CHUBB INSURANCE PAKISTAN LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the members of Chubb Insurance Pakistan Limited

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Shahbaz Akbar**.

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A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: April 1, 2022
UDIN: AR202110068Z46HLqizp

CHUBB INSURANCE PAKISTAN LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	Note	2021	2020
		(Rupees)	
Assets			
Property and equipment	5	54,145,306	45,075,805
Investments			
Debt securities	6	53,905,494	52,512,910
Term deposits	7	795,000,000	690,000,000
Loans and other receivables	8	120,527,071	124,304,525
Insurance / reinsurance receivables	9	400,944,184	339,466,807
Reinsurance recoveries against outstanding claims	19	126,438,158	122,000,120
Deferred commission expense / acquisition cost	20	8,144,142	7,432,217
Deferred taxation - net	10	1,395,811	1,444,812
Taxation - payments less provision		17,096,338	20,018,606
Prepayments	11	85,722,775	63,815,631
Cash and bank	12	54,488,099	70,836,041
TOTAL ASSETS		1,717,807,378	1,536,907,474
Equity and liabilities			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital	13	500,000,000	500,000,000
Reserves		19,416,266	15,320,582
Unappropriated profit		389,721,849	249,543,697
TOTAL EQUITY		909,138,115	764,864,279
Liabilities			
Underwriting provisions			
Outstanding claims including IBNR	19	206,965,530	200,237,274
Unearned premium reserves	18	430,936,299	381,405,765
Unearned reinsurance commission	20	15,670,328	15,365,146
Retirement benefit obligations	14	5,067,241	5,949,902
Premium received in advance		6,753,923	7,688,138
Insurance / reinsurance payables	15	85,764,111	111,096,877
Other creditors and accruals	16	57,511,831	50,300,093
TOTAL LIABILITIES		808,669,263	772,043,195
TOTAL EQUITY AND LIABILITIES		1,717,807,378	1,536,907,474
Contingencies and commitments	17		

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER / COUNTRY PRESIDENT | DIRECTOR | DIRECTOR | CHAIRMAN

CHUBB INSURANCE PAKISTAN LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021	2020
		------------------ (Rupees) ------------------	
Net insurance premium	18	321,258,596	209,283,744
Net insurance claims	19	(21,337,374)	(24,766,709)
Net commission and other acquisition costs	20	18,720,601	20,404,390
Insurance claims and acquisition expenses		(2,616,773)	(4,362,319)
Management expenses	21	(158,577,627)	(129,801,796)
Underwriting results		160,064,196	75,119,629
Investment income	22	52,661,259	60,257,515
Other income	23	1,196,515	4,472,516
Other expenses	24	(9,065,064)	(12,174,780)
Profit before taxation		204,856,906	127,674,880
Income tax expense	25	(61,336,485)	(38,859,771)
Profit after taxation		143,520,421	88,815,109
Other comprehensive income - not reclassifiable to profit and loss in subsequent years			
Remeasurement of post employment benefit obligations	14.5	(4,707,421)	(2,297,793)
Taxation thereon		1,365,152	666,360
Other comprehensive loss for the year		(3,342,269)	(1,631,433)
Total comprehensive income for the year		140,178,152	87,183,676
Earnings (after tax) per share - Rupees	26	2.87	1.78

The annexed notes from 1 to 40 form an integral part of these financial statements.

Hamzah Chaudhri
CHIEF EXECUTIVE OFFICER / COUNTRY PRESIDENT

DIRECTOR

DIRECTOR

CHAIRMAN

CHUBB INSURANCE PAKISTAN LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

	Issued, subscribed and paid-up share capital	Reserves			Total
		Capital reserves		Revenue reserves	
		Advance against future issue of shares	Share-based payment contribution reserve	Unappropriated profit	
	(Rupees)				
Balance as at January 1, 2020	500,000,000	11,450	11,432,363	162,360,021	673,803,834
Employee benefit cost under IFRS 2 - 'Share-based payment' - note 21.2	-	-	3,876,769	-	3,876,769
Total comprehensive income for the year					
Profit after taxation	-	-	-	88,815,109	88,815,109
Other comprehensive loss					
Remeasurement of post employment benefit obligations - net of tax	-	-	-	(1,631,433)	(1,631,433)
	-	-	-	87,183,676	87,183,676
Balance as at January 1, 2021	500,000,000	11,450	15,309,132	249,543,697	764,864,279
Employee benefit cost under IFRS 2 - 'Share-based payment' - note 21.2	-	-	4,095,684	-	4,095,684
Total comprehensive income for the year					
Profit after taxation	-	-	-	143,520,421	143,520,421
Other comprehensive loss					
Remeasurement of post employment benefit obligations - net of tax	-	-	-	(3,342,269)	(3,342,269)
	-	-	-	140,178,152	140,178,152
Balance as at December 31, 2021	**500,000,000**	**11,450**	**19,404,816**	**389,721,849**	**909,138,115**

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER / COUNTRY PRESIDENT | DIRECTOR | DIRECTOR | CHAIRMAN

CHUBB INSURANCE PAKISTAN LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021	2020
		----------- (Rupees) -----------	
OPERATING CASH FLOWS			
a) Underwriting activities			
Insurance premium received		863,123,043	718,389,648
Reinsurance premium paid		(612,474,400)	(460,852,636)
Claims paid		(57,617,632)	(35,910,828)
Reinsurance and other recoveries received		41,760,740	19,064,342
Commission paid		(30,548,194)	(22,733,237)
Commission received		52,950,146	42,074,187
Management expenses paid		(139,876,199)	(112,265,298)
Net cash generated from underwriting activities		117,317,504	147,766,178
b) Other operating activities			
Income tax paid		(57,000,064)	(26,831,175)
Other operating payments		(1,894,644)	(15,450,066)
Net cash used in other operating activities		(58,894,708)	(42,281,241)
Net cash generated from all operating activities		58,422,796	105,484,937
INVESTMENT ACTIVITIES			
Profit / return received		50,102,036	60,758,895
Payment for investments		-	(51,448,539)
Proceeds from investments		-	50,000,000
Proceeds from sale of property and equipment		-	1,625,000
Fixed capital expenditure		(19,872,774)	(21,090,657)
Total cash generated from investing activities		30,229,262	39,844,699
Net cash generated from all activities		88,652,058	145,329,636
Cash and cash equivalents at the beginning of the year		760,836,041	615,506,405
Cash and cash equivalents at the end of the year	12.1	849,488,099	760,836,041

Reconciliation to profit after taxation in the Statement of Comprehensive Income

	Note	2021	2020
Operating cash flows		58,422,796	105,484,937
Depreciation expense	5.1	(10,784,059)	(7,898,017)
Amortisation of discount	22	1,392,584	754,599
Property and equipment written off	24	(19,214)	-
Gain on disposal of property and equipment	23	-	1,320,783
Other investment income		51,268,675	59,502,916
Employee benefit cost under IFRS 2, 'Share based payment'		(4,095,684)	(3,876,769)
Increase in assets other than cash		79,253,971	146,207,137
Increase in other liabilities other than borrowings		(31,918,648)	(212,680,477)
Profit after taxation		143,520,421	88,815,109

The annexed notes from 1 to 40 form an integral part of these financial statements.

Hamzah Chaudhri

CHIEF EXECUTIVE OFFICER / COUNTRY PRESIDENT

DIRECTOR

DIRECTOR

Syed Ali Sarosh

CHAIRMAN

1 LEGAL STATUS AND NATURE OF BUSINESS

Chubb Insurance Pakistan Limited (the Company) is a wholly owned subsidiary of Chubb INA International Holdings, Ltd. U.S.A (Holding Company). The Company was incorporated in Pakistan on August 6, 2001 as a public limited company under the Companies Ordinance 1984 (now the Companies Act, 2017) and is engaged in general insurance business. The ultimate parent company of the Company is Chubb Limited.

The registered office of the Company is located at 6th Floor, NIC Building, Abbasi Shaheed Road, Off: Shahrah-e-Faisal, Karachi, Pakistan.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, and the Insurance Accounting Regulations, 2017.

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain staff retirement benefits which are carried at present value of defined benefit obligation less fair value of plan assets and certain equity settled share based payments which are measured at their respective fair values at the grant date.

2.3 Functional and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentational currency.

2.4 Standards, interpretations and amendments to the accounting and reporting standards as applicable in Pakistan that are effective in the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2021 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore, have not been stated in these financial statements.

2.5 Standards, interpretations and amendments to the accounting and reporting standards as applicable in Pakistan that are not yet effective

The following standards, amendments and interpretations of the accounting and reporting standards as applicable in Pakistan will be effective for accounting periods beginning on or after January 1, 2022:

Standards, amendments or interpretations	Effective date (period beginning on or after)
- IFRS 16 - 'Leases' (amendments)	April 1, 2021
- IAS 16 - 'Property, plant and equipment' (amendments)	January 1, 2022
- IAS 37 - 'Provisions, contingent liabilities and contingent assets' (amendments)	January 1, 2022
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2024
- IAS 8 - 'Accounting policies, changes in accounting estimates and errors' (amendments)	January 1, 2023
- IAS 12 - 'Income taxes' (amendments)	January 1, 2023
- IFRS 9 - 'Financial Instruments'	January 1, 2023*

IFRS 17 - 'Insurance contracts' has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2023 but is yet to be notified by the Securities and Exchange Commission of Pakistan.

* The management has opted temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Further details relating to temporary exemption from the application of IFRS 9 are given in notes 2.5.1 and 2.5.1.1 to these financial statements.

The management is in the process of assessing the impacts of these standards and amendments on the financial statements of the Company.

2.5.1 Temporary exemption from application of IFRS 9

As an insurance company, the management has opted temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the Company doesn't engage in significant activities unconnected with insurance based on historical available information. Additional disclosures, as required by IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 are given in note 2.5.1.1 below.

2.5.1.1 Fair value of financial assets as at December 31, 2021 and change in the fair values during the year ended December 31, 2021

	As at December 31, 2021 (Rupees)
Financial assets with contractual cash flows that meet the SPPI criteria, excluding those held for trading	
Debt securities - Held to maturity (note 6)	
Opening fair value	55,956,909
Decrease in fair value	(1,833,001)
Closing fair value	54,123,908

2.5.1.2 There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2022 but are considered not to be relevant or will not have any significant effect on the Company's operations and are therefore not stated in these financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as stated below have been applied consistently to all years presented in these financial statements.

3.1 Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance expenditure are charged to the profit or loss in the statement of comprehensive income during the financial period as and when incurred.

Depreciation is charged to the profit or loss by applying the reducing balance method at the rates specified in note 5 to the financial statements. The assets' residual values and useful lives are reviewed at each reporting date and adjusted, if appropriate. Depreciation is charged on additions from the month of acquisition and on disposals upto the month of disposal.

An item of fixed assets is derecognised upon disposal and when no economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year the asset is derecognised.

3.2 Insurance contracts

Insurance contracts are those contracts under which the Company as an insurer has accepted insurance risk from the insurance contract holder (insured) by agreeing to compensate the insured if a specified uncertain future event (the insured event) adversely affects the insured. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its tenure, even if the insurance risk changes significantly during this period, unless all rights and obligations are extinguished or expired.

The Company neither issues investment contracts nor does it issue insurance contracts with discretionary participation features (DPF).

The Company's insurance contracts are classified into the following main categories, depending on the nature and duration of risk and whether or not the terms and conditions are fixed:

a) Fire and property damage

Fire and property damage insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost due to fires, riots and strikes, explosions, earthquakes and other causes. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities. These contracts are generally one year contracts.

b) Marine, aviation and transport

Marine insurance covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination. These contracts are generally one year contracts.

c) Motor

Motor insurance provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident. These contracts are generally one year contracts.

d) Accident and health

This provides coverage for accidental death and disability as a result of accident, medical expenses attributable to sickness or infirmity and travel insurance; and

e) Liability

Liability insurance contracts protects the insured against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. These contracts are generally one year contracts.

The Company also accepts insurance risk pertaining to insurance contracts of other insurer as reinsurance inward. The insurance risk involved in these contracts is similar to the contracts undertaken by the Company as insurer. All reinsurance inward contracts are facultative (specific risk) acceptance contracts.

The accounting policies of the above mentioned insurance contracts have been disclosed in their respective notes to these financial statements.

3.3 Deferred commission expense / acquisition cost

Commission expense / acquisition cost incurred in obtaining and recording policies is deferred and recognised as an expense in accordance with the pattern of recognition of premium revenue.

3.4 Provision for unearned premium

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage. The Company recognises unearned portion of premium income as a liability, calculated as a proportion of the gross premium of individual policies, determined as the ratio of the unexpired period to the total period of the policy, both measured to the nearest day, in accordance with the option given in the Insurance Accounting

3.5 Premium deficiency reserve

The Company is required as per Insurance Rules, 2017 to maintain a provision in respect of premium deficiency for the class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the reporting date in respect of the unexpired policies in that class of business at the reporting date. The movement in the premium deficiency reserve is recorded as an expense / income in the profit or loss in the statement of comprehensive income for the year.

At each reporting date, liability adequacy tests are performed separately for each class of business to ensure the adequacy of the unearned premium liability for that class. It is performed by comparing the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other expenses, expected to be incurred after the reporting date in respect of policies in force at reporting date with the carrying amount of unearned premium liability. Any deficiency is recognised by establishing a provision (premium deficiency reserve) to meet the deficit. The expected future liability is estimated with reference to the experience during the expired period of the contracts, adjusted for significant individual losses which are not expected to recur during the remaining period of the policies, and expectations of future events that are believed to be reasonable. The expected ultimate net claim ratios for the unexpired periods of policies in force at reporting date for relevant classes of business are as follows:

	2021	**2020**
Fire and property damage	8%	18%
Marine, aviation and transport	55%	90%
Accident and health	17%	9%

Based on an analysis of combined operating ratio for the expired period of each reportable segment, the management considers that the unearned premium reserve for each line of business as at the year end is adequate to meet the expected future liability after reinsurance, from claims and other expenses, expected to be incurred after the reporting date in respect of policies in those classes of business in force at the reporting date.

3.6 Prepaid reinsurance premium ceded

Prepaid reinsurance represents the portion of reinsurance premium which is not yet recognised as an expense. Re-insurance premium is recognised as an expense as follows:

(a) For proportional reinsurance ceded, evenly over the period of the underlying policies; and
(b) For non-proportional reinsurance ceded, evenly over the period of indemnity.

3.7 Unearned reinsurance commission

Commission received from reinsurers is deferred and recorded as a liability. It is recognised in the profit or loss in the statement of comprehensive income as revenue in accordance with the pattern of recognition of reinsurance premium to which it relates.

3.8 Reinsurance contracts held

These are contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued. These reinsurance contracts are treaty arrangements. The Company recognises the entitled benefits under the contracts as various reinsurance assets and liabilities. Reinsurance assets and liabilities are derecognised when contractual rights are extinguished or expired.

The deferred portion of reinsurance premium is recognised as a prepayment. The deferred portion of reinsurance premium ceded is calculated by using the 365 days method.

3.9 Receivables and payables related to insurance contracts

3.9.1 Amounts due to / from other insurers / reinsurers

Amounts due to / from other insurers / reinsurers are carried at cost which is the fair value of the consideration to be paid / received in the future for services received / rendered, less provision for impairment, if any.

3.9.2 Due from insurance contract holders

Premium / premium adjustments not yet processed but relating to the financial year, so far as is practicable, is recognised as a receivable and earned over the period covered by the policy. These are recognised at cost, which is the fair value of the consideration receivable, less provision for impairment, if any.

3.10 Segment reporting

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

The Company accounts for segment reporting using the classes of business as specified under the Insurance Ordinance, 2000, the Insurance Rules, 2017 and the Insurance Accounting Regulations 2017. The reported operating segments are also consistent with the internal reporting process of the Company for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

Based on its classification of insurance contracts issued, the Company has five primary business segments for reporting purposes namely fire, marine, motor, accident and health and liability. The nature and business activities of these segments are disclosed in note 3.2.

Assets, liabilities and capital expenditure are allocated to particular segments on the basis of premium earned. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities. Further, the management expenses were allocated to each segment on the basis disclosed in note 3.22.

3.11 Loans and other receivables

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

3.12 Cash and cash equivalents

Cash and cash equivalents for the purposes of statement of cash flows include policy and revenue stamps, cash at bank and term deposits having original maturity within 3 months.

3.13 Revenue recognition

a) Premium

Premium including administrative surcharge under all types of insurance contracts is recognised as written from the date of issuance of policy / cover note (i.e. the date of attachment of risk).

Administrative surcharge represents documentation and other charges recovered by the Company from policy holders in respect of policies issued, at the rate of 5% of the premium written restricted to a maximum of Rs. 5,000 per policy.

Endorsement and other adjustments in the existing policy is recognised as an adjustment to the premium in the year in which the endorsement / adjustment is made.

Revenue from premium is determined after taking into account the unearned portion of premium. The unearned portion of premium income is recognised as a liability (refer note 3.4).

Reinsurance premium is recognised as an expense after taking into account the proportion of deferred premium expense which is calculated using the 365 days method. The deferred portion of premium expense is recognised as a prepayment.

b) Commission income

Commission and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognised as liability and recognised in the profit and loss account in the statement of comprehensive income as revenue in accordance with the pattern of recognition of the reinsurance premiums.

c) Investment income

Interest / mark-up on bank balances, term deposits and government securities is recognised on an accrual basis using the effective interest method.

d) Other income

Gain or loss on sale of property and equipment is recognised when the asset is derecognised.

e) Survey fee income

Survey fee income is recognised when the surveyor / co-insurer has billed the amount to the Company whether or not the bill has been generated against the broker of insured.

3.14 Financial instruments

3.14.1 Financial assets

3.14.1.1 Classification

The classification of financial assets is determined at initial recognition and depends on the purpose for which these were acquired. Currently, the Company has classified its financial assets into the following categories:

a) At fair value through profit or loss

These financial assets are acquired principally for the purpose of generating profit from short-term fluctuation in prices or are part of a portfolio for which there is a recent actual pattern of short-term profit taking. Subsequent to initial recognition these are measured at fair value by reference to quoted market prices with the resulting gain or loss being included in the profit or loss in the statement of comprehensive income for the period in which it arises.

b) Available-for-sale

These are non-derivative financial assets, which are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or changes in price.

c) Held to maturity

These are non-derivative financial assets with fixed or determinable payments and fixed maturity, in respect of which the Company has the positive intention and ability to hold to maturity.

d) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

3.14.1.2 Initial recognition and measurement

Financial assets other than those categorised into the 'financial assets at fair value through profit or loss' category are initially recognised at fair value which includes transaction costs which are directly attributable to the acquisition of the assets. Financial assets classified as 'financial assets at fair value through profit or loss' are initially recognised at fair value and transaction costs are expensed in the profit or loss in the statement of comprehensive income. All purchases and sales of financial assets that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date when the Company commits to purchase or sell the financial asset.

3.14.1.3 Subsequent measurement

Financial assets classified as 'financial assets at fair value through profit or loss' are subsequently measured at their fair values and gains and losses arising from changes in fair value are included in the profit or loss. Financial assets classified as 'available-for-sale' are also subsequently measured at fair value. The gain / loss on remeasurement is taken to equity. Financial assets classified as 'held-to-maturity' and 'loan and receivables' are subsequently measured at amortised cost less any impairment losses, taking into account any discount or premium on acquisition by using the effective interest rate method.

3.14.1.4 Impairment of financial assets

For financial assets classified as 'loans and receivables', 'available for sale' and 'held to maturity', a provision for impairment is recognised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. In case of equity securities, a significant or prolonged decline in their values below cost is considered as an evidence of impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash outflows, discounted at the original effective interest rate.

3.14.1.5 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

3.14.2 Financial liabilities

Financial liabilities are recognised at the time the Company becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value and subsequently stated at amortised cost. Financial liabilities are derecognised at the time when these are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of financial liabilities is taken to the profit or loss in the statement of comprehensive income.

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3.15 Offsetting of financial assets and financial liabilities

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

3.16 Provisions, contingent assets and contingent liabilities

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

Contingent assets are not recognised and disclosed unless an inflow of economic benefits is virtually certain. Contingent liabilities are also not recognised and but are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

3.17 Provisions for outstanding claims including Incurred But Not Reported (IBNR)

Provisions for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Outstanding claims

This represents the amount of claims that have been reported and are yet unpaid or partially unpaid at the end of reporting year for a given accident year.

A liability for outstanding claims (claim incurred) is recognised for all claims incurred which represents the estimates of the claims intimated or assessed before the end of the reporting period and measured at the undiscounted value of expected future payments. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates while taking into consideration the past claims settlement experience including handling costs and the Company's reserving policy. Where applicable, deductions are made for salvage and their recoveries.

Reinsurance recoveries against outstanding claims and salvage recoveries are recognised as an asset and measured at the amount expected to be received.

Incurred But Not Reported (IBNR) claims

This represents losses that have incurred or are in the occurrence period at the end of the reporting year and have not been intimated to the Company by the end of the reporting year.

The Company is required, as per the SECP circular no. 9 of 2016 dated March 9, 2016 "Guidelines for Estimation of Incurred But Not Reported (IBNR) Claims Reserve, 2016" to estimate and maintain the provision for claims incurred but not reported for each class of business by using the prescribed method which is "Chain Ladder Method" or any other alternate method as allowed under the provisions of the Guidelines.

The actuarial valuation as at December 31, 2021 has been carried out by an independent firm of actuaries for determination of IBNR for each class of business.

3.18 Taxation

Tax charge for the period comprises current and deferred taxation. Tax charge is recognised in the profit or loss in the statement of comprehensive income, except to the extent that it relates to the items recognised directly in equity, in which case it is recognised in equity.

Current tax

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

Deferred tax

Deferred taxation is recognised using the balance sheet liability method on all major temporary differences arising between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to the profit or loss in the statement of comprehensive income, except in the case of items credited or charged to equity in which case it is included in equity.

The carrying amount of the deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

3.19 Staff benefits

3.19.1 Defined benefit plan

The Company operates an approved gratuity scheme for all permanent employees who attain the minimum qualification period for entitlement to gratuity. The liability / asset recognised in the statement of financial position is the present value of defined benefit obligation at the reporting date less fair value of plan assets. The defined benefit obligation is calculated annually using Projected Unit Credit Method. Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognised immediately in other comprehensive income in the statement of comprehensive income. The Company makes contributions to the plan on the basis of advice of its actuary.

The Company determines the net interest expense / income on the net defined benefit liability / asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability / asset, taking into account any changes in the net defined benefit liability / asset during the period as a result of contribution and benefit payments. Net interest expense and current service cost are recognised in the profit or loss in statement of comprehensive income and actuarial gains / losses are recognised in other comprehensive income in statement of comprehensive income as they occur and are not reclassified to the profit and loss in the statement of comprehensive income in subsequent periods.

The latest actuarial valuation of the Company's defined benefit plan was carried out as of December 31, 2021.

3.19.2 Defined contribution plan

The Company operates a funded contributory provident fund (defined contribution plan) for all permanent employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% of basic salary. The Company has no further payment obligation once the contributions have been paid. The contributions are recognised as employee benefit expense when these are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

3.19.3 Employees' compensated absences

The Company accounts for the liability in respect of eligible employees' compensated absences in the period in which they are earned.

3.19.4 Share-based compensation benefits

Certain employees of the Company are eligible to participate in Chubb Limited (the ultimate parent company) share based compensation plans. These plans provide for awards of Chubb Limited stock options and restricted stocks to be granted by Chubb Limited to the eligible employees of the Company. Equity settled share based payments are measured at fair value at the grant date. The fair value determined at the grant date is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. The provision of stock by Chubb Limited for the settlement of share based compensation plans is accounted for as a capital contribution from Chubb Limited.

3.20 Right-of-use assets and their related lease liability

Right-of-use assets

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or the site on which it is located.

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Right-of-use assets are subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenure.

Right-of-use assets is depreciated over the expected useful lives using the straight-line method. Depreciation on additions (new leases) is charged from the month in which leases are entered into. No depreciation is charged in month in which the leases mature or are terminated.

Lease liability against right-of-use assets

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also measured to reflect any remeasurement or change in lease terms. These remeasurement of lease liabilities are recognised as adjustments to the carrying amount of related right-of-use assets after the date of initial recognition.

Lease payments reduce the lease liability against right-of-use assets. Finance cost is charged to the statement of comprehensive income as financial charges over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

3.21 Proposed dividends and transfers between reserves

Dividends, if any, declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the year in which such dividends are declared and transfers are made.

3.22 Management and other expenses

Management expenses allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated to the various classes of business on the basis of gross premium revenue. Expenses not allocable to the underwriting business are charged as other expenses.

3.23 Foreign currency transactions and translations

Transactions in foreign currencies are translated to rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are translated in rupee terms at the rates of exchange prevailing at the reporting date.

Non-monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the date of initial recognition of the non-monetary assets / liabilities. All exchange differences are routed through the profit or loss in the statement of comprehensive income

3.24 Earnings per share

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

3.25 Share capital

Ordinary shares are classified as equity and recognised at their face value and incremental costs, if any, directly attributable to the issuance of shares, are recognised in equity as a deduction, net of tax, from the proceeds.

3.26 Creditors and accruals

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and / or services received, whether or not billed to the Company.

3.27 Impairment of non-financial assets

The carrying amount of assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If any such indication exists, and where the carrying values exceeds the estimated recoverable amounts, the assets are written down to their recoverable amounts. The resulting impairment loss is charged to the profit or loss in the statement of comprehensive income.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

4.1 Use of estimates and judgments

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and 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 revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies are as follows:

a) provision for outstanding claims including IBNR (notes 3.17 and 19);
b) provision for receivables and payables related to insurance contracts (notes 3.9 and 9);
c) premium deficiency reserve (note 3.5);
d) obligation in respect of employee benefits (notes 3.19, 14, 21.2 and 36);
e) classification and impairment of investments (notes 3.14.1.1, 3.14.1.4, 6 and 7);
f) useful lives, residual value and depreciation method for property and equipment (notes 3.1 and 5); and
g) provision for taxation and deferred tax (notes 3.18, 10 and 25).

5 PROPERTY AND EQUIPMENT	Note	2021	2020
		(Rupees)	
Operating assets	5.1	54,145,306	45,075,805
		54,145,306	45,075,805

5.1 Operating assets

	2021									
	Cost				Depreciation				Written down value as at December 31, 2021	Depreciation rate (% per annum)
	As at January 1, 2021	Additions during the year	Disposals / write-offs during the year	As at December 31, 2021	As at January 1, 2021	Depreciation for the year	Disposals / write-offs during the year	As at December 31, 2021		
Furniture and fixtures	15,457,000	7,202,262	-	22,659,262	1,286,136	3,356,629	-	4,642,765	18,016,497	20%
Office equipment	9,222,178	4,470,781	-	13,692,959	4,506,133	1,481,091	-	5,987,224	7,705,735	20%
Motor vehicles	36,194,705	7,296,000	-	43,490,705	10,258,451	5,740,401	-	15,998,852	27,491,853	20%
Computers and related accessories	2,652,122	903,731	(1,836,412)	1,719,441	2,399,480	205,938	(1,817,198)	788,220	931,221	33%
	63,526,005	19,872,774	(1,836,412)	81,562,367	18,450,200	10,784,059	(1,817,198)	27,417,061	54,145,306	

	2020									
	Cost				Depreciation				Written down value as at December 31, 2020	Depreciation rate (% per annum)
	As at January 1, 2020	Additions during the year	Disposals / write-offs during the year	As at December 31, 2020	As at January 1, 2020	Depreciation for the year	Disposals / write-offs during the year	As at December 31, 2020		
	(Rupees)									
Furniture and fixtures	7,169,193	13,046,133	(4,758,326)	15,457,000	4,936,461	688,875	(4,339,200)	1,286,136	14,170,864	20%
Office equipment	9,104,775	3,413,524	(3,296,121)	9,222,178	6,476,219	896,568	(2,866,654)	4,506,133	4,716,045	20%
Motor vehicles	26,536,705	14,869,000	(5,211,000)	36,194,705	6,025,688	6,188,139	(1,955,376)	10,258,451	25,936,254	20%
Computers and related accessories	2,652,122	-	-	2,652,122	2,275,045	124,435	-	2,399,480	252,642	33%
	45,462,795	31,328,657	(13,265,447)	63,526,005	19,713,413	7,898,017	(9,161,230)	18,450,200	45,075,805	

5.1.1 Disposal of operating assets

Particulars of the assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Net loss	Mode of disposal	Particulars of purchaser
	(Rupees)						
Assets having book value of Rs 500,000 and more disposed of during the year	-	-	-	-	-	-	-
Assets having book value of not more than Rs 500,000 disposed of during the year							
Computers and related accessories	1,836,412	1,817,198	19,214	-	(19,214)	Write-off	N/A
	1,836,412	**1,817,198**	**19,214**	**-**	**(19,214)**		

5.2 Cost and accumulated depreciation in respect of fully depreciated assets still in use at the end of the year amounted to Nil (2020: Rs. 0.366 million).

	Note	2021 Cost	2021 Carrying value	2020 Cost	2020 Carrying value
6 INVESTMENTS IN DEBT SECURITIES		(Rupees)			
Government securities					
Held to maturity					
Pakistan Investment Bonds	6.1.1	53,905,494	53,905,494	52,512,910	52,512,910
		53,905,494	53,905,494	52,512,910	52,512,910

6.1 These have a face value of Rs 55 million (2020: Rs 55 million) which have been deposited with the State Bank of Pakistan in compliance with the requirements of clause (a) of sub-section 2 of section 29 of the Insurance Ordinance, 2000. These carry coupon interest at the rate of 9.00% per annum and are due to mature on September 19, 2022.

6.1.1 Pakistan Investment Bonds

Face value	Profit rate	Profit payment	Type of security	Maturity date	2021 Cost	2021 Carrying value	2020 Cost	2020 Carrying value
(Rupees)	%				(Rupees)			
55,000,000	9	Semi annually	Pakistan Investment Bond - 3 years	19-Sep-22	53,905,494	53,905,494	52,512,910	52,512,910
					53,905,494	53,905,494	52,512,910	52,512,910

	Note	2021	2020
7 INVESTMENTS IN TERM DEPOSITS		(Rupees)	
Held to maturity			
Deposits maturing within 12 months			
Term deposits - local currency	7.1	795,000,000	690,000,000
		795,000,000	690,000,000

7.1 These carry interest at rates ranging between 6.20% and 9.40% (2020: 5.60% and 6.45%) per annum and are due to mature on various dates latest by March 23, 2022 (2020: March 11, 2021).

	Note	2021	2020
		(Rupees)	
8 LOANS AND OTHER RECEIVABLES			
Considered good			
Accrued investment income		6,307,383	5,140,744
Deposit against utilities		1,019,050	894,050
Survey fees receivable		8,522,012	13,235,618
Deposit with Sindh Revenue Board	17.1.3	104,678,626	104,678,626
Other receivables		-	355,487
		120,527,071	124,304,525

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9 INSURANCE / REINSURANCE RECEIVABLES

	Note	2021	2020
		(Rupees)	
Unsecured and considered good			
Due from insurance contract holders		3,519,522	21,782,945
Due from other insurers / reinsurers	9.1	397,424,662	317,683,862
		400,944,184	339,466,807

9.1 The age analysis of receivables from related party is as follows:

Particulars	Not due yet	Age-wise Breakup: 1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months
	Rupees					
Chubb European Group SE (Turkey Branch)	24,118,735	93,989,243	-	21,793,809	-	-
Total	24,118,735	93,989,243	-	21,793,809	-	-

10 DEFERRED TAXATION - NET

	Note	2021	2020
		(Rupees)	
Deferred tax debits arising in respect of:			
- Defined benefit plan		1,469,500	1,725,472
Deferred tax credits arising due to:			
- Accelerated tax depreciation		73,689	280,660
		1,395,811	1,444,812

10.1 Movement in net deferred tax asset is as follows:

	2021	2020
Opening deferred tax	1,444,812	783,307
Charge to the profit or loss		
Accelerated tax depreciation	(1,414,153)	(4,855)
Reversal to other comprehensive income		
Actuarial loss on defined benefit plan	1,365,152	666,360
Closing deferred tax	1,395,811	1,444,812

11 PREPAYMENTS

	Note	2021	2020
Prepaid reinsurance premium ceded	18	81,116,256	59,515,064
Prepaid rent		2,214,839	3,019,035
Prepaid miscellaneous expenses		2,391,680	1,281,532
		85,722,775	63,815,631

12 CASH AND BANK

	2021	2020
Cash and cash equivalents		
- Cash in hand	50,000	50,000
- Stamps in hand	1,158,620	703,706
	1,208,620	753,706
Cash at bank		
- Current accounts	53,279,479	70,082,335
	54,488,099	70,836,041

12.1 Cash and cash equivalents include the following for the purpose of the statement of cash flows:

	2021	2020
	Rupees	
Cash and other equivalents		
Cash in hand	50,000	50,000
Stamps in hand	1,158,620	703,706
	1,208,620	753,706
Cast at bank		
Current accounts	53,279,479	70,082,335
Deposits having original maturity within 3 months		
Term deposits - local currency	795,000,000	690,000,000
	849,488,099	760,836,041

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13 ORDINARY SHARE CAPITAL

13.1 Authorised share capital

2021	2020		Note	2021	2020
Number of shares				(Rupees)	
50,000,000	50,000,000	Ordinary shares of Rs. 10 each		500,000,000	500,000,000

13.2 Issued, subscribed and paid-up share capital

2021	2020		Note	2021	2020
Number of shares					
		Ordinary shares of Rs 10 each:			
29,700,000	29,700,000	- fully paid in cash		297,000,000	297,000,000
20,300,000	20,300,000	- issued as bonus shares		203,000,000	203,000,000
50,000,000	50,000,000		13.2.1	500,000,000	500,000,000

13.2.1 Chubb INA International Holdings, Ltd. U.S.A. and its nominee directors collectively hold 50,000,000 (2020: 50,000,000) ordinary shares of Rs. 10 each as at December 31, 2021

14 RETIREMENT BENEFIT OBLIGATIONS

14.1 Salient features

The Company operates an approved gratuity fund for all employees which is governed under the repealed Trust Act, 1882, the Trust Deed, the Rules of the Fund, the Companies Act, 2017, the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002. Responsibility for governance of the defined benefit plan including investment decisions and contribution schedule lies with the Board of Trustees of the Fund and annual contributions therein are made in accordance with actuarial recommendations. An actuarial valuation is carried out every year to determine the liability of the Company in respect of the benefit. The most recent valuation in this regard has been carried out for the year ended December 31, 2021 using the projected unit credit method as allowed under the International Accounting Standard (IAS) 19, 'Employee benefits' for valuation of the Fund.

The Company faces the following risks on account of the gratuity fund:

a) Final salary risk

This is the risk that the final salary at the time of cessation of service is greater than what was assumed. Since, the benefit is calculated on the basis of the final salary, the benefit amount increases accordingly.

b) Withdrawal risk

This is the risk of higher or lower withdrawal experience from the Fund than assumed. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit.

c) Investment risk

This is the risk of investments underperforming and not being sufficient to meet the liabilities.

d) Mortality risk

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

14.2 Principal actuarial assumptions

	2021	2020
Discount rate (% per annum)	12.25% p.a.	10.25% p.a.
Expected rate of increase in salaries (% per annum)	12.25% p.a.	10.25% p.a.
Mortality rates*	SLIC (2001-05)-1	SLIC (2001-05)-1
Rates of employee turnover	Light	Light

* Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the adjusted SLIC 2001 - 2005 ultimate mortality tables rated down one year.

14.3 Amounts recognised in the statement of financial position

	2021	2020
	(Rupees)	
Present value of defined benefit obligation	52,000,123	46,930,652
Fair value of plan assets	(46,932,882)	(40,980,750)
Gratuity liability as at December 31	5,067,241	5,949,902

	2021		
	Present value of defined benefit obligation	Fair value of plan assets	Net
	(Rupees)		
As at January 1	46,930,652	(40,980,750)	5,949,902
Current service cost	4,412,740	-	4,412,740
Interest expense / (income)	4,988,473	(4,378,608)	609,865
	56,331,865	(45,359,358)	10,972,507
Remeasurements:			
- Difference in actual and expected return on plan assets	-	1,832,167	1,832,167
- Loss due to change in financial assumptions	465,334	-	465,334
- Loss due to change in experience adjustment	2,409,920	-	2,409,920
	2,875,254	1,832,167	4,707,421
	59,207,119	(43,527,191)	15,679,928
Contributions made	-	(10,612,687)	(10,612,687)
Benefits paid	(7,206,996)	7,206,996	-
As at December 31	52,000,123	(46,932,882)	5,067,241

	2020		
	Present value of defined benefit obligation	Fair value of plan assets	Net
	(Rupees)		
As at January 1	37,675,022	(34,136,262)	3,538,760
Current service cost	3,738,859	-	3,738,859
Interest expense / (income)	4,599,049	(4,183,245)	415,804
	46,012,930	(38,319,507)	7,693,423
Remeasurements:			
- Difference in actual and expected return on plan assets	-	1,146,353	1,146,353
- Gain due to change in financial assumptions	(318,177)	-	(318,177)
- Loss due to change in experience adjustment	1,469,617	-	1,469,617
	1,151,440	1,146,353	2,297,793
	47,164,370	(37,173,154)	9,991,216
Contributions made	-	(4,041,314)	(4,041,314)
Benefits paid	(233,718)	233,718	-
As at December 31	46,930,652	(40,980,750)	5,949,902

14.4 Amounts recognised in the profit or loss in the statement of comprehensive income

	2021	2020
	(Rupees)	
Current service cost	4,412,740	3,738,859
Interest expense on defined benefit obligation	4,988,473	4,599,049
Interest income on plan assets	(4,378,608)	(4,183,245)
	5,022,605	4,154,663

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		2021	2020
14.5	**Remeasurements recognised in other comprehensive income**	---------------- (Rupees)	----------------
	Remeasurement loss / (gain) on obligation		
	- Loss / (gain) due to change in financial assumptions	465,334	(318,177)
	- Loss due to change in experience adjustments	2,409,920	1,469,617
		2,875,254	1,151,440
	Remeasurement loss on plan assets		
	- Actual return on plan assets	(2,546,441)	(2,917,145)
	- Interest income on plan assets	4,378,608	4,183,245
	- Others	-	(119,747)
		1,832,167	1,146,353
		4,707,421	2,297,793
14.6	**Analysis of present value of defined benefit obligation**		
	Vested / non-vested		
	- Vested benefits	52,000,123	46,706,582
	- Non-vested benefits	-	224,070
	Total	52,000,123	46,930,652
	Types of benefits		
	- Accumulated benefit obligation	14,407,455	15,171,894
	- Amounts attributed to future salary increases	37,592,668	31,758,758
	Total	52,000,123	46,930,652

14.7	**Composition of plan assets**	2021 (Rupees)	2021 %	2020 (Rupees)	2020 %
	Debt securities	46,500,000	99.08%	40,000,000	97.61%
	Cash and others	432,882	0.92%	980,750	2.39%
		46,932,882	100.00%	40,980,750	100.00%

14.8 The sensitivity analysis of the defined benefit obligation to changes in principal actuarial assumptions are as follows:

	Change in assumption	------ As at December 31, 2021 ------ Increase / (decrease) in present value of defined benefit obligation		------ As at December 31, 2020 ------ Increase / (decrease) in present value of defined benefit obligation	
		Rupees	(%)	Rupees	(%)
Discount rate	+1.00%	(5,924,712)	-11.39%	(5,364,272)	-11.43%
	-1.00%	7,064,624	13.59%	6,390,088	13.62%
Long-term salary increase rate	+1.00%	7,258,731	13.96%	6,568,392	14.00%
	-1.00%	(6,178,958)	-11.88%	(5,597,998)	-11.93%

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant assumptions, same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability.

14.9 The weighted average duration of defined benefit obligation is 12.40 years (2020: 12.44 years).

14.10 Expected maturity analysis of undiscounted defined benefit obligation for the gratuity scheme is as follows:

As at December 31, 2021	**Between 0-1 year**	**Between 2-4 years**	**Between 5-10 years**	**Over 10 years**	**Total**
	----------------	----------------	(Rupees)	----------------	----------------
Distribution of timing of payment of benefits	986,517	4,707,206	58,152,307	787,755,103	851,601,133

As at December 31, 2020	**Between 0-1 year**	**Between 2-4 years**	**Between 5-10 years**	**Over 10 years**	**Total**
	----------------	----------------	(Rupees)	----------------	----------------
Distribution of timing of payment of benefits	851,125	4,096,305	51,838,473	787,755,103	844,541,006

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14.11 Historical information

	2021	2020	2019	2018	2017
	(Rupees)				
Present value of defined benefit obligation	52,000,123	46,930,652	37,675,022	30,255,307	29,485,199
Fair value of plan assets	(46,932,882)	(40,980,750)	(34,136,262)	(28,104,956)	(14,593,755)
Deficit	5,067,241	5,949,902	3,538,760	2,150,351	14,891,444
Remeasurements of plan liabilities	2,875,254	1,151,440	(125,517)	1,016,375	(1,207,746)
Remeasurements of plan assets	1,832,167	1,146,353	1,134,711	144,553	2,186,678

14.12 The plan assets and defined benefit obligation are based in Pakistan.

14.13 Funding levels are monitored on an annual basis and are based on actuarial recommendations. Gratuity cost comprising the service cost and the net interest cost for the next year will approximate to Rs 5.805 million (2020: Rs 5.023 million) as per the actuarial valuation report of the Fund as of December 31, 2021.

14.14 The disclosures made in notes 14.1 to 14.13 are based on the information included in the actuarial valuation report of the Fund for the year ended December 31, 2021.

15 INSURANCE / REINSURANCE PAYABLES

	Note	2021	2020
		(Rupees)	
Due to other insurers / reinsurers		85,764,111	111,096,877
		85,764,111	111,096,877

16 OTHER CREDITORS AND ACCRUALS

	Note	2021	2020
Federal insurance fee		208,567	221,052
Sindh sales tax payable		5,345,026	4,447,870
Provision for Workers' Welfare Fund	16.1	5,856,130	5,856,130
No claim bonus payable		3,846,430	4,599,607
Commission payable		17,587,338	18,781,756
Accrued expenses		24,604,012	16,168,739
Others		64,328	224,939
		57,511,831	50,300,093

16.1 This denotes provision for Workers' Welfare Fund (WWF) for the year ended December 31, 2014 levied by the Federal Government. During the year ended December 31, 2016, the Supreme Court of Pakistan vide its order dated November 10, 2016 had held that the amendments made in the law introduced by the Federal Government for the levy of WWF were unlawful. The Federal Board of Revenue filed review petitions against this order which are currently pending. The management believes that consequent to filing these review petitions the judgment may not currently be treated as conclusive. Accordingly, the Company maintains its provision of Rs 5.856 million (2020: Rs 5.856 million) in respect of Federal WWF in these financial statements.

17 CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

17.1.1 While finalising the assessment for the assessment years 1999-2000 to 2001-2002, the taxation officer has added back management expenses in excess of the limits laid down in the Insurance Rules, 1958 read with section 40C of the Insurance Act, 1938 by taking recourse to the provisions of Rule 5(c) of the Fourth Schedule to the repealed Income Tax Ordinance, 1979. The gross amounts added back in respect of these assessment years aggregated to Rs. 31.859 million which were disputed by the Company and appeals were filed against these. In respect of assessment years 1999-2000 and 2000-2001, the add backs made by the taxation officer aggregating to Rs. 22.394 million have been maintained by the Income Tax Appellate Tribunal (ITAT) and the Company's appeals are currently pending in the High Court of Sindh. As regards assessment year 2001-2002, the add back amounting to Rs. 9.466 million has been set aside by the ITAT but the set aside proceedings have not commenced so far. No provision has been made in these financial statements in respect of the additional tax liability of Rs. 7.838 million which may arise on account of these add backs as (a) the issue is being contested in appeals, (b) excess management expenses were being regularly condoned by the Controller of Insurance under Section 40C (1) of the Insurance Act, 1938 and (c) the Insurance Ordinance, 2000 provides no limitation on management expenses.

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17.1.2 The return of income of the Company for Tax Year 2013 was selected for audit under section 214C of the Income Tax Ordinance, 2001 by the Federal Board of Revenue. Upon finalising the audit proceedings, the taxation officer passed an amended order thereby raising a tax demand of Rs 24.979 million by making certain additions aggregating to Rs 57.275 million relating to provision for outstanding claims (including IBNR), addition on account of disposal of motor vehicle and commission expenses for non-deduction of tax. The Company preferred its first appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] who deleted the addition of Rs 0.352 million on account of motor vehicle but maintained the other additions. The Company then preferred its second appeal before the Appellate Tribunal Inland Revenue (ATIR) which is pending adjudication.

Subsequent to filing the second appeal before the ATIR, a rectified order under section 221 dated December 28, 2015 was passed wherein a revised tax demand of Rs 20.791 million was raised. The amount was paid by the Company and is currently being treated in the financial statements as a balance recoverable from taxation authorities.

The management, based on the advice of the tax consultant, is confident that the above matter will be decided in favour of the Company and has accordingly not made any provision for the aforementioned amount.

17.1.3 On April 26, 2016, the Company received a show cause notice from the Sindh Revenue Board (SRB) alleging therein that the Company was liable to pay Sindh Sales Tax aggregating to Rs 209.357 million on reinsurance services obtained by the Company from foreign reinsurers for the period from July 1, 2011 to June 30, 2014 under the Sindh Sales Tax on Services Act, 2011 along with penalty and default surcharge. The Company filed an application with the Honourable High Court of Sindh contending that the reinsurance obtained by the Company is not subject to the Sindh sales tax on services and further the show cause notice served to the Company is without lawful authority as the alleged liability raised in the notice has been computed with a retrospective effect. Similar applications were filed by other insurance companies receiving foreign reinsurance services and the matter was taken up by the Insurance Association of Pakistan with the Sindh Revenue Board (SRB). The Honourable High Court of Sindh vide its order dated May 31, 2016 restrained the SRB from taking any coercive action against the Company on the basis of the show cause notice issued earlier. In the previous year, on instructions of the High Court of Sindh, the Company deposited 50% of the amount alleged in show cause notice with the SRB to continue with the suit in Honourable High Court of Sindh. The matter is, currently, fixed for hearing of applications.

The management, based on the advice received from its legal advisors, believes that the Company has good grounds to argue its defence against this demand. The Company has recorded Rs 104.679 million (2020: Rs 104.679 million) as 'loans and other receivables' in these financial statements (note 8).

17.1.4 Engro Fertilizers Limited had filed a claim with respect to replacement cost of its boiler amounting to USD 12.7 million in 2018 which was covered under a co-insurance policy in which the Company had 5% share. During the current year, based on the findings set out in an independent root cause analysis exercise carried out by the co-insurers, the claim was rejected in February 2021. Subsequent to the year end, Engro Fertilizers Limited has filed a recovery suit with the Insurance Tribunal of Sindh against all the co-insurers for USD 12.7 million and USD 21.39 million being the replacement cost of the boiler and damages / loss charges associated therewith respectively which is pending adjudication. The management is confident that the case will be decided in their favour and accordingly no provision has been recognised in these financial statements.

17.1.5 During the current year, the SECP issued a Show Cause Notice No. ID/Enf/Chubb/2019/1166 (the Show Cause Notice) dated May 31, 2021 to the Company in violation of Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018. An Order was passed on November 30, 2021 imposing a penalty of Rs 125,000 on the Company. The Company, being aggrieved by the Order, has filed an Appeal under Section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 before the SECP's Appellate Bench. The appeal is pending adjudication. The outcome of the matter is uncertain and therefore, no amount has been recorded in these financial statements.

17.2 Commitments

There were no commitments outstanding as at December 31, 2021 and 2020.

	2021	2020
	----------- (Rupees) -----------	
18 NET INSURANCE PREMIUM		
Written gross premium	927,850,294	870,178,945
Adc Unearned premium reserve - opening	381,405,765	252,945,107
Les Unearned premium reserve - closing	(430,936,299)	(381,405,765)
Premium earned	878,319,760	741,718,287
Les Reinsurance premium ceded	578,662,356	533,749,071
Adc Prepaid reinsurance premium - opening	59,515,064	58,200,536
Les Prepaid reinsurance premium - closing	(81,116,256)	(59,515,064)
Reinsurance expense	557,061,164	532,434,543
	321,258,596	209,283,744

	2021	2020
	----------- (Rupees) -----------	

19 NET INSURANCE CLAIMS

	2021	2020
Claims paid	57,617,632	35,910,828
Add: Outstanding claims including IBNR closing	206,965,530	200,237,274
Less: Outstanding claims including IBNR opening	(200,237,274)	(192,920,645)
Claims expense	64,345,888	43,227,457
Less: Reinsurance and other recoveries received	38,570,476	19,709,051
Add: Reinsurance and other recoveries against outstanding claims closing	126,438,158	122,000,120
Less: Reinsurance and other recoveries against outstanding claims opening	(122,000,120)	(123,248,423)
Reinsurance and other recoveries revenue	43,008,514	18,460,748
	21,337,374	24,766,709

19.1 Claim development

The following table shows the development of fire and property damage claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claim payments. For other classes of business the uncertainty about the amount and timings of claim payments is usually resolved within a year. Further, there are no material claims that are outstanding as at December 31, 2021 which pertain to years prior to the year ended December 31, 2017.

Accident year	2017	2018	2019	2020	2021	Total
	-----Rupees-----					
Estimate of ultimate claims cost:						
At end of accident year	134,423,530	42,848,914	79,447,049	11,735,254	23,946,223	292,400,970
One year later	117,094,897	57,405,877	87,365,138	6,772,550	-	268,638,462
Two years later	118,419,420	37,008,052	91,866,908	-	-	247,294,380
Three years later	119,121,333	38,013,752	-	-	-	157,135,085
Four years later	119,121,333	-	-	-	-	119,121,333
Current estimate of cumulative claims	119,121,333	38,013,752	91,866,908	6,772,550	23,946,223	279,720,766
Cumulative payments to date	118,621,333	36,873,082	30,074,498	2,527,052	41,972	188,137,937
Liability recognised in the statement of financial position	500,000	1,140,670	61,792,410	4,245,498	23,904,251	91,582,829

19.2

Particulars	Total amount	Age-wise Breakup				
		1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months
	----- Rupees -----					
Unclaimed maturity benefits	-	-	-	-	-	-
Unclaimed death benefits	-	-	-	-	-	-
Unclaimed disability benefits	-	-	-	-	-	-
Claims not encashed	3,000	-	-	-	-	3,000
Other unclaimed benefits	-	-	-	-	-	-
Total	3,000	-	-	-	-	3,000

	2021	2020
	----------- (Rupees) -----------	

20 NET COMMISSION AND OTHER ACQUISITION COSTS

	2021	2020
Commission paid or payable	29,353,776	27,644,249
Adc Deferred commission expense - opening	7,432,217	6,021,377
Les Deferred commission expense - closing	8,144,142	7,432,217
Net commission	28,641,851	26,233,409
Les Commission received or recoverable	47,667,634	47,904,347
Adc Unearned reinsurance commission - opening	15,365,146	14,098,598
Les Unearned reinsurance commission - closing	15,670,328	15,365,146
Commission from reinsurers	47,362,452	46,637,799
	(18,720,601)	(20,404,390)

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21 MANAGEMENT EXPENSES

	Note	2021	2020
		----------- (Rupees) -----------	
Employee benefit cost	21.1 & 21.2	98,280,813	78,165,955
Travelling expenses		2,430,596	1,615,847
Printing and stationery		1,379,350	924,807
Depreciation	5.1	10,784,059	7,898,017
Rent, rates and taxes		18,484,555	15,687,952
Professional charges - business related		605,115	527,189
Utilities		2,343,273	1,419,749
Office repairs and maintenance		3,073,032	9,442,140
Education and training		766,942	362,399
Vehicle running expenses		8,301,198	6,016,005
Communication		1,409,579	1,497,015
Service charges		938,743	626,036
Registration, subscription and association fees		1,242,384	1,534,411
Agency office expenses		-	300,000
Annual supervision fee to the SECP		302,292	429,598
Advertisement and sales promotion		2,941,600	712,450
Entertainment		406,960	312,386
Bank charges		83,705	43,965
Others		4,803,431	2,285,875
		158,577,627	129,801,796

21.1 Employee benefit cost

	Note	2021	2020
Salaries, allowances and other benefits		87,484,610	69,126,563
Charges for post employment benefit	21.1.1	10,796,203	9,039,392
		98,280,813	78,165,955

21.1.1 These include contributions to defined contribution plan of Rs 5.654 million (2020: Rs 4.768 million).

21.2 Share-based payments

As explained in note 3.19.4, certain employees of the Company are provided share-based compensation benefits. These include the following:

21.2.1 Restricted stock

The restricted stock is granted with a 4-year vesting period, based on a graded vesting schedule. The restricted stock vests in equal annual instalments over the respective vesting period, which is also the requisite service period. The restricted stocks are granted at market close price on the grant date and are equity settled.

The following table shows changes in the restricted stock grants for the years ended December 31, 2021 and 2020:

	Number of restricted stocks	
	2021	2020
Unvested at the beginning of the year	359	341
Vested during the year	(149)	(172)
Granted during the year	105	190
Forfeited during the year	-	-
Unvested at the end of the year	315	359

The fair value of restricted stock granted during the year was USD 164.94 (2020: USD 150.11) which was measured on the basis of observable market price of the date on which the restricted stock options were granted.

The company recognised an expense of Rs. 3.035 million (2020: Rs 2.886 million) related to equity-settled restricted stock grants.

21.2.2 Non-qualified stock options

The non-qualified stock options are granted at an option price per share of 100 percent of the fair market value of the Chubb Limited's ordinary share on the date of grant. Stock options are granted with a 3-year grant vesting period and 10-year term. The stock options vest in equal instalments over the respective vesting period, which is also the requisite service period.

The following table shows changes in the stock option grants for the years ended December 31, 2021 and 2020:

	Number of stock options	
	2021	2020
Outstanding at the beginning of the year	2,577	3,288
Granted during the year	141	254
Exercised during the year	(483)	(965)
Expired during the year	-	-
Forfeited during the year	-	-
Outstanding at the end of the year	2,235	2,577
Exercisable at the end of the year	1,881	2,198
Unvested during the year	354	379
Outstanding at the end of the year	2,235	2,577
Vested during the year	166	176

	Weighted average exercise price	
	2021	2020
	------------ (US Dollar) -----------	
Outstanding at the beginning of the year	72.38	70.49
Granted during the year	164.94	150.11
Exercised during the year	(72.38)	(70.49)
Outstanding at the end of the year	73.59	72.38
Exercisable at the end of the year	70.87	69.69
Vested during the year	144.23	138.51

The fair value of non-qualified stock options are estimated on the date of grant using Black-Scholes option valuation model. The Company recognised an expense of Rs 1.060 million (2020: Rs. 0.991 million) related to equity-settled non-qualified share options vested during the year. The exercise price of these shares varies from USD 143.07 - USD 150.11. Weighted average remaining contractual life of these options is 1 years and 5 months.

		Note	2021	2020
22	**INVESTMENT INCOME**		---------------- (Rupees)	---------------
	Income from debt securities - held-to-maturity			
	Return on government securities		4,950,000	5,267,601
	Amortisation of discount on Pakistan Investment Bonds		1,392,584	754,599
	Income from term deposits			
	Return on term deposits		46,318,675	54,235,315
			52,661,259	60,257,515
23	**OTHER INCOME**			
	Exchange gain - net		1,167,688	102,918
	Gain on sale of property and equipment		-	1,320,783
	Survey fee		-	3,040,550
	Others		28,827	8,265
			1,196,515	4,472,516
24	**OTHER EXPENSES**			
	Auditors' remuneration	24.1	2,536,337	2,351,413
	Survey fee charged / written off		259,574	4,285,992
	Legal and professional charges - other than business related		6,249,939	4,537,375
	Donation		-	1,000,000
	Property and equipment written off		19,214	-
			9,065,064	12,174,780
24.1	**Auditors' remuneration**			
	Audit fee		990,000	910,000
	Half yearly review fee		480,440	350,000
	Fee for the review of compliance with the Code of Corporate Governance		180,000	165,000
	Fee for regulatory returns		256,000	235,000
	Sindh sales tax on services		187,877	174,179
	Out-of-pocket expenses		442,020	517,234
			2,536,337	2,351,413

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				2021	2020
25	**INCOME TAX EXPENSE**			---------------- (Rupees) ----------------	
	For the year				
	- Current			59,922,332	38,854,916
	- Deferred			1,414,153	4,855
				61,336,485	38,859,771

		2021	2020	2021	2020
25.1	**Relationship between income tax expense and accounting profit**	Effective tax rate (%)		---------------- (Rupees) ----------------	
	Profit before taxation			204,856,906	127,674,880
	Tax at the applicable rate	29.00%	29.00%	59,408,503	37,025,715
	Permanent difference for share based payments	0.58%	0.88%	1,187,748	1,124,263
	Other permanent differences	0.36%	0.56%	740,234	709,793
		29.94%	30.44%	61,336,485	38,859,771

		Note	2021	2020
			---------------- (Rupees) ----------------	
26	**EARNINGS (AFTER TAX) PER SHARE**			
	Profit after tax		143,520,421	88,815,109
			--------- Number of shares ---------	
	Weighted average number of ordinary shares		50,000,000	50,000,000
			---------------- (Rupees) ----------------	
	Earnings per share - basic and diluted	26.1	2.87	1.78

26.1 As at December 31, 2021 and 2020, the Company did not have any convertible instruments in issue which would have had a dilutive effect on the earnings per share if the option to convert was exercised.

27 REMUNERATION OF CHIEF EXECUTIVE OFFICER / COUNTRY PRESIDENT, DIRECTORS AND EXECUTIVES

Aggregate amounts charged in the financial statements for the year for remuneration, including benefits to the key management personnel of the Company namely the Chief Executive Officer / Country President, directors and executives of the Company are as follows:

	2021			2020		
	Chief Executive Officer / Country President	Directors	Executives	Chief Executive Officer / Country President	Directors	Executives
	---------- (Rupees) ----------					
Short-term employee benefits						
Consultancy fees	-	8,210,322	-	-	7,128,336	-
Managerial remuneration	11,344,872	-	49,543,790	9,933,567	-	40,281,218
Bonus	600,000	-	1,960,451	800,000	-	2,146,600
Leave encashment	-	-	1,021,963	-	-	394,816
Housing, utilities and others	936,005	-	-	581,147	-	-
Conveyance	-	-	2,440,274	-	-	1,940,298
Medical	65,833	-	1,103,569	403,713	-	1,021,146
	12,946,710	8,210,322	56,070,047	11,718,427	7,128,336	45,784,078
Other employee benefits						
Shared-based compensation benefits	3,165,993	30,704	898,990	2,882,931	219,016	774,822
Post-employment benefits						
Charge for defined benefit plan	941,728	-	4,080,877	832,120	-	3,322,543
Contribution to defined contribution plan	1,134,486	-	4,519,512	993,360	-	3,775,019
Total	18,188,917	8,241,026	65,569,426	16,426,838	7,347,352	53,656,462
Number of persons	1	2	16	1	2	16

27.1 The Company also provides key management personnel with facilities such as Company maintained cars and monthly subscription of club facilities.

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27.2 During the year the Chief Executive / Country President, Directors and Executives of the Company received dividends on shares of the holding Company amounting to Rs 94,989, Rs 4,256 and Rs 25,162 (2020: Rs 117,911, Rs 26,470 and Rs 38,280) respectively.

27.3 The managerial remuneration includes the 2020 bonus paid in the current year. An estimated accrual in respect of the above bonus was made in the last year financial statements. For the current year, an amount of Rs. 7.851 million (2020: Rs. 2.560 million) has been accrued on an estimated basis. Individual entitlements in respect of this accrual will be determined next year and will then be disclosed accordingly.

27.4 Executives mean employees, other than chief executive and directors whose basic salary exceed Rs 500,000 in a financial year.

28 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include major shareholders, parent company, related group companies with or without common directors, retirement benefit funds, directors, and key management personnel and their close family members. The Company in the normal course of business carries out transactions with various related parties at agreed terms and conditions. Remuneration of Chief Executive Officer / Country President, directors and executives is disclosed in note 27.

Amounts due to / from related parties and other significant transactions other than those disclosed elsewhere in these financial statements, are as follows:

	Group / associated companies		Other related parties		Total	
	2021	2020	2021	2020	2021	2020
BALANCES AS AT YEAR END	(Rupees)					
Due from other insurers / reinsurers						
- Chubb European Group SE (Turkey Branch)	139,901,787	143,058,414	-	-	139,901,787	143,058,414
Reinsurance recoveries against outstanding claims						
- Chubb Tempest Reinsurance Limited	74,495,244	70,407,053	-	-	74,495,244	70,407,053
- Chubb European Group SE	1,450,000	710,277	-	-	1,450,000	710,277
- Chubb INA Overseas Insurance Company Limited	510,000	15,000	-	-	510,000	15,000
Prepaid reinsurance premium ceded	81,116,256	59,515,064	-	-	81,116,256	59,515,064
Provision for outstanding claims	72,478,345	14,264,999	-	-	72,478,345	14,264,999
Due to other insurers / reinsurers	85,764,111	111,096,877	-	-	85,764,111	111,096,877
Retirement benefit obligations	-	-	5,067,241	5,949,902	5,067,241	5,949,902
Other creditors and accruals						
- Key management personnel	-	-	15,384,445	8,014,956	15,384,445	8,014,956

	Group / associated companies		Other related parties		Total	
	2021	2020	2021	2020	2021	2020
TRANSACTIONS DURING THE YEAR	(Rupees)					
Gross premium written	113,634,990	143,058,414	65,657	64,564	113,700,647	143,122,978
Reinsurance premium ceded	578,662,356	533,749,071	-	-	578,662,356	533,749,071
Claims paid	3,530,157	-	-	-	3,530,157	-
Claims ceded	38,570,476	19,674,818	-	-	38,570,476	19,674,818
Commission on cession	47,667,634	47,904,347	-	-	47,667,634	47,904,347
Remuneration of key management personnel	-	-	91,999,369	77,430,652	91,999,369	77,430,652
Contribution to gratuity fund	-	-	10,612,687	4,041,314	10,612,687	4,041,314
Contribution to provident fund	-	-	5,653,998	4,768,379	5,653,998	4,768,379

29 SEGMENT INFORMATION

The Company has five primary business segments for reporting purposes namely fire and property damage, marine, aviation and transport, motor, accident and health and liability.

Assets and liabilities, wherever possible, have been assigned to the following segments on the basis of specific identification or have been allocated on the basis of the gross premium written by the segments.

Afhra

Particulars	Year ended December 31, 2021					
	Fire and property damage	Marine, aviation and transport	Motor	Accident and health	Liability	Total
	(Rupees)					
Premium receivable (inclusive of Sindh sales tax, federal insurance fee and administrative surcharge)	389,091,342	2,629,780	35,385	3,183,398	6,004,279	400,944,184
Less: Sindh sales tax	(473,321)	(317,060)	(4,035)	-	(20,420)	(814,836)
Federal insurance fee	(15,298)	(24,406)	(310)	(198,485)	(5,359)	(243,858)
Premium receivable (net of Federal excise duty, Sindh sales tax and federal insurance fee)	388,602,723	2,288,314	31,040	2,984,913	5,978,500	399,885,490
Unearned premium reserve - opening	334,335,282	6,882,759	-	5,243,978	34,943,746	381,405,765
Less: Unearned premium reserve - closing	(363,561,407)	(7,746,509)	(381,797)	(7,367,815)	(51,878,771)	(430,936,299)
Net increase in unearned premium reserve	(29,226,125)	(863,750)	(381,797)	(2,123,837)	(16,935,025)	(49,530,534)
Gross written premium (inclusive of administrative surcharge)						
Gross direct premium	2,702,251	34,112,335	865,325	42,278,445	88,763,968	168,722,324
Facultative inward premium	721,726,490	5,169,556	-	-	31,594,460	758,490,506
Administrative surcharge	105,000	46,723	11,300	85,000	389,441	637,464
	724,533,741	39,328,614	876,625	42,363,445	120,747,869	927,850,294
Insurance premium earned	695,307,616	38,464,864	494,828	40,239,608	103,812,844	878,319,760
Insurance premium ceded to reinsurers	(432,303,501)	(29,002,422)	(482,174)	(30,393,510)	(64,879,557)	(557,061,164)
Net insurance premium	263,004,115	9,462,442	12,654	9,846,098	38,933,287	321,258,596
Commission income	19,911,473	2,641,530	72,700	13,966,438	10,770,311	47,362,452
Net underwriting income	282,915,588	12,103,972	85,354	23,812,536	49,703,598	368,621,048
Insurance claims	17,815,782	36,943,006	(160,901)	9,450,606	297,395	64,345,888
Insurance claims recovered from reinsurers	(2,257,303)	37,990,691	-	7,107,438	167,688	43,008,514
Net claims	20,073,085	(1,047,685)	(160,901)	2,343,168	129,707	21,337,374
Commission expense	9,034,148	1,056,113	-	14,130,086	4,421,504	28,641,851
Management expenses	123,829,072	6,721,600	149,823	7,240,279	20,636,853	158,577,627
Net insurance claims and expenses	152,936,305	6,730,028	(11,078)	23,713,533	25,188,064	208,556,852
Underwriting result	129,979,283	5,373,944	96,432	99,003	24,515,534	160,064,196
Net investment income						52,661,259
Other income						1,196,515
Other expenses						(9,065,064)
Profit before tax						**204,856,906**

Particulars	As at December 31, 2021					
	Fire and property damage	Marine, aviation and transport	Motor	Accident and health	Liability	Total
	(Rupees)					
Segment assets	525,167,180	32,353,276	392,536	15,455,362	43,274,386	616,642,740
Unallocated assets	-	-	-	-	-	1,101,164,638
Total assets	525,167,180	32,353,276	392,536	15,455,362	43,274,386	1,717,807,378
Segment liabilities	585,811,759	47,442,717	591,141	20,745,207	84,745,446	739,336,270
Unallocated liabilities	-	-	-	-	-	69,332,993
Total liabilities	585,811,759	47,442,717	591,141	20,745,207	84,745,446	808,669,263
Net assets						**909,138,115**
Depreciation	8,420,986	457,102	10,189	492,375	1,403,407	10,784,059
Unallocated capital expenditure	-	-	-	-	-	19,872,774

Affan

Particulars	Year ended December 31, 2020					
	Fire and property damage	Marine, aviation and transport	Motor	Accident and health	Liability	Total
	(Rupees)					
Premium receivable (inclusive of Sindh sales tax, federal insurance fee and administrative surcharge)	321,716,032	3,270,073	35,385	4,693,614	9,751,703	339,466,807
Less: Sindh sales tax	(1,824,814)	(148,511)	(4,035)	(281,638)	(168,007)	(2,427,005)
Federal insurance fee	(140,371)	(11,441)	(310)	(28,129)	(12,924)	(193,175)
Premium receivable (net of Federal excise duty, Sindh sales tax and federal insurance fee)	319,750,847	3,110,121	31,040	4,383,847	9,570,772	336,846,627
Unearned premium reserve - opening	207,051,756	5,419,432	689,920	4,917,093	34,866,906	252,945,107
Less: Unearned premium reserve - closing	(334,335,282)	(6,882,759)	-	(5,243,978)	(34,943,746)	(381,405,765)
Net (increase) / decrease in unearned premium reserve	(127,283,526)	(1,463,327)	689,920	(326,885)	(76,840)	(128,460,658)
Gross written premium (inclusive of Administrative Surcharge)						
Gross direct premium	55,852,756	20,035,606	425,938	40,859,805	52,644,489	169,818,594
Facultative inward premium	663,352,896	4,153,516	-	-	32,380,914	699,887,326
Administrative surcharge	70,525	41,500	-	55,000	306,000	473,025
	719,276,177	24,230,622	425,938	40,914,805	85,331,403	870,178,945
Insurance premium earned	591,992,651	22,767,295	1,115,858	40,587,920	85,254,563	741,718,287
Insurance premium ceded to reinsurers	441,322,104	16,165,985	1,110,692	30,857,611	42,978,151	532,434,543
Net insurance premium	150,670,547	6,601,310	5,166	9,730,309	42,276,412	209,283,744
Commission income	21,399,609	1,722,852	146,536	15,238,695	8,130,107	46,637,799
Net underwriting income	172,070,156	8,324,162	151,702	24,969,004	50,406,519	255,921,543
Insurance claims	21,862,016	18,043,394	97,895	3,372,850	(148,698)	43,227,457
Insurance claims recovered from reinsurers	8,052,327	8,198,559	-	2,293,706	(83,844)	18,460,748
Net claims	13,809,689	9,844,835	97,895	1,079,144	(64,854)	24,766,709
Commission expense	9,316,938	925,500	9,923	10,484,635	5,496,413	26,233,409
Management expenses	107,292,115	3,614,404	63,536	6,103,130	12,728,611	129,801,796
Net insurance claims and expenses	130,418,742	14,384,739	171,354	17,666,909	18,160,170	180,801,914
Underwriting result	41,651,414	(6,060,577)	(19,652)	7,302,095	32,246,349	75,119,629
Net investment income						60,257,515
Other income						4,472,516
Other expenses						(12,174,780)
Profit before tax						**127,674,880**

Particulars	As at December 31, 2020					
	Fire and property damage	Marine, aviation and transport	Motor	Accident and health	Liability	Total
	(Rupees)					
Segment assets	459,552,380	24,206,423	35,385	12,765,212	31,854,806	528,414,206
Unallocated assets	-	-	-	-	-	1,008,493,268
Total assets	459,552,380	24,206,423	35,385	12,765,212	31,854,806	1,536,907,474
Segment liabilities	583,244,327	40,919,740	270,680	18,198,979	65,471,337	708,105,063
Unallocated liabilities	-	-	-	-	-	63,938,132
Total liabilities	583,244,327	40,919,740	270,680	18,198,979	65,471,337	772,043,195
Net assets						**764,864,279**
Depreciation	6,528,376	219,925	3,866	371,401	774,449	7,898,017
Unallocated capital expenditure	-	-	-	-	-	21,090,657

Alfm

30 MOVEMENT IN INVESTMENTS

	Held to maturity	Available- for-sale	At fair value through profit or loss	Total
	----------	(Rupees)	----------	
As at January 1, 2020	50,309,772	-	-	50,309,772
Additions	51,448,539	-	-	51,448,539
Disposals (sales and redemptions)	(50,000,000)	-	-	(50,000,000)
Fair value net gains (excluding net realised gains)	-	-	-	-
Interest income	-	-	-	-
Impairment losses				
Effect of unwinding of discount	754,599	-	-	754,599
As at December 31, 2020	52,512,910	-	-	52,512,910
Additions	-	-	-	-
Disposals (sales and redemptions)	-	-	-	-
Fair value net gains (excluding net realised gains)	-	-	-	-
Interest income	-	-	-	-
Impairment losses	-	-	-	-
Effect of unwinding of discount	1,392,584	-	-	1,392,584
As at December 31, 2021	53,905,494	-	-	53,905,494

31 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Company's activities expose it to a variety of financial risks namely market risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

31.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of changes in market interest rates or market price of securities arising due to changes in credit rating of the issuer of the instrument, changes in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

The Company manages market risk by monitoring exposure in marketable securities and by following the internal risk management policies and regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risk namely currency risk, yield / interest rate risk and price risk.

31.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in Pakistani rupees and its exposure to currency risk arises primarily with respect to the US Dollar. The details of balances denominated in foreign currencies as at the end of the reporting period are as follows:

	2021 USD	2020 USD
Due from insurance contract holders	-	-
Due from other insurers / reinsurers	3,274	4,078
Net foreign currency exposure	3,274	4,078

As at December 31, 2021, if the Pakistani Rupee had weakened / strengthened by 1% against the US Dollar and the Bangladeshi Taka with all other variables held constant, profit before taxation for the year would have been higher / lower by Rs. 0.006 million (2020: Rs 0.007 million).

31.1.2 Maturity profile / yield interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company invests in securities and has deposits that are subject to interest / mark-up rate risk. The Company limits interest / mark-up rate risk by monitoring changes in interest / mark-up rates in the currencies in which its cash and investments are denominated.

The Company's maturity profile of financial assets and liabilities is as follows:

	2021							
	Effective yield / mark-up rate (% per annum)	Interest / mark-up bearing			Non-interest / mark-up bearing			Total
		Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
		(Rupees)						
Financial assets								
Investments								
- Debt securities	9.00%	53,905,494	-	53,905,494	-	-	-	53,905,494
- Term deposits	6.2%-9.4%	795,000,000	-	795,000,000	-	-	-	795,000,000
Loans and other receivables		-	-	-	15,848,445		15,848,445	15,848,445
Insurance / reinsurance receivables		-	-	-	400,944,184	-	400,944,184	400,944,184
Reinsurance recoveries against outstanding claims		-	-	-	126,438,158	-	126,438,158	126,438,158
Cash and bank		-	-	-	54,488,099	-	54,488,099	54,488,099
		848,905,494	-	848,905,494	597,718,886	-	597,718,886	1,446,624,380
Financial liabilities								
Outstanding claims including IBNR		-	-	-	206,965,530	-	206,965,530	206,965,530
Insurance / reinsurance payables		-	-	-	85,764,111	-	85,764,111	85,764,111
Other creditors and accruals		-	-	-	46,102,108	-	46,102,108	46,102,108
		-	-	-	338,831,749	-	338,831,749	338,831,749
On-balance sheet gap (a)		848,905,494	-	848,905,494	258,887,137	-	258,887,137	1,107,792,631
Off-balance sheet financial instruments		-	-	-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-	-	-
Total interest rate sensitivity gap (a+b)		848,905,494	-	848,905,494				
Cumulative interest rate sensitivity gap		848,905,494	848,905,494					

	2020							
	Effective yield / mark-up rate (% per annum)	Interest / mark-up bearing			Non-interest / mark-up bearing			Total
		Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
		(Rupees)						
Financial assets								
Investments								
- Debt securities	9.00%	-	52,512,910	52,512,910	-	-	-	52,512,910
- Term deposits	5.6%-6.45%	690,000,000	-	690,000,000	-	-	-	690,000,000
Loans and other receivables		-	-	-	19,625,899		19,625,899	19,625,899
Insurance / reinsurance receivables		-	-	-	339,466,807	-	339,466,807	339,466,807
Reinsurance recoveries against outstanding claims		-	-	-	122,000,120	-	122,000,120	122,000,120
Cash and bank		-	-	-	70,836,041	-	70,836,041	70,836,041
		690,000,000	52,512,910	742,512,910	551,928,867	-	551,928,867	1,294,441,777
Financial liabilities								
Outstanding claims including IBNR		-	-	-	200,237,274	-	200,237,274	200,237,274
Insurance / reinsurance payables		-	-	-	111,096,877	-	111,096,877	111,096,877
Other creditors and accruals		-	-	-	39,775,041	-	39,775,041	39,775,041
		-	-	-	351,109,192	-	351,109,192	351,109,192
On-balance sheet gap (a)		690,000,000	52,512,910	742,512,910	200,819,675	-	200,819,675	943,332,585
Off-balance sheet financial instruments		-	-	-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-	-	-
Total interest rate sensitivity gap (a+b)		690,000,000	52,512,910	742,512,910				
Cumulative interest rate sensitivity gap		690,000,000	742,512,910					

Sensitivity analysis

(a) Sensitivity analysis for variable rate instruments

Presently, the Company does not hold any variable rate instrument.

(b) Sensitivity analysis for fixed rate instruments

The Company holds Term Deposit Receipts (TDRs) and Pakistan Investment Bonds (PIBs) which are classified as cash and cash equivalents and investments respectively. These carry fixed interest rates and therefore any change in the interest rates will not affect the total assets of the Company and profit after taxation for the year ended December 31, 2021.

31.1.3 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. As at December 31, 2021 and 2020, the Company did not have any financial instrument which exposed it to price risk.

31.2 Credit risk

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

31.2.1 Concentration of credit risk exposure

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political and / or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk arises from bank deposits in current and other accounts, insurance and reinsurance receivables, reinsurance recoveries against outstanding claims, loans and other receivables. The total financial assets of Rs 1,446.624 million (2020: Rs 1,294.442 million) except Rs 55.114 million (2020: Rs 53.267 million) are subject to credit risk.

Out of the total financial assets, bank balances of Rs 53.279 million (2020: Rs. 70.082 million) and fixed term deposits of Rs 795 million (2020: Rs 690 million) have been placed with banks having credit rating of A and above as at December 31, 2021 and December 31, 2020.

The management monitors exposures to credit risk through regular review of credit exposure and prudent estimates of provisions for doubtful receivables. Due to the Company's long outstanding business relationships with its counterparties and after giving due consideration to their sound financial standing, the management does not expect non-performance by these counter parties on their obligations to the Company.

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

Name of bank	Rating agency	2021 Rating		2020 Rating	
		Short-term	Long-term	Short-term	Long-term
Current accounts and term deposits					
Citibank N.A. - Pakistan branches	Moody's	P-1	AA3	P-1	AA3
MCB Bank Limited	PACRA	A1+	AAA	A1+	AAA
Habib Bank Limited	VIS	A-1+	AAA	A-1+	AAA
Standard Chartered Bank (Pakistan) Ltd.	PACRA	A-1+	AAA	A-1+	AAA
Mobilink Microfinance Bank Limited	PACRA	A-1	A	A-1	A

Affm

31.2.1.1 An age analysis of amounts due from insurance contract holders that are past due but not impaired are as under:

	2021	2020
	------------(Rupees)------------	
Upto 30 days	305,677	8,875
31 to 180 days	-	-
Over 180 days	-	-
	305,677	8,875

31.2.1.2 Out of the total amounts due from insurance contract holders as at December 31, 2021 of Rs 3.520 million (2020: Rs 21.783 million), Rs 3.214 million (2020: Rs 21.639 million) relate to policies which were effective in the current year but premium on account of these policies is not yet due in the current year due to agreed contractual terms.

31.2.1.3 Sector wise analysis of amounts due from insurance contract holders is as follows:

	2021	2020
	------------(Rupees)------------	
Financial sector	3,183,397	3,718,727
Chemicals	-	15,815,964
Miscellaneous	336,125	2,248,254
	3,519,522	21,782,945

31.2.1.4 The credit quality of receivables in respect of insurance contract which can be assessed with reference to external credit ratings is as follows:

	2021			
	Insurance / reinsurance receivables		Reinsurance recoveries against outstanding claims	Aggregate
	Due from insurance contract holders	Amount due from other insurers / reinsurers		
	(Rupees)			
A or above	1,606,639	397,424,662	126,438,158	525,469,459
Others	-	-	-	-
Unrated	1,912,883	-	-	1,912,883
Total	3,519,522	397,424,662	126,438,158	527,382,342

	2020			
	Insurance / reinsurance receivables		Reinsurance recoveries against outstanding claims	Aggregate
	Due from insurance contract holders	Amount due from other insurers / reinsurers		
	(Rupees)			
A or above	17,089,331	317,683,862	122,000,120	456,773,313
Others	-	-	-	-
Unrated	4,693,614	-	-	4,693,614
Total	21,782,945	317,683,862	122,000,120	461,466,927

Assets that pass the SPPI test include government securities and term deposits. Government securities are unrated while credit quality of term deposits have been given in bank-wise ratings in note 31.2.1

31.3 Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date on an undiscounted cash flow basis.

	2021			
	Carrying amount	Contractual cash flows	Upto one year	More than one year
	(Rupees)			
Outstanding claims including IBNR	206,965,530	206,965,530	206,965,530	-
Insurance / reinsurance payables	85,764,111	85,764,111	85,764,111	-
Other creditors and accruals	46,102,108	46,102,108	46,102,108	-
	338,831,749	338,831,749	338,831,749	-

	2020			
	Carrying amount	Contractual cash flows	Upto one year	More than one year
	(Rupees)			
Outstanding claims including IBNR	200,237,274	200,237,274	200,237,274	-
Insurance / reinsurance payables	111,096,877	111,096,877	111,096,877	-
Other creditors and accruals	39,775,041	39,775,041	39,775,041	-
	351,109,192	351,109,192	351,109,192	-

32 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31, 2021		
	Loans and receivables	Held-to-maturity	Total
Financial assets	(Rupees)		
Investments			
- Debt securities	-	53,905,494	53,905,494
- Term deposits	795,000,000	-	795,000,000
Loans and other receivables	15,848,445	-	15,848,445
Insurance / reinsurance receivables	400,944,184	-	400,944,184
Reinsurance recoveries against outstanding claims	126,438,158	-	126,438,158
Cash and bank	54,488,099	-	54,488,099
	1,392,718,886	53,905,494	1,446,624,380

	As at December 31, 2021		
	At fair value through profit or loss	At amortised cost	Total
	(Rupees)		
Financial liabilities			
Outstanding claims including IBNR	-	206,965,530	206,965,530
Insurance / reinsurance payables	-	85,764,111	85,764,111
Other creditors and accruals	-	46,102,108	46,102,108
	-	338,831,749	338,831,749

	As at December 31, 2020		
	Loans and receivables	Held-to-maturity	Total
Financial assets	(Rupees)		
Investments			
- Debt securities	-	52,512,910	52,512,910
- Term deposits	690,000,000	-	690,000,000
Loans and other receivables	19,625,899	-	19,625,899
Insurance / reinsurance receivables	339,466,807	-	339,466,807
Reinsurance recoveries against outstanding claims	122,000,120	-	122,000,120
Cash and bank	70,836,041	-	70,836,041
	1,241,928,867	52,512,910	1,294,441,777

	As at December 31, 2020		
	At fair value through profit or loss	At amortised cost	Total
	(Rupees)		
Financial liabilities			
Outstanding claims including IBNR	-	200,237,274	200,237,274
Insurance / reinsurance payables	-	111,096,877	111,096,877
Other creditors and accruals	-	39,775,041	39,775,041
	-	351,109,192	351,109,192

33 MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

33.1 Insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty in the amount of compensation to the insured. Generally, most insurance contracts carry the insurance risk for a period of one year (refer note 3.2).

The Company accepts insurance through issuance of general insurance contracts. For these general insurance contracts the most significant risks arise from fire, atmospheric disturbance, earthquake, terrorist activities and other catastrophes. For health insurance contracts, significant risks arise from epidemics.

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

As is common with other insurance companies, in order to minimise the financial exposure arising from large claims, the Company, in the normal course of business, enters into agreement with other parties for reinsurance purposes. To minimise its exposure to significant losses from reinsurer insolvencies, the Company obtains reinsurance cover only from companies with sound financial position.

The greatest likelihood of significant losses on the contracts underwritten by the Company mainly arises from earthquakes or floods. The Company's estimated exposure on account of such perils for any given single loss event and maximum re-insurance cover against those perils are summarised below:

	2021		
	Maximum gross exposure	Reinsurance cover	Highest net liability
	Rupees in million		
Earthquake	101,790	101,786	4
Flood / windstorm	72,479	72,475	4

	2020		
	Maximum gross exposure	Reinsurance cover	Highest net liability
	Rupees in million		
Earthquake	105,330	105,327	3
Flood / windstorm	57,478	57,475	3

33.2 Geographical concentration of insurance risk

The Company's significant geographical concentration lies inside Pakistan. To optimise benefits from the principle of average and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risks with reference to the geographical location, the most important of which is risk survey.

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

Address look-up and geocoding is the essential field of the policy data interphase of Information Technology (IT) systems. It provides instant location which is dependent on data collection provided under the policy schedule. All critical underwriting information is punched into the IT system / application through which a number of MIS reports can be generated to assess the concentration of risk.

A risk management solution is implemented to help assess and plan for risk in catastrophic scenarios. It provides a way to better visualise the risk exposures so the Company determines the appropriate amount of reinsurance coverage to protect the business portfolio.

For marine risks, complete underwriting details, besides sums insured and premiums, like vessel identification, voyage input (sea / air / inland transit), sailing dates, origin and destination of the shipments, per carry limits, etc. are entered into the IT system. The reinsurance module of the IT system is designed to satisfy the requirements as laid down in the treaty agreements. Shipment declarations are also endorsed on the policies. Respective reinsurance cessions are automatically made upon the posting of policy documents.

33.3 Frequency and severity of claims

For the Company's insurance contracts, climatic changes give rise to frequent and severe extreme weather events (for example river flooding) and their consequences. The Company has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the contents insured. Claims payment limits are always included to cap the amount payable on occurrence of the insured event.

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

The Company's insurance contracts are sub-divided into risk segments fire and property damage, marine aviation and transport, motor, accident & health and liability. The Company manages these risk segments through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

33.4 Sources of uncertainty in the estimation of future claim payments

An estimated amount of the claim is recorded immediately on intimation to the Company. The estimation of the amount is based on the amount notified by the policy holder, management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. The estimation of provision for claims incurred but not reported (IBNR) is determined on the basis of actuarial recommendation for all classes of business.

The Company takes all reasonable measures to identify and account for the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from the amounts recognised initially.

33.5 Process used to decide on assumptions and changes therein

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

33.6 Sensitivity analysis

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

	Pre-tax profit		Shareholders' equity	
	2021	2020	2021	2020
	(Rupees)			
10% increase in net claims (i.e. loss)				
Fire and property damage	(2,007,309)	(1,380,969)	(1,425,189)	(980,712)
Marine, aviation and transport	104,768	(984,484)	74,385	(698,984)
Motor	16,090	(9,790)	11,424	(6,951)
Accident and health	(234,317)	(107,914)	(166,365)	(76,395)
Liability	(12,971)	6,485	(9,209)	4,605
	(2,133,739)	(2,476,672)	(1,514,954)	(1,758,437)
10% decrease in net claims (i.e. loss)				
Fire and property damage	2,007,309	1,380,969	1,425,189	980,712
Marine, aviation and transport	(104,768)	984,484	(74,385)	698,984
Motor	(16,090)	9,790	(11,424)	6,951
Accident and health	234,317	107,914	166,365	76,395
Liability	12,971	(6,485)	9,209	(4,605)
	2,133,739	2,476,672	1,514,954	1,758,437

33.7 Reinsurance arrangements

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

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

34 CAPITAL RISK MANAGEMENT POLICIES AND PROCEDURES

The Company's objectives when managing capital are:

- to comply with the minimum paid-up capital requirements as prescribed by the Securities and Exchange Commission of Pakistan (SECP);
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders;
- to provide an adequate return to shareholders by pricing insurance contracts commensurate with the level of risk; and
- to maintain a strong capital base to support the sustained development of its business.

The current requirement for regulatory capital is Rs 500 million as at December 31, 2021. The Company complies with this requirement.

35 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences may arise between the carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value hierarchy

International Financial Reporting Standard (IFRS) 13; 'Fair value measurement' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

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

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

As detailed in note 32, the Company does not have any assets or liabilities carried at fair values as at December 31, 2021 and 2020. However, the Company has disclosed the fair value of its investments in Pakistan Investment Bonds (PIBs) in note 2.5.1.1 to the financial statements. At the reporting date, the fair value hierarchy of these PIBs are as follows:

	As at December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets	(Rupees)			
Pakistan Investment Bonds	-	54,123,908	-	54,123,908

	As at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets	(Rupees)			
Pakistan Investment Bonds	-	55,956,909	-	55,956,909

36 DEFINED CONTRIBUTION PLAN - PROVIDENT FUND

The Company has set up a provident fund for its permanent employees wherein contributions are made by the Company in accordance with the requirements of Section 218 of the Companies Act, 2017. The total charge against provident fund for the year ended December 31, 2021 is Rs 5.654 million (2020: Rs 4.768 million).

The following information is based on the un-audited financial statements of the Fund for the year ended December 31, 2021 and 2020:

	2021	2020
	(Rupees)	
Size of the fund - net assets	65,003,182	59,227,452
Fair value / cost of investments made	63,602,407	58,477,393
	Percentage	
Investments made as a percentage of total assets	97.04%	98.54%

The break-up of investments made is given below:

Particulars of investments	2021		2020	
	Amount	Amount as a percentage of total investments	Amount	Amount as a percentage of total investments
	Rupees	%	Rupees	%
Khas deposit certificates	23,000	0.04%	23,000	0.04%
Term deposits	63,000,000	99.05%	58,000,000	99.18%
Bank deposits	579,407	0.91%	454,393	0.78%
	63,602,407	100.00%	58,477,393	100%

The above investments out of provident fund have been made in accordance with the requirement of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

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37	STAFF STRENGTH	2021	2020
		(Number of employees)	
	Number of employees as at December 31	15	14
	Average number of employees during the year	15	15

38 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

39 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on MARCH 30, 2022 by the Board of Directors of the Company.

40 GENERAL

Figures in these financial statements have been rounded off to the nearest Rupee, unless otherwise stated.

CHIEF EXECUTIVE OFFICER / COUNTRY PRESIDENT	DIRECTOR	DIRECTOR	CHAIRMAN