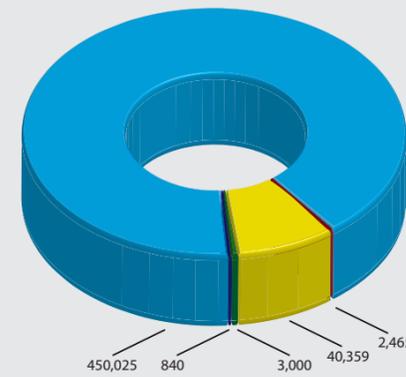


### ASSETS



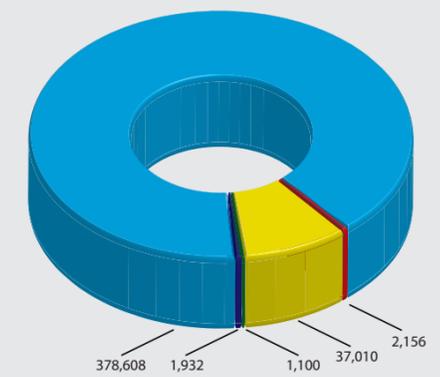
### Balance Sheet Composition

#### Equity & Liabilities - 2014 (Rs. in Million)



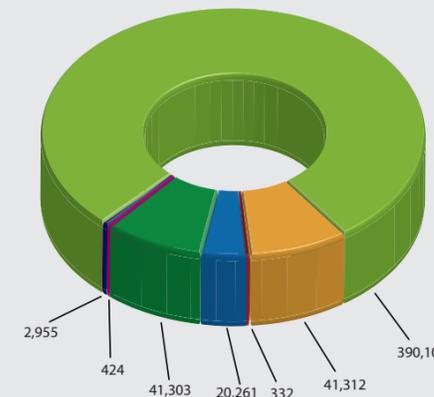
- Policyholders Liability - 450,025
- Employees Retirement - 2,465
- Creditors and Accruals - 40,359
- Issued, Subscribed and Paid up Capital - 3,000
- Reserve and Surplus - 840

#### Equity & Liabilities - 2013 (Rs. in Million)



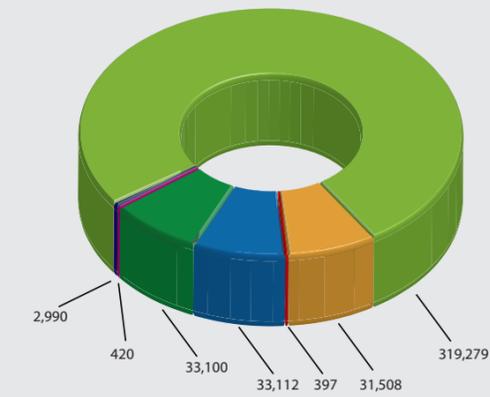
- Policyholders Liability - 378,608
- Employees Retirement - 2,156
- Creditors and Accruals - 37,010
- Issued Subscribed and Paid up Capital - 1,100
- Reserve and Surplus - 1,932

#### Assets - 2014 (Rs. in Million)

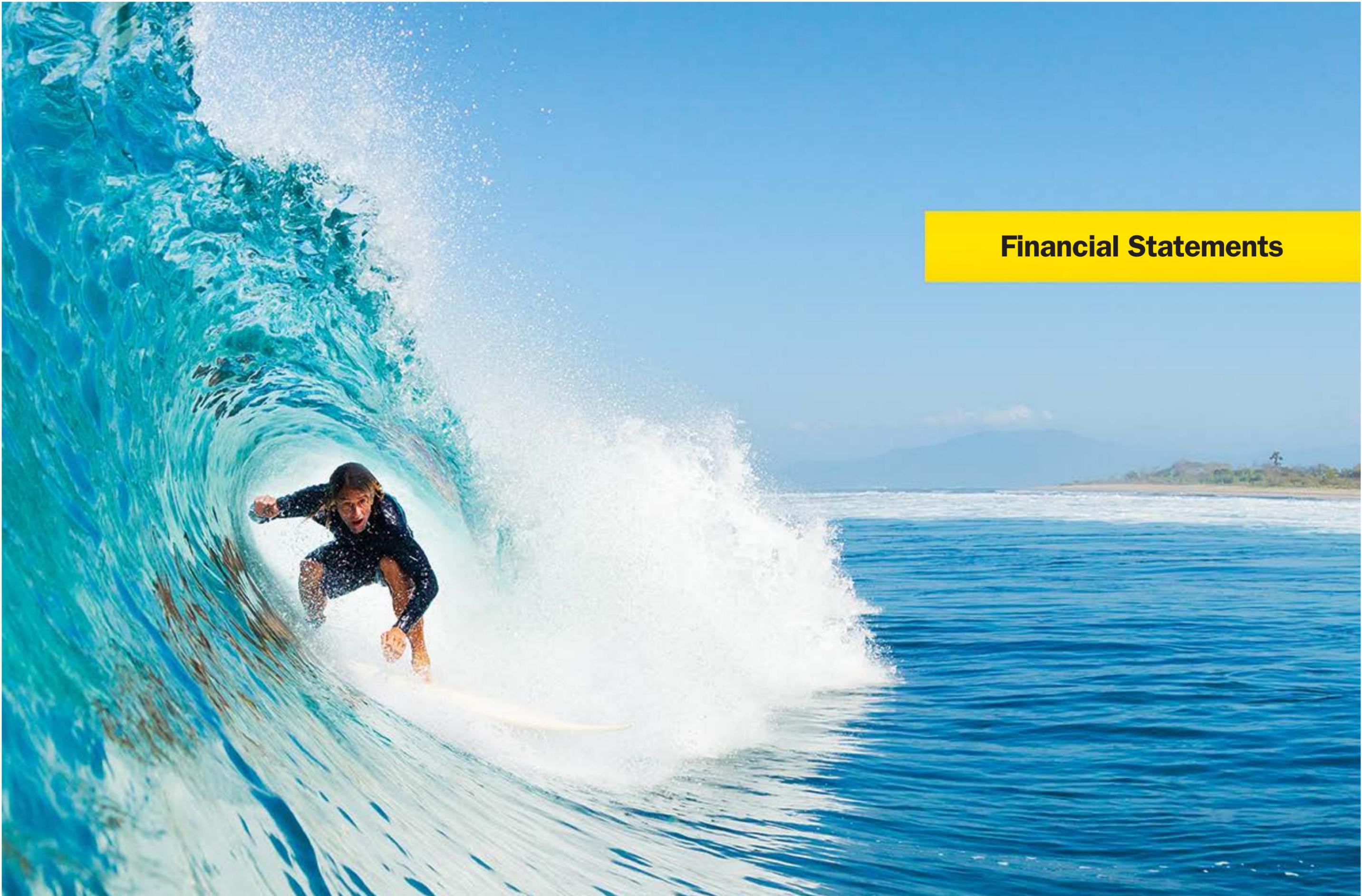


- Cash and Banks - 20,261
- Loans Secured against Life Insurance Policies - 41,303
- Loans to Employee and Field Force - 424
- Investment Properties - 2,955
- Investment in Securities - 390,102
- Current Assets and Others - 41,312
- Fixed Assets - 332

#### Assets - 2013 (Rs. in Million)



- Cash and Banks - 33,112
- Loans Secured against Life Insurance Policies - 33,100
- Loans to Employee and Field Force - 420
- Investment Properties - 2,990
- Investment in Securities - 319,279
- Current Assets and Others - 31,508
- Fixed Assets - 397



**Financial Statements**

**AUDITORS' REPORT****TO THE MEMBERS OF STATE LIFE INSURANCE CORPORATION OF PAKISTAN**

We have audited the annexed financial statements comprising of:

- i) Balance sheet;
- ii) Profit and loss account;
- iii) Statement of comprehensive income;
- iv) Statement of changes in equity;
- v) Cash flow statement;
- vi) Revenue account;
- vii) Statement of premiums;
- viii) Statement of claims;
- ix) Statement of expenses; and
- x) Statement of investment income

of the State Life Insurance Corporation of Pakistan ("the Corporation") as at December 31, 2014 together with the notes forming part thereof, for the year then ended.

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

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

- a) Proper books of accounts have been kept by the Corporation as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) The balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Corporation and are further in accordance with accounting policies consistently applied;
- c) The financial statements together with the notes thereon present fairly, in all material respects, the state of the Corporation's affairs as at December 31, 2014 in accordance with International Accounting Standards as applicable in Pakistan, and the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- d) The apportionment of assets, liabilities, revenue and expenses between funds has been performed in accordance with the advice of the appointed actuary; and
- e) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Corporation and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

We draw attention to note 12.1.3 to the financial statements which states that as of the balance sheet date, the Corporation was not in compliance with section 29 of the Insurance Ordinance, 2000 in respect of regulatory deposit with State Bank of Pakistan in respect of issue of share capital as on December 1, 2014. As detailed in the aforementioned note, subsequent to the balance sheet date, the requirement has been complied with. Our opinion is not qualified in respect of this matter.

The financial statements for the year ended December 31, 2013 were audited by Anjum Asim Shahid Rahman, Chartered Accountants and BDO Ebrahim & Co. Chartered Accountants, who expressed an unqualified opinion thereon, vide their report dated December 9, 2014.

**BDO Ebrahim & Co.**  
Chartered Accountants  
Name of the engagement partner:  
**Zulfikar Ali Causer**

Dated: 30 May 2015  
**Karachi**

**Riaz Ahmad & Company**  
Chartered Accountants  
Name of the engagement partner:  
**Muhammad Kamran Nasir**



## BALANCE SHEET

AS AT DECEMBER 31, 2014

Note	Shareholders' Fund	Statutory Funds				Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	(Rupees in '000)	
						2014	2013
<b>Share capital and reserves</b>							
	4,000,000	-	-	-	-	4,000,000	1,500,000
Issued, subscribed and paid up							
Share capital	3,000,000	-	-	-	-	3,000,000	1,100,000
Accumulated surplus	840,308	-	-	-	-	840,308	810,123
Reserve for issue of share capital	-	-	-	-	-	-	1,122,293
Net shareholders' equity	3,840,308	-	-	-	-	3,840,308	3,032,416
<b>Balance of statutory funds-including policyholders' liabilities Rs. 428,900 million (2013: Rs. 361,869 million)</b>							
	-	439,043,046	9,978,706	271,849	731,785	450,025,386	378,607,770
<b>Deferred liabilities</b>							
Staff retirement benefits	-	2,453,888	10,865	-	-	2,464,753	2,156,202
<b>Creditors and accruals</b>							
Outstanding claims	-	15,852,787	206,292	-	1,223	16,060,302	14,336,709
Premium received in advance	-	6,454,374	99,448	-	22,074	6,575,896	6,181,764
Amounts due to other insurers/reinsurers	-	144,592	8,553	-	-	153,145	126,554
Amount due to agents	-	4,294,448	87,006	-	-	4,381,454	4,048,578
Accrued expenses	-	2,686,377	48,950	188	565	2,736,080	1,998,041
Inter-fund balances	-	2,157,698	140,226	29,333	50,702	2,377,959	2,594,357
Others	299,080	7,750,943	24,350	44	-	8,074,417	7,724,067
	299,080	39,341,219	614,825	29,565	74,564	40,359,253	37,010,070
<b>Total liabilities</b>	299,080	480,838,153	10,604,396	301,414	806,349	492,849,392	417,774,042
<b>Total equity and liabilities</b>	4,139,388	480,838,153	10,604,396	301,414	806,349	496,689,700	420,806,458

### Contingencies and commitments

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

  
Ms. Nargis Ghaloo  
Chairperson

  
Naved Arif  
Director

  
Dr. Aliya Hashmi Khan  
Director

  
Muhammad Rashid  
Chief Financial Officer



## BALANCE SHEET

AS AT DECEMBER 31, 2014

Note	Shareholders' Fund	Statutory Funds				Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	(Rupees in '000)	
						2014	2013
<b>Cash and bank deposits</b>							
	-	41,125	-	-	-	41,125	85,627
Cash and others							
Current and other accounts	-	9,485,923	615,126	7,782	871	10,109,702	8,059,713
Deposits maturing within 12 months	4,369	8,436,415	367,497	-	-	8,808,281	23,385,209
Fixed deposits maturing after 12 months	-	1,710	1,299,885	-	-	1,301,595	1,580,960
	4,369	17,965,173	2,282,508	7,782	871	20,260,703	33,111,509
<b>Loans secured against life insurance policies</b>							
	-	40,515,734	787,457	-	-	41,303,191	33,100,167
<b>Loans secured against other assets</b>							
To employees	232,201	3,407	-	-	-	235,608	235,529
To agents	18,169	6,102	-	-	-	24,271	24,360
Others	-	2,661	-	-	-	2,661	2,661
	250,370	12,170	-	-	-	262,540	262,550
<b>Unsecured loans</b>							
To employees	117,865	-	-	-	-	117,865	115,654
To agents	43,113	813	-	-	-	43,926	41,914
	160,978	813	-	-	-	161,791	157,568
<b>Investment properties</b>							
Cost	-	4,677,311	-	-	-	4,677,311	4,642,671
Less: Provision for impairment in value	-	(594)	-	-	-	(594)	(597)
Less: Accumulated depreciation	-	(1,721,912)	-	-	-	(1,721,912)	(1,651,558)
	-	2,954,805	-	-	-	2,954,805	2,990,516
<b>Investments</b>							
Government securities	1,283,748	351,271,660	6,166,909	241,198	689,180	359,652,695	288,393,644
Other fixed income securities	-	87,573	846,412	-	-	933,985	1,241,195
Listed equities and mutual funds	-	28,791,983	-	-	-	28,791,983	28,775,469
Unlisted equities and mutual funds	-	787,932	-	-	-	787,932	950,298
Holding in subsidiary companies	-	241,609	-	-	-	241,609	241,609
Less: Provision for diminution in value	-	(305,671)	-	-	-	(305,671)	(323,420)
	1,283,748	380,875,086	7,013,321	241,198	689,180	390,102,533	319,278,795
<b>Current assets - others</b>							
Premiums due but unpaid	-	13,460,773	314,547	42,951	79,627	13,897,898	10,444,827
Amounts due from other insurers/reinsurers	-	266,268	-	-	-	266,268	260,227
Agents balances	-	208	-	-	-	208	208
Investment income due but outstanding	-	367,433	105,341	-	-	472,774	422,046
Investment income accrued	66,801	20,125,745	67,292	9,483	35,618	20,304,939	14,237,222
Taxation-payments less provision	-	2,900,405	-	-	-	2,900,405	2,770,251
Prepayments	-	367,838	16,439	-	-	384,277	390,103
Inter-fund balances	2,373,122	-	4,835	-	-	2,377,957	2,594,357
Sundry receivables	-	664,380	7,453	-	142	671,975	338,659
Others	-	35,053	-	-	-	35,053	50,680
	2,439,923	38,188,103	515,907	52,434	115,387	41,311,754	31,508,580
<b>Fixed assets - tangible</b>							
Furniture, fixtures, office equipment, computers and vehicles	-	1,235,825	26,533	-	3,052	1,265,410	1,215,300
Less: Accumulated depreciation	-	(909,556)	(21,330)	-	(2,141)	(933,027)	(818,527)
	-	326,269	5,203	-	911	332,383	396,773
<b>Total assets</b>	4,139,388	480,838,153	10,604,396	301,414	806,349	496,689,700	420,806,458

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

  
Ms. Nargis Ghaloo  
Chairperson

  
Naved Arif  
Director

  
Dr. Aliya Hashmi Khan  
Director

  
Muhammad Rashid  
Chief Financial Officer



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	(Rupees in '000)	
		2014	2013
<b>Investment income not attributable to statutory funds</b>			
Return on Government securities		130,085	114,757
Interest income on loans and advances to employees / agents		20,468	20,222
Interest income on bank deposits		153	1,269
<b>Net investment income</b>		<b>150,706</b>	136,248
Expenses not attributable to statutory funds		(4,234)	(4,135)
Surplus appropriated to shareholders' fund	20.4	1,186,210	1,046,373
Profit before tax		1,332,682	1,178,486
Taxation	15	(427,575)	(368,363)
Profit after tax		905,107	810,123
Earnings per share - basic and diluted	16	72.05	73.65

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

  
Ms. Nargis Ghaloo  
Chairperson

  
Naved Arif  
Director

  
Dr. Aliya Hashmi Khan  
Director

  
Muhammad Rashid  
Chief Financial Officer

  
Ms. Nargis Ghaloo  
Chairperson

  
Naved Arif  
Director

  
Dr. Aliya Hashmi Khan  
Director

  
Muhammad Rashid  
Chief Financial Officer



## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	(Rupees in '000)	
		2014	2013
Profit after tax for the year		905,107	810,123
<b>Other comprehensive income for the year</b>			
Items that will not be reclassified to profit or loss		-	-
Items that will be reclassified to profit or loss		-	-
Total comprehensive income for the year		905,107	810,123

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



**REVENUE ACCOUNT**

FOR THE YEAR ENDED DECEMBER 31, 2014

Note	Statutory Funds				(Rupees in '000)	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Aggregate	
					2014	2013
<b>Income</b>						
Premium less reinsurance	74,061,040	2,186,138	9,828	85,049	<b>76,342,055</b>	65,744,683
Rental income from investment properties	275,808	-	-	-	<b>275,808</b>	301,681
Net investment income	49,980,050	205,646	31,029	76,337	<b>50,293,062</b>	50,515,219
<b>Total net income</b>	<b>124,316,898</b>	<b>2,391,784</b>	<b>40,857</b>	<b>161,386</b>	<b>126,910,925</b>	116,561,583
<b>Claims and expenditure</b>						
Claims, including bonuses, net of reinsurance recoveries	29,744,155	735,985	14,092	10,334	<b>30,504,566</b>	25,835,801
Management expenses less recoveries	23,084,422	706,207	1,271	10,633	<b>23,802,533</b>	24,826,747
<b>Total claims and expenditure</b>	<b>52,828,577</b>	<b>1,442,192</b>	<b>15,363</b>	<b>20,967</b>	<b>54,307,099</b>	50,662,548
<b>Excess of income over claims &amp; expenditure</b>	<b>71,488,321</b>	<b>949,592</b>	<b>25,494</b>	<b>140,419</b>	<b>72,603,826</b>	65,899,035
Add: Policyholders' liabilities at the beginning of year	352,962,602	8,580,244	190,831	135,680	<b>361,869,357</b>	301,260,388
Less: Policyholders' liabilities at the end of year	419,040,338	9,455,806	210,686	192,679	<b>428,899,509</b>	361,869,357
<b>Surplus before tax</b>	<b>5,410,585</b>	<b>74,030</b>	<b>5,639</b>	<b>83,420</b>	<b>5,573,674</b>	5,290,066
<b>Tax chargeable to statutory funds</b>						
Current year	-	-	-	-	-	680
<b>Surplus after tax</b>	<b>5,410,585</b>	<b>74,030</b>	<b>5,639</b>	<b>83,420</b>	<b>5,573,674</b>	5,290,746
<b>Movement in policyholders' liabilities</b>						
<b>Transfer from/(to) shareholders' fund</b>						
Transfer from shareholders' fund	-	-	-	-	-	-
Surplus appropriated to shareholders' fund	(1,173,134)	(13,076)	-	-	<b>(1,186,210)</b>	(1,046,373)
<b>Balance of statutory fund at the beginning of year</b>	<b>368,727,859</b>	<b>9,042,190</b>	<b>246,355</b>	<b>591,366</b>	<b>378,607,770</b>	313,754,428
<b>Balance of statutory fund at the end of year</b>	<b>439,043,046</b>	<b>9,978,706</b>	<b>271,849</b>	<b>731,785</b>	<b>450,025,386</b>	378,607,770
<b>Represented by:</b>						
Policyholders' liabilities	419,040,338	9,455,806	210,686	192,679	<b>428,899,509</b>	361,869,357
Retained earnings attributable to policyholders	20,002,708	522,900	-	-	<b>20,525,608</b>	16,227,203
Retained earnings on other than participating business	-	-	61,163	539,106	<b>600,269</b>	511,210
<b>Balance of statutory fund</b>	<b>439,043,046</b>	<b>9,978,706</b>	<b>271,849</b>	<b>731,785</b>	<b>450,025,386</b>	378,607,770

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



Ms. Nargis Ghaloo  
Chairperson



Naved Arif  
Director



Dr. Aliya Hashmi Khan  
Director



Muhammad Rashid  
Chief Financial Officer



Ms. Nargis Ghaloo  
Chairperson



Naved Arif  
Director



Dr. Aliya Hashmi Khan  
Director



Muhammad Rashid  
Chief Financial Officer

**STATEMENT OF PREMIUMS**

FOR THE YEAR ENDED DECEMBER 31, 2014

	Statutory Funds				(Rupees in '000)	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Aggregate	
					2014	2013
<b>Gross premiums</b>						
Regular premium individual policies *						
First year	15,694,960	489,785	-	-	<b>16,184,745</b>	15,476,874
Second year renewals	11,827,129	356,286	-	-	<b>12,183,415</b>	11,266,742
Subsequent year renewals	39,933,573	1,391,029	-	-	<b>41,324,602</b>	32,211,368
Group policies with cash values	-	-	9,828	-	<b>9,828</b>	20,318
Group policies without cash values	6,772,924	-	-	85,049	<b>6,857,973</b>	6,955,198
<b>Total gross premiums</b>	<b>74,228,586</b>	<b>2,237,100</b>	<b>9,828</b>	<b>85,049</b>	<b>76,560,563</b>	65,930,500
<b>Less: Reinsurance premiums ceded</b>						
On individual life first year business	(20,924)	(7,818)	-	-	<b>(28,742)</b>	(35,241)
On individual life second year business	(19,428)	-	-	-	<b>(19,428)</b>	(17,824)
On individual life renewal business	(81,996)	(43,144)	-	-	<b>(125,140)</b>	(112,713)
On group policies	(45,198)	-	-	-	<b>(45,198)</b>	(20,039)
<b>Total reinsurance premiums ceded</b>	<b>(167,546)</b>	<b>(50,962)</b>	<b>-</b>	<b>-</b>	<b>(218,508)</b>	(185,817)
<b>Net premiums</b>	<b>74,061,040</b>	<b>2,186,138</b>	<b>9,828</b>	<b>85,049</b>	<b>76,342,055</b>	65,744,683

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

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



## STATEMENT OF CLAIMS FOR THE YEAR ENDED DECEMBER 31, 2014

	Statutory Funds				Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2014	2013
	(Rupees in '000)					
<b>Gross claims</b>						
Claims under individual policies						
by death	3,562,555	58,087	-	-	3,620,642	3,332,635
by insured event other than death	252,779	1,847	-	-	254,626	264,936
by maturity	9,528,429	289,689	-	-	9,818,118	8,548,177
by surrender	9,882,506	399,617	-	-	10,282,123	7,754,625
annuity payment	9,733	-	-	-	9,733	13,008
<b>Total gross individual policy claims</b>	23,236,002	749,240	-	-	23,985,242	19,913,381
Claims under group policies						
by death	5,878,124	-	14,092	-	5,892,216	5,678,409
by insured event other than death	69,865	-	-	10,334	80,199	64,638
by maturity	610	-	-	-	610	154
annuity payment	1,396	-	-	-	1,396	854
experience refund	639,852	-	-	-	639,852	416,722
<b>Total gross group policy claims</b>	6,589,847	-	14,092	10,334	6,614,273	6,160,777
<b>Total gross claims</b>	29,825,849	749,240	14,092	10,334	30,599,515	26,074,158
<b>Less: Reinsurance recoveries</b>						
On individual life first year business claims	(17,444)	-	-	-	(17,444)	(22,574)
On individual life second year business claims	(8,644)	-	-	-	(8,644)	(119,581)
On individual life renewal business claims	(13,038)	(13,255)	-	-	(26,293)	(85,096)
On group life claims	(42,568)	-	-	-	(42,568)	(11,106)
<b>Total reinsurance recoveries</b>	(81,694)	(13,255)	-	-	(94,949)	(238,357)
<b>Net claims</b>	29,744,155	735,985	14,092	10,334	30,504,566	25,835,801

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

  
Ms. Nargis Ghaloo  
Chairperson

  
Naved Arif  
Director

  
Dr. Aliya Hashmi Khan  
Director

  
Muhammad Rashid  
Chief Financial Officer

## STATEMENT OF EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2014

Note	Statutory Funds				Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2014	2013
	(Rupees in '000)					
<b>Acquisition costs</b>						
<b>Remuneration to insurance intermediaries on individual policies:</b>						
Commission on first year premiums	10,509,023	305,404	-	-	10,814,427	10,473,384
Commission on second year premiums	2,039,914	39,489	-	-	2,079,403	1,923,764
Commission on subsequent renewal premiums	1,818,225	69,326	-	-	1,887,551	1,473,126
Other benefits to insurance intermediaries	1,385,806	11,695	-	-	1,397,501	1,245,917
	15,752,968	425,914	-	-	16,178,882	15,116,191
<b>Remuneration to insurance intermediaries on group policies:</b>						
Commission	2,313	-	(98)	-	2,215	3,377
Other benefits to insurance intermediaries	1,181	-	-	-	1,181	939
	3,494	-	(98)	-	3,396	4,316
Branch overheads	1,830,002	78,351	-	-	1,908,353	2,089,703
<b>Other acquisition cost</b>						
Policy stamps and medical fee	792,533	3,687	-	-	796,220	777,004
<b>Total acquisition cost</b>	18,378,997	507,952	(98)	-	18,886,851	17,987,214
<b>Administration expenses</b>						
Salaries and other benefits	3,661,749	140,661	851	3,948	3,807,209	3,500,754
Traveling expenses	255,694	7,101	177	2,084	265,056	260,474
Auditors' remuneration	2,529	1,484	-	-	4,013	4,164
Legal expenses	24,252	2,362	-	42	26,656	25,892
Supervision fee	50,128	-	-	-	50,128	45,013
Advertisements	25,117	603	-	-	25,720	32,871
Printing and stationery	83,443	1,506	-	1,710	86,659	85,754
Postage and telephone	78,187	8,744	-	385	87,316	88,770
Utilities	461,356	1,473	117	386	463,332	365,649
Training	18,840	62	-	-	18,902	21,711
Computer expenses	24,650	76	-	397	25,123	13,162
Rental	176,844	8,306	-	162	185,312	181,581
Gratuity and pension expenses	(508,485)	3,935	-	136	(504,414)	1,959,381
Bank charges	39,694	10,547	38	-	50,279	33,761
Depreciation	122,900	1,653	-	772	125,325	104,967
Bad and doubtful debts-premium written off	86,441	-	-	-	86,441	-
	4,603,339	188,513	1,183	10,022	4,803,057	6,723,904
Other management expenses	139,769	22,892	-	215	162,876	153,909
<b>Gross management expenses</b>	23,122,105	719,357	1,085	10,237	23,852,784	24,865,027
Commission from reinsurers	(25,083)	(20,934)	-	-	(46,017)	(34,145)
Management expenses recovered from/allocated to other funds	(12,600)	7,784	186	396	(4,234)	(4,135)
<b>Net management expenses</b>	23,084,422	706,207	1,271	10,633	23,802,533	24,826,747

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

  
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Director

  
Muhammad Rashid  
Chief Financial Officer



## STATEMENT OF INVESTMENT INCOME FOR THE YEAR ENDED DECEMBER 31, 2014

Note	Statutory Funds				(Rupees in '000) Aggregate		
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2014	2013	
<b>Investment Income</b>							
On Government securities	38,158,721	451,945	30,359	75,555	38,716,580	30,491,162	
On other fixed income securities and deposits	1,190,140	95,789	670	782	1,287,381	2,688,507	
Dividend income	5,252,585	4,147	-	-	5,256,732	5,742,226	
On loans to policyholders	5,026,876	66,236	-	-	5,093,112	4,346,330	
On loans to employees	143	-	-	-	143	238	
Others	58,781	(409,633)	-	-	(350,852)	714,517	
Total	24	49,687,246	208,484	31,029	76,337	50,003,096	43,982,980
<b>Gain/(loss) on sale of investments</b>		319,235	1,165	-	-	320,400	6,606,558
<b>(Provision)/reversal of impairment in value of investments and receivables</b>							
(Provision) for impairment in shares		(2,728)	-	-	-	(2,728)	-
Reversal of provision in receivables and shares	25	20,477	-	-	-	20,477	1,331
<b>Investment related expenses</b>		(44,180)	(4,003)	-	-	(48,183)	(75,650)
<b>Net investment income</b>		49,980,050	205,646	31,029	76,337	50,293,062	50,515,219

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

  
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Dr. Aliya Hashmi Khan  
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Muhammad Rashid  
Chief Financial Officer

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

### 1 STATUS AND NATURE OF BUSINESS

1.1 State Life Insurance Corporation of Pakistan (the Corporation) was incorporated in Pakistan on November 1, 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 28 zones for individual life business, 4 zones for group life business and in the gulf countries (comprising United Arab Emirates (UAE), Kingdom of Saudi Arabia and Kuwait) through zonal office located at Dubai (UAE).

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

### 2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the format prescribed under Securities and Exchange Commission (Insurance) Rules, 2002 (Vide SRO 938 (1)/2002 dated December 12, 2002).

#### 2.1 Statement of Compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 shall prevail.

The Securities and Exchange Commission of Pakistan (SECP) has allowed insurance companies to defer the application of International Accounting Standard - 39 (IAS 39) 'Financial Instruments: Recognition and Measurement' in respect of "available-for-sale" investments. Accordingly, the requirements of IAS 39, to the extent allowed by SECP, have not been considered in the preparation of these financial statements.

#### 2.1.1 Implications of Revised IFRS 2 - Share-based Payment on Benazir Employees' Stock Option Scheme (BESOS)

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs) and Non-State Owned Enterprises, where GoP holds significant investments (Non-SOEs). The Scheme is applicable to permanent and contractual employees who were in employment of these entities including the Corporation on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP has transferred 12% of its investment in such SOEs and Non-SOEs to a Trust Fund, established under a Trust Deed, created for the purpose by each of such entities. The eligible employees are entitled to be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination, such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units, as would be determined based on market price for listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund, managed by the Privatisation Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.



The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of State Owned Enterprises, needs to be accounted for by the covered entities, including the Corporation, under the provisions of amended International Financial Reporting Standard-2, "Share-based Payments" (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the SECP, on receiving representations from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan, has granted exemption vide SRO 587(I)/2011 dated June 07, 2011 to such entities including the Corporation from the application of IFRS 2 to the Scheme.

Had the exemption not been granted, Staff costs of the Corporation for the year would have been higher by Rs. 132 million, profit before taxation would have been lower by Rs. 132 million, earnings per share would have been lower by Rs. 4.4, reserves for the year would have been higher by Rs. 132 million.

## 2.2 Accounting Standards/Amendments and IFRS Interpretations that are Effective for the Year Ended December 31, 2014

These standards, interpretations and the amendments are either not relevant to the Corporation's operations or are not expected to have significant impact on the Corporation's financial statements other than certain additional disclosures.

	<b>Effective from accounting period beginning on or after</b>
Amendments to IAS 32 Financial Instruments: Presentation offsetting financial assets and financial liabilities	January 01, 2014
IAS 36 Impairment of Assets-Recoverable Amount Disclosure for Non-Financial Assets	January 01, 2014
IAS 39 Financial Instruments: Recognition and Measurement Novation of Derivatives and Contingent of Hedge Accounting	January 01, 2014
IFRIC 21-Levies	January 01, 2014

### Standards, Amendments and Interpretations to the Published Standards that are not yet Effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Corporation's operations or are not expected to have significant impact on the Corporation's financial statements other than certain additional disclosures.

	<b>Effective from accounting period beginning on or after</b>
Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization	January 01, 2016
Amendments to IAS 16 and IAS 41 Agriculture: Bearer plants	January 01, 2016
IAS 27 (Revised 2011) - Separate Financial Statements	January 01, 2015
IAS 28 (Revised 2011) - Investments in Associates and Joint Ventures	January 01, 2015
IFRS 10 - Consolidated Financial Statements	January 01, 2015
IFRS 11 - Joint Arrangements	January 01, 2015
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 - Fair Value Measurement	January 01, 2015

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1 - First Time Adoption of International Financial Reporting Standards
IFRS 9 - Financial Instruments
IFRS 14 - Regulatory Deferral Accounts
IFRS 15 - Revenue from Contracts with Customers

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Corporation's financial statements for the year ended December 31, 2013:

### 3.1 Basis of Measurement

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies mentioned below.

The financial statements have been prepared following the accrual basis of accounting except for cash flow information.

### 3.2 Use of Critical Accounting Estimates and Judgments

The preparation of 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 "held-to-maturity", 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.

The investments which are not classified as held to maturity are classified as available for sale.

#### 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) Reinsurance Recoveries Against Outstanding Claims

Re-insurance recoveries against outstanding claims are accounted for on the basis of estimates of recoverable amounts which can vary upon eventual realization.

#### d) 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.

**e) Impairment - Available-for-Sale Financial Assets**

The Corporation determines that investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Corporation evaluates among other factors, normal volatility in prices. In addition, impairment may be appropriate when there is an evidence of deterioration in financial health of the invested industry, sector performance, changes in technology and operational and financial cash flows. The Corporation tests impairment on an aggregated portfolio basis.

**f) 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.

**g) 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 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 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.

**h) Staff Retirement Benefits**

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

**3.3 Funds**

The Corporation maintains a shareholders' fund and four 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; and
- Health Insurance Fund

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

Apportionment of assets, liabilities, revenues and expenses, wherever required, between funds are made on a fair and equitable basis as considered appropriate by the Appointed Actuary.

**Pakistan Life Fund (Ordinary Life)**

Pakistan Life Fund Comprises of Individual Life businesses and group life businesses carried out in Pakistan as well as Individual Life Rupee businesses 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, businesses can be further classified as Individual Life Conventional business, Individual Universal Life business, Group insurance business and a small amount of Annuity business. Most of the policies contain Discretionary Participation Feature (DPF).

**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 businesses written under the Overseas Life Fund contain a Discretionary Participation Features (DPF).

**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.

**Health Insurance Fund**

The Health Insurance Fund is established for the commencement of Health Insurance business primarily for micro/social health insurance schemes. The first health insurance scheme under the fund is BISP Waseela-e-Sehat Programme which was initiated in 2012. The Corporation has recently entered into an agreement with Government of Khyber Pakhtunkhwa (KP) to implement Social Health Protection Initiative. 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.

**3.4 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.

**3.5 Reinsurance**

The Corporation has re-insurance arrangements with Swiss Re. The net retention limit of the Corporation for individual life is Rs. 5 million (2013: Rs. 5 million) per policy and for group life Rs. 2 million (2013: Rs. 2 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.

**3.6 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 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.

**3.7 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.

**3.8 Premiums Due But Unpaid**

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

**3.9 Amount Due from Other Insurers/Reinsurers**

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

**3.10 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.

**3.11 Expenses of Management**

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

**3.12 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 established a defined contribution plan, an approved gratuity fund w.e.f. January 01, 2000 in respect of all those officers of the Corporation who initially opted for unfunded gratuity scheme before that date. 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.

**Staff**

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

**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 Honourable Supreme Court of Pakistan, the Corporation has restored its pension scheme, as aforesaid, that was in effect before December 31, 1999 (also refer note 5.5). 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, 2014 amounting to Rs. 944.523 million (2013: Rs. 821.757 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, 2014, liability for post retirement medical benefit as computed by the Appointed Actuary is estimated at Rs. 1,415.309 million (2013: Rs. 1,237.600 million) and the same has been provided in these financial statements.

**3.13 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.

**3.14 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.

**3.15 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
- Available-for-sale 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.

**Available for Sale**

Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held to maturity investments. Investments intended to be held for indefinite period of time, which may be sold on response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. The equity securities are stated at lower of cost or market value (market value being taken at lower if the fall is other than temporary) on aggregate portfolio basis. The fixed income securities and debt securities are stated at cost less redemption. Impairment loss is recognized if the fall is other than temporary, if any.

SECP vide letter No. DH/F&A/17-C/2011 dated May 12, 2011 allowed the Corporation to continue its practice of computing and recording impairment on its available for sale equity securities on aggregate portfolio basis.

The investments in subsidiary companies/entities have been classified as available for sale investments and are stated at cost. Provision is made for diminution, other than temporary, in the value of investment.

As per regulation 4(3) of the Securities and Exchange Commission (Insurance) Rules, 2002 issued by the Securities and Exchange Commission of Pakistan, where the insurer controls other entities as a result of investments made through statutory funds, consolidated published financial statements in respect of such entities are not required to be prepared. Accordingly, the Corporation has not prepared consolidated financial statements with reference to investments made in subsidiaries.

**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 recognised.

**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 gains or losses on derecognition of financial assets and financial liabilities are taken to the profit and loss account 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.

**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.

**3.16 Other Assets**

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

**3.17 Fixed Assets - Tangible**

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

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 14 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.

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 income currently.

An item of fixed asset is derecognised 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 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.

**3.18 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 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/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.

**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. The charge for the current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for 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 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.

**3.22 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.

The Board of Directors of the Corporation in their meeting held on May 30, 2015 declared dividend of Rs. 905.108 million (2013: 810.123 million) which includes dividend pertaining to shareholders covered under the BESOS Trust amounting to Rs. 108.613 million (2013: 97.215 million), which would be recorded during the year ending December 31, 2015.

**3.26 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.

**3.27 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 SEC (Insurance) Rules, 2002.

The Corporation's business segments are currently reported as shareholders' fund and four 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 Functional and Presentation Currency**

These financial statements are presented in Pakistan Rupees, which is the Corporation's functional (except for overseas business) and presentation currency.

**3.30 Level of Precision**

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

**4 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL**

		(Rupees in '000)	
2014	2013	2014	2013
Number of shares			
30,000,000	11,000,000	3,000,000	1,100,000
Ordinary shares of Rs. 100 each fully paid in cash			

**4.1** During the year, vide Gazette notification dated April 1, 2014 the Federal Government has notified the increase in the Corporation's authorized and issued share capital. The authorized and issued share capital was approved by the Board of Directors in their meeting held on December 1, 2014.

**5 STAFF RETIREMENT BENEFITS****Defined benefit plans****Pakistan Life Fund**

	Note	2014	2013
Staff gratuity scheme - unfunded	5.1	94,056	78,095
Post retirement medical benefits - unfunded	5.1	1,415,309	1,237,600
Compensated absences	5.2	944,523	821,757
		<b>2,453,888</b>	2,137,452
<b>Overseas life fund</b>			
Staff gratuity		10,865	18,750
		<b>2,464,753</b>	2,156,202

**5.1 Reconciliation of Payable to Defined Benefit Plans and Other Benefits**

		(Rupees in '000)					
		Unfunded Staff Gratuity		Employees' Pension Fund		Post Retirement Medical Benefits	
Note		2014	2013	2014	2013	2014	2013
	Present value of defined benefit obligations	94,056	78,095	13,684,153	12,359,549	1,415,309	1,237,600
5.1.2	Fair value of plan assets	-	-	(9,050,669)	(7,340,597)	-	-
5.1.3	Net payable recognised as at the year-end	94,056	78,095	4,633,484*	5,018,952*	1,415,309	1,237,600

\* The balance is classified as current liabilities under the head "others" as it represents the balance payable to the fund as at year end.

**5.1.1 Movement in Balance Payable**

Note	2014	2013	2014	2013	2014	2013
	Opening balance of payable	78,095	76,282	5,018,952	3,547,931	1,237,600
5.1.5	(Income)/Expense recognised	25,558	17,073	(455,339)	2,012,384	208,330
	Contributions made during the year	-	-	(23,941)	(27,932)	-
	Return payable by SLIC for the year	-	-	645,939	-	-
	Benefits paid	(9,597)	(15,260)	(552,127)	(513,431)	(30,621)
	Closing balance of payable	94,056	78,095	4,633,484	5,018,952	1,415,309

**5.1.2 Reconciliation of the Present Value of Defined Benefit Obligation**

Note	2014	2013	2014	2013	2014	2013
	Present value of obligation as at January 01	78,095	76,282	12,359,549	10,443,787	1,237,600
	Current service cost	2,209	2,404	496,593	463,709	60,602
	Interest cost	9,617	8,684	1,570,136	1,222,971	157,439
	Benefit paid	(9,597)	(15,260)	(552,127)	(513,431)	(30,621)
	Actuarial losses	13,732	5,985	(189,998)	742,513	(9,711)
	Present value of the defined benefit obligations as at December 31	94,056	78,095	13,684,153	12,359,549	1,415,309

**5.1.3 Changes in Fair Value of Plan Assets**

	(Rupees in '000)	
	2014	2013
Net assets as at January 01	7,340,597	6,895,856
Expected return on plan assets	1,570,136	815,905
Contributions received	23,941	27,932
Return receivable from SLIC for the year	(645,939)	-
Actuarial gains/(losses)	761,934	(399,096)
Net assets as at December 31	9,050,669	7,340,597

**5.1.4 Actual Return on Plan Assets**

Actual return on plan assets	1,686,131	416,809
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**5.1.5 Charge for Defined Benefit Plans**

The following amounts have been charged in respect of defined benefit plans and other benefits:

	(Rupees in '000)					
	Unfunded Staff Gratuity		Employees' Pension Fund		Post Retirement Medical Benefits	
	2014	2013	2014	2013	2014	2013
Current service cost	2,209	2,404	496,593	463,709	60,602	42,379
Interest cost	9,617	8,684	1,570,136	1,222,971	157,439	116,853
Expected return on plan assets	-	-	(1,570,136)	(815,905)	-	-
Actuarial (gains)/losses recognised	13,732	5,985	(951,932)	1,141,609	(9,711)	96,935
	<b>25,558</b>	<b>17,073</b>	<b>(455,339)</b>	<b>2,012,384</b>	<b>208,330</b>	<b>256,167</b>

Other relevant details of above funds are as follows:

**5.1.6 Fair Value of Plan Assets at Year End**

	(Rupees in '000)	
	2014	2013
Government securities	9,015,547	7,243,967
Cash at banks	30,440	87,482
Others	4,682	9,148
	<b>9,050,669</b>	<b>7,340,597</b>

**5.2 Movement in Compensated Absences Payable**

	(Rupees in '000)	
	2014	2013
Balance as at the beginning of year	821,757	590,959
Provision during the year	360,179	450,463
Payments made during the year	(237,413)	(219,665)
Balance as at the end of year	<b>944,523</b>	<b>821,757</b>

**5.3 Principal Actuarial Assumptions**

The latest actuarial valuations of the employees' pension fund, unfunded staff gratuity and post retirement medical benefits were carried out as at December 31, 2014 by the appointed actuary. The principal actuarial assumptions used are as follows:

	(Rupees in '000)					
	Unfunded Staff Gratuity		Employees' Pension Fund		Post Retirement Medical Benefits	
	2014 %	2013 %	2014 %	2013 %	2014 %	2013 %
Discount rate	11.25	12.75	11.25	12.75	11.25	12.75
Expected rate of return on plan assets	-	-	11.25	12.75	-	-
Long term salary increase rate (staff only)	9.75	11.25	9.75	11.25	9.75	11.25
Future increase in pension (after retirement)	-	-	7.25	8.75	-	-
Pre-retirement mortality	SLIC(2001-05) - 1 year	SLIC(2001-05) - 1 year	SLIC(2001-05) - 1 year	SLIC(2001-05) - 1 year	SLIC(2001-05) - 1 year	SLIC(2001-05) - 1 year
Post-retirement mortality			SLIC(2001-05) - 1 year	SLIC(2001-05) - 1 year	SLIC(2001-05) - 1 year	SLIC(2001-05) - 1 year
Rates of employee turnover	Ultra-Light	Ultra-Light	Ultra-Light	Ultra-Light	Ultra-Light	Ultra-Light

The expected return on plan assets is based on market yields on high quality corporate bonds along with asset portfolio of the Corporation, at the beginning of the year, for returns over the entire life of related obligation.

**5.4 Historical Information**

	(Rupees in '000)	
	2014	2013
<b>Unfunded Staff Gratuity</b>		
Defined benefit obligation	94,056	78,095
Fair value of plan assets	-	-
Deficit	<b>94,056</b>	<b>78,095</b>
<b>Employees' Pension Fund</b>		
Defined benefit obligation	13,684,153	12,359,549
Fair value of plan assets	(9,050,669)	(7,340,597)
Deficit	<b>4,633,484</b>	<b>5,018,952</b>
<b>Post Retirement Medical Benefit</b>		
Defined benefit obligation	1,415,309	1,237,600
Fair value of plan assets	-	-
Deficit	<b>1,415,309</b>	<b>1,237,600</b>



## 5.5 Sensitivity Analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected rate, expected rate of salary increase. The sensitivity analysis below have been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

	(Rupees in '000)					
	Unfunded Staff Gratuity		Employees' Pension Fund		Post Retirement Medical Benefits	
	Present Value of Defined Benefit Obligations	% Change From Base	Present Value of Defined Benefit Obligations	% Change From Base	Present Value of Defined Benefit Obligations	% Change From Base
<b>Base</b>	94,056		13,684,153		1,415,309	
<b>Discount rate</b>						
Increase by 1%	90,870	-3.39%	12,146,679	-11.24%	1,276,081	-9.84%
Decrease by 1%	97,431	3.59%	15,568,198	13.77%	1,580,330	11.66%
<b>Long term salary increase rate</b>						
Increase by 1%	97,890	4.08%	14,596,163	6.66%	1,494,451	5.59%
Decrease by 1%	90,385	-3.90%	12,873,231	-5.93%	1,343,902	-5.05%
<b>Future increase in pension rate</b>						
Increase by 1%	-	-	14,631,874	6.93%	-	-
Decrease by 1%	-	-	12,865,798	-5.98%	-	-

## 5.6 General Description

The Corporation faces the following risks on account of staff retirement benefits:

**Mortality risks**-The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.

**Investment risks**-The risk of the investment underperforming and not being sufficient to meet the liabilities.

**Final salary risks**-The risk that the final salary at the time of cessation of service is higher than what we assumed. Since the benefits is calculated on the final salary, the benefit amount increases similarly.

**Withdrawal risks**-The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

**5.7** The charge in respect of Staff Gratuity Scheme, Employees Pension Fund and Post Retirement Medical Benefits for the year ending December 31, 2015 are estimated to be Rs. 12.536 million, Rs. 567.350 million and Rs. 226.086 million respectively.

**5.8** In pursuance of the decision of Honourable Supreme Court of Pakistan dated February 09, 2011, in respect of Employee's Pension Scheme, 1984, which was frozen with effect from December 31, 1999, the Corporation has transferred assets of Employees' Contributory Provident Fund and Officers' Gratuity Fund to the Employees' Pension Fund having fair value of Rs. 627.871 million and Rs. 433.767 million respectively as on December 31, 2012 including contribution made by the Corporation till April 2012 in Provident fund and Gratuity Fund amounting to Rs. 16.382 million and Rs. 16.382 million, respectively.

## 6 OUTSTANDING CLAIMS

	(Rupees in '000)					
	Statutory Funds				Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2014	2013
Outstanding claims at the beginning of year	14,137,484	198,317	-	908	14,336,709	12,995,570
Increase in liabilities due to current year claims	29,825,849	749,240	14,092	10,334	30,599,515	26,074,158
Cash paid during the year	(28,110,546)	(741,265)	(14,092)	(10,019)	(28,875,922)	(24,733,019)
Outstanding claims at the end of year	15,852,787	206,292	-	1,223	16,060,302	14,336,709

## 7 OTHERS

This includes an amount of Rs. 1,878.461 million (2013: Rs. 1,359.739 million) relating to amount payable to the Bureau of Emigration and Overseas Employment (the Bureau) as per 'Fund Management Agreement' which was signed in the previous years to retain and invest profit commission payable to the Bureau against the insurance policy issued in respect of the Emigrants, and to provide the Bureau with the agreed returns thereon. As per S.R.O No. 4-9/2003- Emig. I dated February 16th 2007, the Bureau of Emigration would withdraw its earlier served Fund Management Agreement Termination notice dated April 20, 2011 to State Life Insurance Corporation Limited. The revised Fund Management Agreement would clearly mention the working methodology of rate of mark up to be credited to the Bureau.

## 8 CONTINGENCIES AND COMMITMENTS

### 8.1 Contingencies

**8.1.1** The proceedings under section 122(5A) of the Income Tax Ordinance, 2001 were initiated by the Additional Commissioner/Taxation Officer-D, Audit Division, Large Taxpayers Unit (LTU), Karachi for tax years 2003 to 2007 vide notice dated August 12, 2008 on the ground that surplus attributable to policyholders during the said years has not been paid within a period of three years from the year of its appropriation to the policyholders and this should be added back under the provision of section 34 (5) of the Income Tax Ordinance, 2001.

The department proceeded to pass the order under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2003 whereby demand of Rs. 2,126 million was raised. The Corporation challenged orders of ACIR through a Constitutional Writ Petition in October 2008 through its legal advisor along with application of stay order against the demand. The Hon'able High Court granted stay against the demand to SLIC through an interim order with the directive to also pay 25% of demand amount.

Further, the Fourth Schedule to 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. Therefore, the application of provision of section 34(5) of the Income Tax Ordinance, 2001 lacks legal sanctity. The Honorable High Court admitted the petition for regular hearing and stayed the proceedings till the judgment of the Court. In this respect, the Corporation has paid the amount of Rs. 531.562 million in June 2009 under section 137 of the Income Tax Ordinance, 2001 under the directive of the said Court. Further in 2011, the department has adjusted Rs. 308.211 million from the refund arising in tax year 2010 towards outstanding tax demand for tax year 2003.

The Honorable High Court of Sindh has dismissed the above petition. On the dismissal of petition, the balance 75% of outstanding demand was deposited in the State Treasury and no demand for tax year 2003 is outstanding as at December 31, 2012. However, Corporation had filed a parallel appeal before Commissioner Inland Revenue (Appeal) (CIR (A)) which has been decided in favor of the Corporation through order dated April 07, 2012 and the addition made under section 34(5) is deleted and assessment framed under section 122(5A) is annulled.

At present, the income tax department has filed appeal before the Appellate Tribunal Inland Revenue (ATIR) against the above of order of CIR(A). Management and the legal advisor are confident that the ultimate outcome of these matters will be in the favour of the Corporation.

In 2013, the Income Tax Department issued an adjustment amounting to Rs. 1,000 million out of Rs. 2,126.2 million on July 2, 2013 after the judgement of CIR(A). During the year, SLIC has adjusted Rs. 38.8 million against tax liability for tax year 2013. Further, SLIC has adjusted Rs. 187 million against its quarterly advance tax liability payable u/s 147 of the Income Tax Ordinance, 2001. Further adjustment of Rs. 210.1 million was made in 2014 against demand raised u/s 161 read with section 205 related to tax year 2013. Balance refund amounting to Rs. 690.3 million is pending with the Inland Revenue Department. Departmental appeal before ATIR is pending to date.



**8.1.2** Additional Commissioner Inland Revenue (ACIR) Department has served notice u/s 122 (9)/122 (5A) ref. ACIR-B/Zone-III/Audit/2012 dated May 22, 2012 for tax year 2006. Department had issued said notice to the Corporation on similar lines for tax year 2003 that surplus attributable to policyholders during the said year has not been paid within a period of three years from the year of its appropriation to the policyholders hence should be added back to the taxable income under the provision of section 34(5) of the Income Tax Ordinance, 2001. ACIR in its notice has intended to add back Rs. 9,444.6 million in the taxable income of the Corporation which was allowed as deduction in the year ended December 31, 2001. In Reply of said notice filed by the Corporation through tax consultant dated June 16, 2012 which was not agreed by Income Tax Department and resultantly, demand of Rs. 1,401.2 million was raised u/s 122(5A) of the Income tax ordinance, 2001.

Being aggrieved, Corporation instantly filed appeal before CIR(A) against the impugned order which was decided in favor of SLIC vide order No. 13/12 dated October 31, 2012 within 15 days of issuance of demand, thereby demand did not remain enforced for payment and accordingly not paid after said order.

Presently, Inland Revenue Department had filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against the above order passed by CIR(A) which is still pending before ATIR.

**8.1.3** The Corporation has filed appeals on different issues in the Honourable High Court of Sindh contesting the decision of the ATIR for the income years 1992-93 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 income tax department added back the excess perquisites to the taxable income and tax liability was enhanced accordingly. Further, Income Tax 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 still pending before High Court of Sindh, Karachi and management of the Corporation and its tax advisor are confident that ultimate outcome of these matters will be decided in favour of the Corporation and accordingly, no provision is required in financial statements on account of these matters.

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

According to those notices, the Income Tax Authorities 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 at @ 10% on the amount of bonuses paid to policyholder on maturity. Therefore, the Income Tax Authorities 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 parallel 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) has 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 cannot 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 as at December 31, 2014.

The Income Tax Department has filed appeals before the ATIR against the above orders of CIR (A) and the appeal is still pending. During the year, the ATIR has also dismissed the appeal of Income Tax Department vide order No. 506-507/KB/2012 on April 17, 2014.

The Corporation has not received any intimation from High Court of Sindh or even from Large Taxpayer Unit (LTU), Karachi that any appeal against the orders of ATIR has been filed. Corporation is optimistic that ultimate outcome of the cases shall be in favor. Accordingly, no provision has been made regarding such demands in these financial statements.



**8.1.5** Tax authorities 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 has adjusted demand amount from the pending refunds for tax year 2010.

Appellate Tribunal Inland Revenue (ATIR) has decided the above appeals 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 Honourable 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.

In the year 2013, the Inland Revenue Department has filed appeal in the Honourable High Court of Sindh against the decision of ATIR in the above cases. During the year, 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 refund amounting to Rs. 11.13 million is still pending with the department. The said appeal is also pending before the High Court of Sindh, Karachi. Management of the Corporation, its tax advisor and legal counsel are of the opinion that the action taken by the department is not viable and is against the law.

**8.1.6** In the year 2013, Income Tax Authorities issued similar notices to Corporation regarding withholding of tax on maturity proceeds of insurance policies as described in note 8.1.4. 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 of amendment u/s 161 and 205 of the Income Tax Ordinance was passed, resulting in an 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 demand of Rs. 1,249.138 million was paid under protest and without prejudice to its legal right to appeal. The Corporation then filed appeals before CIR (A) which have not been upheld. At present, the Corporation has filed appeal before ATIR. Appeals related to tax years 2010 to 2012 are pending before ATIR.

During the year, 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 SLIC on the amount of bonus paid to the policyholders on the maturity of the policies during the tax year 2013. Reply was filed through tax consultant which was not agreed by the 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.

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.

**8.1.7** 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 admissible 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 at 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 SLIC vide order # ITAT/969-73 dated August 20, 2009.

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



**8.1.8** 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 nul 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.

## 8.2 Commitments

There were no commitments as at the balance sheet date (2013: nil).

## 9 CASH AND BANK DEPOSITS

Note	Shareholders' Fund	Statutory Funds				(Rupees in '000) Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2014	2013
<b>9.1 Cash &amp; Others</b>							
Cash in hand	-	7,070	-	-	-	<b>7,070</b>	4,175
Cash in transit	-	34,055	-	-	-	<b>34,055</b>	81,452
		<u>41,125</u>				<u>41,125</u>	<u>85,627</u>
<b>9.2 Current &amp; Other Accounts</b>							
Current accounts	-	8,960,307	536,668	7,782	871	<b>9,505,628</b>	7,414,859
PLS accounts	-	525,616	78,458	-	-	<b>604,074</b>	644,854
		<u>9,485,923</u>	<u>615,126</u>	<u>7,782</u>	<u>871</u>	<u>10,109,702</u>	<u>8,059,713</u>
<b>9.3 Deposits Maturing Within 12 Months</b>							
<b>Call and SNTD</b>							
Habib Bank Limited	4,366	993,361	-	-	-	<b>997,727</b>	2,883,116
United Bank Limited	-	1,000	367,497	-	-	<b>368,497</b>	753,695
Habib Metropolitan Bank Limited	-	1	-	-	-	<b>1</b>	1
National Bank of Pakistan	-	1	-	-	-	<b>1</b>	199,124
The Bank of Punjab	-	20	-	-	-	<b>20</b>	16
Al Baraka Bank (Pakistan) Limited	-	-	-	-	-	<b>-</b>	4
Summit Bank Limited	-	1	-	-	-	<b>1</b>	-
Bank Al-Falah Limited	3	-	-	-	-	<b>3</b>	-
<b>PLS Unisaver</b>							
United Bank Limited	-	4,440,707	-	-	-	<b>4,440,707</b>	3,722,462
<b>Term Deposit Receipts</b>							
Habib Bank Limited	-	-	-	-	-	<b>-</b>	4,000,000
National Bank of Pakistan	-	-	-	-	-	<b>-</b>	6,000,000
Allied Bank Limited	-	-	-	-	-	<b>-</b>	1,000,000
Bank Alfalah Limited	-	500,000	-	-	-	<b>500,000</b>	700,000
<b>Special Saving Accounts</b>							
Samba Bank Limited	-	700,935	-	-	-	<b>700,935</b>	-
Faysal Bank Limited	-	600,115	-	-	-	<b>600,115</b>	7
Al Baraka Bank Pakistan	-	2	-	-	-	<b>2</b>	2
MCB Bank Limited	-	96	-	-	-	<b>96</b>	96
Sindh Bank Limited	-	600,000	-	-	-	<b>600,000</b>	-
Askari Bank Limited	-	14	-	-	-	<b>14</b>	2,315,647
Bank Al-Falah Limited	-	2	-	-	-	<b>2</b>	1,098
Allied Bank Limited	-	600,160	-	-	-	<b>600,160</b>	1,809,941
		<u>4,369</u>	<u>8,436,415</u>	<u>367,497</u>	<u>-</u>	<u>8,808,281</u>	<u>23,385,209</u>
<b>9.4 Fixed Deposits Maturing After 12 Months</b>							
Others	-	750	-	-	-	<b>750</b>	255,155
Abroad	9.4.1	960	1,299,885	-	-	<b>1,300,845</b>	1,325,805
		<u>1,710</u>	<u>1,299,885</u>	<u>-</u>	<u>-</u>	<u>1,301,595</u>	<u>1,580,960</u>
<b>9.4.1</b>							

These include fixed deposits equivalent to Rs. 0.712 million (2013: Rs. 0.712 million) with the Kenya Commercial Bank Limited, Kenya, Rs. 0.248 million (2013: Rs. 0.248 million) with the Bank of Ceylon and Grindlays Bank Limited, Sri Lanka, as security for policyholders and Rs.105.177 million (2013: Rs. 105.177 million) deposited as guarantees issued to the Ministry of Economy, Dubai (UAE) against permission for doing life insurance business in UAE.

**10 LOANS SECURED AGAINST LIFE INSURANCE POLICIES**

	Shareholders' Fund	Statutory Funds				Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2014	2013
						(Rupees in '000)	
Cash loans	-	23,841,591	400,423	-	-	24,242,014	19,913,303
Automatic non-forfeiture provisions	-	16,674,143	387,034	-	-	17,061,177	13,186,864
		<u>40,515,734</u>	<u>787,457</u>	<u>-</u>	<u>-</u>	<u>41,303,191</u>	<u>33,100,167</u>

**11 INVESTMENT PROPERTIES**

	Note	2014	2013
Investment properties	11.1	2,422,053	2,481,762
Less: Provision for impairment in value	11.6	(594)	(597)
		<u>2,421,459</u>	<u>2,481,165</u>
Capital work in progress	11.2	533,346	509,351
		<u>2,954,805</u>	<u>2,990,516</u>

**11.1 Investment Properties**

2014	COST		DEPRECIATION/IMPAIRMENT				Written down value as at December 31, 2014	Depreciation Rate (%)	
	As at January 01, 2014	Additions/ (Disposals)	As at December 31, 2014	As at January 01, 2014	Adjustments	Charge for the year			As at December 31, 2014
	(Rupees in '000)								
Freehold land	273,716	475	274,191	-	-	-	-	274,191	-
Leasehold land	332,547	150	332,697	90,137	-	3,876	94,013	238,684	1 to 4.2
Leasehold improvements	13,650	210	13,860	8,080	-	418	8,498	5,362	5
Building, roads & structure	2,044,132	4,324	2,048,456	359,412	2	20,450	379,864	1,668,592	1
Electric installation & fittings	1,469,275	6,163	1,474,761	1,193,929	-	45,945	1,239,537	235,224	10
		(677)			(337)				
	<u>4,133,320</u>	<u>11,322</u>	<u>4,143,965</u>	<u>1,651,558</u>	<u>2</u>	<u>70,689</u>	<u>1,721,912</u>	<u>2,422,053</u>	
		(677)			(337)				

2013	COST		DEPRECIATION/IMPAIRMENT				Written down value as at December 31, 2013	Depreciation Rate (%)	
	As at January 01, 2013	Additions/ (Disposals)	As at December 31, 2013	As at January 01, 2013	Adjustments	Charge for the year			As at December 31, 2013
	(Rupees in '000)								
Freehold land	273,169	547	273,716	-	-	-	-	273,716	-
Leasehold land	332,547	-	332,547	86,225	-	3,912	90,137	242,410	1 to 4.2
Leasehold improvements	13,086	564	13,650	7,675	-	405	8,080	5,570	5
Building, roads & structure	1,834,175	209,957	2,044,132	336,933	2	22,477	359,412	1,684,720	1
Electric installation & fittings	1,431,322	39,071	1,469,275	1,146,138	-	47,952	1,193,929	275,346	10
		(1,118)			(161)				
	<u>3,884,299</u>	<u>250,139</u>	<u>4,133,320</u>	<u>1,576,971</u>	<u>2</u>	<u>74,746</u>	<u>1,651,558</u>	<u>2,481,762</u>	
		(1,118)			(161)				

**11.2** This mainly represents the amount incurred for the renovation, electrical and civil works in the Corporation's properties located in Islamabad and Gujranwala.

**11.3** The Corporation occupied approximately 22% (2013: 22%) of the total rentable area in the buildings classified as investment properties, which is used by the Corporation for administrative purposes.

**11.4** The fair value of the investment properties, owned by the Corporation as determined by the independent valuers, amounted to Rs. 26,562 million (2013: Rs. 22,918 million).

**11.5** 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 19 buildings/plots (2013: 19 buildings/plots) are still in the name of defunct insurance companies that were merged in the Corporation as per the LINO order.

**11.6** There are properties costing Rs. 1.704 million (2013: Rs. 1.704 million) having written down value of Rs. 0.597 million (2013: Rs. 0.597 million) to which the Corporation's title is disputed. Against this, a provision of Rs. 0.597 million (2013: Rs. 0.597 million) exists for loss of assets, if any.

**11.7** The Corporation has a plot at Rawalpindi costing Rs. 0.431 million (2013: Rs. 0.431 million) for which execution of title deed is pending due to dispute with the Cantonment Board, Rawalpindi.

**11.8** The Corporation has a plot at Mirpur (Azad Kashmir) costing Rs. 0.242 million (2013: Rs. 0.242 million) for which execution of title deed remained pending.

**11.9** The investment properties also include Rs. 23 million (2013: 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.

**12 INVESTMENTS**

	Note	2014	2013
Government securities	12.1	359,652,695	288,393,644
Other fixed income securities	12.2	933,985	1,241,195
Listed equity securities and mutual funds	12.3	28,791,983	28,775,469
Unlisted equity securities and mutual funds	12.4	787,932	950,298
Holding in subsidiary companies	12.5	241,609	241,609
Less: Provision for diminution in value	12.7	(305,671)	(323,420)
		<u>390,102,533</u>	<u>319,278,795</u>

Details of investment portfolio are as under:

**12.1 Government Securities**

	Maturity Year	Effective Yield	Shareholders' Fund	Statutory Funds				Aggregate	
				Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2014	2013
				(Rupees in '000)					
Held to maturity									
Pakistan Investment Bonds									
3 Years	2015 - 2017	9.70% - 9.77%	836,273	51,512,036	-	-	689,180	53,037,489	44,613,212
5 Years	2015 - 2020	9.90% - 10.02%	219,626	80,833,293	-	3,173	-	81,056,092	51,908,272
10 Years	2016 - 2024	10.77% - 10.87%	54,179	145,297,746	-	178,831	-	145,530,756	88,008,826
15 Years	2019 - 2023	11.41% - 11.51%	-	12,264,469	-	59,194	-	12,323,663	12,273,898
20 Years	2024 - 2028	11.70% - 11.77%	-	24,087,532	-	-	-	24,087,532	24,042,751
30 Years	2036 - 2038	11.90% - 12.03%	173,669	37,276,585	-	-	-	37,450,254	37,465,188
Treasury Bills	-	-	-	-	-	-	-	-	25,312,428
Islamic Republic of	-	-	-	-	6,166,909	-	-	6,166,909	4,769,069
Pakistan-Bonds			<u>1,283,747</u>	<u>351,271,661</u>	<u>6,166,909</u>	<u>241,198</u>	<u>689,180</u>	<u>359,652,695</u>	<u>288,393,644</u>



**12.1.1** Accrued interest as at December 31, 2014 on PIBs pertaining to Pakistan Life Fund amounted to Rs. 14,609.78 million (2013: Rs. 9,523.30 million) and on PIBs pertaining to Shareholders' Fund amounted to Rs. 62.521 million (2013: Rs. 23.672 million). Balance of accrued interest purchased as at December 31, 2014 on PIBs pertaining to Pakistan Life Fund during the year amounted to Rs. 939.263 million (2013: Rs. 544.107 million).

**12.1.2** Market value of the government securities carried at amortized cost amounted to Rs. 386,262 million (2013: Rs. 285,523 million).

**12.1.3** Government securities include Rs. 110 million (2013: Rs. 110 million) placed with the State Bank of Pakistan, in accordance with Section 29 of the Insurance Ordinance, 2000.

As of the balance sheet date, the Corporation was not in compliance with Section 29 of the Insurance Ordinance, 2000 in respect of regulatory deposit with State Bank of Pakistan in respect of issue of share capital as on December 1, 2014. Subsequent to the balance sheet date, the requirement has been complied with.

## 12.2 Other Fixed Income Securities

	Maturity Year	Effective Yield	Shareholders' Fund	Statutory Funds				Aggregate	
				Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2014	2013
Held to Maturity									
Term Finance Certificates:									
Listed									
Engro Chemical Pakistan Ltd.	KIBOR + 1.55%	-	-	-	-	-	-	113,756	
Engro Chemical Pakistan Ltd.	KIBOR + 1.55%	-	-	-	-	-	-	42,832	
Engro Chemical Pakistan Ltd.	KIBOR + 1.55%	-	-	-	-	-	-	42,937	
								199,525	
Certificates of Investments:									
First Dawood Investment Bank Ltd.2009 Debentures (Note 12.8)	17%	-	80,000	-	-	-	-	80,000	
			7,573	-	-	-	-	7,573	
Available for sale									
Foreign fixed income securities			-	846,412	-	-	-	846,412	
			-	87,573	846,412	-	-	933,985	
								1,241,195	

**12.2.1** Accrued interest as at December 31, 2014 on TFCs pertaining to Pakistan Life Fund amounted to Rs. nil (2013: Rs. 1.881 million).

## 12.3 Listed Equity Securities and Mutual Funds

	Note	Shareholders' Fund	Statutory Funds				Aggregate	
			Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2014	2013
Available for sale								
Ordinary shares and stocks *	12.3.1	-	25,862,759	-	-	-	25,862,759	25,866,111
Preference shares	12.3.2	-	113,743	-	-	-	113,743	113,743
Open ended mutual fund	12.3.3	-	2,815,481	-	-	-	2,815,481	2,795,615
			28,791,983	-	-	-	28,791,983	28,775,469

## 12.3.1 Ordinary Shares and Stocks

### Pakistan Life Fund

Sector	2014			2013		
	Number of Shares	Book Value	Market Value	Number of Shares	Book Value	Market Value
Oil and Gas*	94,524,632	9,750,904	24,181,429	91,911,934	9,750,904	26,477,860
Chemicals	154,394,492	3,875,358	19,457,780	153,275,997	3,875,358	16,916,813
Forestry and paper	8,435,575	63,605	577,686	7,640,329	63,605	487,607
Industrial metals and mining	2,881,927	73,540	148,455	2,881,927	73,540	129,940
Construction and materials	33,569,653	624,952	1,741,903	33,572,303	624,952	990,928
General industrials	5,681,662	239,450	3,022,018	5,681,662	239,450	1,277,178
Electronic and electric equipment	2,077,711	6,221	322,687	2,119,171	6,869	182,094
Industrial engineering	2,594,688	79,783	1,424,548	2,566,102	79,783	1,037,637
Industrial transportation	1,363,873	17,869	197,786	1,363,873	17,869	104,023
Automobile and parts	2,786,110	111,232	2,103,261	2,786,110	111,232	642,448
Beverages	68,684	1,740	82,915	62,726	1,740	46,137
Food producers	10,693,971	62,413	1,079,149	10,594,636	62,447	797,495
Household goods	8,716,699	144,058	242,041	7,217,525	120,257	89,956
Personal goods	35,658,594	588,312	2,969,678	34,574,953	589,466	2,825,711
Tobacco	343,710	3,699	335,258	343,710	3,699	179,970
Health care equipments and services	143,437	1,637	30	143,437	1,637	30
Pharma and bio tech	14,653,520	185,823	4,576,756	13,349,277	185,823	2,382,020
Travel and leisure	22,880	170	170	22,880	163	192
Fixed line telecommunication	57,847,677	1,715,232	1,372,910	57,847,677	1,715,232	1,675,443
Electricity	32,087,220	984,981	2,262,479	32,087,220	984,981	1,762,358
Gas water and multiutilities	85,237,316	763,188	3,028,748	85,237,316	763,188	1,974,956
Banks	507,088,618	5,424,686	16,420,556	498,857,221	5,424,686	13,096,981
Non-life insurance	93,553,368	94,804	3,494,740	94,541,740	94,804	2,795,035
Real estate investments and services	375,754	4,019	1,282	375,754	4,019	1,459
Financial services	35,025,557	459,301	289,362	35,025,557	459,301	191,352
Equity investment instruments	37,546,226	585,782	548,583	39,762,791	611,106	522,272
		<u>25,862,759</u>	<u>89,882,210</u>		<u>25,866,111</u>	<u>76,587,895</u>

\* These include 5.394 million shares of Pakistan State Oil having market value of Rs. 1,930.57 million which have been frozen by Government of Pakistan for the purpose of Privatization of the Pakistan State Oil.

## 12.3.2 Preference Shares

	2014		2013	
	Number of shares	Book value	Number of shares	Book value
Arag Industries Limited	771,612	3,593	771,612	3,593
Saleem Sugar Mills Limited	1,501	150	1,501	150
Silk Bank Limited	44,000,000	110,000	44,000,000	110,000
		<u>113,743</u>		<u>113,743</u>

## 12.3.3 Open Ended Mutual Funds

### Pakistan Life Fund

	2014	2013
National Investment Trust Units	75,996,262	75,996,262
Pak Capital Market Fund	87,265	74,727
NIT Government Bond Fund	28,278,954	28,278,954
NIT Income Fund	9,831,295	9,831,295
HBL Money Market Fund	505,047	505,047
Al Meezan Mutual Fund	7,754,936	6,595,320
Pakistan Premier Fund	29,791	125,196
JS Growth Fund	219,501	-
	<u>2,815,481</u>	<u>2,795,615</u>



**12.4 Unlisted Equities and Mutual Funds**

Note	Shareholders' Fund	Statutory Funds				Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2014	2013
		(Rupees in '000)					
Available for sale							
Ordinary shares and stocks	12.4.1	-	62,406	-	-	62,406	82,273
De-listed companies	12.6	-	131,336	-	-	131,336	132,186
Un-listed companies / institutions							
Preference shares							
Open end mutual fund	12.4.2	-	594,190	-	-	594,190	735,839
		-	787,932	-	-	787,932	950,298

**12.4.1 Ordinary Shares and Stocks**

**Pakistan Life Fund**

De-listed Companies	2014		2013	
	Number of Shares	Book Value	Number of Shares	Book Value
Adamjee Industries Ltd.	174,597	2,001	174,597	2,001
Adamjee Paper Product Ltd.	120,242	1,047	120,242	1,047
Akbar Textile Mills Ltd.	39,900	383	39,900	383
Akbar Cotton Mills Ltd.	31,360	314	31,360	314
Allied Textile Mills Ltd.	72,634	792	72,634	792
Arag Industries Ltd.	23,963	118	23,963	118
Automotive Equipment Ltd.	7,800	92	7,800	92
Baluchistan Foundry Ltd.	84,520	421	84,520	421
Baluchistan Textile Mills Ltd.	27,420	267	27,420	267
Bankers Equity Ltd.	538,995	15,415	538,995	15,415
Bawany Industries Ltd.	73,774	1,415	73,774	1,415
Chemical Ltd.	19,544	195	19,544	195
Chemphar Ltd.	100	1	100	1
Dost Muhammad Textile Mills Ltd.	14,150	225	14,150	225
Elmac Engineering Ltd.	100	1	100	1
Fullbrite Mills Ltd.	100	1	100	1
Ghafar Textile Mills Ltd.	1,000	10	1,000	10
Gillanders Ltd.	1,000	100	1,000	100
Grace Industries Ltd.	50	1	50	1
H.Sheikh M.H Ltd.	46,100	460	46,100	460
Karachi Road Transport Corporation	6,800	-	6,800	-
Karachi Pipes Ltd.	20,800	416	20,800	416
Khairpur Textile Mills Ltd.	6,900	104	6,900	104
Kohinoor Cotton Mills Ltd.	33,468	324	33,468	324
Madina Textile Mills Ltd.	40,900	204	40,900	204
Mohib Textile Mills Ltd.	375,847	13,530	375,847	13,530
Northern Foundries Ltd.	95,050	1,001	95,050	1,001
Nowshera Engineering Ltd.	22,125	222	22,125	222
Ocean Industries Ltd.	2,000	-	2,000	-
Pak Chrome Ltd.	25,477	552	25,477	552
Pak Paper Corporation Ltd.	245,644	2,441	245,644	2,441
R C D Ball Bearing Ltd.	58,031	371	58,031	371
Refrigerator Manufacturing Ltd.	192,546	1,712	192,546	1,712

De-listed Companies	2014		2013	
	Number of Shares	Book Value	Number of Shares	Book Value
Sunshine Cloth Limited	103,200	1,578	103,200	1,578
Sun Publication Limited	2,042	-	2,042	-
Synthetic Chemical Limited	81,500	793	81,500	793
Universal Furnace Oil	29,818	294	29,818	294
LTV Capital Modaraba	458,200	2,192	458,200	2,192
Interasia Leasing Company Limited	115,600	2,863	115,600	2,863
Valika Wollen Mills Limited	20,094	293	20,094	293
Turbo Tec Limited	104,700	1,460	104,700	1,460
Alif Textile Mills Limited	10,000	119	10,000	119
Sind Alkali Limited	177,841	1,909	177,841	1,909
Harnai Woollen Mills Limited	4,900	53	4,900	53
Accord Textile Mills Limited	300,000	3,000	300,000	3,000
Sahrish Textile Mills Limited	62,148	109	62,148	109
Zahur Textile Mills Limited	150,000	2,395	150,000	2,395
MLC Construction	28,700	581	28,700	580
Fazal Vegetable Ghee Limited	49,500	631	49,500	631
JS Growth Fund	-	-	2,195,011	19,868
		62,406		82,273

Un-listed Companies/Institutions	2014		2013	
	Number of Shares	Book Value	Number of Shares	Book Value
Arabian Sea Country Club Limited	500,000	5,000	500,000	5,000
Baluchistan Fisheries Limited	20,000	200	20,000	200
Bank of Azad Jammu and Kashmir	10	-	10	-
Burma Soap Limited	2,000	20	2,000	20
Industrial Development Bank of Pakistan	78,337	8,298	78,337	8,298
Innovative Housing Finance Limited	12,673	14,800	12,673	14,800
Mercantile Enterprises Limited	100	1	100	1
Mercantile Fiber Limited	10,200	99	10,200	99
National Construction Limited	1	-	1	-
Pak Emerging Venture Limited	12,500,000	50,565	12,500,000	51,415
People Steel Mills Limited	1,998,967	19,990	1,998,967	19,990
Schon Refinery Limited	1,456,500	29,130	1,456,500	29,130
State Bank of Pakistan	29,458	3,221	29,458	3,221
Sukkar Commercial Limited	1,200	12	1,200	12
		131,336		132,186

**12.4.2 Open Ended Mutual Funds**

**Pakistan Life Fund**

Unlisted	(Rupees in '000)			
	2014		2013	
	Number of Units	Book Value	Number of Units	Book Value
NIT Equity Market Opportunity Fund	10,179,666	594,190	11,418,460	735,839

**12.5 Holding in Subsidiary Companies**

	% of Holding	Number of Shares	Net Assets	(Rupees in '000)	
				2014 Cost	2013 Cost
Alpha Insurance Company Limited* State Life (Lakie Road)	94%	37,934,843	603,304	202,518	202,518
Properties (Private) Limited** State Life (Abdullah Haroon Road)	100%	414,916	(326)	12,909	12,909
Properties (Private) Limited**	100%	779,500	3,954	26,182	26,182
			606,932	241,609	241,609

\* Net assets as of December 31, 2014

\*\* Net assets as of June 30, 2014

The investments in State Life (Lakie Road) Properties (Private) Limited and State Life (Abdullah Haroon Road) Properties (Private) Limited have been carried at cost amounting to Rs. 12.909 million (2013: Rs. 12.909 million) and Rs. 26.182 million (2013: Rs. 26.182 million) respectively. These are wholly owned subsidiaries of the Corporation. As per the latest audited financial statements of these invested companies, the net assets/(liability) are Rs. (0.326) million (2013: Rs. (0.058) million) and Rs. 3.954 million (2013: Rs. 0.836 million) respectively. No provision for Rs. 35.464 million (2013: Rs. 38.225 million) being the difference of carrying value of the investments and net assets of the subsidiaries has been made in the financial statements, as management is of view that after taking into account the revalued amount of properties of the subsidiaries that has been carried out by an independent surveyor, net assets of the subsidiaries are higher than the carrying amount.

**12.6** The Corporation has made provision for impairment, on certain equity securities, where the investee companies were transferred to the default counter in Karachi Stock Exchange Limited.

**12.7 Provision for Diminution in Value**

	Shareholders' Fund	Statutory Funds				Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2014	2013
Other fixed income securities- Certificate of Investment & Debentures	-	(57,573)	-	-	-	(57,573)	(57,573)
Listed equities (default counter)	-	(70,529)	-	-	-	(70,529)	(71,140)
Unlisted/delisted equities	-	(177,569)	-	-	-	(177,569)	(194,707)
	-	(305,671)	-	-	-	(305,671)	(323,420)

**12.8 Debentures**

Debentures include an amount of Rs. 6.894 million (2013: Rs. 6.894 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 (2013: Rs. 0.678 million). The Corporation had made full provision against these debentures.

**12.9 Investments by Classification**

	(Rupees in '000)	
	2014	2013
<b>Held-to-Maturity</b>		
Government securities	359,652,695	288,393,644
Other fixed income securities	87,573	287,098
	359,740,268	288,680,742
<b>Available-for-Sale</b>		
Other fixed income securities	846,412	954,097
Listed equity securities and mutual fund units	28,791,983	28,775,469
Unlisted equity securities and mutual fund units	787,932	950,298
	30,426,327	30,679,864
Holding in subsidiary companies	241,609	241,609
Impairment in the value of equity securities and fixed interest securities	(305,671)	(323,420)
<b>Total Investments - Net of Provision</b>	<b>390,102,533</b>	<b>319,278,795</b>

**13 SUNDRY RECEIVABLES**

	(Rupees in '000)	
	2014	2013
Other receivables	904,943	571,627
Provision against other receivables	(232,968)	(232,968)
	671,975	338,659
	671,975	338,659



## 14 FIXED ASSETS - tangible

2014	COST			DEPRECIATION/IMPAIRMENT			Written down value as at December 31, 2014	Depreciation Rate (%)	
	As at January 01, 2014	Additions/ (Disposals)	As at December 31, 2014	As at January 01, 2014	Adjustments	Charge for the year Additions/ (Disposals)			As at December 31, 2014
Furniture and fixtures	327,455	18,488 (1,467)	344,476	202,232	(1,226)	19,339	220,344	124,132	10
Office equipment	132,594	5,353 204	138,151	84,651	(39)	6,907	91,519	46,632	10 to 30
Computer installations - basic	596,550	26,625 (1,243)	621,932	404,842	(1,237)	77,382	480,987	140,945	30
Computer installations-peripherals	53,871	2,963 (597)	56,237	46,418	(597)	3,952	49,773	6,463	30
Vehicles	104,830	786 (1,001)	104,615	80,384	(197)	10,217	90,404	14,211	20
	<b>1,215,300</b>	<b>54,215 (4,104)</b>	<b>1,265,411</b>	<b>818,527</b>	<b>(3,296)</b>	<b>117,797</b>	<b>933,027</b>	<b>332,383</b>	

2013	COST			DEPRECIATION/IMPAIRMENT			Written down value as at December 31, 2013	Depreciation Rate (%)	
	As at January 01, 2013	Additions/ (Disposals)	As at December 31, 2013	As at January 01, 2013	Adjustments	Charge for the Year Additions/ (Disposals)			As at December 31, 2013
Furniture and fixtures	303,512	24,757 (814)	327,455	184,317	242	17,673	202,232	125,223	10
Office equipment	127,233	5,506 (145)	132,594	78,144	(9)	6,516	84,651	47,943	10 to 30
Computer installations - basic	441,019	156,209 (678)	596,550	346,466	374	58,002	404,842	191,708	30
Computer installations-peripherals	50,824	3,101 (54)	53,871	42,210	(53)	4,261	46,418	7,453	30
Vehicles	111,718	396 (7,284)	104,830	76,167	(7,020)	11,237	80,384	24,446	20
	<b>1,034,306</b>	<b>189,969 (8,975)</b>	<b>1,215,300</b>	<b>727,304</b>	<b>(6,466)</b>	<b>97,689</b>	<b>818,527</b>	<b>396,773</b>	



## 14.1 Fixed Assets

	Shareholders' Fund	Statutory Funds				Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund*	2014	2013
<b>Furniture and fixtures</b>							
Cost	-	332,073	11,803	-	599	<b>344,475</b>	327,454
Accumulated depreciation	-	(212,037)	(8,172)	-	(136)	<b>(220,345)</b>	(202,231)
Book value	-	120,036	3,631	-	463	<b>124,130</b>	125,223
<b>Office equipment</b>							
Cost	-	134,477	3,636	-	39	<b>138,152</b>	132,594
Accumulated depreciation	-	(89,376)	(2,133)	-	(9)	<b>(91,518)</b>	(84,651)
Book value	-	45,101	1,503	-	30	<b>46,634</b>	47,943
<b>Computer installations - basic</b>							
Cost	-	613,343	6,392	-	2,198	<b>621,933</b>	596,551
Accumulated depreciation	-	(472,848)	(6,322)	-	(1,818)	<b>(480,988)</b>	(404,843)
Book value	-	140,495	70	-	380	<b>140,945</b>	191,708
<b>Computer installations - peripheral</b>							
Cost	-	56,020	-	-	216	<b>56,236</b>	53,871
Accumulated depreciation	-	(49,595)	-	-	(178)	<b>(49,773)</b>	(46,418)
Book value	-	6,425	-	-	38	<b>6,463</b>	7,453
<b>Vehicles</b>							
Cost	-	99,912	4,702	-	-	<b>104,614</b>	104,830
Accumulated depreciation	-	(85,700)	(4,703)	-	-	<b>(90,403)</b>	(80,384)
Book value	-	14,212	(1)	-	-	<b>14,211</b>	24,446
<b>Grand Total</b>							
Cost	-	1,235,825	26,533	-	3,052	<b>1,265,410</b>	1,215,300
Accumulated depreciation	-	(909,556)	(21,330)	-	(2,141)	<b>(933,027)</b>	(818,527)
Book value	-	326,269	5,203	-	911	<b>332,383</b>	396,773

## 15 TAXATION

	(Rupees in '000)	
	2014	2013
Current	<b>427,575</b>	368,363
<b>15.1 Relationship Between Tax Expense and Accounting Profit</b>		
Profit before tax	<b>1,332,682</b>	1,178,486
Tax at the applicable rate @ 33% (2013: 34%)	<b>439,785</b>	400,685
Tax effect of capital gain being exempt	<b>(982)</b>	(20,032)
Tax effect of dividend income being taxable at lower rate	<b>(11,228)</b>	(12,290)
Tax expense for the year	<b>427,575</b>	368,363

15.2 There were no taxable or deductible temporary differences attributable to Shareholders' Fund. Therefore, no provision for deferred tax has been recognised.

**16 EARNINGS PER SHARE - BASIC AND DILUTED**

	(Rupees in '000)	
	2014	2013
Profit after tax	905,107	810,123
Weighted average number of ordinary shares	Numbers 12,561,644	11,000,000
Earnings per share - basic and diluted	Rupees 72.05	73.65

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.

**17 REMUNERATION OF CHAIRMAN AND EXECUTIVE DIRECTORS**

	(Rupees in '000)					
	Chairman		Executive Directors		Total	
	2014	2013	2014	2013	2014	2013
Managerial remuneration	224	2,118	3,708	2,053	3,932	4,171
House rent	94	771	1,483	815	1,577	1,586
Utilities	107	312	986	649	1,093	961
Other perquisites	303	1,142	4,354	2,224	4,657	3,366
	728	4,343	10,531	5,741	11,259	10,084
Number of persons	1	1	4	6	5	7

In addition to the above, chairman and executive directors are also entitled to the Corporation maintained vehicles and mobile phone facility.

**18 CASH AND CASH EQUIVALENTS**

For the purpose of cash flow statement, cash and cash equivalents balances include the following:

	Shareholders' Fund	Statutory Funds				Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2014	2013
		(Rupees in '000)					
Cash in hand	-	7,070	-	-	-	7,070	4,175
Cash in transit	-	34,055	-	-	-	34,055	81,452
Cash at bank in:							
- Current accounts	-	8,960,307	536,668	7,782	871	9,505,628	7,414,859
- PLS accounts	-	525,616	78,458	-	-	604,074	644,854
Deposits maturing within 12 months	4,369	8,436,415	367,497	-	-	8,808,281	23,385,209
	4,369	17,963,463	982,623	7,782	871	18,959,108	31,530,549

**19 RENTAL INCOME FROM INVESTMENT PROPERTIES**

Rental income	-	846,726	-	-	-	846,726	811,270
Less: Investment property related expenses	-	(570,918)	-	-	-	(570,918)	(509,589)
Net rental income from investment property	-	275,808	-	-	-	275,808	301,681

**20 MOVEMENT IN EQUITY OF STATUTORY FUND**

	Statutory Funds				Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2014	2013
	(Rupees in '000)					
<b>20.1 Policyholders' Liability</b>						
Balance as at the beginning of year	352,962,602	8,580,244	190,831	135,680	361,869,357	301,260,388
Increase during the year	66,077,736	875,562	19,855	56,999	67,030,152	60,608,969
Balance at the end of year	419,040,338	9,455,806	210,686	192,679	428,899,509	361,869,357
<b>20.2 Retained Earnings Attributable to Policyholders (Ledger Account A)</b>						
Balance at the beginning of year	15,765,257	461,946	-	-	16,227,203	12,038,289
Surplus allocated in respect of the year	45,752,209	509,948	-	-	46,262,157	40,808,527
Bonuses allocated during the year	(41,514,758)	(448,994)	-	-	(41,963,752)	(36,619,613)
Balance at the end of year	20,002,708	522,900	-	-	20,525,608	16,227,203
<b>20.3 Retained Earnings on Par Business Attributable to Shareholders (Undistributable - Ledger Account B)</b>						
Balance at beginning of the year	-	-	-	-	-	-
Surplus allocated in respect of the year	1,173,134	13,076	-	-	1,186,210	1,046,373
Transfer to distributable profits	(1,173,134)	(13,076)	-	-	(1,186,210)	(1,046,373)
Balance at the end of year	-	-	-	-	-	-
<b>20.4 Retained Earnings on Par Business Attributable to Shareholders (Distributable-Ledger Account C)</b>						
Balance as at beginning of the year	-	-	-	-	-	-
Transfer from undistributable profit	1,173,134	13,076	-	-	1,186,210	1,046,373
Surplus appropriated to shareholders' fund	(1,173,134)	(13,076)	-	-	(1,186,210)	(1,046,373)
Balance at end of the year	-	-	-	-	-	-
<b>20.5 Retained Earnings on Other Than Participating Business (Ledger Account D)</b>						
Balance at the beginning of year	-	-	55,524	455,686	511,210	455,747
Surplus allocated in respect of the year	-	-	5,639	83,420	89,059	55,463
Bonuses allocated during the year	-	-	-	-	-	-
Balance at the end of year	-	-	61,163	539,106	600,269	511,210

**21 POLICYHOLDERS' LIABILITIES**

	Statutory Funds				(Rupees in '000) Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2014	2013
<b>Gross of Reinsurance</b>						
Actuarial liability relating to future events	411,985,868	9,506,299	210,686	192,075	<b>421,894,928</b>	355,296,654
Provision for outstanding reported claims payable over a period exceeding 12 months	2,758,574	17,614	-	-	<b>2,776,188</b>	2,428,500
Provision for incurred but not reported (IBNR) claims	4,646,613	26,318	-	604	<b>4,673,535</b>	4,526,039
	<u>419,391,055</u>	<u>9,550,231</u>	<u>210,686</u>	<u>192,679</u>	<u><b>429,344,651</b></u>	<u>362,251,193</u>
<b>Net of Reinsurance</b>						
Actuarial liability relating to future events	411,635,151	9,411,874	210,686	192,075	<b>421,449,786</b>	354,914,818
Provision for outstanding reported claims payable over a period exceeding 12 months	2,758,574	17,614	-	-	<b>2,776,188</b>	2,428,500
Provision for incurred but not reported (IBNR) claims	4,646,613	26,318	-	604	<b>4,673,535</b>	4,526,039
	<u>419,040,338</u>	<u>9,455,806</u>	<u>210,686</u>	<u>192,679</u>	<u><b>428,899,509</b></u>	<u>361,869,357</u>

**22 BRANCH OVERHEAD**

	Statutory Funds				(Rupees in '000) Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2014	2013
Salaries	760,003	10,586	-	-	<b>770,589</b>	711,912
Traveling expenses	383,804	371	-	-	<b>384,175</b>	549,606
Printing and stationeries	20,125	202	-	-	<b>20,327</b>	12,127
Medical expenses	36,818	1,572	-	-	<b>38,390</b>	37,621
Pension	67,211	-	-	-	<b>67,211</b>	66,908
Group insurance contribution	6,673	-	-	-	<b>6,673</b>	6,045
Postage and telegram	26,155	945	-	-	<b>27,100</b>	30,756
Utilities	16,560	-	-	-	<b>16,560</b>	83,054
Rent	25,308	12,458	-	-	<b>37,766</b>	36,606
Prize and awards	6,926	468	-	-	<b>7,394</b>	7,941
Conference and meetings	30,483	1,109	-	-	<b>31,592</b>	38,264
Repairs and maintenance	2,363	-	-	-	<b>2,363</b>	2,100
Incentive bonuses	418,163	4,689	-	-	<b>422,852</b>	425,818
Persistency bonuses	29,410	-	-	-	<b>29,410</b>	29,041
Overriding commission of area manager	-	45,951	-	-	<b>45,951</b>	51,904
	<u>1,830,002</u>	<u>78,351</u>	<u>-</u>	<u>-</u>	<u><b>1,908,353</b></u>	<u>2,089,703</u>

**23 AUDITORS' REMUNERATION****Business within Pakistan**

Audit Fee  
BDO Ebrahim & Co.  
Anjum Asim Shahid Rahman  
Riaz Ahmad & Company

**Out of Pocket Expenses**

BDO Ebrahim & Co.  
Anjum Asim Shahid Rahman  
Riaz Ahmad & Company

**Business Outside Pakistan**

Audit Fee  
Sajjad Haider & Company  
Nabeel Al-Saie Public Accountants  
Out of Pocket Expenses

	(Rupees in '000) Aggregate	
	2014	2013
<b>Business within Pakistan</b>		
Audit Fee	1,089	990
BDO Ebrahim & Co.	-	990
Anjum Asim Shahid Rahman	1,040	-
Riaz Ahmad & Company	2,129	1,980
<b>Out of Pocket Expenses</b>		
BDO Ebrahim & Co.	200	200
Anjum Asim Shahid Rahman	-	500
Riaz Ahmad & Company	200	-
	400	700
	2,529	2,680
<b>Business Outside Pakistan</b>		
Audit Fee	-	1,187
Sajjad Haider & Company	1,187	-
Nabeel Al-Saie Public Accountants	297	297
Out of Pocket Expenses	1,484	1,484
	4,013	4,164

**24 INVESTMENT (EXPENSE)/INCOME - Others**

An amount of Rs. (409.784) million (2013: Rs. 649.785 million) appearing under Overseas Life Fund represents the resultant effect of translation of income, expenses, assets and liabilities of overseas operations business to Pak Rupees.

**25 PROVISION FOR IMPAIRMENT IN SHARES**

This includes provision against investments in shares of certain companies in default counter and unlisted companies.

**26 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES****26.1 Financial Risk Management, Objectives & Policies**

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.

**26.2 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.

**26.2.1 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.

**26.2.2**

Note	Effective yield/Mark-up rate	2014						Sub total	Non-interest bearing financial instruments	Total	
		Exposed to yield/interest rate risk									
		Maturity upto one year	Maturity upto 2 year	Maturity from 2 to 3 year	Maturity from 3 to 4 year	Maturity from 4 to 5 year	Over 5 year				
(Rupees in '000)											
<b>Financial Assets</b>											
<b>Fixed Rate Instruments</b>											
Cash & others	-	-	-	-	-	-	-	-	41,125	41,125	
Current & other Accounts	9	-	-	-	-	-	-	-	10,109,702	10,109,702	
Deposits	5.00% to 10.00%	8,808,282	1,301,594	-	-	-	-	10,109,876	-	10,109,876	
Loans Secured Against Life Insurance Policies	10	12.50%	9,381,574	2,637,958	2,428,995	2,086,144	4,886,574	19,881,946	41,303,191	41,303,191	
Loan secured against other Assets		6.00%-10.00%	60,385	53,820	52,507	51,195	44,633	-	262,540	262,540	
Unsecured Loans		-	-	-	-	-	-	-	161,791	161,791	
Investments	12	8.00% to 13.75%	23,027,180	78,113,831	51,856,458	65,613,634	39,605,024	95,349,658	353,565,785	29,458,281	383,024,066
Premiums due but not Paid		-	-	-	-	-	-	-	13,897,898	13,897,898	
Amount due from other insurers/reinsurers		-	-	-	-	-	-	-	266,268	266,268	
Agents balances		-	-	-	-	-	-	-	208	208	
Investment income due but outstanding		-	-	-	-	-	-	-	472,774	472,774	
Investment Income Accrued		-	-	-	-	-	-	-	20,304,939	20,304,939	
Sundry Receivables	13	-	-	-	-	-	-	-	671,975	671,975	
Other Current Assets		-	-	-	-	-	-	-	35,053	35,053	
<b>Total Financial Assets</b>		<b>41,277,421</b>	<b>82,107,203</b>	<b>54,337,960</b>	<b>67,750,973</b>	<b>44,536,231</b>	<b>115,231,604</b>	<b>405,241,392</b>	<b>75,420,014</b>	<b>480,661,406</b>	
<b>Financial Liabilities</b>											
<b>Fixed rate instruments</b>											
Balance of Statutory Funds		-	-	-	-	-	-	-	450,025,386	450,025,386	
Outstanding Claims	6	-	-	-	-	-	-	-	16,060,302	16,060,302	
Amount Due to other Insurers/Reinsurers		-	-	-	-	-	-	-	153,145	153,145	
Amount due to agents		-	-	-	-	-	-	-	4,381,454	4,381,454	
Accrued expenses		-	-	-	-	-	-	-	2,736,080	2,736,080	
Others Creditors and Accruals		-	-	-	-	-	-	-	8,074,417	8,074,417	
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>481,430,784</b>	<b>481,430,784</b>	
<b>On Balance sheet gap</b>		<b>41,277,421</b>	<b>82,107,203</b>	<b>54,337,960</b>	<b>67,750,973</b>	<b>44,536,231</b>	<b>115,231,604</b>	<b>405,241,392</b>	<b>(406,010,770)</b>	<b>(769,378)</b>	



Note	Effective yield/Mark-up rate	2013							Non-interest bearing financial instruments	Total	
		Exposed to yield/interest rate risk									
		Maturity upto one year	Maturity upto 2 year	Maturity from 2 to 3 year	Maturity from 3 to 4 year	Maturity from 4 to 5 year	Over 5 year	Sub total			
(Rupees in '000)											
<b>Financial Assets</b>											
<b>Fixed rate instruments</b>											
Cash and others	-	-	-	-	-	-	-	-	85,627	85,627	
Current and other accounts	9	-	-	-	-	-	-	-	8,059,713	8,059,713	
Deposits	0.50 % to 12.50 %	23,385,209	1,580,960	-	-	-	-	24,966,169	-	24,966,169	
Loans secured against life insurance policies	10	12.50 %	7,518,346	2,114,046	1,946,584	1,671,825	3,916,076	15,933,290	33,100,167	33,100,167	
Loan secured against other assets		6.00 % to 10.00 %	60,389	53,822	52,509	51,197	44,633	-	262,550	262,550	
Unsecured loans		-	-	-	-	-	-	-	157,568	157,568	
Investments	12	8.00 % to 13.75 %	51,766,378	56,425,132	29,084,758	39,614,353	50,145,947	62,456,318	289,492,886	29,586,384	319,079,270
Premiums due but not paid		-	-	-	-	-	-	-	10,444,827	10,444,827	
Amount due from other insurers/reinsurers		-	-	-	-	-	-	-	260,227	260,227	
Agents balances		-	-	-	-	-	-	-	208	208	
Investment income due but outstanding		-	-	-	-	-	-	-	422,046	422,046	
Investment income accrued		-	-	-	-	-	-	-	14,237,222	14,237,222	
Sundry receivables	13	-	-	-	-	-	-	-	338,659	338,659	
Other current assets		-	-	-	-	-	-	-	50,680	50,680	
<b>Floating rate instruments</b>											
Term finance certificates	12	Kibor + 1.00% to 2.85%	-	199,525	-	-	-	-	199,525	-	199,525
<b>Total Financial Assets</b>			<u>82,730,322</u>	<u>60,373,485</u>	<u>31,083,851</u>	<u>41,337,375</u>	<u>54,106,656</u>	<u>78,389,608</u>	<u>348,021,297</u>	<u>63,643,161</u>	<u>411,664,458</u>
<b>Financial Liabilities</b>											
<b>Fixed rate instruments</b>											
Balance of Statutory Funds		-	-	-	-	-	-	-	378,607,770	378,607,770	
Outstanding claims	6	-	-	-	-	-	-	-	14,336,709	14,336,709	
Amount due to other insurers/reinsurers		-	-	-	-	-	-	-	126,554	126,554	
Amount due to agents		-	-	-	-	-	-	-	4,048,578	4,048,578	
Accrued expenses		-	-	-	-	-	-	-	1,998,041	1,998,041	
Others creditors and accruals		-	-	-	-	-	-	-	7,724,067	7,724,067	
<b>Total Financial Liabilities</b>			-	-	-	-	-	-	406,841,719	406,841,719	
<b>On balance sheet gap</b>			<u>82,730,322</u>	<u>60,373,485</u>	<u>31,083,851</u>	<u>41,337,375</u>	<u>54,106,656</u>	<u>78,389,608</u>	<u>348,021,297</u>	<u>(343,198,558)</u>	<u>4,822,739</u>

### 26.2.3 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:

	2014		2013	
	UAE Dirhams	US Dollars	UAE Dirhams	US Dollars
Assets	98,597,488	128,820,398	78,325,055	108,162,550
Liabilities	10,956,107	52,938,166	7,477,353	41,027,014
Reserves	87,641,381	75,882,232	70,847,702	67,135,536

### 26.2.4 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.

### 26.3 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	(Rupees in '000)	
		Aggregate	
		2014	2013
Bank deposits	9	20,219,578	33,025,882
Loans		41,727,522	33,520,285
Investments	12	30,755,509	31,208,571
Premium due but unpaid		13,897,898	10,444,827
Amount due from other insurers/reinsurers		266,268	260,227
Agents balances		208	208
Investment income due but outstanding		472,774	422,046
Accrued investment income		20,304,939	14,237,222
Sundry receivables	13	671,975	338,659
Others		35,053	50,680
<b>Total</b>		<b>128,351,724</b>	<b>123,508,607</b>

Provision is made for receivables against premium due but unpaid in accordance with the Corporation'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.

	(Rupees in '000)	
	2014	2013
	<b>The Age Analysis of Premium Due but Unpaid:</b>	
Up to 1 year	12,751,483	9,652,162
1-2 years	551,585	341,495
2-3 years	245,372	163,007
Over 3 years	349,458	288,163
	<b>13,897,898</b>	<b>10,444,827</b>

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

Bank	Rating			(Rupees in '000)	
	Long Term	Short Term	Rating Agency	2014	2013
	Askari Commercial Bank Limited	AA	A1+	PACRA	14
Bank Alfalah Limited	AA	A1+	PACRA	519,481	701,098
MCB Bank Limited	AAA	A1+	PACRA	96	96
Samba Bank Limited	AA-	A-1	JCR-VIS	700,935	-
Habib Bank Limited	AAA	A-1+	JCR-VIS	4,491,741	9,040,508
National Bank of Pakistan	AAA	A-1+	JCR-VIS	1	6,199,124
United Bank Limited	AA+	A-1+	JCR-VIS	11,340,551	10,288,955
The Bank of Punjab	AA-	A1+	PACRA	20	16
Habib Metropolitan Bank Limited	AA+	A1+	PACRA	1	1
Al Baraka Bank (Pakistan) Limited	A	A1	JCR-VIS	2	6
Allied Bank of Pakistan	AA+	A1+	PACRA	663,208	2,899,464
First Women Bank Limited	BBB+	A-2	PACRA	1,817	-
Faysal Bank Limited	AA	A1+	PACRA	600,115	7
Summit Bank Limited	A	A-1	JCR-VIS	1	-
Sindh Bank Limited	AA	A-1+	JCR-VIS	600,000	-
Others	-	-	-	1,301,595	1,580,960
				<b>20,219,578</b>	<b>33,025,882</b>



The credit quality of the Corporation's investments in Term Finance Certificates can be assessed with reference to external credit ratings as follows:

	(Rupees in '000)			
	Rating	Agency	2014	2013
	<b>Term Finance Certificates:</b>			
Engro Fertilizers Limited	A	PACRA	-	199,525
			-	199,525

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

	2014	2013
<b>Amount Due From Other Insurers/Reinsurers</b>		
A or above	266,268	260,227

## 26.4 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.

The table below gives a break up of the Corporation's assets and liabilities with respect to asset-liability matching allocated to various classes of policyholder liabilities:



	Shareholders' Fund	Statutory Funds				(Rupees in '000)	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Aggregate	
						2014	2013
<b>Debt Securities Available for Sale</b>							
Listed Securities	-	-	846,412	-	-	846,412	954,097
<b>Held to Maturity</b>							
Listed Securities	-	-	-	-	-	-	199,525
Un Listed Securities	1,283,747	351,271,661	6,166,909	241,198	689,180	359,652,695	288,423,644
<b>Equity Securities Available for Sale</b>							
Listed Securities	-	28,721,454	-	-	-	28,721,454	28,704,329
Un Listed Securities	-	851,972	-	-	-	851,972	997,200
<b>Loans &amp; Receivables</b>							
Loans	411,348	40,528,717	787,457	-	-	41,727,522	33,520,285
<b>Reinsurance Assets</b>							
	-	266,268	-	-	-	266,268	260,227
<b>Cash &amp; Bank Deposits</b>	4,369	17,965,173	2,282,508	7,782	871	20,260,703	33,111,509
<b>Other Assets</b>	2,439,923	41,202,910	521,110	52,434	116,297	44,332,674	34,635,642
<b>Total Assets</b>	<u>4,139,387</u>	<u>480,808,155</u>	<u>10,604,396</u>	<u>301,414</u>	<u>806,348</u>	<u>496,659,700</u>	<u>420,806,458</u>
<b>Liabilities</b>							
Fixed Term	-	401,528,513	9,231,015	-	-	410,759,528	344,851,496
Whole of Life	-	4,720,263	168,967	-	-	4,889,230	4,713,723
Short Term Insurance Contracts	-	7,066,843	-	-	-	7,066,843	6,815,093
Riders	-	5,625,517	55,824	-	-	5,681,341	5,061,511
Annuities	-	99,201	-	-	-	99,201	101,023
Granted Investment Contracts	-	-	-	210,686	-	210,686	190,831
Accident and Health Contracts	-	-	-	-	192,679	192,679	135,680
Others	4,139,388	61,797,816	1,148,590	90,728	613,670	67,790,192	58,937,101
<b>TOTAL</b>	<u>4,139,388</u>	<u>480,838,153</u>	<u>10,604,396</u>	<u>301,414</u>	<u>806,349</u>	<u>496,689,700</u>	<u>420,806,458</u>

The following are the contractual maturities of financial liabilities other than policyholders' liabilities, including estimated interest payments on an undiscounted cash flow basis:

	(Rupees in '000)			
	2014			
	Carrying Amount	Contractual Cash Flow	Upto 1 year	More than 1 year
<b>Financial Liabilities</b>				
Amounts due to other insurers/reinsurers	153,145	153,145	153,145	-
Amount due to agents	4,381,454	4,381,454	4,381,454	-
Accrued expenses	2,736,080	2,736,080	2,736,080	-
Others	8,074,417	8,074,417	8,074,417	-
	<u>15,345,096</u>	<u>15,345,096</u>	<u>15,345,096</u>	<u>-</u>
	(Rupees in '000)			
	2013			
	Carrying Amount	Contractual Cash Flow	Upto 1 year	More than 1 year
<b>Financial Liabilities</b>				
Amounts due to other insurers/reinsurers	126,554	126,554	126,554	-
Amount due to agents	4,048,578	4,048,578	4,048,578	-
Accrued expenses	1,998,041	1,998,041	1,998,041	-
Others	3,201,176	3,201,176	3,201,176	-
	<u>9,374,349</u>	<u>9,374,349</u>	<u>9,374,349</u>	<u>-</u>

## 26.5 Fair Value

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

	(Rupees in '000)	
	2014	
	Carrying value	Fair value
Government Securities	353,485,786	380,094,678
Listed Equity Securities	28,704,329	95,598,226

## 27 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.

The Corporation is also subject to capital requirements of United Arab Emirates (UAE) where it maintains a branch office that issues insurance contracts. The Corporation complies fully with the minimum capital requirements imposed by insurance supervisory authority in UAE. The UAE Cabinet has issued cabinet resolution No. 42 of 2009 which came into force on January 31, 2010, requiring the insurance companies to increase their minimum paid-up share capital to AED 100 million within three years from the date of this resolution. The Corporation has taken up this matter with Ministry of Finance through Ministry of Commerce for enhancing the capital. Ministry of Finance advised the Corporation to approach the UAE Government for seeking permission to raise the required paid up share capital by the end of December 2014.

In pursuance of this requirement, the Corporation has obtained approval from Ministry of Commerce for increase in the Authorized Capital from Rs. 1,500 million to Rs. 3,000 million and paid up capital from Rs. 1,100 million to Rs. 2,700 million and for the purpose, the Corporation has set-aside the profit for the year ended December 31, 2011, December 31, 2012 and December 31, 2013 amounting to Rs. 447.077 million, Rs. 675.216 million and Rs. 810.123 million respectively, to reserve for issue of share capital.

However, the Federal Government has issued notification on April 1, 2014 that the Corporation shall have an authorized capital of Rs. 4,000 million and paid up capital of Rs. 3,000 million which will be fully subscribed by the Federal Government.

In the year 2014, the Corporation has increased its authorized capital and paid up capital from Rs. 1,500 million to Rs. 4,000 million and Rs. 1,100 million to Rs. 3,000 million respectively.

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

Further details are given in the table below:

	(Rupees in '000)	
	2014	2013
	Accumulated Surplus	840,308
Reserve for Issue of Share Capital	-	1,122,293
Issued, Subscribed and Paid-up Capital	3,000,000	1,100,000
Shareholders' Equity	<u>3,840,308</u>	<u>3,032,416</u>

**28 INSURANCE RISK****28.1 Insurance Contracts****28.1.1 Classification**

The Corporation maintains four statutory funds which are as follows:

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

Within the Pakistan Life Fund the business can be further classified as individual life conventional business, individual universal life 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.

Considering all the four statutory funds together, the bulk of Corporation's business consists of individual life conventional policies. Most of the remaining business consists of group insurance business. Individual universal life business and pension fund business are relatively less significant classes of business in terms of weight of their policy liabilities. Groups Health and Accident is a new venture of the Corporation 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:

**28.1.2 Contract Details & Measurement**

The insurance contracts offered by the Corporation are described below:

**28.1.2.1 Individual Life Policies****Individual Life Conventional Products**

These are long term contracts with either level or single premiums. These plans generally provide 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 survived in the duration of the policy. The Corporation sells both level term insurance and decreasing term insurance also known as mortgage protection plans.

**Annuities**

The Corporation also has a small number of individual and group 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 is payable for a stipulated period and are 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 offices and sales managers. Each sales sector headed by a sector head is further grouped under nearly 900 area offices, more than 1200 sector/agencies offices, 28 zones and 5 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 policyholders 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 policy holders have an average age of around 34 years.

**28.1.2.2 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, army, navy etc.

**28.1.2.3 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.

**28.1.2.4 Group Health Business**

In 2012, the Corporation has entered Health Insurance market by signing an agreement with the Benazir Income Support Programme (BISP) authorities for providing health insurance to beneficiaries enrolled under BISP Waseela Sehat Programme.

*Insured event*

The scheme is aimed at providing the underprivileged sector of the society the access to health care to cope with a variety of health shocks. The scheme provides health insurance facilities up to Rs. 25,000 per family enrolled under BISP Waseela Sehat Programme.

**28.1.3 Reserving Method****28.1.3.1 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.

**28.1.3.2 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.

**28.1.3.3 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.

**28.1.3.4 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.

**28.1.3.5 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.

**28.1.3.6 Group Accident and Health Policies**

Group Accident and Health business consists of short duration one year renewable term insurance policies. 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.

**28.2 Reserves for Outstanding Claims**

The Corporation holds a reserve for all claims which have been reported but are still outstanding on the reporting date. Another estimated reserve is kept within the actuarial liability for claims which has been incurred but has 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.

**28.3 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 upon the results of this test the Appointed Actuary considers that the liability being kept by the Corporation is adequate.

**28.4 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 re-insurer 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.

**28.5 Accounting Estimates and Judgments and Process Used for Deciding Assumptions****28.5.1 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 results of this study are 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.

**28.5.2 Investment Income**

Due to long term nature of its individual life policies, the Corporation is exposed to the risk of adverse fluctuation of 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.

**28.5.3 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 results of this study are utilized in the estimation of liability under realistic assumptions to ensure the adequacy of the reserves being held.

In prior year, Corporation was not able to meet the prescribed renewal expense ratio of 18% and its management expense to renewal premium ratio exceeds 18% during the year ended December 31, 2013 after including the impact of staff retirement benefits resulting from retrospective application of amended IAS-19 since January 1, 2013. However, after considering the special circumstances and practical difficulties triggered by events which are beyond the control of Corporation, SECP had granted one time exemption of excluding past service cost and unrecognized actuarial loss of December 31, 2013 from the computation of actual management expense for the year 2013 in order to comply with the prescribed maximum management expense limits.

**28.6 Frequency and Severity of Claims****28.6.1 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.

**28.6.2 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 28 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.

**28.6.3 Claims Development**

The development of claims against insurance contracts issued is not disclosed as uncertainty as to the timing and amount of claims is usually resolved within a period of one year.

**28.7 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.

**28.8 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.

**28.8.1 Financial Risk****28.8.1.1 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 adds another layer of security against interest risk.

**28.8.1.2 Expense Risk**

This is that the actual expenses of the Corporation are more than the provision in its premium rates. To ensure that adequate reserves are kept for the risk of expense overrun the net premiums used by the Corporation in its actuarial valuation are suitably reduced to give due allowance for the higher expense ratio of the Corporation.

**28.8.1.3 Mortality Risk**

The mortality used in the reserving basis is the mortality prescribed by the SECP, which is the SLIC 2001-05 table. Due to advances in health care technology the current mortality levels are significantly lower than the mortality rates of this table. Hence the reserving basis has adequate margins for absorbing the impact of adverse fluctuation in mortality.

**28.8.1.4 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 is more than its surrender value. This ensures that the Corporation does not suffer any adverse impact in case any policies are surrendered.

**28.8.1.5 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.

**28.8.1.6 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 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 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 somewhat mitigated 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.

**28.8.1.7 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.

**28.8.2 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.

**28.8.3 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 is automatically charged is commensurate 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 by passes normal underwriting in return for a suitable extra premium and waiting period.

**28.9 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%	0.16%
Decrease in mortality	10%	-0.16%
Increase in discount rate	0.5% addition in rate	-4.51%
Decrease in discount rate	0.5% reduction in rate	4.79%

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.

**29 SEGMENT REPORTING**

Class of Business wise assets, liabilities and operating results has been disclosed in the Balance Sheet, Profit and Loss Account and Revenue Account prepared in accordance with the requirements of the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002.

**30 RELATED PARTY TRANSACTIONS**

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:

	(Rupees in '000)	
	Aggregate	
	2014	2013
<b>Profit Oriented State-Controlled Entities-Common Ownership</b>		
Premiums	2,535,013	1,070,758
Claims	1,886,983	444,255
Profit Commission	61,077	229,343
Fixed Deposits	-	6,000,016
Investment in Shares-State Bank of Pakistan	3,221	3,221
<b>Subsidiaries</b>		
Rental Income Received	4,292	-
<b>Staff Retirement Fund</b>		
Contribution to Provident Fund	7,890	13,147
Contribution Made Directly by Corporation to Pension Fund	314,518	300,151
Contribution to funded gratuity	5,506	13,329
Expense charged for pension fund	552,127	513,431
<b>Transactions with Associated Companies</b>		
<b>Bonus Shares Allotted:</b>		
Pakistan State Oil	-	2,706
Sui Northern Gas Pipelines Company Limited	-	2,498
GlaxoSmithKline Pakistan	-	758
National Bank of Pakistan Limited	-	7,312
Security Papers Limited	-	698
<b>Dividend Received During the Year</b>		
Pakistan Reinsurance Company Limited	183,081	183,081
<b>Transactions with Related Parties - Common Directorship</b>		
<b>Investment in TDR's :</b>		
National Bank of Pakistan Limited	-	6,000,000
<b>Investment in Units :</b>		
National Investment Trust	-	500,000
<b>Fixed Deposits With:</b>		
Summit Bank Limited	-	400,000
<b>Investment in Shares:</b>		
Fauji Fertilizer Company Limited	-	1,465
Pakistan State Oil Company Limited	-	500
Sui Southern Gas Company Limited	-	499
National Bank of Pakistan Limited	-	6,800

**Balances with Related Parties-Common Directorship Investment in Shares:**

	(Rupees in '000)	
	Aggregate	
	2014	2013
Fauji Fertilizer Company Limited	2,504,433	-
Sui Southern Gas Company Limited	552,256	-
Sui Northern Gas Pipelines Company Limited	210,932	-
Thatta Cement Company Limited	138,375	-
Alpha Insurance Company Limited	202,518	-
International Industries Limited	11,399	-
Pak Cables Limited	4,521	-
Hub Power Limited	793,164	-
Orix Leasing Limited	69,257	-
Security Papers Limited	4,894	-
Shahtaj Sugar Mills Ltd.	6,698	-
Pak Data Communication	13,202	-
Premier Insurance Company Limited	396	-
Pakistan Reinsurance Company Limited	2,400	-
Arabian Sea Country Club	5,000	-
PICIC Insurance	38,982	-
Nina Industries	20,020	-
State Life Abdullah Haroon Road Property (Pvt) Ltd. (Subsidiary Co.)	26,182	-
State Life Lackie Road Property (Pvt) Ltd. (Subsidiary Co.)	12,910	-

**31 NUMBER OF EMPLOYEES**

The number of employees as at December 31 are:

Permanent employees	4,244	4,359
Area managers	1,019	934
	5,263	5,293

**32 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were approved and authorized for issue on 30 May 2015 by the Board of Directors of the Corporation.

Ms. Nargis Ghaloo  
Chairperson

Naved Arif  
Director

Dr. Aliya Hashmi Khan  
Director

Muhammad Rashid  
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 included in the balance sheet of State Life Insurance Corporation of Pakistan has 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 compiles with the solvency requirements of the Insurance ordinance, 2000.

  
 (Shujaat Siddiqui)  
 Appointed Actuary

### 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 statutory accounts of the State Life Insurance Corporation of Pakistan set out in the forms attached to the statement have been drawn up in accordance with the Insurance Ordinance, 2000, and the Insurance Rules, 2002; and
- b. State Life Insurance Corporation of Pakistan has at all times in the year complied with the provisions of Insurance Ordinance, 2000, and the Insurance Rules, 2002, made there under relating to paid-up-capital, solvency and reinsurance arrangement; and
- c. As at December 31, 2014 State Life Insurance Corporation of Pakistan continues to be in compliance with the provisions of the Insurance Ordinance, 2000, and the Insurance Rules, 2002 made there under relating to paid-up-capital, solvency and reinsurance arrangement.

#### Section 52(2) (c)

In our opinion, each statutory fund of the State Life Insurance Corporation of Pakistan compiles with the solvency requirements of Insurance Ordinance, 2000.

Ms. Nargis Ghaloo  
Chairperson

Naved Arif  
Director

Dr. Aliya Hashmi Khan  
Director

Muhammad Rashid  
Chief Financial Officer

**PROGRESS AT A GLANCE SINCE INCEPTION**

(Rs. in Million)

	1973	1975	1978	1980	1983	1985	1990	1993	1996	1997	1998	1999	2000
First Year Premium (Net)	48	50	80	110	228	341	846	918	1,698	1,490	1,306	1,275	1,041
Renewal Premium (Net)	219	244	305	365	606	847	2,267	3,284	4,694	4,364	4,413	4,312	4,538
Group Premium (Net)	50	61	114	164	294	347	642	930	1,266	1,413	1,244	1,251	1,102
Pension Premium	-	-	-	-	-	-	-	-	-	-	-	-	-
Health & Accidental Premium	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Premium (Net)	317	354	500	638	1,128	1,535	3,755	5,132	7,658	7,266	6,964	6,838	6,681
Investment Income	81	122	221	279	562	767	1,906	3,675	5,984	5,901	5,996	8,406	7,873
Total Income	391	504	727	920	1,690	2,307	5,674	8,814	13,650	13,177	12,976	15,286	14,592
Total Outgo	292	307	427	593	1,005	1,342	2,877	4,138	7,355	7,477	8,451	8,060	8,745
Life Fund	1,494	1,735	2,494	3,111	4,660	6,422	16,321	28,333	45,582	51,010	55,460	62,484	68,127
Yield on Life Fund (%)	7	8	10	10	14	14	14	15	15	13	12	15	13
Overall Expense Ratio (%)	33	33	31	34	34	36	35	34	43	43	54	46	54
Renewal Expense Ratio(%)	26	27	26	30	28	25	22	26	35	39	56	45	57
Investment Portfolio	1,401	1,766	2,512	3,155	4,691	6,367	15,980	27,601	43,084	48,289	54,017	59,933	64,829
Policy Benefits (Net)	141	191	271	375	596	796	1,565	2,391	4,097	4,341	4,715	4,904	5,136
No. of Policies in Force (Individual Life)	357,413	379,083	397,158	413,231	489,366	599,423	1,297,879	1,681,946	2,087,919	2,092,404	2,033,388	1,963,723	1,878,139
No. of Lives Covered (Group Life)	-	1,500,000	2,340,472	2,585,775	2,802,279	3,003,387	4,308,986	4,250,232	4,341,011	4,198,974	4,456,347	3,501,163	3,259,618
Total Business in Force (Sum Assured and Bonuses)	17,899	17,952	30,055	45,847	62,277	77,542	145,626	311,306	440,762	489,772	539,751	656,776	499,136

(Rs. in Million)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 Restated	2013	2014	Annual Compound Growth Rates (1973-2014)
	1,124	1,350	1,797	2,348	2,806	3,327	3,854	5,159	7,196	9,647	11,990	13,947	15,442	16,156	16%
	4,565	5,489	5,790	6,655	8,454	9,785	12,054	13,993	17,634	22,287	28,144	35,145	43,348	53,363	15%
	1,249	1,518	2,281	1,997	2,548	2,866	2,796	3,532	3,514	3,676	4,645	6,802	6,832	6,728	13%
	7	8	13	15	12	14	14	11	23	29	33	54	20	10	3%
	-	-	-	-	-	-	-	-	-	-	-	70	104	85	10%
	6,945	8,364	9,881	11,014	13,820	15,992	18,717	22,695	28,367	35,639	44,812	56,018	65,745	76,342	15%
	8,492	11,200	10,202	13,610	13,106	14,924	17,505	19,133	21,545	27,434	31,175	37,977	50,949	50,715	17%
	15,436	19,564	20,082	24,624	26,926	30,915	36,222	41,828	49,914	63,073	75,988	93,995	116,694	127,057	16%
	8,342	8,165	9,938	11,544	12,673	15,393	17,049	20,779	27,356	31,489	37,122	47,296	50,663	54,307	14%
	75,343	86,211	95,957	108,808	122,775	137,960	156,737	177,459	199,445	230,422	268,580	313,754	378,608	450,025	15%
	13	15	12	14	12	12	13	12	12	14	13	14	16	13	-
	40	38	39	41	36	41	33	35	41	40	39	41	38	31	-
	37	34	35	34	28	34	9	11	19	18	17	16	17	13	-
	74,029	86,203	96,415	110,488	124,984	142,159	161,966	182,874	205,804	235,935	275,110	316,878	380,981	445,381	15%
	5,572	5,005	6,123	7,063	7,654	8,912	10,783	12,779	15,724	17,072	19,420	24,067	25,836	30,505	14%
	1,806,476	1,801,919	1,849,125	1,926,254	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	7%
	3,295,387	3,443,916	3,632,688	3,898,333	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	-
	506,245	629,011	816,210	947,239	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	15%



## 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

### Karachi Central

Al-Farhan Towers,  
Plot # D-15, Block-H  
N. Nazimabad, Karachi.  
Tel. 021-99260011-13

### Karachi Eastern

Bungalow # 11, Block 7 & 8  
Fine House Stop,  
Sharah-e-Faisal, Karachi.  
Tel. 021-34520810, 34536881

### Hyderabad

State Life Building,  
Thandi Sarak.  
Tel. 022-9200622-352

### Quetta

2nd Floor,  
PIA Building, Hali Road.  
Tel. 081-9201520/30

### Sukkur

State Life Building,  
Minara Road.  
Tel. 071-9310501-525

### Mirpurkhas

M.A. Jinnah Road,  
State Life Building, Near  
D.C. Office, Mirpurkhas  
Tel. 0233-9290205

### Larkana

State Life Building,  
Qaid-e-Awam Road.  
Tel. 074-9410800-01

### Gulf

P.O. Box # 11276,  
Dubai, U.A.E.  
Tel. 0097142729061  
Fax 0097142729051

### Regional Office (Central)

66-C/1, Gilberg-III,  
Lahore.  
Tel.042-99205121-22

### Lahore Central

State Life Square,  
4-Lytton Road,  
Lahore,  
Tel. 042-99210269-70

### Lahore Western

State Life Square,  
4-Lytton Road,  
Lahore,  
Tel. 042-99211711-642

### Faisalabad

State Life Building # 2  
Liaquat Road.  
Tel. 041-9200390-636

### Sargodha

40 Civil Lines,  
Green Plaza College Road.  
Tel. 048-9230311-319

### Gujranwala

Din Plaza, G.T. Road.  
Tel. 055-9200282-285

### Sialkot

Paris Road.  
Tel. 052-9250101-111

### Real Estate

State Life Building # 5  
Phase - 2 Basement  
Blue Area Islamabad.  
Tel. 051-9206017

### Real Estate

State Life Building # 11  
15-A, Davis Road,  
Lahore.  
Tel. 051-99200396

### Regional Office (North)

State Life Building # 9,  
Bulund Markaz Plaza, 33-E,  
4th Floor, Blue Area,  
Islamabad.  
Tel. 051-9204935-5047

### Rawalpindi

State Life Building # 1,  
The Mall.  
Tel.051-9271351-52

### Peshawar

State Life Building,  
34-The Mall.  
Tel.091-9212312-314

### Abbottabad

Farooqabad Plaza,  
Mansehra Road.  
Tel. 0992-380924-381090

### Mirpur (AK)

Barry Mian Plaza, 36,  
Sector C-1, Mirpur (AK).  
Tel. 058610-33247

### Swat

Dean Plaza Opp. Central  
Hospital,  
P.O.Box # 4, Saidu Sharif.  
Tel. 0946-9240060

### Gujrat

State Life Building,  
5th Floor,  
G.T.Road.  
Tel. 053-9260242

### Islamabad

State Life Building # 9,  
4th Floor, 33-E, Blue Area,  
Jinnah Avenue, Islamabad  
Tel. 051-9204749-5329

### Kohat

Al - Madina Market,  
Near Dr. Gulshan Area  
Clinic, Bannu Road,  
Chakar Kot, Kohat  
Tel. 0992-512911

### G&P Rawalpindi

State Life Building # 8,  
Kashmir Road,  
Rawalpindi.  
Tel. 051-9272598

### Regional Office (Multan)

4th Floor, State Life Building,  
Chowk Nawan Shaheer,  
Abdali Road.  
Tel. 061-9200670-770

### Multan

State Life Building,  
Chowk Nawan Shaheer,  
Abdali Road.  
Tel. 061-9200676-801

### Sahiwal

Sattar Complex,  
Stadium Road.  
Tel. 061-9200022-23

### Rahim Yar Khan

2nd Floor Iqbal Complex  
Model Town.  
Tel. 068-92300270-28

### Dera Ghazi Khan

1st Floor, Dubai Trade Center,  
Jampur Road.  
Tel. 064-2470612-9239130

### Bahawalpur

Circular Road,  
Al-Karim Plaza, 2nd Floor.  
Tel. 062-9255171-72

### G&P Peshawar

State Life Building  
34 - The Mall,  
Peshawar.  
Tel. 091-9211596

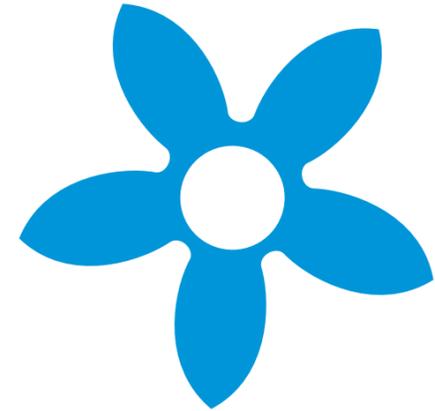
### G&P Karachi

State Life Building # 2,  
Wallace Road,  
Karachi.  
Tel. 021-99217060-97

### G&P Lahore

State Life Building,  
15-A, Davis Road,  
Lahore.  
Tel. 042-99200355-58

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