

Annual Report 2010

You're in good hands



STATE LIFE
INSURANCE CORPORATION OF PAKISTAN

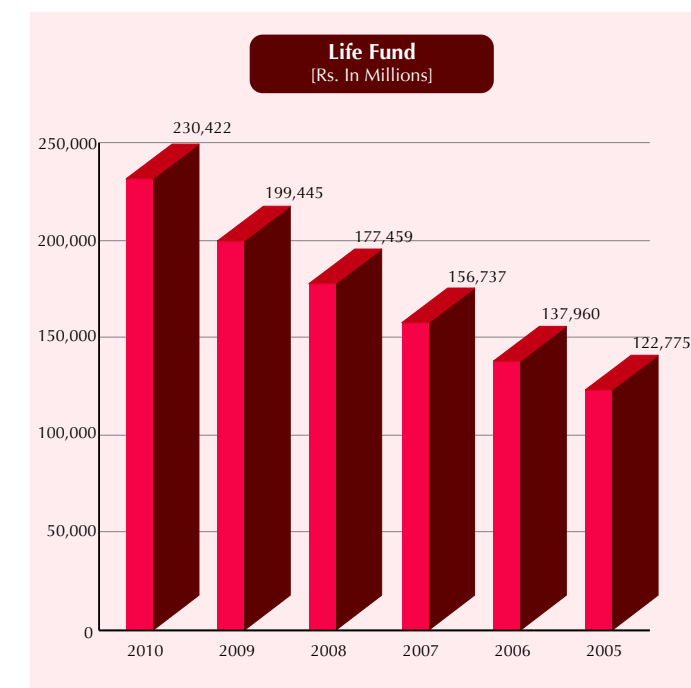
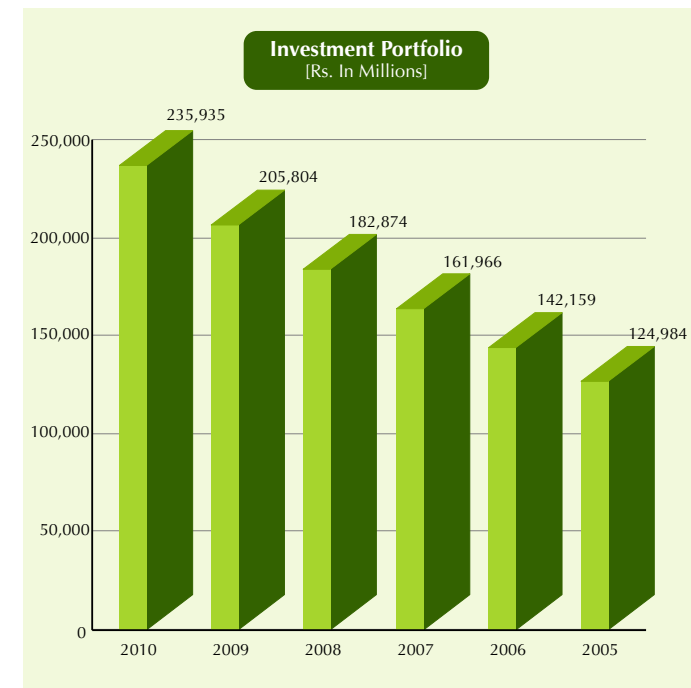
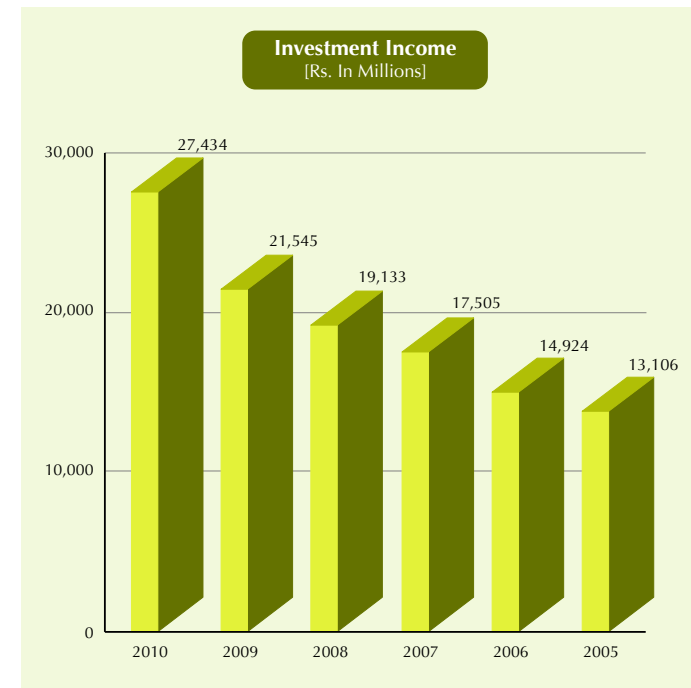
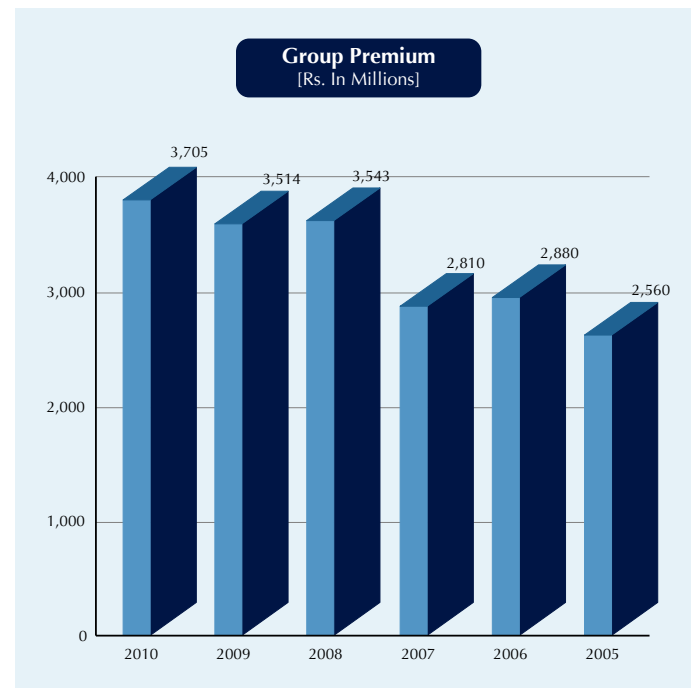
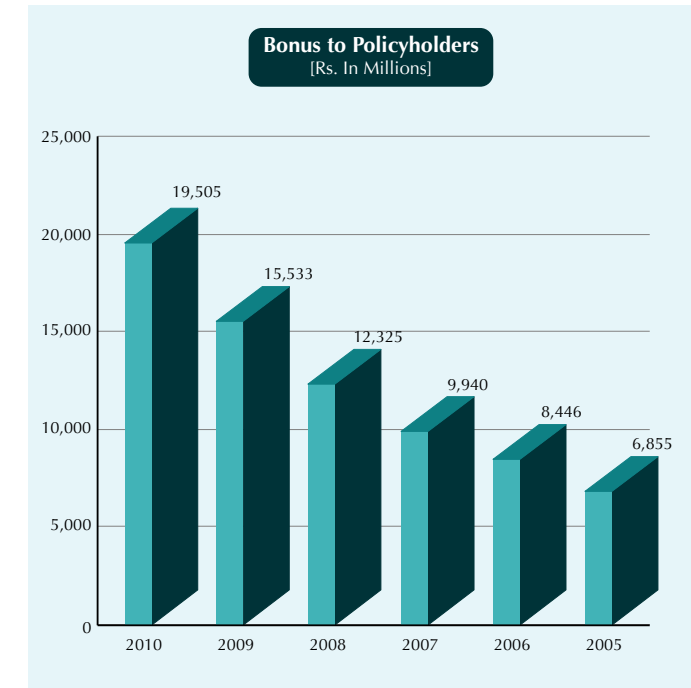
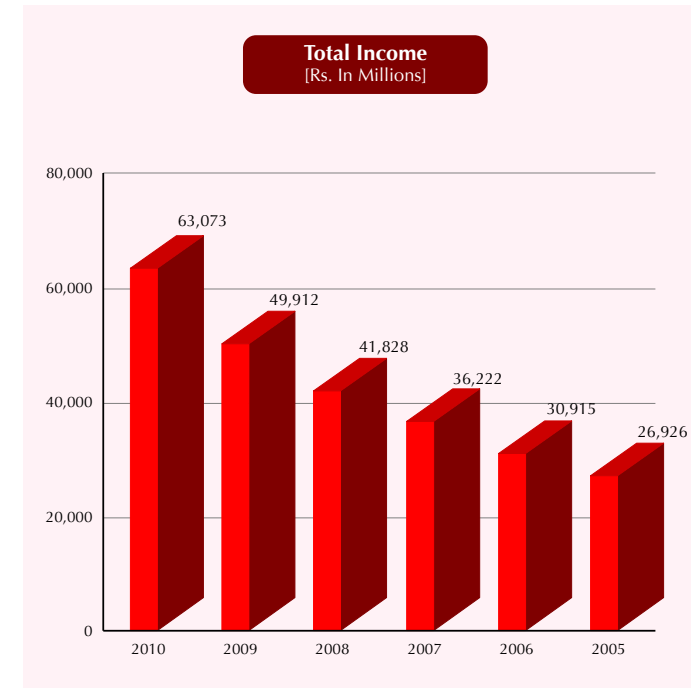
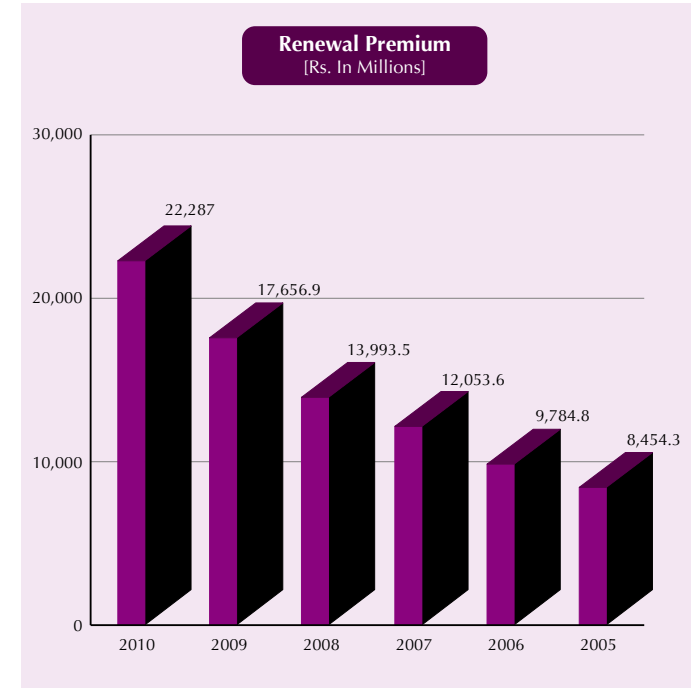
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STATE LIFE
INSURANCE CORPORATION OF PAKISTAN

Financial Highlights





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Core Values

OBJECTIVES

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

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

To widen the area of operation of life insurance and making it available to as large section of the population as possible, extending it from the comparatively more affluent sections of society to the common man in towns and villages.

To use the policyholders' fund in the wider interest of the community.

MISSION STATEMENT

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

QUALITY POLICY

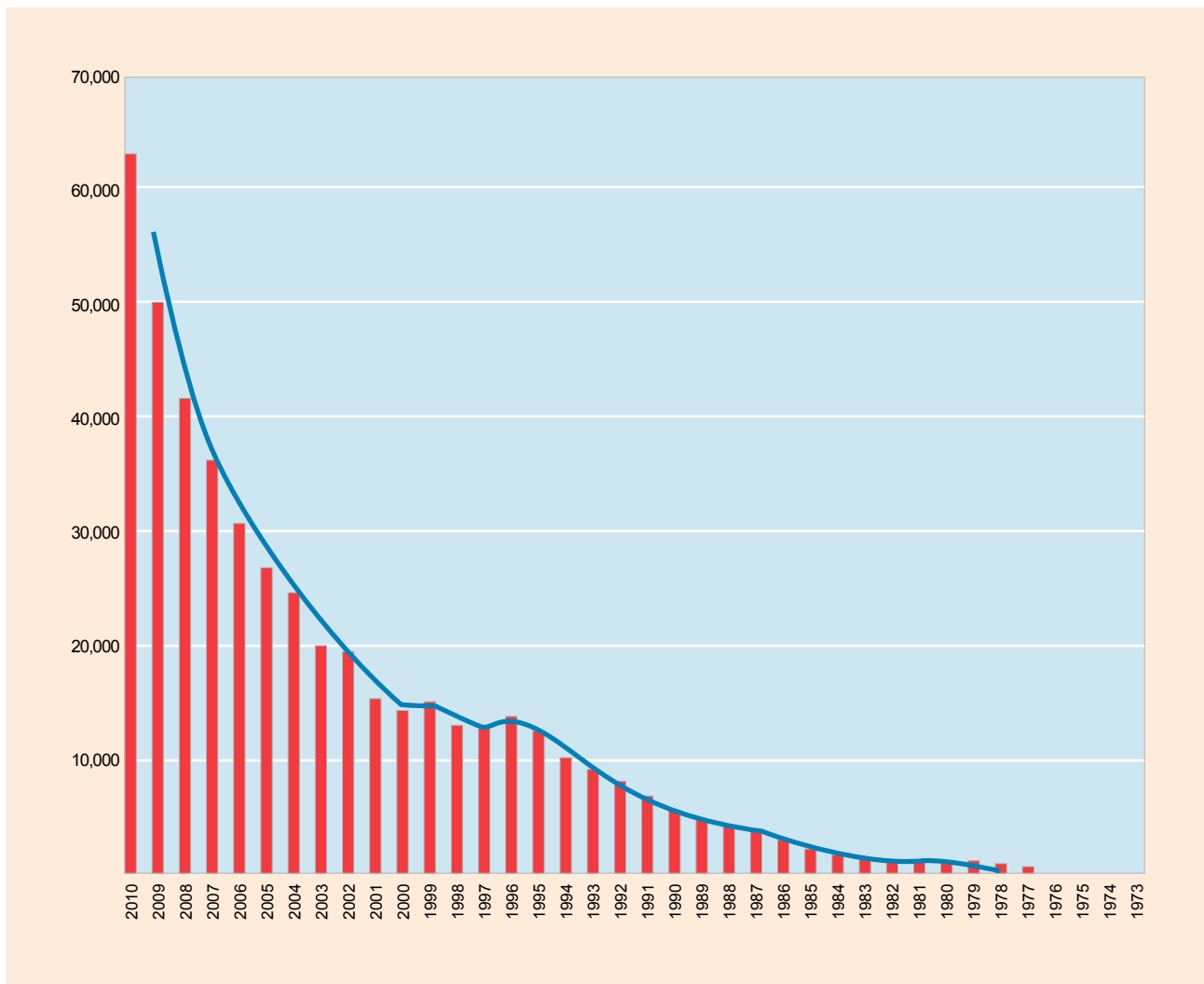
To ensure satisfaction of our valued policyholders in processing new business, providing after sales services and optimizing return on Life Fund through a quality culture and to maintain our position as the leading life insurer in Pakistan.





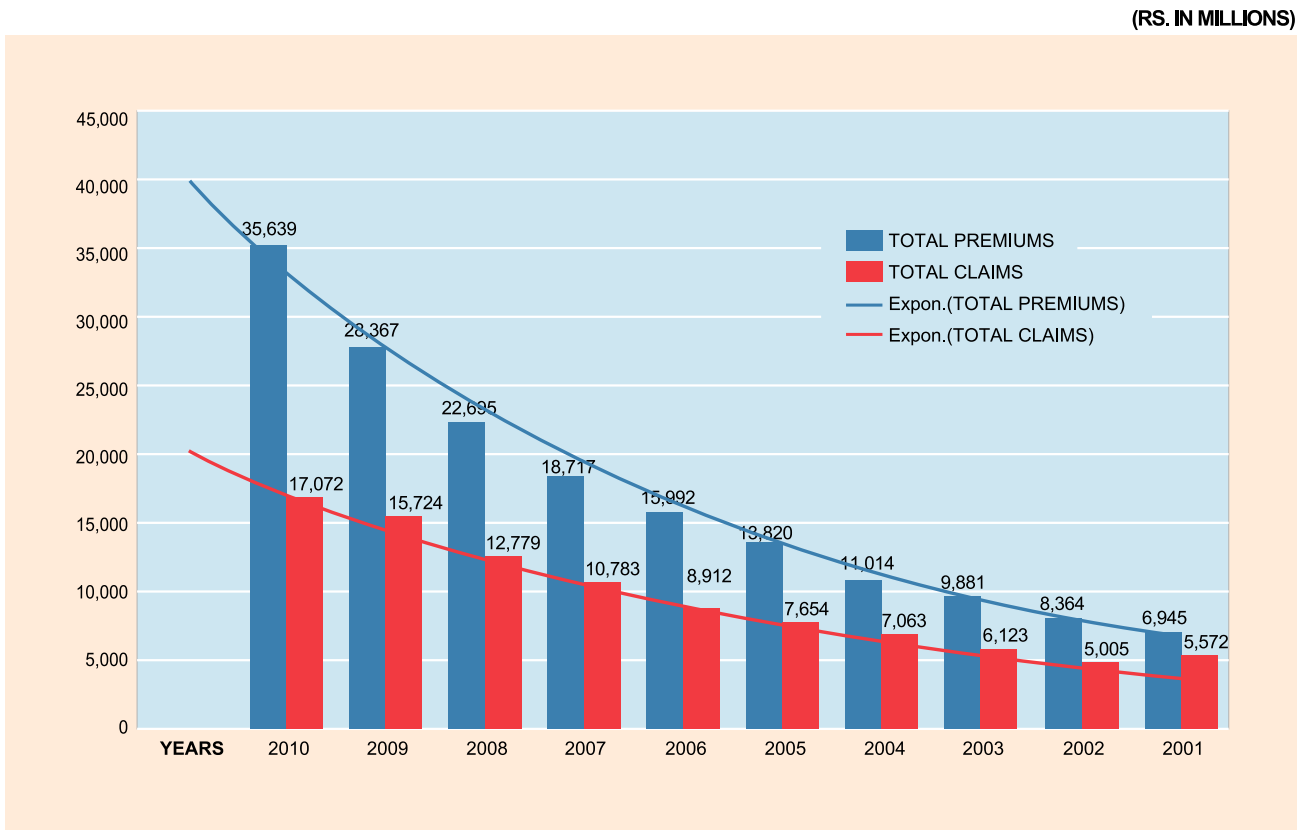
SLIC Journey to Success

Total Income
(RS. IN MILLIONS)



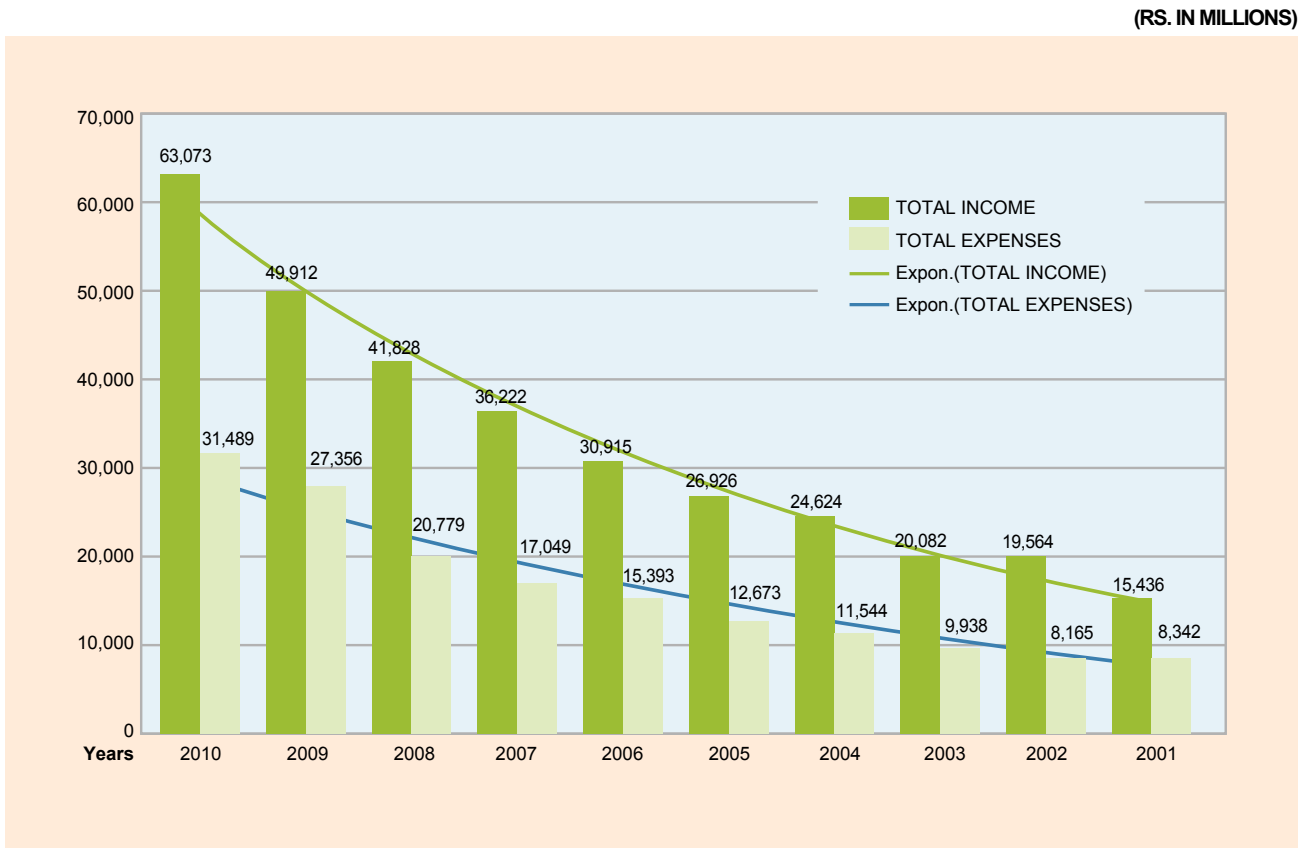


Total Premiums vs. Total Claims (2001-2010)





Total Income vs. Total Expenses (2001-2010)





Human resource

1. SLIC Human Resource Management (HRM) is the strategic and coherent approach to the management, its most valued assets. The people working there who individually and collectively contribute to the achievement of the objectives of the business. SLIC Personnel and General Services Division, Principal Office (i.e. Personnel Division, General Services Department, Medical Division and Staff Training Department) monitors and support activities of P&GS at all four Regions and 26 Zones, G&P at PO and G&P Zones across Pakistan.
2. The HR policies provide SLIC with a mechanism to manage risk by staying up to date with current trends in employment standards and legislation. SLIC HR policies are framed in a manner to achieve the Corporation vision and the human resource helping the Corporation or work towards it at all levels to be benefitted and at the same time without deviating from their main objective both Development side and Non Development side of Corporation.
3. SLIC Human Resource Policies are established systems of codified decisions to support administrative personnel functions, performance management, employee relations and resource planning. State Life Employees (Service) Regulation 1973 embeds all the HR Policies and Procedures related to its employees which encompass the following areas:

Health, Safety and Security, Selection and Placement, Wage, Salary and Benefits, Leaves and Attendance, Loans and Advances, Move Over/up-gradation, Promotion, Special Pay and Allowances, Fixation of Pay, General Conduct and Discipline and Travelling Expenses.
4. SLIC Human Resources policies also cover Post Retirement Benefits of its Employees (i.e. Pension, Gratuity, Provident Funds, Compulsory Group Insurance, Voluntary Group Insurance and Medical Facilities for Officers).
5. The established policies helps the SLIC to demonstrate, both internally and externally, that it meets requirements for diversity, ethics and training as well as its commitments in relation to Collective Bargaining Agents of Unionized Staff, regulation and corporate governance. The established HR Policies set out obligations, standards of behavior and document disciplinary procedures, which is the standard approach to meeting these obligations. SLIC HR Policies are also very effective at supporting and building the desired organizational culture.

Policyholder satisfaction

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

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

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

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

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



Corporate Information

BOARD OF DIRECTORS

Mr. Shahid Aziz Siddiqi
Chairman

Mr. Shahid Rahim Shaikh
Director

Mrs. Spenta Kandawalla
Director

Mr. Aslam Faruque
Director

Mr. Amin Qasim Dada
Director

Mr. Rasheed Y.Chinoy
Director

Syed A. Wahab Mehdi
Director

Syed Hur Riahi Gardezi
Director

SECRETARY BOARD

Mr. Akbar Ali Hussain

AUDITORS Pakistan

M/s. Anjum Asim Shahid Rahman,
Chartered Accountants

M/s. Riaz Ahmad & Company,
Chartered Accountants

Gulf Countries

M/s. Sajjad Haider & Co.,
Chartered Accountants

APPOINTED ACTUARY

Mr. Shujaat Siddiqui
MA, FIA, FPSA,

EXECUTIVE COMMITTEE

Mr. Shahid Aziz Siddiqi
Chairman

Mr. Shahid Rahim Shaikh
Member

Mrs. Spenta Kandawalla
Member

Mr. Aslam Faruque
Member

Syed Hur Riahi Gardezi
Member

Mr. Akbar Ali Hussain
Secretary

BOARD AUDIT COMMITTEE

Syed Hur Riahi Gardezi
Chairman

Mrs. Spenta Kandawalla
Member

Mr. Aslam Faruque
Member

Mr. Rasheed Y.Chinoy
Member

Syed A. Wahab Mehdi
Member

Mr. Abdul Hafeez Shaikh
Secretary

SOCIAL RESPONSIBILITY COMMITTEE

Mr. Shahid Aziz Siddiqi
Chairman

Mrs. Spenta Kandawalla
Member

Mr. Aslam Faruque
Member

Mr. Amin Qasim Dada
Member

Mr. Akbar Ali Hussain
Secretary

HUMAN RESOURCE COMMITTEE

Mr. Shahid Aziz Siddiqi
Chairman

Mr. Shahid Rahim Shaikh
Member

Mr. Amin Qasim Dada
Member

Mr. Rasheed Y.Chinoy
Member

Syed Hur Riahi Gardezi
Member

Mr. Abdul Hafeez Shaikh
Member

Mr. Attaullah A.Rasheed
Secretary

REAL ESTATE AND INVESTMENT COMMITTEE

Mr. Shahid Aziz Siddiqi
Chairman

Mr. Amin Qasim Dada
Member

Mr. Rasheed Y.Chinoy
Member

Syed Hur Riahi Gardezi
Member

Mr. Muhammad Yahya
Member

Mr. Ansar Hussain
Member

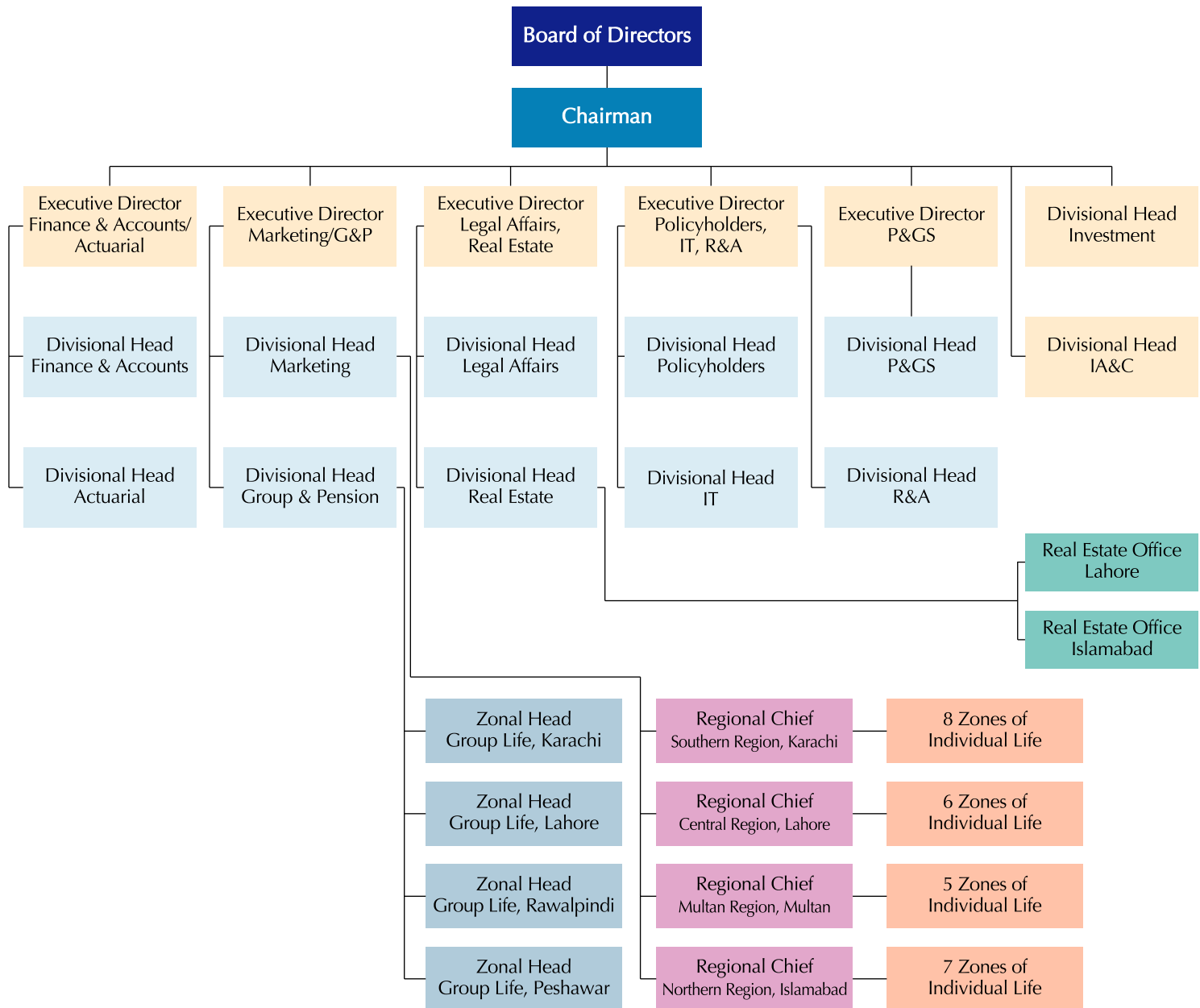
Lt.Col.(Rtd) Mohsin Ali Shah
Secretary

PRINCIPAL OFFICE

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Dr.Ziauddin Ahmed Road,
Karachi-75530
Telephones: 99202800-9
UAN 111-111-888 Fax: 99202820
E-mail: edpgs@statelife.com.pk
Website: www.statelife.com.pk



Organogram of the Corporation





Management

CHAIRMAN

Mr. Shahid Aziz Siddiqi

EXECUTIVE DIRECTORS

Syed Arshad Ali

Mr. Muhammad Yahya

Mr. Allah Rakha Aasi

Mr. Shoaib Mir Memon

Mr. Malik Asrar Hussain

DIVISIONAL HEADS

(Principal Office)

Mr. Ansar Hussain

Mr. Sohail Hashmi

Mr. Sher Ali Khan

Mr. Muhammad Izqar Khan

Dr. Muhammad Yousuf Khan

Mr. Abdul Hafeez Shaikh

Mr. Saleem Khaliq

Mr. Shahrukh Subzwari

Mr. Nadeem Bessey

Mr. M. Yahya Chamadia

Mr. S.H.Kazmi

Mr. Nabil Ghafoorzada

Mr. Nasim ul Haque

Mr. Shahid Aziz Khan

Mr. Faisal Mumtaz

Investment

Research & Analysis

Special Projects under Chairman Sectt.

Finance & Accounts

P&GS

Internal Audit & Compliance

I.T.

Actuarial

Group & Pension

Policyholders Services

Marketing

Real Estate (Project Maintenance)

Real Estate (Management)

Legal Affairs

Policyholders Services / Actuarial

CHIEF MEDICAL OFFICER

Dr. Mrs. Ghazala Nafees



INDIVIDUAL LIFE

Regional Chiefs

Mr. S.H. Raza	Southern Region - Karachi
Chaudhry Madad Ali Anjum	Central Region - Lahore
Mr. Maqsood A. Chaudhry	Northern Region - Islamabad
Mr. Tahir Ahmed Khan	Multan Region - Multan

Zonal Chief

Gulf Countries

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

ZONAL HEADS

Southern Region

Mr. Syed Muhammad Abbas Rizvi	Karachi Zone (Southern)
Mr. Gian Chand	Karachi Zone (Eastern)
Mr. Kazi Jawed	Karachi Zone (Central)
Mr. Dur Muhammad Baladi	Hyderabad Zone
Syed Saghir Abid Rizvi	Mirpurkhas Zone
Mr. Muhammad Iqbal Gill	Sukkur Zone
Mr. Ghulam Rasool Abro	Larkana Zone
Mr. Kanaya Lal Shaheen	Quetta Zone

Central Region

Mr. Mumtaz A. Chaudhry	Lahore Zone (Central)
Mr. Muhammad Dawood Nasir	Lahore Zone (Western)
Mr. Muhammad Ramzan Shahid	Faisalabad Zone
Mr. Tahir Mehmood Cheema	Sargodha Zone
Mr. Najam ul Hassan	Gujranwala Zone
Mr. Zulfiqar A. Gillani	Sialkot Zone

Northern Region

Mr. Azhar Hussain	Rawalpindi Zone
Chaudhry Muhammad Yousuf Farooqi	Mirpur (AK) Zone
Mr. Khalid Mansoor	Islamabad Zone
Chaudhry Muhammad Ejaz	Peshawar Zone
Mr. Mehmood H. Malik	Abbottabad Zone
Mr. Muhammad Saeed Khan	Swat Zone
Chaudhry Abdul Nasir	Gujrat Zone

Multan Region

Chaudhry Akhtar Hussain	Multan Zone
Chaudhry Muhammad Shafiq	Sahiwal Zone
Mr. Muhammad Anwar Shahid	Rahim Yar Khan Zone
Mr. Malik Mukhtar H. Awan	Dera Ghazi Khan Zone
Mr. Z.M Kamran Shamsi	Bahawalpur Zone

GROUP LIFE

Zonal Heads

Mr. Sultan Masood Naqi	Karachi Zone
Mr. Shoaib Khan	Lahore Zone
Mr. M.Abbas Kazmi	Rawalpindi Zone
Mr. Tahir Majeed	Peshawar Zone



Chairman's review

I feel pleasure in presenting the 38th Annual Report of State Life Insurance Corporation of Pakistan, together with the audited accounts for the year ended December 31, 2010 prepared in terms of Article 30 of the Life Insurance (Nationalization) Order, 1972, (President's Order No.10 of 1972).

Accounts for the year 2010 are prepared on the accounting formats in accordance with the accounting regulations issued by the Securities and Exchange Commission of Pakistan (SECP) vide SRO 938 dated December 12, 2002 under the Insurance Ordinance 2000.

1. OVERALL PERFORMANCE:

During the period under review, State Life Insurance Corporation performed exceptionally well in its core business operation despite overall economic recession. An overview of overall performance of State Life Insurance Corporation during the year 2010 as compared to 2009 is hereunder:

- 1.1 Total Income of the State Life Insurance Corporation increased to Rs.63,073 million as against Rs.49,914 million in the preceding year, registering an increase of 26%.
- 1.2 Management expenses for the year 2010 were Rs.14,417 million as compared to Rs.11,633 million in 2009 showing an increase of 24%. Overall expense ratio for the year 2010 was 40% as against 41% for the year 2009.
- 1.3 Payments to policyholders in the year 2010 were Rs.17,072 million as against Rs.15,724 million in 2009, showing an increase of 9%.
- 1.4 Total amount of statutory funds of the State Life Insurance Corporation in 2010 was Rs.230,421 million as against Rs.199,445 million in 2009, showing an increase of 16%.

2. BUSINESS PORTFOLIO WISE PERFORMANCE:

2.1 INDIVIDUAL LIFE BUSINESS - PAKISTAN'S OPERATIONS:

First year Gross premium income under Individual Life policies, during the year 2010 was Rs.9,378 million as compared to Rs.6,975 million in the year 2009, resulting in an increase of 34%. Gross Renewal premium was Rs.21,492 million in 2010 whereas Rs.16,936 million was in 2009, resulting in an increase of 27%.

2.2 INDIVIDUAL LIFE BUSINESS - OVERSEAS OPERATIONS:

First year Gross premium income under Individual Life policies, during the year 2010 was Rs.292 million as compared to Rs.250 million in the year 2009, being an increase of 17%. Gross Renewal premium in 2010 was Rs.910 million as compared to Rs.839 million in 2009, showing an increase of 8%.

2.3 GROUP LIFE BUSINESS:

Gross premium under Group Life policies during the year 2010 was Rs.3,769 million as compared to Rs.3,583 million in the year 2009, thus achieving a growth of 5%.



2.4 REAL ESTATE:

During the year 2010 net operating income from Real Estate portfolio was Rs.339 million as against Rs. 274 million in 2009, being an increase of 24%. This increase is mainly due to control over expenses.

2.5 INVESTMENT:

Net investment income including capital gains during the year 2010 was Rs. 27,095 million as compared to Rs. 21,271 million in 2009, showing an increase of 27%.

3. BUSINESS SUPPORTING ACTIVITIES:

3.1 Training and development of manpower / human resources always plays a pivotal role in the success of an organization. State Life Insurance Corporation, a dynamic and leading public sector Corporation, is maintaining the largest marketing network in Insurance Industry and is continuously improving marketing skills of its manpower by arranging seminars and imparting various trainings. Region wise details of the courses conducted in year 2010 by FMD department is as under :-

Region	Foundation Course		M.O.S.C Course		M.M.S Course		Total	
	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants
South	101	2,273	28	552	2	57	131	2,882
Central	107	3,777	41	1,362	5	130	153	5,269
Multan	97	3,094	28	951	1	21	126	4,066
North	110	3,417	21	460	2	16	133	3,893
Total	415	12,561	118	3,325	10	224	543	16,110

The above table clearly indicates that State Life Insurance Corporation of Pakistan is committed to improve the skills of its manpower / human resources to ensure their success in the field of Life insurance and to make them productive and proud members of the society.

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

3.3 Advertising plays a very significant role in business development especially in large commercial organizations like State Life. In a situation where a large cross section of population is still without life insurance or unaware of the benefits of life insurance, the need of aggressive advertising cannot be understated. The management of State Life, fully aware of advertising needs of the Corporation has provided adequate funds and support to Corporate Communications Department (CCD) to implement



its multimedia advertising programme in consultation with the Marketing Division in the year under review. In 2010, CCD organized Chairman's interviews on different prominent T.V channels with an intention to highlight the robust business performance and growth. In line to this, State Life's sponsored series "Kamyab" were aggressively telecasted on CNBC channel. The success stories of distinguished personalities along with State Life's different commercial messages were also telecasted.

Furthermore, different multi media campaigns had been extensively aired on various terrestrial and satellite TV channels. Apart from the press campaigns on Corporate Image Building, Bonus Announcement to Policyholders, Business Achievements, Recognition to Marketing Force etc., has also been launched on national and regional newspapers. Radio being the most popular medium of publicity especially in the rural and sub urban areas has also been fully utilized. Specially produced Radio Programmes in Urdu and regional languages have been broadcasted from Radio Pakistan and popular FM channels. In 2010, as corporate social responsibility, State Life also sponsored some major sports and philanthropic events for corporate image building.

- 3.4 In the year -2010 new jobs have been provided by recruiting 44,210 New Sales Representatives. The Field Force count of 113,878 (Sales Rep/Sales Officers and Sales Manager) is serving the countrymen to provide protection with savings.

Keeping in view SLIC's mission to provide the Insurance coverage to countrymen, more attention is given for enrichment and professional growth opportunities of Marketing and Field Force by modifying training courses as required. The year 2010 may also be considered as a year of Computerization, as agency department and its allied facilities were planned to be computerized which will not only facilitate the Marketing Executives and field force but will also give maximum on-line support to Policy Holders. It will further, enhance the trust of policy holders. Our vision is not limited to this aspect only but to provide even better services to all.

4. INSURER FINANCIAL STRENGTH RATING:

- 4.1 In 2009, a strategic decision was taken to obtain Insurer Financial Strength (IFS) rating for State Life. This task was assigned to the Pakistan Credit Rating Agency (PACRA). It is a matter of satisfaction for State Life that it has been assigned Insurer Financial Strength (IFS) rating of "AAA". The rating denotes State Life's exceptionally strong capacity to meet policyholder and contract obligations. The rating reflects State Life's leading position in life insurance business in Pakistan, its extensive distributions network, good management quality, comprehensive information system and growing business volumes. The rating also represents State Life's robust financial profile emanating from its sound investment portfolio and prudent system of risk management. State Life retains this rating in 2010.
- 4.2 A rating of "AAA" is the highest possible for an insurer to achieve and State Life stands alone in the life insurance industry at "AAA" rating.

5. THE FUTURE:

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



- 5.2 Takaful insurance is another line of business which offers bright prospects in the future. The Takaful rules were finalized by the Government in 2005. Presently, existing insurers are not permitted to carry on Takaful business. If and when the rules are amended, State Life would actively consider commencing Takaful operations.
- 5.3 Bancassurance is an alternate distribution channel to sell life insurance products through banks. This line of insurance business ensures wide coverage at lesser cost. State Life is already doing some bancassurance business on a corporate group basis while the marketing of individual life policies through bancassurance is in its final planning stage. In this connection a Bancassurance cell under a qualified and experienced General Manager has already been operating in the Marketing Division. When this business takes off successfully, it is expected that it would bring an all round improvement in the financial performance of State Life besides providing a new avenue for business growth.
- 5.4 As part of implementation of IT Strategy of State Life, an integrated software solution pertaining to Core Insurance Business Applications and ERP (Enterprise Resource Planning) has been acquired. Existing hardware and communication infrastructure is also being replaced with the latest. Upon its implementation; it would be possible to provide centralized on-line processing facilities for Policy holders Services, Marketing and other business functions of the Corporation. It will help management to eliminate unnecessary paper work, thus reducing the time span required for providing such services. It is envisaged that it would result in effective management information system, better customer service and healthy business growth.
- 5.5 State Life has entered into an agreement with the Government of Pakistan to provide Life and Health Insurance facilities to families covered under the Benazir Income Support Programme (BISP). In the first phase, State Life has been providing the life insurance coverage to Heads of the families of BISP recipient at a premium mutually agreed between the two parties. Under the second phase, Health insurance coverage is to be provided. For this purpose, a separate "Health and Accidental Insurance Statutory Fund" has already been established with the approval of the Ministry of Finance, Government of Pakistan and SECP.

This is an entirely new dimension for State Life, and we intend to expand our Health Insurance Operations beyond the scope of BISP. State Life is currently in the process of establishing necessary infrastructure for Health Insurance and devising competitive insurance packages that would ultimately provide diversification to benchmark services that define State Life Insurance Corporation as the largest insurance provider of the country.



6. ACTUARIAL VALUATION

As per 24th actuarial valuation as at 31st December 2010, the actuarial surplus arising during the inter-valuation period was Rs. 19,974.00 million. The details of bonuses declared are stated as an appendix.

7. AUDITORS

The accounts for the year ended 31st December, 2010 were jointly audited by a panel of auditors comprising of (i) M/s. Riaz Ahmad & Company, Chartered Accountants, Karachi and (ii) M/s. Anjum Asim Shahid Rahman, Chartered Accountants, Karachi. The accounts of Gulf Countries were audited by M/s. Sajjad Haider & Co., Chartered Accountants, Dubai, and UAE.

8. NOTE OF APPRECIATION

I am pleased to place on record deep appreciation on behalf of the Board of Directors and myself for the efforts made by all the tiers of the field force and devotion to duty of the staff and officers for the overall performance of the Corporation in such economic scenario.

Karachi,
Date: 30 MAY 2011

(Shahid Aziz Siddiqi)
Chairman



Actuarial Valuation

Appendix

as at December 31, 2010

The bonus rates declared are as under:

A. PAKISTAN RUPEE POLICIES

I. Whole Life and Endowment Assurance

Subject to the Notes, for with profit Whole Life and Endowment policies in force for the full sum assured as at 31st December 2010:

- a. Reversionary bonuses per thousand sum assured per annum (2009 figures are given for comparison).

	2009			2010		
	For first five policy years Rs.	From 6th policy year to 16th policy year Rs.	From 17th policy year onwards Rs.	For first five policy years Rs.	From 6th policy year to 16th Policy year Rs.	From 17th policy year onwards Rs.
Whole Life	60	110	150	60	110	150
Endowments						
Term:						
20 years and over	50	94	130	50	94	130
15 to 19 years inclusive	35	81	81	35	81	81
14 years and less	20	66	–	20	66	–

- b. Interim Bonus will be allowed till the next Actuarial Valuation at the rates mentioned in I(a) above, subject to "C" below.
- c. Terminal Bonus will be paid on claims by death or maturity in 2011, where more than 10 years' premiums have been paid. The rate will be Rs. 50 per thousand sum assured for each year's premium paid in excess of 10 years subject to a maximum of Rs. 1000 (same as 2009 valuation) per thousand sum assured.
- d. Special Terminal Bonus will be paid on claims by maturity in 2011, where a Family Income Benefit (FIB) is enforce at maturity as a supplementary contract, or as a built-in benefit, and has been in force for more than 10 years. The rate will be Rs. 10 per thousand basic sum assured under the policy for each year in excess of 10 years that the FIB has been in force, subject to a maximum of Rs. 200 per thousand basic sum assured (same as 2009 valuation).
- e. Loyalty Terminal Bonus will be paid on claims by death or maturity in 2011 to policies with risk year 1991 or earlier (same as 2009 valuation). The rate will be Rs.200 per thousand sum assured.

Notes:

- Jeevan Sathi and Shadabad policies will be treated as Endowment policies.
- Big Deal policies will receive bonuses on 25% of the sum assured only.
- For Whole Life by limited payments, bonuses will be allowed at the same rate as for Whole Life. The bonuses are admissible even after the completion of premium paying period for each year the policy has been in force for full sum assured.

II. Anticipated Endowment Assurance

For with profits Anticipated Endowments/Three stage/Three payment policies (excluding Sada Bahar Plan) in force for the full sum assured as at 31st December 2010:

- a. Reversionary bonuses per thousand sum assured per annum would be as per following schedule (2009 figures are given for comparison).



Term:	2009			2010		
	For first five policy years Rs.	From 6th policy year to 16th policy year Rs.	From 17th policy year onwards Rs.	For first five policy years Rs.	From 6th policy year to 16th Policy year Rs.	From 17th policy year onwards Rs.
20 years and over	35	69	100	35	69	100
15 to 19 years inclusive	25	59	59	25	59	59
14 years and less	19	53	–	19	53	–

- b. **Interim Bonus** will be allowed till the next Actuarial Valuation at the rates mentioned in II (a) above, subject to “C” below.
- c. **Terminal Bonus** will not be paid on these policies.
- d. **Special Terminal Bonus**, as mentioned in I(d) above, will be paid on cases having Family Income Benefit supplementary contract. The Special Terminal Bonus will be calculated on the basic sum assured under the policy, and not on the residual survival benefit.
- e. **Loyalty Terminal Bonus**, as mentioned in I(e) above, will be paid on claims by death or maturity in 2011 to policies with risk year 1991 or earlier. The Loyalty Terminal Bonus will be calculated on the basic sum assured under the policy, and not on the residual survival benefit.
- f. If the policyholder lets a Survival Benefit remain with State Life, a **Special Reversionary Bonus** will be added six months after the due date of the Survival Benefit. For Survival Benefits falling due in 2011, which the policyholder opts to leave, Special Reversionary Bonuses will be allowed as follows (same as 2009 valuation).

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

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

III. Sada-Bahar Plan

Sada-Bahar plan was launched during 2006. For policies in force for the full sum assured as at 31st December 2010:

- a. Reversionary bonuses per thousand sum assured per annum would be as per following schedule (2009 figures are given for comparison):

Term:	2009	2010
	For first five policy years Rs.	For first five policy years Rs.
20 years and over	44	44
15 to 19 years inclusive	31	31
14 years and less	24	24



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

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

- a. Bonuses under these policies are credited to the policy after the policy has acquired an Adjusted Opening Cash Value. The bonus is credited on the Adjusted Opening Cash Value and not on minimum guaranteed surrender value. Bonuses will be credited at the end of the policy year. These bonuses are payable when the Cash Value under the policy is payable.
- b. The rate of bonus is Rs.105 per thousand per annum of the Adjusted Opening Cash Value. This bonus rate will be allowed till the next valuation.
- c. Reversionary, Terminal or any other bonuses declared as a result of this valuation will not be payable under these policies. However, bonus mentioned under "VII" below, if applicable, will be allowed.

V. Personal Pension Scheme (Table 71)

- a. Bonuses under Personal Pension Scheme where "Pension is being paid" will be allowed on Pension Payments. Pension payments will be increased by bonus from the policy anniversary falling in the year 2011. This increase will also be available on pension payments commencing in 2011.
- b. The rate of bonus is Rs. 80 per thousand per annum of the pension payments.
- c. Reversionary, Terminal or any other bonuses declared as a result of this valuation, will not be payable under these policies.

VI. Specified Major Surgical Benefit

- a. Specified Major Surgical Benefit was announced for the first time in 1992 Actuarial valuation. This benefit has been retained in 2010 valuation. This benefit is available to all with-profit policies, which have been in full force as at 31st December 2010 and have been continuously in force for at least five complete policy years at the date of surgery. The maximum benefit for such policies is Rs. 250,000. However, if the with-profit policies have been in full force as at 31st December 2010 and have been continuously in force for at least ten complete policy years at the date of surgery then the maximum benefit for these policies will be Rs 500,000.
- b. Under such policies, if the life assured undergoes specified major surgery during the inter-valuation period i.e. from 1st January 2011 to 31st December 2011 on account of a specified dread disease, the Corporation would pay 50% of the basic sum assured (in case of Anticipated Endowment plans, 50% of the remaining sum assured after deducting any due survival benefit(s)), subject to above given maximum amounts. The amount payable will be adjusted against future survival benefit payments, maturity or death claims.
- c. If the insured is covered under more than one policy, the maximum amount paid on all the policies together will depend on the number of years the policies have been continuously in full force. For policies that have been continuously in full force for at least five years but less than 10 years, the maximum benefit paid under all such policies together will be limited to Rs 250,000. For policies that are continuously in full force for at least ten years, the maximum benefit payable under each policy is limited to Rs 500,000 or 50% of the sum assured, whichever is less.
- d. The specified surgeries and all other related conditions are the same as those announced in 2009 bonus declaration.

VII. Family Income Benefits Where Life Assured Has Died

Family Income Benefit to heirs or nominees of deceased life assureds will be increased by 7.5% from policy anniversaries in the year 2012 under with profit policies.

Note: The percentage increase will be allowed on the actual benefit paid on policy anniversaries (including any prior increases) in the year 2011.



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

- Terminal Bonus on Whole Life and Endowment type paid-up policies will be paid on claims by death or maturity in 2011, where the policy has been on the books for more than 10 years. The rate will be Rs. 50 per thousand paid-up sum assured for each year in excess of 10 years subject to a maximum of Rs. 1000 per thousand paid-up sum assured. Jeevan Sathi and Shadabad policies will be treated as Endowment policies.
- The above terminal bonus will also be paid to Anticipated Endowment paid-up policies on claims by death only. No terminal bonus will be paid to anticipated endowment policies on claims by maturity in 2011.
- Loyalty Terminal Bonus on Whole Life and Endowment type paid up policies will be paid on claims by death or maturity in 2011 to policies with risk year 1991 or earlier. The rate will be Rs.200 per thousand paid-up sum assured. Jeevan Sathi and Shadabad policies will be treated as Endowment policies.
- The above Loyalty Terminal bonus will also be paid to Anticipated Endowment paid-up policies on claims by death or maturity in 2011 to policies with risk year 1991 or earlier.

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

IX. East West Mutual etc.

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

B. POLICIES EXPRESSED IN UAE DIRHAM AND US DOLLAR

- Policies expressed in UAE Dirham:

Reversionary bonuses per thousand sum insured per annum (2009 figures are given for comparison).

	2009		2010	
	For first five policy years Dh	From sixth policy year onwards Dh	For first five policy years Dh	From sixth policy year onwardd Dh
Whole Life	21	39	21	39
Endowments				
Term:				
20 years and over	17	33	17	33
15 to 19 years inclusive	10	24	10	24
14 years and less	5	17	5	17
Anticipated Endowments				
Term:				
20 years and over	8	26	8	26
15 to 19 years inclusive	5	18	5	18
14 years and less	3	14	3	14



b. Policies expressed in US Dollar:

Reversionary bonuses per thousand sum insured per annum (2009 figures are given for comparison).

	2009		2010	
	For first five policy years \$	From sixth policy year onwards \$	For first five policy years \$	From sixth policy year onwardd \$
Whole Life Endowments	23	42	23	42
Term:				
20 years and over	17	33	17	33
15 to 19 years inclusive	10	23	10	23
14 years and less	5	16	5	16
Anticipated Endowments				
Term:				
20 years and over	8	24	8	24
15 to 19 years inclusive	5	17	5	17
14 years and less	3	13	3	13

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

d. Family Income Benefit to heirs or nominees of deceased lives assured will be increased by 4% from policy anniversaries in the year 2012 under with profit policies.

Note: The percentage increase will be allowed on the actual benefit paid on policy anniversaries (including any prior increases) in the year 2011.

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

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

- i) The policyholder has actually paid at least three full years' premiums
- ii) The policy has completed at least three policy years.

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

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

CAUTION:

Terminal, Special Terminal, Loyalty Terminal bonuses and the Specified Major Surgical Benefits are especially sensitive to the future surplus of State Life. Hence, no indication can or should be given of Terminal, Special Terminal, Loyalty Terminal bonuses and Specified Major Surgical Benefit, if any, which may be allowed after the year 2011.



Operating and Financial Data

Rs. in Millions

Financial Position

Balance Sheet

	2010	2009	2008	2007	2006	2005
ASSETS						
Cash and Banks	25,522	14,944	18,176	11,719	14,332	14,227
Loans secured against life insurance policies	19,057	16,046	13,268	11,114	8,972	7,503
Loans to employee and field force	406	356	334	332	324	292
Investment properties	2,734	2,538	2,437	2,331	2,338	2,309
Investment in securities	192,539	174,735	151,424	137,342	118,025	101,861
Current assets and others	11,001	8,907	7,353	6,914	5,397	5,761
Fixed assets	219	158	124	69	61	64
Total assets	251,478	217,685	193,118	169,821	149,449	132,017
EQUITY AND LIABILITIES						
Issued, subscribed and paid up capital	1,100	1,100	1,100	900	900	900
Reserve and surplus	407	319	96	231	283	134
Policy holders liability	230,422	199,445	177,459	156,737	137,960	122,775
Employees retirement benefit	1,424	1,269	1,118	1,029	1,035	92
Creditors and accruals	18,126	15,552	13,345	10,925	9,271	8,116
Total equity and liability	251,478	217,685	193,118	169,821	149,449	132,017
OPERATING AND FINANCIAL TRENDS						
Profit and Loss						
Net Investment Income	112	107	94	84	80	73
Surplus appropriated	499	390	352	257	229	176
Profit before Tax	611	496	446	340	309	249
Taxation	204	178	150	110	26	114
Profit After Tax	407	319	296	231	283	134
Revenue Account						
Premium net of Reinsurance	35,639	28,367	22,695	18,717	15,992	13,820
Net Investment Income	27,323	21,438	19,039	17,420	14,842	13,031
Total Inflow	62,961	49,805	41,734	36,137	30,834	26,851
Total Outflow	31,486	27,354	20,777	17,048	15,392	12,671
Increase Policyholders liability	30,994	22,319	19,303	18,697	14,712	13,951
Surplus before Tax	482	132	1,654	392	730	228
Taxation	-	(75)	117	(55)	29	36
Surplus after Tax	482	57	1,771	338	701	192
Surplus transfer to P&L	499	390	352	257	229	176
Cash Flows						
Operating activities	4,470	366	2,690	391	2,120	850
Investing activities	6,780	(3,582)	3,174	(3,186)	(1,913)	3,555
Financing activities	(319)	(96)	200	-	-	-
Cash and cash equivalents at the end of the year	24,525	13,594	16,906	10,842	13,636	13,430



Financial Ratios

		2010	2009	2008	2007	2006	2005
Profitability							
Profit before tax / Gross Premium		1.70%	1.74%	1.95%	1.81%	1.92%	1.79%
Profit before tax / Net Premium		1.71%	1.75%	1.97%	1.82%	1.93%	1.80%
Profit after tax / Gross Premium		1.14%	1.12%	1.30%	1.22%	1.76%	0.97%
Profit after tax / Net Premium		1.14%	1.12%	1.31%	1.23%	1.77%	0.97%
Net Claims / Net Premium (IL)		41.90%	48.13%	49.18%	50.18%	49.96%	48.59%
Net Claims / Net Premium (GL)		99.63%	107.05%	94.81%	99.68%	82.00%	85.12%
Net Commission / Net Premium (IL)		28.65%	27.32%	25.73%	23.63%	24.59%	23.90%
Net Commission / Net Premium (GL)		0.13%	0.09%	0.08%	0.11%	0.12%	0.13%
Area Managers Costs / Net Premium (IL)		3.53%	3.36%	3.55%	3.06%	3.47%	3.55%
Acquisition Cost / Net Premium (IL)		33.78%	32.32%	30.84%	28.23%	29.47%	29.07%
Administrative Expenses / Net Premium		9.97%	12.56%	9.15%	9.51%	16.21%	11.88%
Return to Shareholders							
Return on Equity		27.81%	24.38%	25.46%	19.93%	25.50%	13.13%
Earnings per Share (Pre Tax)	Rs	55.53	45.12	40.56	37.83	34.30	27.64
Earnings per Share (After Tax)	Rs	36.99	28.98	26.93	25.61	31.41	14.93
Return on Assets		0.17%	0.16%	0.16%	0.14%	0.20%	0.11%
Paid up Capital / Total Assets		0.44%	0.51%	0.57%	0.53%	0.60%	0.68%
Market Value							
Face Value per Share	Rs	100	100	100	100	100	100
Break-up value per Share	Rs	136.99	128.98	126.93	125.61	131.41	114.93
Cash Dividend per Share	Rs	36.99	28.98	26.93	25.61	31.41	14.93
Dividend Yield		36.99%	28.98%	26.93%	25.61%	31.41%	14.93%
Dividend Payout		100%	100%	100%	100%	100%	100%



Vertical Analysis

Balance Sheet

	2010		2009		2008		2007		2006		2005	
	Rs in Millions	%	Rs in Millions	%	Rs in Millions	%	Rs in Millions	%	Rs in Millions	%	Rs in Millions	%
ASSETS												
Cash and Banks	25,522	10.15%	14,944	6.87%	18,176	9.41%	11,719	6.90%	14,332	9.59%	14,227	10.78%
Loans secured against life insurance policies	19,057	7.58%	16,046	7.37%	13,268	6.87%	11,114	6.54%	8,972	6.00%	7,503	5.68%
Loans to employee and field force	406	0.16%	356	0.16%	334	0.17%	332	0.20%	324	0.22%	292	0.22%
Investment properties	2,734	1.09%	2,538	1.17%	2,437	1.26%	2,331	1.37%	2,338	1.56%	2,309	1.75%
Investment in securities	192,539	76.56%	174,735	80.27%	151,424	78.41%	137,342	80.87%	118,025	78.97%	101,861	77.16%
Current assets and others	11,001	4.37%	8,907	4.09%	7,353	3.81%	6,914	4.07%	5,397	3.61%	5,761	4.36%
Fixed assets	219	0.09%	158	0.07%	124	0.06%	69	0.04%	61	0.04%	64	0.05%
Total assets	251,478	100%	217,685	100%	193,118	100%	169,821	100%	149,449	100%	132,017	100%
EQUITY AND LIABILITIES												
Issued, subscribed and paid up capital	1,100	0.44%	1,100	0.51%	1,100	0.57%	900	0.53%	900	0.60%	900	0.68%
Reserve and surplus	407	0.16%	319	0.15%	96	0.05%	231	0.14%	283	0.19%	134	0.10%
Policy holders liability	230,422	91.63%	199,445	91.62%	177,459	91.89%	156,737	92.30%	137,960	92.31%	122,775	93.00%
Employees retirement benefit	1,424	0.57%	1,269	0.58%	1,118	0.58%	1,029	0.61%	1,035	0.69%	92	0.07%
Creditors and accruals	18,126	7.21%	15,552	7.14%	13,345	6.91%	10,925	6.43%	9,271	6.20%	8,116	6.15%
Total equity and liability	251,478	100%	217,685	100%	193,118	100%	169,821	100%	149,449	100%	132,017	100%
OPERATING AND FINANCIAL TRENDS												
Profit and Loss												
Net Investment Income	112	18%	107	22%	94	21%	84	25%	80	26%	73	29%
Surplus appropriated	499	82%	390	78%	352	79%	257	75%	229	74%	176	71%
Profit before Tax	611	100%	496	100%	446	100%	340	100%	309	100%	249	100%
Taxation	204	33%	178	36%	150	34%	110	32%	26	8%	114	46%
Profit After Tax	407	67%	319	64%	296	66%	231	68%	283	92%	134	54%
Revenue Account												
Premium net of Reinsurance	35,639	57%	28,367	57%	22,695	54%	18,717	52%	15,992	52%	13,820	51%
Net Investment Income	27,323	43%	21,438	43%	19,039	46%	17,420	48%	14,842	48%	13,031	49%
Total Inflow	62,961	100%	49,805	100%	41,734	100%	36,137	100%	30,834	100%	26,851	100%
Total Outflow	31,486	50%	27,354	54.92%	20,777	49.78%	17,048	47.18%	15,392	49.92%	12,671	47.19%
Increase Policyholders liability	30,994	49%	22,319	44.81%	19,303	46.25%	18,697	51.74%	14,712	47.71%	13,951	51.96%
Taxation	-	-	75	0.15%	117	0.28%	55	0.15%	29	0.09%	36	0.14%
Surplus after Tax	482	1%	57	0.09%	1,771	4.24%	337	0.93%	701	2.27%	192	0.72%



Horizontal Analysis

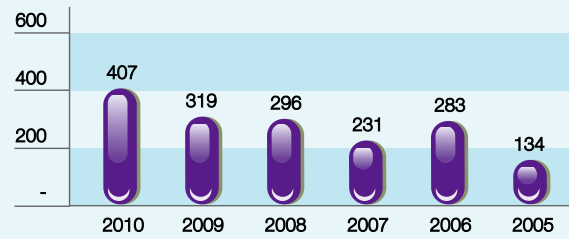
Balance Sheet

	Rupees in Millions						% increase / decrease over preceding year					
	2010	2009	2008	2007	2006	2005	2010	2009	2008	2007	2006	2005
ASSETS												
Cash and Banks	25,522	14,944	18,176	11,719	14,332	14,227	71%	-18%	55%	-18%	0%	47%
Loans secured against life insurance policies	19,057	16,046	13,268	11,114	8,972	7,503	19%	21%	19%	24%	20%	21%
Loans to employee and field force	406	356	334	332	324	292	14%	7%	1%	2%	11%	8%
Investment properties	2,734	2,538	2,437	2,331	2,338	2,309	8%	4%	5%	0%	1%	-2%
Investment in securities	192,539	174,735	151,424	137,342	118,025	101,861	10%	15%	10%	16%	16%	9%
Current assets and others	11,001	8,907	7,353	6,914	5,397	5,761	24%	21%	6%	28%	-6%	19%
Fixed assets	219	158	124	69	61	64	39%	27%	79%	14%	-4%	-30%
Total assets	251,478	217,685	193,118	169,821	149,449	132,017						
EQUITY AND LIABILITIES												
Issued, subscribed and paid up capital	1,100	1,100	1,100	900	900	900	0%	0%	22%	0%	0%	0%
Reserve and surplus	407	319	96	231	283	134	28%	231%	-58%	-18%	110%	19%
Policy holders liability	230,422	199,445	177,459	156,737	137,960	122,775	16%	12%	13%	14%	12%	13%
Employees retirement benefit	1,424	1,269	1,118	1,029	1,035	92	12%	14%	9%	-1%	1029%	1%
Creditors and accruals	18,126	15,552	13,345	10,925	9,271	8,116	17%	17%	22%	18%	14%	22%
Total equity and liability	251,478	217,685	193,118	169,821	149,449	132,017						
OPERATING AND FINANCIAL TRENDS												
Profit and Loss												
Net Investment Income	112	107	94	84	80	73	4%	14%	12%	4%	10%	17%
Surplus appropriated	499	390	352	257	229	176	28%	11%	37%	12%	30%	18%
Profit before Tax	611	496	446	340	309	249	23%	11%	31%	10%	24%	18%
Taxation	204	178	150	110	26	114	15%	18%	36%	322%	-77%	17%
Profit After Tax	407	319	296	231	283	134	28%	8%	28%	-18%	110%	19%
Revenue Account												
Premium net of Reinsurance	35,639	28,367	22,695	18,717	15,992	13,820	26%	25%	21%	17%	16%	25%
Net Investment Income	27,323	21,438	19,039	17,420	14,842	13,031	27%	13%	9%	17%	14%	-4%
Total Inflow	62,961	49,805	41,734	36,137	30,834	26,851	26%	19%	15%	17%	15%	9%
Total Outflow	31,486	27,354	20,777	17,048	15,392	12,671	15%	32%	22%	11%	21%	10%
Increase Policyholders liability	30,994	22,319	19,303	18,697	14,712	13,951	39%	16%	3%	27%	5%	8%
Taxation	-	75	117	55	29	36	-100%	-36%	113%	90%	-20%	92%
Surplus after Tax	482	57	1,771	338	701	192	749%	-97%	426%	-52%	265%	201%

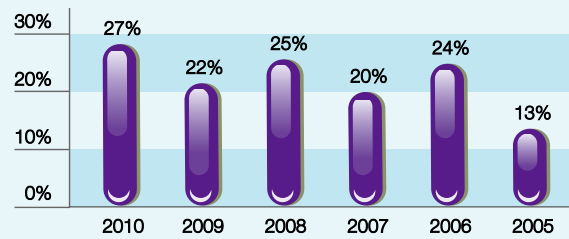


(Rs. in Millions)

PROFIT AFTER TAXATION

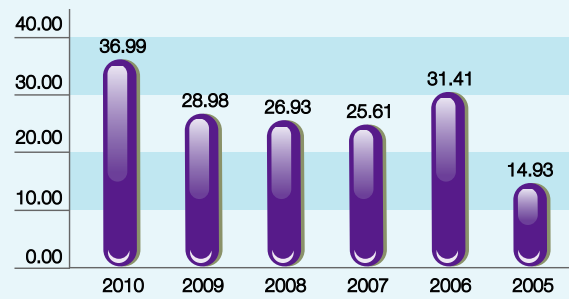


RETURN ON EQUITY



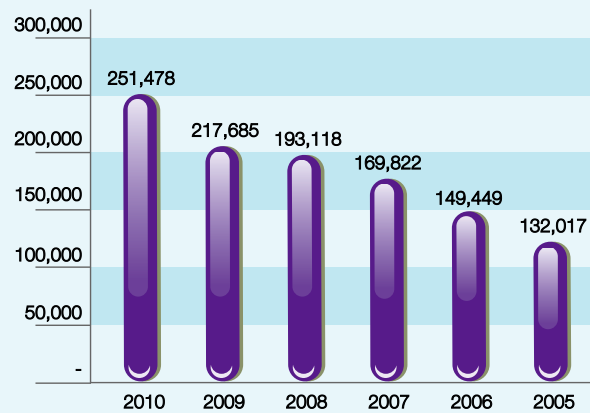
(Rupees)

EARNING PER SHARE



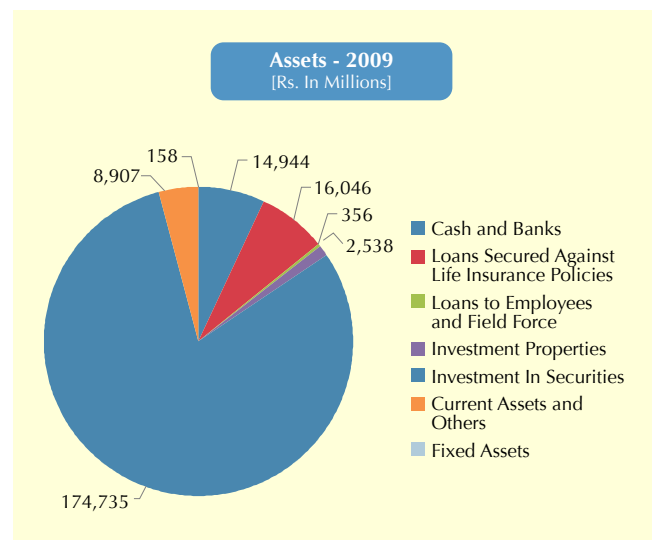
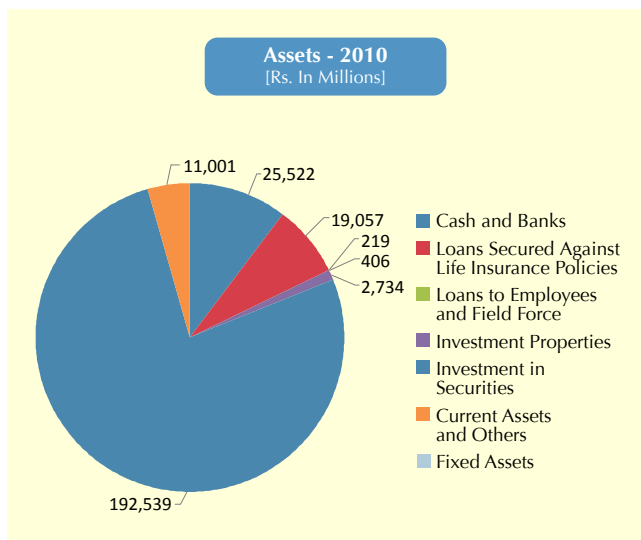
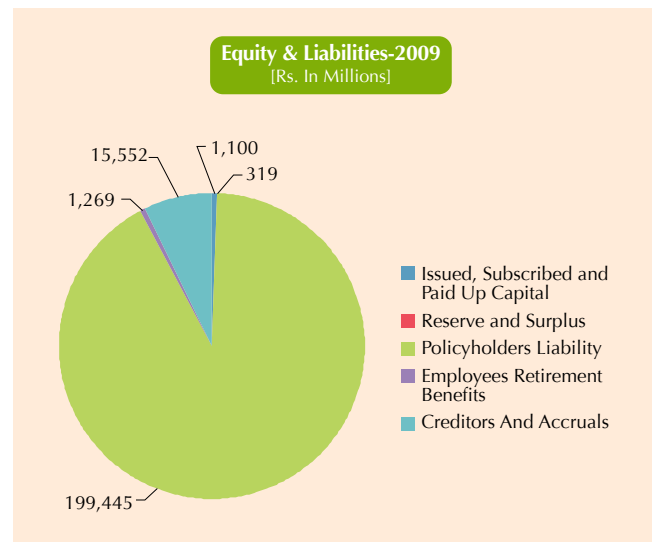
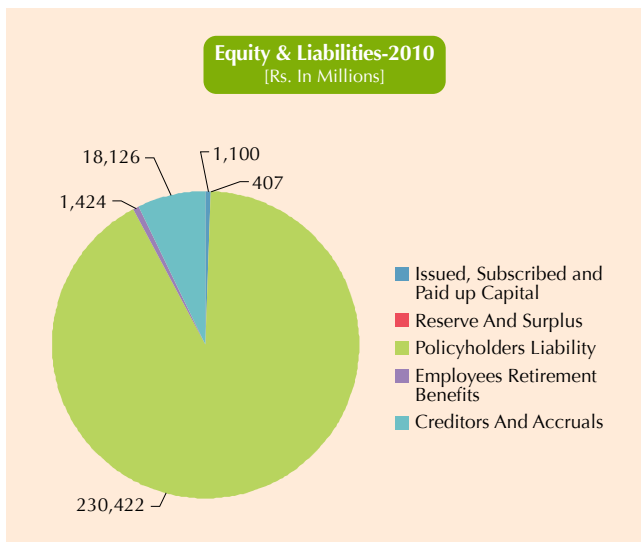
(Rs. in Millions)

ASSETS





Balance Sheet Composition





Financial Statements



Auditors' Report

to the Member of State Life Insurance Corporation of Pakistan

We have audited the annexed financial statements comprising of:

- i) balance sheet;
- ii) profit and loss account;
- iii) statement of changes in equity;
- iv) cash flow statement;
- v) revenue account;
- vi) statement of premiums;
- vii) statement of claims;
- viii) statement of expenses; and
- ix) statement of investment income

of the State Life Insurance Corporation of Pakistan (the Corporation) as at December 31, 2010 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Corporation's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit. These statements constitute consolidation of all the accounting statements on the Corporation basis and Statements of International Business Operations in United Arab Emirates (other currencies) audited by Sajjad Haider & Co., Chartered Accountants.

Except as discussed in paragraph (1) below, we conducted our audit in accordance with the auditing standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion and, after due verification we report that:

1. The Corporation signed a 'Fund Management Agreement' with Bureau of Emigration and Overseas Employment ("the Bureau") in the previous years to retain and invest the refundable premiums pertaining to various emigrants and to provide the Bureau with the agreed returns thereon. As at December 31, 2010 total outstanding amount held under the said agreement was Rs. 872.657 million (2009: Rs. 1,029.028 million) on which the Corporation provided the agreed return of Rs. 114.3 million (2009: Rs. 123.624 million) during the year. During the previous year, the Corporation obtained specific legal opinion as to its legal capacity to manage the aforesaid fund on behalf of the Bureau, according to which, such fund management is not authorized by the mandate of the Corporation under the Life Insurance (Nationalization) Order, 1972. The impact of this non-compliance on the amounts reported in the accompanying financial statements cannot presently be determined.
 - a) proper books of accounts have been kept by the Corporation as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;



- b) except for the effects of matter stated in paragraph (1) above, the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Corporation and are further in accordance with accounting policies consistently applied;
- c) except for the effects of adjustments, if any, as might have been determined to be necessary, had we been able to satisfy ourselves in respect of the matter stated in the preceding paragraph (1) above, the financial statements together with the notes thereon present fairly, in all material respects, the state of the Corporation's affairs as at December 31, 2010 in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- d) the apportionment of assets, liabilities, revenue and expenses between funds has been performed in accordance with the advice of the appointed actuary; and
- e) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Corporation and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

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

Anjum Asim Shahid Rahman
Chartered Accountants
Name of the engagement partner:
Shahzada Saleem Chughtai

Date: 30 MAY 2011
Karachi




Balance Sheet

as at December 31, 2010


(Rupees in '000)

	Note	Shareholder's Fund	Statutory Funds			Aggregate	
			Pakistan Life Fund	Overseas Life Fund	Pension Fund	2010	2009
Share capital and reserves							
Authorised share capital		1,500,000	-	-	-	1,500,000	1,500,000
Issued, subscribed and paid up share capital	5	1,100,000	-	-	-	1,100,000	1,100,000
Accumulated surplus		406,878	-	-	-	406,878	318,769
Net shareholders' equity		1,506,878	-	-	-	1,506,878	1,418,769
Balance of statutory funds - including policyholders' liabilities Rs. 228,033 million (2009: Rs. 197,039 million)							
		-	225,145,748	5,106,223	169,558	230,421,529	199,445,285
Deferred liabilities							
Staff retirement benefits	6	-	1,410,001	13,530	-	1,423,531	1,269,398
Creditors and accruals							
Outstanding claims	7	-	9,124,588	95,477	-	9,220,065	8,266,340
Premium received in advance		-	3,053,016	71,189	-	3,124,205	2,521,929
Amounts due to other insurers/reinsurers		-	98,800	29,245	-	128,045	125,777
Amount due to agents		-	2,265,922	64,395	-	2,330,317	1,650,279
Accrued expenses		-	1,365,340	28,610	48	1,393,998	993,657
Inter - fund balances		-	223,585	46,857	5	270,447	324,627
Others	8	-	1,643,564	15,461	9	1,659,034	1,669,322
		-	17,774,815	351,234	62	18,126,111	15,551,931
Total liabilities		-	244,330,564	5,470,987	169,620	249,971,171	216,266,614
Total equity and liabilities		1,506,878	244,330,564	5,470,987	169,620	251,478,049	217,685,383
Contingencies and commitments	9						

The annexed notes from 1 to 33 form an integral part of these financial statements.


Shahid Aziz Siddiqi
Chairman


Aslam Faruque
Director


Syed A. Wahab Mehdi
Director


Malik Asrar Hussain
Executive Director (Finance and Accounts)



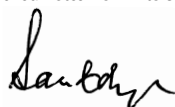
Balance Sheet

as at December 31, 2010

(Rupees in '000)

	Note	Shareholder's Fund	Statutory Funds			Aggregate	
			Pakistan Life Fund	Overseas Life Fund	Pension Fund	2010	2009
Cash and bank deposits	10						
Cash and others		-	77,010	-	7,842	84,852	54,038
Current and other accounts		-	3,706,972	368,976	6,337	4,082,285	2,555,206
Deposits maturing within 12 months		291,648	19,728,149	337,613	-	20,357,410	10,984,364
Fixed deposits maturing after 12 months		-	1,800	995,743	-	997,543	1,350,884
		291,648	23,513,931	1,702,332	14,179	25,522,090	14,944,492
Loans secured against life insurance policies	11	-	18,588,405	468,227	-	19,056,632	16,045,552
Loans secured against other assets							
To employees		230,841	13,724	-	-	244,565	216,350
To agents		7,820	5,928	-	-	13,748	14,397
Others		-	1,055	-	-	1,055	814
		238,661	20,707	-	-	259,368	231,561
Unsecured loans							
To employees		114,667	-	-	-	114,667	93,820
To agents		31,507	837	-	-	32,344	30,617
		146,174	837	-	-	147,011	124,437
Investment properties	12						
Cost		-	4,189,519	-	-	4,189,519	3,940,848
Less: Provision for impairment in value		-	(601)	-	-	(601)	(603)
Less: Accumulated depreciation		-	(1,455,039)	-	-	(1,455,039)	(1,401,862)
		-	2,733,879	-	-	2,733,879	2,538,383
Investments	13						
Government securities		599,298	161,295,384	2,099,500	143,817	164,137,999	145,686,912
Other fixed income securities		-	3,243,081	830,549	-	4,073,630	4,598,041
Listed equities and mutual fund		-	23,024,029	91,944	-	23,115,973	22,846,171
Unlisted equities and mutual fund		-	1,303,691	-	-	1,303,691	1,683,795
Holding in subsidiary companies		-	137,148	-	-	137,148	164,148
Less: Provision for diminution in value		-	(229,446)	-	-	(229,446)	(243,606)
		599,298	188,773,887	3,021,993	143,817	192,538,995	174,735,461
Current assets - others							
Premiums due but unpaid		-	5,213,031	171,429	8,222	5,392,682	4,334,054
Amounts due from other insurers/reinsurers		-	98,411	-	-	98,411	94,458
Agents balances		-	211	-	-	211	208
Investment income due but outstanding		-	109,141	48,065	-	157,206	140,639
Investment income accrued		-	3,006,690	38,714	3,402	3,048,806	2,051,914
Taxation - payments less provision		-	1,435,974	-	-	1,435,974	1,041,766
Prepayments		-	310,968	9,312	-	320,280	311,657
Inter - fund balances		231,097	39,350	-	-	270,447	324,627
Sundry receivables	14	-	249,082	1,190	-	250,272	589,227
Others		-	26,368	-	-	26,368	18,778
		231,097	10,489,226	268,710	11,624	11,000,657	8,907,328
Fixed assets - tangible	15						
Furniture, fixtures, office equipment, computers and vehicles		-	802,612	19,478	-	822,090	719,310
Less: Accumulated depreciation		-	(592,920)	(9,753)	-	(602,673)	(561,141)
		-	209,692	9,725	-	219,417	158,169
Total assets		1,506,878	244,330,564	5,470,987	169,620	251,478,049	217,685,383

The annexed notes from 1 to 33 form an integral part of these financial statements


Shahid Aziz Siddiqi
Chairman


Aslam Faruque
Director


Syed A. Wahab Mehdi
Director


Malik Asrar Hussain
Executive Director (Finance and Accounts)



Profit and Loss Account

for the year ended December 31, 2010

	Note	(Rupees in '000)	
		2010	2009
Investment income not attributable to statutory funds			
Return on Government securities		89,315	53,085
Interest income on loans and advances to employees/agents		17,707	16,079
Interest income on bank deposits		7,499	39,994
Net investment income		114,521	109,158
Expenses not attributable to statutory funds		(2,993)	(2,415)
Surplus appropriated to shareholder's fund		499,350	389,671
Profit before tax		610,878	496,414
Taxation	16	(204,000)	(177,645)
Profit after tax		406,878	318,769
Earnings per share - basic and diluted	17	36.99	28.98

The annexed notes from 1 to 33 form an integral part of these financial statements.

Shahid Aziz Siddiqi
Chairman

Aslam Faruque
Director

Syed A. Wahab Mehdi
Director

Malik Asrar Hussain
Executive Director (Finance and Accounts)



Statement of Changes in Equity

for the year ended December 31, 2010

	(Rupees in '000)		
	Issued, subscribed and paid up sharecapital	Accumulated surplus	Net shareholder's equity
Balance as at January 01, 2009	1,100,000	96,216	1,196,216
Dividend paid during the year @ Rs. 8.75 per share	-	(96,216)	(96,216)
Profit for the year ended December 31, 2009	-	318,769	318,769
Balance as at December 31, 2009	<u>1,100,000</u>	<u>318,769</u>	<u>1,418,769</u>
Dividend paid during the year @ Rs. 28.98 per share	-	(318,769)	(318,769)
Profit for the year ended December 31, 2010	-	406,878	406,878
Balance as at December 31, 2010	<u><u>1,100,000</u></u>	<u><u>406,878</u></u>	<u><u>1,506,878</u></u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

Shahid Aziz Siddiqi
Chairman

Aslam Faruque
Director

Syed A. Wahab Mehdi
Director

Malik Asrar Hussain
Executive Director (Finance and Accounts)




Statement of Cash Flows

for the year ended December 31, 2010


(Rupees in '000)

	Note	Shareholder's	Statutory Funds			Aggregate	
		Fund	Pakistan Life Fund	Overseas Life Fund	Pension Fund	2010	2009
OPERATING ACTIVITIES							
a) Underwriting activities							
Premiums received		-	33,246,278	1,144,919	27,110	34,418,307	26,994,408
Reinsurance premium paid		-	(172,488)	(27,350)	-	(199,838)	(161,675)
Claims paid		-	(14,567,496)	(213,435)	(23,584)	(14,804,515)	(11,435,564)
Surrenders paid		-	(3,382,448)	(178,513)	-	(3,560,961)	(2,831,981)
Reinsurance and other recoveries received		-	132,651	5,393	-	138,044	52,149
Commission paid		-	(9,826,414)	(285,599)	(42)	(10,112,055)	(7,554,222)
Net cash flows from underwriting activities		-	5,430,083	445,415	3,484	5,878,982	5,063,115
b) Other operating activities							
Income tax paid	16	(204,000)	(394,208)	-	-	(598,208)	(1,244,453)
General management expenses paid		(2,993)	(1,164,224)	(130,835)	(22)	(1,298,074)	(3,130,412)
Loans advanced		(238,698)	(2,005,992)	-	-	(2,244,690)	(532,641)
Loan repayments received		200,465	2,198,723	1,479	-	2,400,667	591,702
Other receipts/(payments) on operating assets		65,478	249,601	13,357	2,930	331,366	(381,669)
Net cash (used in)/from other operating activities		(179,748)	(1,116,100)	(115,999)	2,908	(1,408,939)	(4,697,473)
Total cash (used in)/flows from all operating activities		(179,748)	4,313,983	329,416	6,392	4,470,043	365,642
INVESTING ACTIVITIES							
Profit received		68,796	17,305,750	205,323	13,435	17,593,304	16,332,480
Dividends received		-	3,092,415	5,400	-	3,097,815	2,498,054
Rentals received		-	716,564	-	-	716,564	695,392
Payments for investments		(649,694)	(26,663,268)	(1,376,234)	(17,340)	(28,706,536)	(23,361,363)
Proceeds from disposal of investments		589,000	12,953,750	882,219	5,000	14,429,969	505,369
Fixed capital expenditures		-	(370,761)	(7,262)	-	(378,023)	(260,679)
Proceeds from disposal of fixed assets		-	26,572	-	-	26,572	8,912
Total cash flows from/(used in) investing activities		8,102	7,061,022	(290,554)	1,095	6,779,665	(3,581,835)
FINANCING ACTIVITIES							
Surplus appropriated to shareholder's fund		499,350	(491,838)	(7,512)	-	-	-
Dividend paid		(318,769)	-	-	-	(318,769)	(96,216)
Total cash flows from/(used in) financing activities		180,581	(491,838)	(7,512)	-	(318,769)	(96,216)
Net cash flows from/(used in) all activities		8,935	10,883,167	31,350	7,487	10,930,939	(3,312,409)
Cash and cash equivalents at the beginning of year		282,713	12,628,964	675,239	6,692	13,593,608	16,906,017
Cash and cash equivalents at the end of year	19	291,648	23,512,131	706,589	14,179	24,524,547	13,593,608
Reconciliation to profit and loss account							
Operating cash flows		(179,748)	4,313,983	329,416	6,392	4,470,043	365,642
Depreciation expenses		-	(101,157)	(2,503)	-	(103,660)	125,210
Provisions		-	-	-	-	-	736,847
Investment income		114,521	26,579,723	388,493	15,673	27,098,410	21,272,958
Rental income		-	338,674	-	-	338,674	274,152
Amortization/capitalisation/adjustments		(17,707)	414,245	2,936	-	399,474	(494,189)
Surplus allocation		499,350	(491,838)	(7,512)	-	-	-
Non-cash adjustment		-	(2,200,024)	(32,814)	-	(2,232,838)	1,151,088
(Decrease) / Increase in assets other than cash		(9,538)	4,046,709	105,191	(1,029)	4,141,333	1,232,264
(Increase) in liabilities other than running finance		-	(2,679,371)	(48,935)	(8)	(2,728,314)	(2,359,048)
Profit after tax		406,878	30,220,944	734,272	21,028	31,383,122	22,304,924

The annexed notes from 1 to 33 form an integral part of these financial statements.


Shahid Aziz Siddiqi
Chairman


Aslam Faruque
Director


Syed A. Wahab Mehdi
Director


Malik Asrar Hussain
Executive Director (Finance and Accounts)



Revenue Account

for the year ended December 31, 2010

(Rupees in '000)

	Note	Statutory Funds			Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	2010	2009
Income						
Premium less reinsurance		34,437,822	1,171,969	29,003	35,638,794	28,366,906
Rental income from investment properties	20	338,674	-	-	338,674	274,152
Net investment income		26,579,723	388,493	15,673	26,983,889	21,163,800
Total net income		61,356,219	1,560,462	44,676	62,961,357	49,804,858
Claims and expenditure						
Claims including bonuses net of reinsurance recoveries		16,651,632	396,307	23,583	17,071,522	15,723,588
Management expenses less recoveries		13,991,805	422,371	65	14,414,241	11,630,431
Total claims and expenditure		30,643,437	818,678	23,648	31,485,763	27,354,019
Excess of income over claims and expenditure		30,712,782	741,784	21,028	31,475,594	22,450,839
Add: Policyholders' liabilities at the beginning of year	21	192,535,868	4,357,516	145,606	197,038,990	174,719,896
Less: Policyholders' liabilities at the end of year	22	222,856,034	5,023,215	153,406	228,032,655	197,038,990
Surplus before tax		392,616	76,085	13,228	481,929	131,745
Tax chargeable to statutory funds						
- Current year		-	-	-	-	(75,013)
Surplus after tax		392,616	76,085	13,228	481,929	56,732
Movement in policyholders' liabilities	21.1	30,320,166	665,699	7,800	30,993,665	22,319,094
Transfer to shareholder's fund						
Surplus appropriated to shareholder's fund	21.4	(491,838)	(7,512)	-	(499,350)	(389,671)
Balance of statutory fund at the beginning of year		194,924,804	4,371,951	148,530	199,445,285	177,459,130
Balance of statutory fund at the end of year		225,145,748	5,106,223	169,558	230,421,529	199,445,285
Represented by:						
Policyholders' liabilities	22	222,856,034	5,023,215	153,406	228,032,655	197,038,990
Retained earnings attributable to policyholders	21.2	2,289,714	83,008	16,152	2,388,874	2,406,295
Balance of statutory fund		225,145,748	5,106,223	169,558	230,421,529	199,445,285

The annexed notes from 1 to 33 form an integral part of these financial statements.

Shahid Aziz Siddiqi
Chairman

Aslam Faruque
Director

Syed A. Wahab Mehdi
Director

Malik Asrar Hussain
Executive Director (Finance and Accounts)



Statement of Premiums

for the year ended December 31, 2010

(Rupees in '000)

	Statutory Funds			Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	2010	2009
Gross premiums					
Regular premium individual policies *					
First year	9,377,996	292,214	-	9,670,210	7,225,141
Second year renewals	6,050,274	197,101	-	6,247,375	4,493,715
Subsequent year renewals	15,441,269	712,654	-	16,153,923	13,280,662
	30,869,539	1,201,969	-	32,071,508	24,999,518
Group policies with cash values	-	-	29,003	29,003	22,936
Group policies without cash values	3,740,388	-	-	3,740,388	3,559,773
Total gross premiums	34,609,927	1,201,969	29,003	35,840,899	28,582,227
Less: Reinsurance premiums ceded					
On individual life first year business	(19,708)	(3,939)	-	(23,647)	(28,873)
On individual life second year business	(20,797)	-	-	(20,797)	(18,554)
On individual life renewal business	(67,468)	(26,061)	-	(93,529)	(98,908)
On group policies	(64,132)	-	-	(64,132)	(68,986)
Total reinsurance premiums ceded	(172,105)	(30,000)	-	(202,105)	(215,321)
Net premiums	34,437,822	1,171,969	29,003	35,638,794	28,366,906

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

The annexed notes from 1 to 33 form an integral part of these financial statements.

Shahid Aziz Siddiqi
Chairman

Aslam Faruque
Director

Syed A. Wahab Mehdi
Director

Malik Asrar Hussain
Executive Director (Finance and Accounts)



Statement of Claims

for the year ended December 31, 2010

(Rupees in '000)

	Statutory Funds			Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	2010	2009
Gross claims					
Claims under individual policies					
-by deaths	1,802,122	15,034	-	1,817,156	1,535,892
-by insured event other than deaths	119,930	488	-	120,418	128,001
-by maturity	7,714,383	207,665	-	7,922,048	7,471,734
-by surrender	3,382,448	178,513	-	3,560,961	2,831,981
-annuity payment	14,414	-	-	14,414	11,058
Total gross individual policy claims	13,033,297	401,700	-	13,434,997	11,978,666
Claims under group policies					
-by deaths	3,522,194	-	23,583	3,545,777	3,516,399
-by insured event other than deaths	38,566	-	-	38,566	39,192
-by maturity	-	-	-	-	533
-by surrender	12	-	-	12	-
-annuity payment	1,575	-	-	1,575	528
-experience refund	192,592	-	-	192,592	282,589
Total gross group claims	3,754,939	-	23,583	3,778,522	3,839,241
Total gross claims	16,788,236	401,700	23,583	17,213,519	15,817,907
Less: Reinsurance recoveries					
-On individual life first year business claims	(9,392)	-	-	(9,392)	(9,584)
-On individual life second year business claims	(10,582)	-	-	(10,582)	2,312
-On individual life renewal business claims	(29,502)	(5,393)	-	(34,895)	(9,075)
-On group life claims	(87,128)	-	-	(87,128)	(77,972)
Total reinsurance recoveries	(136,604)	(5,393)	-	(141,997)	(94,319)
Net claims	16,651,632	396,307	23,583	17,071,522	15,723,588

The annexed notes from 1 to 33 form an integral part of these financial statements.

Shahid Aziz Siddiqi
Chairman

Aslam Faruque
Director

Syed A. Wahab Mehdi
Director

Malik Asrar Hussain
Executive Director (Finance and Accounts)




Statement of Expenses

for the year ended December 31, 2010


(Rupees in '000)

	Note	Statutory Funds			Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	2010	2009
Acquisition costs						
Remuneration to insurance intermediaries on individual policies:						
- commission on first year premiums		6,472,753	185,793	-	6,658,546	4,987,029
- commission on second year premiums		1,078,381	20,041	-	1,098,422	783,725
- commission on subsequent renewal premiums		679,687	34,990	-	714,677	563,910
- other benefits to insurance intermediaries		700,003	6,601	-	706,604	502,028
		8,930,824	247,425	-	9,178,249	6,836,692
Remuneration to insurance intermediaries on group policies:						
- commission		3,436	-	42	3,478	3,017
- other benefits to insurance intermediaries		1,290	-	-	1,290	309
		4,726	-	42	4,768	3,326
Branch overheads	23	1,082,803	45,712	-	1,128,515	835,192
Other acquisition cost						
Policy stamps and medical fee		478,392	2,165	-	480,557	361,140
Total acquisition cost		10,496,745	295,302	42	10,792,089	8,036,350
Administration expenses						
Salaries and other benefits		2,160,229	77,938	-	2,238,167	1,947,813
Traveling expenses		132,229	5,212	-	137,441	118,735
Auditors' remuneration	24	2,800	763	-	3,563	2,914
Legal expenses		14,169	1,455	-	15,624	21,803
Supervision fee		53,105	-	-	53,105	57,439
Advertisements		79,794	400	-	80,194	73,961
Printing and stationery		70,882	1,904	-	72,786	62,888
Postage and telephone		74,346	6,494	-	80,840	68,809
Utilities		213,159	1,692	-	214,851	179,198
Training		19,298	108	-	19,406	19,534
Computer expenses		8,803	82	-	8,885	9,821
Rental		133,567	6,375	-	139,942	131,752
Gratuity and pension expenses		404,603	3,351	-	407,954	72,547
Bank charges		17,647	7,331	23	25,001	17,871
Depreciation		51,886	2,503	-	54,389	42,080
Bad and doubtful debts		-	-	-	-	736,847
		3,436,517	115,608	23	3,552,148	3,564,012
Other management expenses		87,076	15,758	-	102,834	80,343
Gross management expenses		14,020,338	426,668	65	14,447,071	11,680,705
Commission from reinsurers		(20,200)	(9,637)	-	(29,837)	(47,859)
Management expenses recovered from/allocated to other funds		(8,333)	5,340	-	(2,993)	(2,415)
Net management expenses		13,991,805	422,371	65	14,414,241	11,630,431

The annexed notes from 1 to 33 form an integral part of these financial statements.


Shahid Aziz Siddiqi
Chairman


Aslam Faruque
Director


Syed A. Wahab Mehdi
Director


Malik Asrar Hussain
Executive Director (Finance and Accounts)



Statement of Investment Income of Statutory Funds

for the year ended December 31, 2010


(Rupees in '000)

	Note	Statutory Funds			Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	2010	2009
Investment income						
-On Government securities		16,678,909	140,054	15,315	16,834,278	14,193,739
-On other fixed income securities and deposits		1,972,776	57,544	358	2,030,678	2,206,285
-Dividends income		3,098,743	5,401	-	3,104,144	2,419,701
-On loans to policyholders		2,200,024	32,661	-	2,232,685	1,691,693
-On loans to employees		802	-	-	802	1,066
-Others	25	40,342	97,533	-	137,875	647,378
Total		23,991,596	333,193	15,673	24,340,462	21,159,862
Gain on sale of investments						
		2,604,909	58,236	-	2,663,145	77,852
(Provision)/Reversal for impairment in value of investments and receivables						
Provision for impairment in shares	26	-	-	-	-	(54,743)
Reversal of provision in receivables and shares		8,623	-	-	8,623	5,218
		8,623	-	-	8,623	(49,525)
Investment related expenses						
		(25,405)	(2,936)	-	(28,341)	(24,389)
Net investment income						
		26,579,723	388,493	15,673	26,983,889	21,163,800

The annexed notes from 1 to 33 form an integral part of these financial statements.


Shahid Aziz Siddiqi
Chairman


Aslam Faruque
Director


Syed A. Wahab Mehdi
Director


Malik Asrar Hussain
Executive Director (Finance and Accounts)



Notes to the Financial Statements

for the year ended December 31, 2010

1 STATUS AND NATURE OF BUSINESS

- 1.1** State Life Insurance Corporation of Pakistan (the Corporation) was incorporated in Pakistan on November 1, 1972 under the Life Insurance Nationalization Order, 1972 (LINO). The Corporation's principal office is located at State Life Building No. 9, Dr. Ziauddin Ahmad Road, Karachi. It operates in Pakistan through 26 zones for individual life business, 4 zones for group life business and in the Gulf countries {comprising United Arab Emirates (UAE), Kingdom of Saudi Arabia and Kuwait} through zonal office located at Dubai (UAE).
- 1.2** The Corporation is engaged in the life insurance business.

2 BASIS OF PREPARATION

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

2.1 Statement of compliance

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

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

2.2 Initial application of a standard, amendment or an interpretation to an existing standard and forthcoming requirements

2.2.1 Initial application of a standard or an interpretation

Amendments to IFRS 2 'Share-Based Payments-Group Cash Settled Share based Payments' transactions became effective from January 01, 2010 which requires an entity receiving goods or services (receiving entity) in either an equity-settled or cash settled share based payment transaction to account for the transaction in its separate or individual financial statements.

On August 14, 2009, the Government of Pakistan (the Government) launched a scheme called Benazir Employees' Stock Option Scheme ('BESOS') for the employees of State Owned Entities (SOEs), including State Life Insurance Corporation of Pakistan and a trust has been established on July 09, 2010. Since the scheme may have significant impact on a large number of SOEs, it has been referred to Securities and Exchange Commission of Pakistan (SECP) for exemption from applicability of International Financial Reporting Standard-2 'Share Based Payments'. At present the matter is pending before SECP and management is confident that applicability of IFRS-2 will be exempted by SECP. Accordingly, the above mentioned scheme has not been accounted for under the requirements of IFRS-2 in these financial statements.

Details of BESOS are given in note 5.



The following other standards, amendments and interpretations of approved standards became effective during the year. Adoption of these revised standards did not have any material effect on the Corporation's financial statements.

IFRS 3 - Business Combinations (Revised)

IAS 27 - Consolidated and Separate Financial Statements (Amendment)

IAS 39 - Financial Instruments: Recognition and Measurement - Eligible hedged items (Amendment)

IFRIC 17- Distributions of Non-cash Assets to owners

In May 2008 and April 2009, International Accounting Standards Board issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. The improvements which became effective during the year are listed below:

IFRS 2 - Share-based Payment

IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations

IFRS 8 - Operating Segments

IAS 1 - Presentation of Financial Statements

IAS 7 - Cash Flows Statement

IAS 17 - Leases

IAS 36 - Impairment of Assets

IAS 38 - Intangible Assets

IAS 39 - Financial Instruments: Recognition and measurement

IFRIC 9 - Reassessment of Embedded Derivatives

IFRIC 16- Hedges of a Net Investment in a Foreign Operation

The amendments do not have any significant impact on the corporation's financial statements.

2.2.2 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations to approved standards, effective for annual accounting periods beginning on or after the dates specified below, are either not relevant to the Corporation's operations or are not expected to have significant impact on the Corporation's financial statements other than enhanced disclosures in certain cases:

IAS 32 (amendments): Financial Instruments Presentation - Classification of Right Issues	February 01, 2010
IAS 24: (revised) Related Party Disclosures	January 01, 2011
IAS 12: Income Taxes: Deferred Tax Amendment - Recognition of Underlying Assets	January 01, 2012
IFRIC 14 IAS 19 (amendments): The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 01, 2011
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The IASB made certain amendments to existing standards in addition to the above, these are generally effective for accounting periods beginning on or after January 1, 2011, and are unlikely to have an impact on the Corporation's financial statements.



3 BASIS OF MEASUREMENT

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

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

3.1 Use of critical accounting estimates and judgments

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

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

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

a) Classification of investments

In classifying investments as "held-to-maturity" the Corporation has determined financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Corporation evaluates its intention and ability to hold such investments to maturity.

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

b) Provision for outstanding claims (including IBNR)

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

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

c) Reinsurance recoveries against outstanding claims

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

d) Provision for income taxes

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



e) Impairment - available-for-sale financial assets

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

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

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

g) Fixed assets, investment properties, depreciation and amortisation

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

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

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

h) Staff retirement benefits

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Corporation's financial statements for the year ended December 31, 2009:

4.1 Funds

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

- Pakistan Life Fund (ordinary life);
- Overseas Life Fund (ordinary life); and
- Pension Fund

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



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

Pakistan Life Fund (ordinary life)

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

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

Overseas Life Fund (ordinary life)

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

Exchange gains and losses on translation of currencies of Overseas Life Fund and Pakistan Life Fund (Rupee business) are taken to revenue account through statement of investment income.

Most of the new business written under the Overseas Life Fund contains a Discretionary Participatory Features (DPF).

Pension Fund

The pension fund consists of funds on account of group pension deposit administration contracts. Policyholders' liabilities as shown in the pension fund are based on an actuarial valuation conducted by the Appointed Actuary as at the balance sheet date.

4.2 Policyholders' liabilities

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

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

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

4.3 Reinsurance

The Corporation maintains risk premium re-insurance arrangements with Swiss Re and Munich Re-insurance. The net retention limit of the corporation for individual life is Rs. 5 million (2009: Rs. 2.5 million) per policy and for group life Rs. 2 million per person of risk. Re-insurance premium is recorded as an expense evenly over the period of the re-insurance contract and is off-set against the premium income of the respective year.



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

4.4 Claims

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

4.5 Amount due to other insurers / reinsurers

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

4.6 Premiums due but unpaid

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

4.7 Amount due from other insurers / reinsurers

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

4.8 Acquisition costs

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

4.9 Expenses of management

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

4.10 Staff retirement benefits

a) Provident fund

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

b) Gratuity fund

Officers

The Corporation has established a defined contribution plan, an approved gratuity fund w.e.f. January 01, 2000 in respect of all those officers who have opted for the gratuity fund scheme after de-linking themselves from the pension fund scheme w.e.f. January 01, 2000. At the end of each month, starting from the effective date of admission of a member to the fund, the Corporation makes a contribution equal to 8.33% of the member's basic salary.

Staff

The Corporation also maintains an unfunded defined benefit plan for those staff members who opted for gratuity rules. On retirement, resignation, termination or on death they will be paid one months pay for each completed year of service. The liability in respect of staff gratuity as at December 31, 2010 amounts to Rs. 98.399 million has been provided in these financial statements based on actuarial valuation. Previously it was based on an advice from the Appointed Actuary.



c) Pension fund

The Corporation operates a defined benefit plan, a funded pension scheme for its employees opting for the pension scheme established in 1984 and payments are made annually to the extent allowed under the Income Tax Rules, 2002 to meet the obligations there-under on the basis of actuarial valuation. Revised Pension Rules for officers, applicable simultaneously with the approved gratuity fund scheme for officers w.e.f. January 01, 2000, are in the process of approval with the Government.

d) Compensated absences

From the year 2002, the un-availed earned leave balance of officers is encashed to the extent of two third of the leave balance with simultaneously proceeding on leave for one third leave balances, minimum for twelve days. A policy is already in force for the staff on similar lines.

The liability in respect of employees compensated absence as at December 31, 2010 for accumulated leave balance not yet encashed amounting to Rs. 584.124 million (2009: Rs. 526.886 million) has been provided in these financial statements based on the advice of Appointed Actuary.

e) Post retirement medical benefits

The Corporation provides medical facilities to its retired officers and their spouses in accordance with the service regulations. As at December 31, 2010, liability for post retirement medical benefit as computed by the Appointed Actuary in his report is estimated at Rs. 727.478 million (2009: Rs. 647.767 million) and the same has been provided in these financial statements.

4.11 Loans secured against Life Insurance Policies

Cash loans

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

Automatic non-forfeiture provisions

- a) Automatic Premium Loans secured against surrender value of the policy may be extended to the extent of the surrender value of the respective policy, provided the policyholder has exercised Automated Premium Loan option.
- b) An advance equal to one year premium may be allowed to the policyholder only once, if the policyholder has exercised Auto Paid-up option provided the respective policy has been in force for at least two years.

4.12 Investment properties

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

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

4.13 Financial instruments

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



Financial assets and financial liabilities are recognised initially at cost including associated transaction costs which is the fair value of the consideration given for it except for held for trading investments in which case transaction costs are charged to profit and loss account.

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

Financial assets

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

- loans and receivables;
- held to maturity; and
- available-for-sale financial assets.

Loans and receivables

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

Held to maturity

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

Available for sale

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

Securities and Exchange Commission of Pakistan (SECP) vide letter dated: May 12, 2011 allowed the corporation to continue its practice of computing and recording impairment on its available for sale equity securities on aggregate portfolio basis.

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

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

Impairment of financial assets

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

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



Derecognition

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

Off setting

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

Financial liabilities

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

4.14 Other assets

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

4.15 Fixed assets - tangible

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

Depreciation is calculated on straight-line method to write off the cost of assets over their expected useful lives at the rates specified in note 15 to the financial statements, after taking into account residual values, if any. The useful lives, residual values and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on fixed assets is charged on a proportionate basis.

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

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

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



4.16 Revenue recognition

Premium

(a) Individual life policies

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

(b) Group life policies

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

Rental income on investment properties

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

Investments income

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

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

Income on debentures is recognized at the prescribed rates, except where recovery is considered doubtful in which case the income is recognized on a receipt basis.

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

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

Income on reverse repurchase transactions is taken to income at the date of settlement.

Others

All other incomes are recognised on accrual basis.

4.17 Taxation

Current

Current taxation is based on the provisions of the Fourth Schedule to the Income Tax Ordinance, 2001.

Deferred

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

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



4.18 Bad and doubtful debts

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

4.19 Provisions

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

4.20 Impairment of non financial assets

The carrying amounts of non financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

4.21 Related party transactions and transfer pricing

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

4.22 Cash and cash equivalents

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

4.23 Dividend distributions and appropriations

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

4.24 Earnings per share

Earnings per share is calculated by dividing the profit after tax for the year by the weighted average number of shares outstanding during the year.

4.25 Segment reporting

Operating segment is a distinguishable component of the Corporation that is engaged in providing services that are subject to risks and returns that are different from those of other operating segments (refer note 4.1). The Corporation accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002.

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

4.26 Foreign currency translations

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



4.27 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Corporation's functional and presentation currency.

4.28 Level of precision

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

5. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

		(Rupees in '000)	
2010	2009	2010	2009
Number of shares			
<u>11,000,000</u>	<u>11,000,000</u>	<u>1,100,000</u>	<u>1,100,000</u>
Ordinary shares of Rs. 100 each			

The Government introduced BESOS on August 14, 2009. Under the arrangement, 12% shares (1,320,000 shares) from the Government's holding were to be transferred to the Corporations' Employees Empowerment Trust established on July 09, 2010 under a Trust Deed. Under the scheme, shares will be given to the employees entitled, who were on the payroll of the Corporation as on August 14, 2009, through unit certificates. The employees are entitled to 50% dividends and remaining 50% dividends will be transferred to the Central Revolving Fund of the Privatization Commission (PC). However, on fulfillment of vesting conditions, employees will be entitled to payments from the Fund, equal to breakup value of shares based on the last audited financial statements and shares will be transferred back to the Government accordingly.

The management is confident that exemption will be awarded by SECP from applicability of IFRS-2, therefore, the management of the Corporation has not yet quantified the impact of this scheme on the financial statements and is of the view that the charge for the current year is estimated not to be material under the vesting conditions of the scheme.

Currently, the Government of Pakistan holds 100% (2009: 100%) of the paid-up ordinary share capital.

6 STAFF RETIREMENT BENEFITS

		(Rupees in '000)	
		Aggregate	
	Note	2010	2009
Defined benefit plans			
- Post retirement medical benefits - unfunded	6.1	727,478	647,767
- Staff gratuity scheme - unfunded	6.1	98,399	94,745
- Compensated absences	6.2	584,124	526,886
		<u>1,410,001</u>	<u>1,269,398</u>



6.1 Reconciliation of payable/(receivable from) to defined benefit plans and other benefits

(Rupees in '000)

	Note	Unfunded staff gratuity	Employees' pension fund		Post retirement medical benefits	
		2010	2010	2009	2010	2009
Present value of defined benefit obligations	6.1.2	90,166	4,545,556	4,293,798	583,820	628,959
Fair value of plan assets	6.1.3	-	(4,222,228)	(4,307,221)	-	-
Net actuarial gains / (losses) not recognised		8,233	(411,461)	(486,755)	143,658	18,808
Net payable / (receivable) recognised as at the year-end		<u>98,399</u>	<u>(88,133)</u>	<u>(500,178)</u>	<u>727,478</u>	<u>647,767</u>

(refer note 14)

6.1.1 Movement in balance payable / (receivable)

Opening balance of payable /(receivable)		94,745	(500,178)	(544,768)	647,767	598,629
Expense recognised	6.1.5	13,809	329,063	69,806	98,883	64,583
Refunds / (Contributions) during the year - Corporation's contribution / benefits paid		(10,155)	82,982	(25,216)	(19,172)	(15,445)
Closing balance of payable / (receivable)		<u>98,399</u>	<u>(88,133)</u>	<u>(500,178)</u>	<u>727,478</u>	<u>647,767</u>

6.1.2 Reconciliation of the present value of the defined benefit obligation

Present value of obligation as at 01 January		94,745	4,293,798	3,361,488	628,959	432,776
Current service cost		2,234	59,376	44,892	20,124	11,845
Interest cost		11,575	534,794	491,921	78,759	62,953
Benefit paid		(10,155)	(260,308)	(198,014)	(19,173)	(15,445)
Actuarial (gains) / losses		(8,233)	(82,104)	593,511	(124,849)	136,830
Present value of the defined benefit obligation		<u>90,166</u>	<u>4,545,556</u>	<u>4,293,798</u>	<u>583,820</u>	<u>628,959</u>

6.1.3 Changes in fair values of plan assets

(Rupees in '000)

	Note	Employees' pension fund	
		2010	2009
Net assets as at January 01,		4,307,221	3,472,726
Expected return on plan assets		536,708	474,196
Contributions received / (refunds)		(82,982)	8,894
Increase in financial charges receivable		-	16,321
Benefits paid		(260,308)	(198,014)
Actuarial (gains) / losses		(278,411)	533,098
Net assets as at December 31,		<u>4,222,228</u>	<u>4,307,221</u>

6.1.4 Actual return on plan assets

(Rupees in '000)

	Note	Employees' pension fund	
		2010	2009
Actual return on plan assets		<u>258,297</u>	<u>1,007,294</u>



6.1.5 Charge for defined benefit plans

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

	(Rupees in '000)				
	Unfunded staff gratuity	Employees' pension fund		Post retirement medical benefits	
	2010	2010	2009	2010	2009
Current service cost	2,234	59,376	44,892	20,124	11,845
Interest cost	11,575	534,794	491,922	78,759	62,953
Expected return on plan assets	-	(536,708)	(474,196)	-	-
Reversal of financial charges	-	266,507	-	-	-
Actuarial gain recognised	-	5,094	7,188	-	(10,215)
	<u>13,809</u>	<u>329,063</u>	<u>69,806</u>	<u>98,883</u>	<u>64,583</u>

6.2 Movement in compensated absences payable

	(Rupees in '000)		
	Note	Compensated absences payable	
		2010	2009
Balance as at the beginning of year		526,886	418,441
Provision during the year (net of payments)		57,238	108,445
Balance as at the end of year		<u>584,124</u>	<u>526,886</u>

6.3 The Corporation obtained advice from the appointed actuary regarding adequacy and appropriateness of the provisions made in respect of compensated absences and in these financial statements. The appointed actuary has opined that the provisions appearing in these financial statements are estimated to be marginally higher than the actuarial estimation. The difference, being immaterial, has been ignored.

Further, the Corporation during current year has carried out actuarial valuation for the determination of provision for unfunded staff gratuity. However, corresponding figures have not yet been provided in these financial statements as previously these were based on an advice from the Appointed Actuary.

6.4 Principal actuarial assumptions

The latest actuarial valuations of the employees' pension fund, unfunded staff gratuity and post retirement medical benefits were carried out as at December 31, 2010 by the Appointed Actuary. The principal actuarial assumptions used are as follows:

	(Rupees in '000)				
	Unfunded staff gratuity	Employees' pension fund		Post retirement medical benefits	
	2010 (%)	2010 (%)	2009 (%)	2010 (%)	2009 (%)
Discount rate	14.5	14.5	12.75	14.5	12.75
Expected rate of return on plan assets	-	14.5	12.75	-	-
Long term salary increase rate (staff only)	13.5	12.5	10.75	12.5	11.75
Future increase in frozen pension	-	13.5	11.75	-	-
Future increase in pension (after retirement)	-	10.5	9.75	-	-
Pre-retirement mortality		LIC(1975-79)Ult	LIC(1975-79)Ult	LIC(1975-79)Ult	LIC(1975-79)Ult
Post-retirement mortality		PA(90)+1MF	PA(90)+1MF	PA(90)+1MF	PA(90)+1MF

The expected return on plan assets is based on the market expectations and depends on the asset portfolio of the Corporation, at the beginning of the year, for returns over the entire life of related obligation.



6.5 Historical information

	(Rupees in '000)		
	2010	2009	2008
Defined benefit obligation	5,219,542	5,017,502	3,794,264
Fair value of plan assets	4,222,228	4,307,221	3,472,726
Deficit	<u>(997,314)</u>	<u>(710,281)</u>	<u>(321,538)</u>
Experience adjustment on plan liabilities	<u>(259,570)</u>	<u>(467,947)</u>	<u>(267,676)</u>
Experience adjustment on plan assets	<u>(278,411)</u>	<u>533,098</u>	<u>(762,104)</u>

7 Outstanding Claims

		(Rupees in '000)	
	Note	Aggregate 2010	2009
Pakistan Life Fund	7.1	9,124,588	8,180,615
Overseas Life Fund	7.2	95,477	85,725
Pension Life Fund	7.3	-	-
		<u>9,220,065</u>	<u>8,266,340</u>

7.1 Pakistan Life Fund

Outstanding claims at the beginning of year	8,180,615	7,695,590
Cash paid during the year	(16,659,798)	(14,849,908)
Increase in liabilities due to current year claims	17,603,771	15,334,933
Outstanding claims at the end of year	<u>9,124,588</u>	<u>8,180,615</u>

7.2 Overseas Life Fund

Outstanding claims at the beginning of year	85,725	49,416
Cash paid during the year	(396,306)	(373,781)
Increase in liabilities due to current year claims	406,058	410,090
Outstanding claims at the end of year	<u>95,477</u>	<u>85,725</u>

7.3 Pension Fund

Outstanding claims at the beginning of year	-	-
Cash paid during the year	(23,584)	(14,874)
Increase in liabilities due to current year claims	23,584	14,874
Outstanding claims at the end of year	<u>-</u>	<u>-</u>



8 OTHERS

This includes an amount of Rs. 872.657 million (2009: Rs. 1,029.028 million) relating to amount payable to the Bureau of Emigration and Overseas Employment.

9 CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

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

The department proceeded to pass the order under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2003 whereby demand of Rs. 2,126 million was raised out of which 25% has been paid. The petition was then filed by the Corporation in October 2008 before the Honorable High Court of Sindh through its legal advisor to challenge the notice of the Additional Commissioner mainly on the ground that the proceedings initiated under section 122(5A) of the Income Tax Ordinance, 2001 by the Additional Commissioner are ab-initio void, being unlawful jurisdiction. Further, the Fourth Schedule to the Income Tax Ordinance, 2001 restricts taxable income to that portion of actuarial surplus which is attributed to the shareholders fund by the appointed actuary. Therefore, the application of provision of section 34(5) of the Income Tax Ordinance, 2001 lacks legal sanctity. The Honorable High Court admitted the petition for regular hearing and stayed the proceedings till the judgment of the Court. In this respect, the Corporation has paid the amount of Rs. 531.562 million under section 137 of the Income Tax Ordinance, 2001 under the directive of the said Court.

Management is confident that the ultimate outcome of these matters will be decided in the favour of the Corporation and accordingly, no provision is required in financial statements for the balance demand.

9.1.2 The Corporation has filed appeals against certain cases in the Honorable High Court of Sindh contesting the decision of the Income Tax Appellate Tribunal (ITAT) for the income years 1992-93 to 2001-2002 mainly relating to turnover tax and excess perquisites. In addition, the issue of tax rate was raised for the income years 1992-93 to 1996-97. The income tax department added back the excess perquisites to the taxable income and tax liability was enhanced accordingly. Further, Income Tax Department re-opened these assessments and rectified them to invoke provisions of turnover tax on the ground that the tax paid under Fourth Schedule of the Income Tax Ordinance, 2001 is less than turnover tax and hence, should be paid accordingly. The Corporation then filed aforesaid appeals on the ground that the Fourth Schedule of the Income Tax Ordinance, 2001 restricts taxable income to that portion of actuarial surplus which is attributed to the shareholder's fund by the Appointed Actuary. The amount being shown as tax attributable to Pakistan life fund in prior year has not been reversed as a matter of prudence. However, except for non reversal of tax attributable to Pakistan Life Fund in prior year, in pursuance of appeals against turnover tax, management has not provided tax liability for current year on turnover basis and has made provision of taxation with Rs. 431.637 million less if computed on turnover basis.

Management of the Corporation, its tax advisor and legal counsel are confident that ultimate outcome of these matters will be decided in favour of the Corporation and accordingly, no provision is required in financial statements on account of these matters.



9.1.3 During the year, tax authorities served notices to the Corporation requiring them to explain why withholding tax has not been deducted on payments made to the policyholders on the maturity under section 151(1)(d) of the Income Tax Ordinance, 2001. For the year 2008 and 2009 tax authorities are of opinion that the Corporation is required to withhold tax on maturity claims by virtue of the said section and they believe that the amount of maturity claim adjusted for the premium received during the whole term of the policy is the profit on debt and hence, withholding tax should be deducted. Accordingly, tax authorities raised demands of Rs. 710.124 million and Rs. 738.514 million for tax year 2008 and 2009 respectively.

However, tax advisor of the Corporation while defending the position of the Corporation explained that the provisions of withholding tax under aforesaid section have never been applied in the past to the Corporation. Further, the consideration of policy contract as a debt instrument lacks legal sanctity and the definition of debt is being misinterpreted by the tax authorities.

Proceedings of the case are pending in the Honorable High Court of Sindh. Management and legal counsel are optimistic that ultimate outcome of the case shall be in favor of the Corporation. Accordingly no provision has been made regarding above demand raised in these financial statements.

9.1.4 Tax authorities served a notice for reassessment for the tax year 2004, thereby requiring them to explain their position related to proration of expenses under section 67 of the Income Tax Ordinance, 2001. Accordingly, a demand of Rs. 164.88 million was raised by tax authorities. The Corporation has filed an appeal before ITAT against the order issued in the current year under section 122(5A) of the Income Tax Ordinance, 2001 and explained its stand with reference to section 67 and rule 13 of Income Tax Ordinance, 2001 that proration of expenses is being done on reasonable basis as per aforesaid section and rule and that above demand raised was not justified.

Management of the Corporation, its tax advisor and its legal counsel are of the opinion that the demand raised by the department is not vibrant and is against the law. Order of the department and decision of Commissioner Inland Revenue (A) has been challenged in ITAT and a favorable decision is expected.

9.2 Commitments

There are no commitments as at the year end (2009: Rs. Nil).

10 CASH AND BANK DEPOSITS

10.1 Cash and others

(Rupees in '000)

	Share Holder's Fund	Statutory Funds			Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	2010	2009
Cash in hand	-	4,699	-	-	4,699	4,584
Cash in transit	-	72,311	-	7,842	80,153	49,454
	-	77,010	-	7,842	84,852	54,038
10.2 Current and other accounts						
Current accounts	-	3,456,855	368,976	6,337	3,832,168	2,405,680
PLS accounts	-	250,117	-	-	250,117	149,526
	-	3,706,972	368,976	6,337	4,082,285	2,555,206



10.3 Deposits maturing within 12 months

(Rupees in '000)

	Note	Share Holder's Fund	Statutory Funds			Aggregate	
			Pakistan Life Fund	Overseas Life Fund	Pension Fund	2010	2009
Call and SNTD							
Habib Bank Limited		291,648	4,989,435	-	-	5,281,083	838,467
United Bank Limited		-	-	316,743	-	316,743	447,086
Habib Metropolitan Bank Limited		-	1	-	-	1	1
National Bank of Pakistan		-	5	-	-	5	5
The Bank of Punjab		-	15	-	-	15	-
PLS Unisaver							
United Bank Limited		-	5,323,045	-	-	5,323,045	6,699,660
Term Deposit Receipts							
Al Baraka Bank (Pakistan) Limited		-	495,050	-	-	495,050	-
Habib Bank Limited		-	1,500,000	-	-	1,500,000	1,000,000
KASB Bank Limited		-	-	-	-	-	25,000
National Bank of Pakistan		-	4,000,000	-	-	4,000,000	500,000
Allied Bank Limited		-	500,000	-	-	500,000	-
MCB Bank Limited		-	1,050,000	-	-	1,050,000	-
Special Saving Accounts							
Askari Commercial Bank Limited		-	1,558,886	-	-	1,558,886	812,362
Allied Bank Limited		-	2	-	-	2	551,201
National Bank of Pakistan		-	1	-	-	1	2
KASB Bank Limited		-	43	-	-	43	24,061
Bank Al-Falah Limited		-	311,666	-	-	311,666	66,636
The Bank of Punjab		-	-	-	-	-	14
Others		-	-	20,870	-	20,870	19,869
		291,648	19,728,149	337,613	-	20,357,410	10,984,364

10.4 Deposits maturing after 12 months

Others		-	840	-	-	840	840
Abroad	10.4.1	-	960	995,743	-	996,703	1,350,044
		-	1,800	995,743	-	997,543	1,350,884

10.4.1 These include fixed deposits equivalent to Rs. 0.712 million (2009: Rs. 0.583 million) with the Kenya Commercial Bank Limited, Kenya, Rs. 0.248 million (2009: Rs. 0.386 million) with the Bank of Ceylon and Grindlays Bank Limited, Sri Lanka, as security for policyholders and Rs. 105.177 million (2009: Rs. 141.332 million) deposited as guarantees issued to the Ministry of Economy, Dubai (UAE) against permission for doing life insurance business in UAE.



11 LOANS SECURED AGAINST LIFE INSURANCE POLICIES

(Rupees in '000)

	Share Holder's Fund	Statutory Funds			Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	2010	2009
Cash loans	-	11,612,881	238,111	-	11,850,992	10,000,425
Automatic non-forfeiture provisions	-	6,975,524	230,116	-	7,205,640	6,045,127
	-	18,588,405	468,227	-	19,056,632	16,045,552

12 INVESTMENT PROPERTIES

(Rupees in '000)

	Note	Aggregate	
		2010	2009
Investment properties	12.1	2,324,247	2,180,797
Less: Provision for impairment in value		(601)	(603)
		2,323,646	2,180,194
Capital work in progress	12.2	410,233	358,189
		2,733,879	2,538,383

12.1 Investment Properties

(Rupees in '000)

2010	Cost			Depreciation/Impairment			Written down value as at Dec. 31, 2010	Depreci- ation Rate (%)	
	As at Jan. 01, 2010	Additions/ (Disposals)	As at Dec. 31, 2010	As at Jan. 01, 2010	Adjustment	Charge for the year			As at Dec. 31, 2010
Freehold land	273,169	-	273,169	-	-	-	-	273,169	-
Leasehold land	330,794	-	330,794	74,670	-	3,819	78,489	252,305	1 to 4.2
Leasehold improvements	12,257	704	12,961	6,166	-	550	6,716	6,245	5
Building, roads and structure	1,772,281	48,587 (15,672)	1,805,196	282,520	2	17,950	300,472	1,504,724	1
Electric installation and fittings	1,194,158	163,254 (246)	1,357,166	1,038,506	- (109)	30,965	1,069,362	287,804	10
	3,582,659	212,545 (15,918)	3,779,286	1,401,862	2 (109)	53,284	1,455,039	2,324,247	



2009	Cost			Depreciation/Impairment			(Rupees in '000)		
	As at Jan. 01, 2009	Additions/ (Disposals)	As at Dec. 31, 2009	As at Jan. 01, 2009	Adjustment	Charge for the year	As at Dec. 31, 2009	Written down value as at Dec. 31, 2009	Depreciation Rate (%)
Freehold land	273,099	70	273,169	-	-	-	-	273,169	-
Leasehold land	309,924	20,870	330,794	71,456	(605)	3,819	74,670	256,124	1 to 4.2
Leasehold improvements	7,733	4,524	12,257	5,795	2	369	6,166	6,091	5
Building, roads and structure	1,748,189	24,092	1,772,281	264,941	-	17,579	282,520	1,489,761	1
Electric installation and fittings	1,139,510	56,414 (1,766)	1,194,158	976,191	- (1,730)	64,045	1,038,506	155,652	10
	3,478,455	105,970 (1,766)	3,582,659	1,318,383	2 (2,335)	85,812	1,401,862	2,180,797	

- 12.2** This mainly represents the amount incurred for the renovation, electrical and civil works in the Corporation's properties located in Islamabad and Gujranwala.
- 12.3** The Corporation occupied approximately 22% (2009: 22%) of the total rentable area in the buildings classified as investment properties, which is used by the Corporation for administrative purpose.
- 12.4** The fair value of the investment properties, determined by the independent valuers, owned by the Corporation amounted to Rs. 21,622 million (2009: Rs. 21,681 million).
- 12.5** The above includes, title deeds of 61 plots/buildings, that were taken over by the Corporation under the Life Insurance (Nationalization) Order, 1972 (LINO) dated November 01, 1972. These have now been transferred in the name of the Corporation except title deeds of 21 plots/buildings which are still in the name of defunct insurance companies that have been merged in the Corporation as per the LINO order.
- 12.6** There are properties costing Rs. 1.704 million (2009: Rs. 1.704 million) having written down value of Rs. 0.601 million (2009: Rs. 0.603 million) to which the Corporation's title is disputed. Against this, a provision of Rs. 0.601 million (2009: Rs. 0.603 million) exist for loss of assets, if any.
- 12.7** The Corporation has a plot at Rawalpindi costing Rs. 0.431 million (2009: Rs. 0.431 million) for which execution of title deed is pending due to dispute with the Cantonment Board, Rawalpindi.
- 12.8** The Corporation has a plot at Mirpur (Azad Kashmir) costing Rs. 0.242 million (2009: Rs. 0.242 million) for which execution of title deed remained pending.
- 12.9** The above also includes Rs. 23 million (2009: Rs. 23 million) paid by the Corporation to the People Media Foundation (PMF) for acquisition of ground floor measuring 13,000 sq. ft. in PMF Complex (Press Club Building) at G-8, Markaz, Islamabad. The Corporation took over the possession of ground floor in July 1996, under an irrevocable General Power of Attorney, as the construction of building was incomplete. Management of the Corporation is of the opinion that under irrevocable General Power of Attorney, the Corporation is in a position to freely transfer the title of said property in its own name.



13 INVESTMENTS

	Note	(Rupees in '000)	
		Aggregate	
		2010	2009
Government securities	13.1	164,137,999	145,686,912
Other fixed income securities	13.2	4,073,630	4,598,041
Listed equity securities and mutual fund units	13.3	23,115,973	22,846,171
Unlisted equity securities and mutual fund units	13.4	1,303,691	1,683,795
Holding in subsidiaries	13.5	137,148	164,148
Less: Provision for diminution in value	13.7	(229,446)	(243,606)
		<u>192,538,995</u>	<u>174,735,461</u>

13.1 Government securities

	Effective yield	Shareholder's Fund	Statutory Funds			(Rupees in '000)	
			Pakistan Life Fund	Overseas Life Fund	Pension Fund	Aggregate	
						2010	2009
Held to maturity							
Pakistan Investment Bonds							
5 Years	9.66%-14.20%	-	3,320,514	-	-	3,320,514	3,018,857
10 Years	4.73%-14.28%	147,935	68,985,739	-	85,494	69,219,168	60,076,754
15 Years	7.15%-15.37%	-	11,887,373	-	58,323	11,945,696	11,916,954
20 Years	8.15%-15.70%	-	24,359,249	-	-	24,359,249	23,341,266
30 Years	11.51%-16.22%	173,420	37,691,082	-	-	37,864,502	37,316,946
10 Years Defence Savings Certificates	-	-	-	-	-	-	803,245
Treasury Bills Islamic Republic of Pakistan-Bonds	12.60%-13.55%	277,943	6,380,529	-	-	6,658,472	-
	6.875%-7.875%	-	-	2,099,500	-	2,099,500	902,920
Term Finance Certificates: National Transmission and Despatch Company Limited	KIBOR + 1.75%	-	5,542,329	-	-	5,542,329	5,183,452
Power Holdings (Private) Limited	KIBOR + 2%	-	3,128,569	-	-	3,128,569	3,126,518
		<u>599,298</u>	<u>161,295,384</u>	<u>2,099,500</u>	<u>143,817</u>	<u>164,137,999</u>	<u>145,686,912</u>

Market value of the government securities carried at amortized cost amounted to Rs. 147,755 million (2009: Rs. 127,916 million).

Investment in Term Finance Certificates is backed by the guarantee of Government of Pakistan.

Government securities include Rs. 110 million (2009: Rs. 110 million) placed with the State Bank of Pakistan, in accordance with Section 29 of the Insurance Ordinance, 2000.



13.2 Other fixed income securities

(Rupees in '000)

	Rate of Profit	Shareholder's	Statutory Funds			Aggregate	
		Fund	Pakistan Life Fund	Overseas Life Fund	Pension Fund	2010	2009
Held to maturity							
Term Finance Certificates:							
- Listed							
Orix Leasing Pakistan Limited (2nd Issue)	KIBOR + 1.50%	-	101,319	-	-	101,319	168,818
Pakistan Mobile Communication Limited (2nd Issue)	KIBOR + 1.65%	-	211,614	-	-	211,614	208,514
Pakistan Mobile Communication Limited (3rd Issue)	KIBOR + 2.85%	-	168,247	-	-	168,247	202,308
Engro Chemical Pakistan Limited	KIBOR + 1.55%	-	115,378	-	-	115,378	115,290
Engro Chemical Pakistan Limited	KIBOR + 1.55%	-	43,341	-	-	43,341	43,295
Engro Chemical Pakistan Limited	KIBOR + 1.55%	-	43,015	-	-	43,015	42,827
Pak Arab Fertilizer Limited	KIBOR + 1.50%	-	211,069	-	-	211,069	222,850
		-	893,983	-	-	893,983	1,003,902
- Unlisted							
Pakistan Mobile Communication Limited (4th Issue)	KIBOR+1.3	-	-	-	-	-	144,111
Government Guarantee Term Finance Facility National Investment Trust Limited	KIBOR + 1.00	-	2,241,525	-	-	2,241,525	2,240,779
Certificates of Investments:							
Pak Kuwait Investment Company (Private) Limited		-	-	-	-	-	66,000
First Dawood Investment Bank Limited		-	100,000	-	-	100,000	100,000
		-	100,000	-	-	100,000	166,000
Debentures (Note 13.8)			7,573			7,573	7,573
Available for sale							
Foreign fixed income securities		-	-	830,549	-	830,549	1,035,676
		-	3,243,081	830,549	-	4,073,630	4,598,041



13.3 Listed equities

(Rupees in '000)

	Note	Shareholder's	Statutory Funds			Aggregate	
		Fund	Pakistan Life Fund	Overseas Life Fund	Pension Fund	2010	2009
Available for sale							
Ordinary shares and stocks	13.3.1	-	22,444,612	91,944	-	22,536,556	22,822,820
Preference shares	13.3.2	-	23,351	-	-	23,351	23,351
Open end mutual fund	13.3.3	-	555,104	-	-	555,104	-
Close end mutual fund	13.3.4	-	962	-	-	962	-
		-	23,024,029	91,944	-	23,115,973	22,846,171

13.3.1 Ordinary shares and stocks

Pakistan Life Fund Listed companies Sectors

(Rupees in '000)

	2010			2009		
	Number of shares	Book value	Market value	Number of shares	Book value	Market value
Oil and Gas	65,135,794	8,209,416	15,323,306	66,167,942	8,481,249	12,843,701
Chemicals	84,115,142	3,276,985	10,392,000	83,918,640	3,431,085	9,276,827
Forestry and paper	5,927,482	60,373	200,250	5,885,527	60,373	200,932
Industrial metals and mining	2,401,919	63,039	80,000	2,326,290	63,039	72,227
Construction and materials	33,755,186	564,494	410,442	31,805,234	533,512	379,237
General industrials	6,337,712	241,690	668,960	6,172,055	241,690	665,166
Electronic and electric equipment	2,119,171	6,869	110,906	2,119,171	6,869	103,681
Industrial engineering	2,157,574	54,075	891,307	1,831,707	54,075	586,122
Industrial transportation	1,363,873	17,869	47,213	1,577,462	20,723	68,385
Automobile and parts	4,160,894	137,134	371,922	5,138,566	145,414	379,454
Beverages	51,840	1,747	6,030	51,840	1,747	6,331
Food producers	12,012,642	286,353	2,284,448	12,917,582	489,789	2,339,695
Household goods	7,622,225	126,618	72,826	7,274,497	126,620	96,382
Personal goods	37,871,688	624,683	1,106,110	37,440,243	551,088	950,510
Tobacco	743,869	7,284	78,420	745,869	7,284	74,622
Health care equip and services	143,437	1,637	30	143,437	1,637	115
Pharma and bio tech	9,927,964	177,086	882,210	9,679,601	177,086	1,055,027
Travel and leisure	3,939,764	28,050	8,904	3,939,764	28,050	10,283
Fixed line telecommunication	56,112,879	1,692,318	1,125,712	54,890,744	1,668,952	1,022,316
Electricity	28,250,673	833,562	943,993	24,926,534	709,923	703,317
Gas water and multiutilities	65,758,084	473,306	1,507,554	51,517,255	353,520	890,244
Banks	409,297,407	4,326,560	8,409,352	388,466,465	4,283,044	7,789,574
Non-life insurance	92,255,837	94,805	1,588,965	91,032,474	95,442	2,419,748
Real estate inv and services	375,754	4,019	1,051	375,754	4,019	2,234
Financial services	35,132,761	462,164	116,056	37,521,553	517,584	322,481
Equity investment instruments	46,763,322	672,476	338,241	47,781,994	693,092	340,296
		22,444,612	46,966,208		22,746,906	42,598,907



Pakistan Life Fund

13.3.2 Preference shares

(Rupees in '000)

	2010		2009	
	Number of shares	Book value	Number of shares	Book value
Arag Industries Limited	771,612	3,593	771,612	3,593
Saleem Sugar Mills Limited	1,501	150	1,501	150
Maple Leaf Cement Limited	268,034	2,680	268,034	2,680
Nishat Chunian Limited	1,692,848	16,928	1,692,848	16,928
		23,351		23,351

13.3.3 Open end mutual fund

National Investment Trust Units	11,598,572	304,731	-	-
Pak Capital Market Fund	55,563	373	-	-
NIT Government Bond Fund	9,816,336	100,000	-	-
NIT Income Fund	9,831,295	100,000	-	-
HBL Money Market Fund	505,047	50,000	-	-
		555,104		-

13.3.4 Close end mutual fund

Pakistan Premier Fund	86,078	962	-	-
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13.4 Unlisted equities

(Rupees in '000)

	Note	Shareholder's Fund	Statutory Funds			Aggregate	
			Pakistan Life Fund	Overseas Life Fund	Pension Fund	2010	2009
Available for sale							
Ordinary shares and stocks							
- De-listed companies	13.4.1	-	46,505	-	-	46,505	
- Un-listed companies / institutions	13.4.1	-	132,186	-	-	132,186	
Preference shares							
- Open end mutual fund	13.4.2	-	1,125,000	-	-	1,505,104	
		-	1,303,691	-	-	1,683,795	



13.4.1 Ordinary shares and stocks

Pakistan Life Fund De-listed companies

(Rupees in '000)

	2010		2009	
	Number of shares	Book value	Number of shares	Book value
Adamjee Industries Limited	174,597	2,001	174,597	2,001
Adamjee Paper Product Limited	120,242	1,045	120,242	1,045
Akbar Textile Mills Limited	39,900	383	39,900	383
Akber Cotton Mills Limited	31,360	314	31,360	314
Allied Textile Mills Limited	72,634	792	72,634	792
Arag Industries Limited	23,963	118	23,963	118
Automotive Equipment Limited	7,800	92	7,800	92
Baluchistan Foundry Limited	84,520	421	84,520	421
Baluchistan Textile Mills Limited	27,420	267	27,420	267
Bankers Equity Limited	538,995	15,415	538,995	15,415
Bawany Industries Limited	73,774	1,415	73,774	1,415
Chemical Limited	19,544	195	19,544	195
Chemphar Limited	100	1	100	1
Dost Muhammad Textile Mills Limited	14,150	225	14,150	225
Elmac Engineering Limited	100	1	100	1
Fullbrite Mills Limited	100	1	100	1
Ghafar Textile Mills Limited	1,000	10	1,000	10
Gillanders Limited	10,000	100	10,000	100
Grace Industries Limited	50	1	50	1
H.Sheikh M.H Limited	46,100	460	46,100	460
Karachi Road Transport Corporation	6,800	-	6,800	-
Karachi Pipes Limited	20,800	416	20,800	416
Khairpur Textile Mills Limited	6,900	104	6,900	104
Kohinoor Cotton Mills Limited	33,468	324	33,468	324
Madina Textile Mills Limited	40,900	204	40,900	204
Mohib Textile Mills Limited	375,847	13,530	375,847	13,530
Northern Foundries Limited	95,050	1,001	95,050	1,001
Nowshera Engineering Limited	22,125	222	22,125	222
Ocean Industries Limited	2,000	-	2,000	-
Pak Chrome Limited	25,477	552	25,477	552
Pak Paper Corporation Limited	245,644	2,441	245,644	2,441
R C D Ball Bearing Limited	58,031	371	58,031	371
Refrigerator Manufacturing Limited	192,546	1,712	192,546	1,712
Sunshine Cloth Limited	103,200	1,578	103,200	1,578
Sun Publication Limited	2,042	-	2,042	-
Synthetic Chemical Limited	81,500	793	81,500	793
		46,505		46,505
Un-listed companies / institutions				
Arabian Sea Country Club Limited	500,000	5,000	500,000	5,000
Baluchistan Fisheries Limited	20,000	200	20,000	200
Bank of Kashmir	10	-	10	-
Burma Soap Limited	2,000	20	2,000	20
Industrial Development Bank of Pakistan	78,337	8,298	78,337	8,298
Innovative Housing Finance Limited	12,673	14,800	12,673	14,800
Mercantile Enterprises Limited	100	1	100	1
Mercantile Fiber Limited	10,200	99	10,200	99
National Construction Limited	1	-	1	-
Pak Emerging Venture Limited	12,500,000	51,415	12,500,000	51,415
People Steel Mills Limited	1,998,967	19,990	1,998,967	19,990
Schon Refinery Limited	1,456,500	29,130	1,456,500	29,130
State Bank of Pakistan	29,458	3,221	29,458	3,221
Sukkar Commercial Limited	1,200	12	1,200	12
		132,186		132,186



Pakistan Life Fund

13.4.2 Open End Mutual Funds

(Rupees in '000)

	2010		2009	
	Number of units	Book value	Number of units	Book value
Unlisted				
NIT Equity Market Opportunity Fund	13,773,842	1,125,000	17,282,218	1,500,000
National Investment Trust Units	-	-	99,914	4,731
Pak Capital Market Fund	-	-	39,401	373
	<u>13,773,842</u>	<u>1,125,000</u>	<u>17,421,533</u>	<u>1,505,104</u>

13.5 Holding in subsidiary companies

(Rupees in '000)

	% of Holding	Number of shares	Net assets value	Aggregate	
				2010 Cost	2009 Cost
Alpha Insurance Company Limited* State Life (Lakie Road)	92.01%	27,934,843	327,653	102,518	102,518
Properties (Private) Limited** State Life (Abdullah Haroon Road)	100%	248,156	367	11,242	11,242
Properties (Private) Limited** State Assets Management Company Limited***	100%	500,000	2,756	23,388	23,388
			-	-	27,000
			<u>330,776</u>	<u>137,148</u>	<u>164,148</u>

* Net assets value is as of December 31, 2010

** Net assets value is as of June 30, 2010

The investments in State Life (Lackie Road) Properties (Private) Limited and State Life (Abdullah Haroon Road) Properties (Private) Limited have been carried at cost amounting to Rs. 11.242 million (2009: Rs. 11.242 million) and Rs. 23.388 million (2009: Rs. 23.388 million) respectively. These are wholly owned subsidiaries of the Corporation. As per the latest audited financial statements of these invested companies, the net assets value is Rs. 0.367 million (2009: Rs. 1.980 million) and Rs. 2.756 million (2009: Rs. 3.280 million) respectively. No provision for Rs. 31.507 million (Rs. 29.370 million) being the difference of carrying value of the investments and net assets value of the subsidiaries has been made in the financial statements, as management is of view that after taking into account the revalued amount of properties of the subsidiaries that has been carried out by an independent surveyor, net asset value of the subsidiaries are higher than the carrying amount.

*** The process of winding up of State Assets Management Company Limited has been completed during the year, which was initiated by the Board of Directors in pursuance of the instructions received from the Ministry of Commerce.

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



13.7 Provision for diminution in value

(Rupees in '000)

	Shareholder's Fund	Statutory Funds			Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	2010	2009
Other fixed income securities	-	(7,573)	-	-	(7,573)	(7,573)
Listed equities (default counter)	-	(64,721)	-	-	(64,721)	(64,721)
Unlisted / delisted equities	-	(157,152)	-	-	(157,152)	(160,274)
Holding in subsidiary companies	-	-	-	-	-	(11,038)
	-	(229,446)	-	-	(229,446)	(243,606)

13.8 Debentures

Debentures include an amount of Rs. 6.894 million (2009: Rs. 6.894 million) pertaining to those companies which are in liquidation process since 1974. Further, a court case is in process against the Colony Textile Mills Limited against debenture loan amounting to Rs. 0.678 million (2009: Rs. 0.678 million). The Corporation has made full provision against these debentures.

13.9 Investments by classification

(Rupees in '000)

	Aggregate	
	2010	2009
Held-to-maturity		
Government securities	164,137,999	145,686,912
Other fixed income securities	3,243,081	3,562,365
	167,381,080	149,249,277
Available-for-sale		
Other fixed income securities	830,549	1,035,676
Listed equity securities and mutual fund units	23,115,973	22,846,171
Unlisted equity securities and mutual fund units	1,303,691	1,683,795
	25,250,213	25,565,642
Holding in subsidiary companies	137,148	164,148
Impairment in the value of equity securities and fixed interest securities	(229,446)	(243,606)
Total Investments - net of provision	192,538,995	174,735,461

14 SUNDRY RECEIVABLES

(Rupees in '000)

	Note	Aggregate	
		2010	2009
Receivable from pension fund	6.1	88,133	500,178
Other receivables		289,663	221,819
Provision against other receivables		(127,524)	(132,770)
		162,139	89,049
		250,272	589,227



15 FIXED ASSETS - Tangible

	Cost			Depreciation/Impairment			(Rupees in '000)		
	As at Jan. 01, 2010	Additions/ (Disposals)	As at Dec. 31, 2010	As at Jan. 01, 2010	Adjustment	Charge for the year Additions/ (Disposals)	As at Dec. 31, 2010	Written down value ast at Dec. 31, 2010	Depreciation Rate (%)
Furniture and fixtures	220,840	25,158 (585)	245,413	155,214	(422)	10,000	164,792	80,621	10
Office equipment	84,929	12,783 (1,678)	96,034	68,387	(101)	2,811	71,097	24,937	10 to 30
Computer installations - basic	296,327	54,335 (1,519)	349,143	235,783	(1,470)	31,074	265,387	83,756	30
Computer installations - peripherals	38,416	3,256	41,672	33,186	(872)	2,705	35,019	6,653	30
Vehicles	78,798	17,903 (6,873)	89,828	68,571	(5,978)	3,785	66,378	23,450	20
	719,310	113,435 (10,655)	822,090	561,141	- (8,843)	50,375	602,673	219,417	

	Cost			Depreciation/Impairment			(Rupees in '000)		
	As at Jan. 01, 2009	Additions/ (Disposals)	As at Dec. 31, 2009	As at Jan. 01, 2009	Adjustment	Charge for the year Additions/ (Disposals)	As at Dec. 31, 2009	Written down value ast at Dec. 31, 2009	Depreciation Rate (%)
Furniture and fixtures	195,974	27,527 (2,661)	220,840	149,884	(2,450)	7,780	155,214	65,626	10
Office equipment	78,756	7,563 (1,390)	84,929	67,250	(1,116)	2,253	68,387	16,542	10 to 30
Computer installations - basic	271,446	24,978 (97)	296,327	209,732	(96)	26,147	235,783	60,544	30
Computer installations - peripherals	35,450	3,017 (51)	38,416	30,403	821	1,962	33,186	5,230	30
Vehicles	71,152	10,593 (2,947)	78,798	71,033	(3,718)	1,256	68,571	10,227	20
	652,778	73,678 (7,146)	719,310	528,302	(6,559)	39,398	561,141	158,169	



15.1 Fixed Assets

(Rupees in '000)

	Share Holder's Fund	Statutory Funds			Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	2010	2009
Furniture and fixtures						
Cost	-	236,775	8,638	-	245,413	220,840
Accumulated depreciation	-	(160,427)	(4,365)	-	(164,792)	(155,214)
Book value	-	76,348	4,273	-	80,621	65,626
Office equipment						
Cost	-	94,116	1,918	-	96,034	84,929
Accumulated depreciation	-	(69,944)	(1,153)	-	(71,097)	(68,387)
Book value	-	24,172	765	-	24,937	16,542
Computer installations - basic						
Cost	-	344,235	4,908	-	349,143	296,327
Accumulated depreciation	-	(262,337)	(3,050)	-	(265,387)	(235,783)
Book value	-	81,898	1,858	-	83,756	60,544
Computer installations - peripherals						
Cost	-	41,672	-	-	41,672	38,416
Accumulated depreciation	-	(35,019)	-	-	(35,019)	(33,186)
Book value	-	6,653	-	-	6,653	5,230
Vehicles						
Cost	-	85,814	4,014	-	89,828	78,798
Accumulated depreciation	-	(65,193)	(1,185)	-	(66,378)	(68,571)
Book value	-	20,621	2,829	-	23,450	10,227
Grand Total						
Cost	-	802,612	19,478	-	822,090	719,310
Accumulated depreciation	-	(592,920)	(9,753)	-	(602,673)	(561,141)
Book value	-	209,692	9,725	-	219,417	158,169

16 . TAXATION

(Rupees in '000)

	Note	Aggregate	
		2010	2009
Current	16.1	204,000	177,645
16.1 Relationship between tax expense and accounting profit			
Profit before tax		610,878	496,414
Tax at the applicable rate of 35% (2009: 35%)		213,807	173,745
Tax effect of capital gain being exempt		(3,661)	(210)
Tax effect of dividend income being taxable at lower rate		(6,096)	(4,664)
Others		(50)	8,774
Tax expense for the year		204,000	177,645



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

17 EARNINGS PER SHARE - BASIC AND DILUTED

		2010	2009
Profit after tax	Rupees in '000'	406,878	318,769
Weighted average number of ordinary shares	Numbers	11,000,000	11,000,000
Earnings per share - basic and diluted	Rupees	36.99	28.98

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

18 REMUNERATION OF CHAIRMAN AND EXECUTIVE DIRECTORS

	(Rupees in '000)					
	Chairman		Executive Directors		Total	
	2010	2009	2010	2009	2010	2009
Managerial remuneration	2,880	2,880	1,812	2,282	4,692	5,162
House rent	1,260	1,260	1,204	904	2,464	2,164
Utilities	261	144	1,290	114	1,551	258
Other perquisites	376	303	3,487	4,903	3,863	5,206
	4,777	4,587	7,793	8,203	12,570	12,790
Number of persons	1	1	4	4	5	5

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

19 CASH AND CASH EQUIVALENTS

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

	(Rupees in '000)					
	Share Holder's Fund	Statutory Funds			Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	2010	2009
- Cash in hand	-	4,699	-	-	4,699	4,584
- Cash in transit	-	72,311	-	7,842	80,153	49,454
- Cash at bank in:						
- Current accounts	-	3,456,855	368,976	6,337	3,832,168	2,405,680
- PLS accounts	-	250,117	-	-	250,117	149,526
Deposits maturing within 12 months	291,648	19,728,149	337,613	-	20,357,410	10,984,364
	291,648	23,512,131	706,589	14,179	24,524,547	13,593,608

20 RENTAL INCOME FROM INVESTMENT PROPERTIES

	(Rupees in '000)					
		Statutory Funds			Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	2010	2009
Rent received	704,818	-	-	704,818	695,391	
Increase in accrued rental income	14,391	-	-	14,391	27,313	
Less: Investment property related expenses	(380,535)	-	-	(380,535)	(448,552)	
Net rental income from investment property	338,674	-	-	338,674	274,152	



21 MOVEMENT IN EQUITY OF STATUTORY FUND

21.1 Policyholders' liability

(Rupees in '000)

	Statutory Funds			Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	2010	2009
Balance as at the beginning of year	192,535,868	4,357,516	145,606	197,038,990	174,719,896
Increase during the year	30,320,166	665,699	7,800	30,993,665	22,319,094
Balance at the end of year	222,856,034	5,023,215	153,406	228,032,655	197,038,990
21.2 Retained earnings attributable to policyholder (Ledger Account A)					
Balance at the beginning of year	2,388,936	14,435	2,924	2,406,295	2,739,234
Surplus allocated in respect of the year	19,181,681	292,955	13,228	19,487,864	15,200,103
Bonuses allocated during the year	(19,280,903)	(224,382)	-	(19,505,285)	(15,533,042)
Balance at the end of year	2,289,714	83,008	16,152	2,388,874	2,406,295
21.3 Retained earnings on par business attributable to shareholder (Undistributable - Ledger Account B)					
Balance at beginning of the year	-	-	-	-	-
Surplus allocated in respect of the year	491,838	7,512	-	499,350	389,671
Transfer to distributable profits	(491,838)	(7,512)	-	(499,350)	(389,671)
Balance at the end of year	-	-	-	-	-
21.4 Retained earnings on par business attributable to shareholder (Distributable-Ledger Account C)					
Balance as at beginning of the year	-	-	-	-	-
Transfer from undistributable profit	491,838	7,512	-	499,350	389,671
Surplus appropriated to shareholder's fund	(491,838)	(7,512)	-	(499,350)	(389,671)
Balance at end of the year	-	-	-	-	-
22 POLICYHOLDERS LIABILITIES					
Gross of reinsurance					
Actuarial liability relating to future events	220,045,146	6,223,012	153,406	226,421,564	195,293,994
Provision for outstanding reported claims payable over a period exceeding 12 months	1,644,458	2,216	-	1,646,674	1,471,323
Provision for incurred but not reported (IBNR) claims	2,220,432	14,888	-	2,235,320	1,514,193
	223,910,036	6,240,116	153,406	230,303,558	198,279,510
Net of reinsurance					
Actuarial liability relating to future events	218,991,144	5,006,111	153,406	224,150,661	194,070,427
Provision for outstanding reported claims payable over a period exceeding 12 months	1,644,458	2,216	-	1,646,674	1,463,146
Provision for incurred but not reported (IBNR) claims	2,220,432	14,888	-	2,235,320	1,505,417
	222,856,034	5,023,215	153,406	228,032,655	197,038,990



23 BRANCH OVERHEADS

(Rupees in '000)

	Statutory Funds			Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	2010	2009
Salaries	381,606	3,700	-	385,306	303,152
Traveling expenses	285,328	356	-	285,684	188,325
Printing and stationery	7,043	-	-	7,043	5,088
Medical expenses	24,486	888	-	25,374	22,491
Gratuity contribution	9,961	-	-	9,961	9,334
Group insurance contribution	1,683	68	-	1,751	1,697
Postage and telegram	22,473	432	-	22,905	20,980
Utilities	10,112	-	-	10,112	26,085
Rent	18,514	6,749	-	25,263	21,185
Prize and awards	13,263	449	-	13,712	7,443
Conference and meetings	24,406	529	-	24,935	20,932
Repairs and maintenance	1,683	-	-	1,683	1,875
Incentive bonuses	264,225	4,536	-	268,761	195,033
Persistence bonuses	17,403	-	-	17,403	11,572
Others	617	-	-	617	-
Overriding commission of area managers	-	28,005	-	28,005	-
	1,082,803	45,712	-	1,128,515	835,192

24 AUDITORS' REMUNERATION

(Rupees in '000)

	Aggregate	
	2010	2009
Business within Pakistan		
Audit Fee		
Riaz Ahmad & Company	900	690
Anjum Asim Shahid Rahman	900	690
	1,800	1,380
Out of Pocket Expenses		
Riaz Ahmad & Company	500	400
Anjum Asim Shahid Rahman	500	402
	1,000	802
	2,800	2,182
Business Outside Pakistan		
Audit Fee		
Sajjad Haider & Company	607	576
Out of Pocket Expenses		
	156	156
	763	732
	3,563	2,914



25 INVESTMENT INCOME - Others

An amount of Rs. 97.533 million (2009: Rs. 255.041 million) appearing under Overseas Life Fund represents the resultant effect of translation of income, expenses, assets and liabilities of overseas operations business to Pak Rupees.

26 PROVISION FOR IMPAIRMENT IN SHARES

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

27 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

27.1 Financial risk management, objectives and policies

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

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

27.2 Market risk

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

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

27.2.1 Interest rate risk

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

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



(Rupees in '000)

Note	Effective yield/Mark-up rate %	2010 Exposed to yield / interest rate risk							Non - interest bearing financial instruments	Total
		Maturity upto one year	Maturity from one to two year	Maturity from two to three year	Maturity from three to four year	Maturity from four to five year	Over five year	Sub total		
Financial Assets										
Fixed rate instruments										
Cash and others	-	-	-	-	-	-	-	-	84,852	84,852
Current and other accounts	10	-	-	-	-	-	-	-	4,082,285	4,082,285
Deposits	0.6 - 11.25	20,357,410	997,543	-	-	-	-	21,354,953	-	21,354,953
Loans secured against life insurance policies	11	10	1,048,115	895,662	952,832	714,624	819,435	14,625,964	19,056,632	19,056,632
Loan secured against other assets		6-10	59,655	53,170	51,873	50,577	44,093	-	259,368	259,368
Unsecured loans		-	-	-	-	-	-	-	147,011	147,011
Investments	13	5-20	31,442,290	16,326,207	5,277,711	2,900,330	291,924	100,182,539	156,421,001	24,311,588
Premiums due but not paid		-	-	-	-	-	-	-	5,392,682	5,392,682
Amount due from other insurers / reinsurers		-	-	-	-	-	-	-	98,411	98,411
Agents balances		-	-	-	-	-	-	-	211	211
Investment income due but outstanding		-	-	-	-	-	-	-	157,206	157,206
Investment income accrued		-	-	-	-	-	-	-	3,048,806	3,048,806
Sundry receivables	14	-	-	-	-	-	-	-	250,272	250,272
Other current assets		-	-	-	-	-	-	-	26,368	26,368
Floating rate instruments		-	-	-	-	-	-	-	-	-
Term finance certificates and government debts	13	Kibor+1 to 3 percent	772,217	2,241,525	8,422,683	-	369,981	-	11,806,406	-
Total Financial Assets			53,679,687	20,514,107	14,705,099	3,665,531	1,525,433	114,808,503	208,898,360	37,599,692
Financial Liabilities										
Fixed rate instruments										
Balance of Statutory Funds			-	-	-	-	-	-	230,421,529	230,421,529
Outstanding claims	7		-	-	-	-	-	-	9,220,065	9,220,065
Amount due to other insurers/ reinsurers			-	-	-	-	-	-	128,045	128,045
Amount due to agents			-	-	-	-	-	-	2,330,317	2,330,317
Accrued expenses			-	-	-	-	-	-	1,393,998	1,393,998
Others creditors			-	-	-	-	-	-	1,659,034	1,659,034
Total Financial Liabilities			-	-	-	-	-	-	245,152,988	245,152,988
On balance sheet gap			53,679,687	20,514,107	14,705,099	3,665,531	1,525,433	114,808,503	208,898,360	(207,553,296)



(Rupees in '000)

Note	Effective yield/Mark-up rate %	2009 Exposed to yield / interest rate risk							Non - interest bearing financial instruments	Total	
		Maturity upto one year	Maturity from one to two year	Maturity from two to three year	Maturity from three to four year	Maturity from four to five year	Over five year	Sub total			
Financial Assets											
Fixed rate instruments											
Cash and others	10	-	-	-	-	-	-	-	-	54,038	54,038
Current and other accounts		-	-	-	-	-	-	-	-	2,555,206	2,555,206
Deposits		0.6 - 11.25	10,984,364	1,350,884	-	-	-	-	12,335,248	-	12,335,248
Loans secured against life insurance policies	11	10	775,540	766,842	900,669	698,017	779,117	12,125,367	16,045,552	-	16,045,552
Loan secured against other assets		6-10	51,826	48,749	48,771	43,894	38,321	-	231,561	-	231,561
Unsecured loans		-	-	-	-	-	-	-	-	124,437	124,437
Investments	13	5-20	6,804,368	24,459,817	17,068,721	4,602,229	2,908,948	82,742,109	138,578,619	24,458,081	163,036,700
Premiums due but not paid		-	-	-	-	-	-	-	-	4,334,054	4,334,054
Amount due from other insurers / reinsurers		-	-	-	-	-	-	-	-	94,458	94,458
Agents balances		-	-	-	-	-	-	-	-	208	208
Investment income due but outstanding		-	-	-	-	-	-	-	-	140,639	140,639
Investment income accrued		-	-	-	-	-	-	-	-	2,051,914	2,051,914
Sundry receivables	14	-	-	-	-	-	-	-	-	589,227	589,227
Other current assets		-	-	-	-	-	-	-	-	18,778	18,778
Floating rate instruments		-	-	-	-	-	-	-	-	-	-
Term finance certificates and government debts	13	Kibor+1 to 3 percent	144,111	168,818	2,240,779	633,672	8,309,970	201,412	11,698,762	-	11,698,762
Total Financial Assets			18,760,209	26,795,110	20,258,940	5,977,812	12,036,356	95,068,888	178,889,742	34,421,040	213,310,782
Financial Liabilities											
Fixed rate instruments											
Balance of Statutory Funds			-	-	-	-	-	-	-	199,445,285	199,445,285
Outstanding claims	7		-	-	-	-	-	-	-	8,266,340	8,266,340
Amount due to other insurers/ reinsurers			-	-	-	-	-	-	-	125,777	125,777
Amount due to agents			-	-	-	-	-	-	-	1,650,279	1,650,279
Accrued expenses			-	-	-	-	-	-	-	993,657	993,657
Other creditors			-	-	-	-	-	-	-	1,669,322	1,669,322
Total Financial Liabilities			-	-	-	-	-	-	-	212,150,660	212,150,660
On balance sheet gap			18,760,209	26,795,110	20,258,940	5,977,812	12,036,356	95,068,888	178,889,742	(177,729,620)	1,160,122



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

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

27.2.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. This risk arises if there is a currency mismatch between the assets and liabilities.

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

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

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

	2010		2009	
	UAE Dirhams	US Dollars	UAE Dirhams	US Dollars
Assets	52,012,248	39,939,408	48,078,793	30,438,204
Liabilities	47,365,368	15,691,187	39,564,368	14,513,290

(Rupees in '000)

27.2.3 Other price risk

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

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

27.3 Credit risk

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

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

This information is supplied by independent rating agencies where available and if not available the Corporation uses other publicly available financial information and its own trading records to rate its major policyholders and reinsurers.



The Corporation's exposure and credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

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

The Corporation does not have any significant credit risk exposure to any single counterparty or any group of counterparties. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings. The Corporation does not invest in derivative financial instruments.

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

	Note	(Rupees in '000)	
		2010	2009
Bank deposits	10	25,437,238	14,890,454
Loans		19,463,011	16,401,550
Investments	13	28,630,442	29,292,155
Premium due but unpaid		5,392,682	4,334,054
Amount due from other insurers / reinsurers		98,411	94,458
Agents balances		211	208
Investment income due but outstanding		157,206	140,639
Accrued investment income		3,048,806	2,051,914
Sundry receivables	14	250,272	589,227
Others		26,368	18,778
Total		82,504,647	67,813,437

Provision is made for receivables against premium due but unpaid in accordance with the Corporation's policies. The remaining past due balances were not impaired as they relate to a number of policyholders from whom there is no history of default.

	(Rupees in '000)	
	2010	2009
The age analysis of premium due but unpaid:		
Up to 1 year	5,315,330	4,279,476
1 -2 years	51,038	11,137
2 -3 years	11,175	43,441
Over 3 years	15,139	-
	5,392,682	4,334,054



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

(Rupees in '000)

Bank	Rating		Rating agency	2010	2009
	Long term	Short term			
Askari Commercial Bank Limited	AA	A1+	PACRA	1,558,886	812,362
Bank Alfalah Limited	AA	A1+	PACRA	311,666	66,636
MCB Bank Limited	AA+	A1+	PACRA	1,050,000	-
Habib Bank Limited	AA+	A-1+	JCR-VIS	7,643,595	2,280,658
National Bank of Pakistan	AAA	A-1+	JCR-VIS	4,000,015	500,509
United Bank Limited	AA+	A-1+	JCR-VIS	8,554,448	10,407,820
The Bank of Punjab	AA-	A1+	PACRA	20,885	14
Habib Metropolitan Bank Limited	AA+	A1+	PACRA	1	-
KASB Bank Limited	A-	A2	PACRA	43	70,420
Kenya Commercial Bank	-	-	-	712	584
Bank of Ceylon - Srilanka	-	AA(lka)	Fitch Ratings	86	139
Al Baraka Bank (Pakistan) Limited	A	A2	PACRA	495,050	-
Grindlays Bank Limited - Srilanka	-	-	-	162	247
Allied Bank of Pakistan	AA	A1+	PACRA	687,397	667,676
Others				1,114,292	83,389
				<u>25,437,238</u>	<u>14,890,454</u>

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

Term Finance Certificates:					
Orix Leasing Pakistan Limited		AA	PACRA	101,319	168,818
Pakistan Mobile Communication Limited		A+	PACRA	379,861	554,933
Engro Chemical Pakistan Limited		AA	PACRA	201,734	201,412
Pak Arab Fertilizer Limited		AA	JCR VIS	211,069	222,850
				<u>893,983</u>	<u>1,148,013</u>

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

(Rupees in '000)

Note	2010	2009
Amount due from other insurers / reinsurers		
A or above	<u>98,411</u>	<u>94,458</u>

27.4 Liquidity risk

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

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

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



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

	(Rupees in '000)					
	Share Holder's Fund	Statutory Funds			Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	2010	2009
Debt securities						
Available for Sale						
Listed Securities	-	-	830,549	-	830,549	1,035,676
Un Listed Securities	-	-	-	-	-	-
Held to Maturity						
Listed Securities	-	893,983	-	-	893,983	1,003,902
Un Listed Securities	599,298	163,636,909	2,099,500	143,817	166,479,524	148,237,802
Equity securities						
Available for Sale						
Listed Securities	-	22,959,308	91,944	-	23,051,252	22,785,243
Un Listed Securities	-	1,283,687	-	-	1,283,687	1,672,838
Loans and Receivables						
Loans	384,835	18,609,949	468,227	-	19,463,011	16,401,551
Reinsurance Assets						
	-	98,411	-	-	98,411	94,458
Cash and bank deposits	291,648	23,513,931	1,702,332	14,179	25,522,090	14,944,492
Other Assets	231,097	13,334,386	278,435	11,624	13,855,542	11,509,421
Total Assets	<u>1,506,878</u>	<u>244,330,564</u>	<u>5,470,987</u>	<u>169,620</u>	<u>251,478,049</u>	<u>217,685,383</u>
Liabilities						
Fixed Term	-	211,574,607	4,810,000	-	216,384,607	186,395,516
Whole of Life	-	4,563,642	174,813	-	4,738,455	4,442,835
Short Term Insurance Contracts	-	3,711,073	-	-	3,711,073	3,648,901
Riders	-	2,929,703	38,402	-	2,968,105	2,333,086
Annuities	-	77,009	-	-	77,009	73,046
Guaranteed Investment Contracts	-	-	-	153,406	153,406	145,606
Others	1,506,878	21,474,530	447,772	16,214	23,445,394	20,646,393
TOTAL	<u>1,506,878</u>	<u>244,330,564</u>	<u>5,470,987</u>	<u>169,620</u>	<u>251,478,049</u>	<u>217,685,383</u>

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

	(Rupees in '000)			
	2010			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
Financial liabilities				
Amounts due to other insurers / reinsurers	128,045	128,045	128,045	-
Amount due to agents	2,330,317	2,330,317	2,330,317	-
Accrued expenses	1,393,998	1,393,998	1,393,998	-
Others	1,659,034	1,659,034	1,659,034	-
	<u>5,511,394</u>	<u>5,511,394</u>	<u>5,511,394</u>	<u>-</u>

	(Rupees in '000)			
	2009			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
Financial liabilities				
Amounts due to other insurers / reinsurers	125,777	125,777	125,777	-
Amount due to agents	1,650,279	1,650,279	1,650,279	-
Accrued expenses	993,665	993,665	993,665	-
Others	1,669,322	1,669,322	1,669,322	-
	<u>4,439,043</u>	<u>4,439,043</u>	<u>4,439,043</u>	<u>-</u>



27.5 Fair value

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

	(Rupees in '000)	
	Carrying value	2010 Fair value
Government securities	146,709,129	130,415,833
Other fixed income securities	893,983	852,509
Listed equity securities	23,115,973	47,587,211

There were no financial instruments as at the reporting date aggregately measured and stated at fair value subsequent to initial recognition. Therefore, analysis under following groups from levels 1 to 3 based on the degree to which fair value is observable is not produced:

- Level 1: Quoted market prices
- Level 2: Valuation techniques (market observable)
- Level 2: Valuation techniques (non-market observable)

28 Capital risk management

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

The Corporation is also subject to capital requirements of UAE where it maintains a branch office that issues insurance contracts. The Corporation complies fully with the minimum capital requirements imposed by insurance supervisory authority in UAE.

The paid up capital of the Corporation is currently Rs. 1,100 million.

There were no changes made to the capital base nor to the objectives, policies and processes for managing capital.

Further details are given in the table below:

	(Rupees in '000)	
	2010	2009
Retained earnings	406,878	318,769
Capital resources on a regulatory basis	1,100,000	1,100,000
Shareholder's equity	<u>1,506,878</u>	<u>1,418,769</u>



29 INSURANCE RISK

29.1 Insurance contracts

29.1.1 Classification

The Corporation maintains three statutory funds which are as follows:

- Pakistan Life Fund
- Overseas Life Fund
- Pension Fund

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

Most of the new individual life conventional policies written by the Corporation contain a discretionary participation feature (DPF).

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

The Pension Fund consists of funds on account of group pension deposit administration contracts.

Considering all the three statutory funds together, the bulk of Corporation business consists of individual life conventional policies. Most of the remaining business consists of group insurance business. Individual universal life business and pension fund business are relatively less significant classes of business in terms of weight of their policy liabilities. The Corporation also offers some supplementary benefits attached in the form of riders to the individual life policies and the group life contracts. Each of these classes of business are described in greater detail below:

29.1.2 Contract details and measurement

The insurance contracts offered by the Corporation are described below:

29.1.2.1 Individual life policies

Individual life conventional products

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

Universal life policies

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

Term insurance policies

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

Annuities

The Corporation also has a small number of individual and group annuities on its books. Under these contracts a periodic income benefit is payable to the insured life for as long as annuitant is alive.



Supplementary riders

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

Insured event

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

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

Distribution channel

The individual life business of the Corporation is sold through its dedicated sales force which is present all over the country. This field force is organised under a three tier system consisting of sales representatives, sales officers and sales managers. Each sales sector headed by a sector head is further grouped under nearly 700 area offices, more than a hundred sector offices, 26 zones and 4 regional offices in addition to one zone for the Gulf Region. The Gulf zone has its own marketing team of sector heads, area managers and sales force.

The individual life policyholders of the Corporation come from all strata of society, with greater representation of the rural areas due to wider outreach of its field force. In most cases the new policyholders are below age of 56.

29.1.2.2 Group life policies

Basic coverage

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

Supplementary coverage

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

Insured event

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

Distribution channel

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



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

29.1.2.3 Pension business

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

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

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

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

29.1.3 Reserving method

29.1.3.1 Individual life policies

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

29.1.3.2 Universal life policies

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

29.1.3.3 Group life policies

Group life business consists of short duration one year renewable term insurance policies. The Corporation holds an unearned premium reserve for that portion of the premium which has not yet accrued on the balance sheet date.

The Corporation also holds a premium deficiency reserve for this block of business. This reserve is calculated on the basis of the unearned premium reserve. The amount of this reserve reflects the view of the Appointed Actuary regarding the eventual loss ratio expected under group insurance contracts duly accounting for the IBNR provisions. This reserve is equal to 30% of the unearned premium reserved.

29.1.3.4 Supplementary riders

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

29.1.3.5 Pension plans

The Corporation holds a reserve equal to the market value of the assets backing the pension business statutory fund. Classification of the Government bonds held by this statutory fund as Held to Maturity means that they are valued on an IRR basis, which is currently more than their market value. The additional valuation arising from the adoption of IRR valuation is being held as a separately identifiable reserve within the pension statutory fund.



29.2 Reserves for outstanding claims

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

29.3 Liability adequacy test

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

29.4 Reinsurance contracts held

The Corporation reinsures its Pakistan business under a surplus treaty arrangement. Under this arrangement any insurance risk on a particular life which exceeds the retention is automatically ceded to the reinsurer. The retention level is fixed by the Corporation at a level which it considers that it can safely hold on its own account.

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

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

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

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

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

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

29.5 Accounting estimates and judgments and process used for deciding assumptions

29.5.1 Mortality and disability

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

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



29.5.2 Investment income

Due to long term nature of its individual life policies the Corporation is exposed to the risk of adverse fluctuation of interest rates. In particular a long term declining trend in the interest rates can produce a financial strain for the Corporation. To some extent this risk is mitigated by the Corporation's policy to match the duration of its assets with the duration of its liabilities, whenever this is possible. The reserving basis employed by the Corporation for valuing its liabilities contains adequate safeguards to counter any residual interest rate risk.

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

29.5.3 Expenses

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

29.6 Frequency and severity of claims

29.6.1 Frequency

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

29.6.2 Severity

To some extent the Corporation is protected from isolated large claims because the liability for any claim exceeding its retention level is automatically passed on to the reinsurer under the existing treaty arrangements. However, there is also the risk of a large number of small claims occurring due to a catastrophic event. Exposure to catastrophic events is also dependent upon the concentration of risk. The Corporation is represented by 26 zones which are spread out all over the country. However, as the population of the country is concentrated more in the Punjab and Sindh provinces, the business distribution of the Corporation naturally reflects the same pattern. Nearly 86 % of the Corporation's business emanates from these two provinces.

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

29.6.3 Claims development

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

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

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



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

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

29.8 Management of insurance risk

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

29.8.1 Financial risk

29.8.1.1 Interest risk

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

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

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

29.8.1.2 Expense risk

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

29.8.1.3 Mortality risk

The mortality used in the reserving basis is the mortality prescribed by the SECP, which is the EFU 1961-66 table. Due to advances in health care technology the current mortality levels are significantly lower than the mortality rates of this table. Hence the reserving basis has adequate margins for absorbing the impact of adverse fluctuation in mortality.



29.8.1.4 Surrenders risk

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

29.8.1.5 Inflation risk

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

29.8.1.6 Catastrophe risk

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

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

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

29.8.1.7 Currency risk

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

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

29.8.2 Credit risk and asset risk

Management of credit risk and asset risk deals with risks emanating from the assets side of the balance sheet.

Management of this risk has already been adequately explained under the heading "Financial risk management objectives and policies". Hence no further explanation is deemed to be necessary.

29.8.3 Operational risk or pricing risk

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



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

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

29.9 Sensitivity analysis

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

<i>Variable</i>	<i>Quantum of Change</i>	<i>% change in liability</i>
Increase in mortality	10%	0.29%
Decrease in mortality	10%	(0.30%)
Increase in discount rate	0.5% addition in rate	(4.65%)
Decrease in discount rate	0.5% reduction in rate	4.96%

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

30 SEGMENT REPORTING

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

31 RELATED PARTY TRANSACTIONS

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

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

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

Terms and conditions of transactions with related parties

Transactions with related parties are made at normal market prices. Outstanding balances are disclosed in the respective notes. There have been no guarantees provided or received for any related party receivables or payables.



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

	(Rupees in '000) Aggregate	
	2010	2009
Profit oriented state-controlled entities-common ownership		
Premiums	369,220	487,549
Claims	285,376	346,347
Profit commission	2,383	4,549
Subsidiaries		
Rental income received	2,303	3,649
Right shares received at par	-	101,196
Cash received from sale of shares	18,569	-
Staff retirement fund		
Contribution to provident fund	47,146	46,896
Contribution to pension fund	-	8,262
Contribution to funded gratuity	47,621	87,551
32 NUMBER OF EMPLOYEES		
The average number of employees as at December 31 are:		
Permanent employees	3,655	3,579
Area managers	707	588
	4,362	4,167

33 DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved and authorized for issue on May 30, 2011 by the Board of Directors of the corporation.

Shahid Aziz Siddiqi
Chairman

Aslam Faruque
Director

Syed A. Wahab Mehdi
Director

Malik Asrar Hussain
Executive Director (Finance and Accounts)



Statement by the Appointed Actuary

Form LM

required under Section 52(2) (a) & (b) of the Insurance Ordinance, 2000

In my opinion

- a. The policyholders liabilities included in the balance sheet of State Life Insurance Corporation of Pakistan has been determined in accordance with the provisions of the Insurance Ordinance, 2000; and
- b. Each statutory fund of the State Life Insurance Corporation of Pakistan complies with the solvency requirements of the Insurance Ordinance, 2000.

(Shujaat Siddiqui)
Appointed Actuary



Statement of Directors

Form LN

(As per requirement of Section 46(6) and Section 52(2) (c) of the Insurance Ordinance, 2000)

Section 46 (6)

- a. In our opinion the annual statutory accounts of the State Life Insurance Corporation of Pakistan set out in the forms attached to the statement have been drawn up in accordance with the Insurance Ordinance, 2000, and the Insurance Rules, 2002: and
- b. State Life Insurance Corporation of Pakistan has at all times in the year complied with the provisions of the Insurance Ordinance, 2000, and the Insurance Rules, 2002, made there under relating to paid-up capital, solvency and re-insurance arrangements; and
- c. As at 31 December 2010, State Life Insurance Corporation of Pakistan continues to be in compliance with the provisions of the Insurance Ordinance, 2000, and the Insurance Rules, 2002, made there under relating to paid-up capital, solvency and reinsurance arrangement.

Section 52 (2) (c)

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

Shahid Aziz Siddiqi
Chairman

Aslam Faruque
Director

Syed A. Wahab Mehdi
Director

Malik Asrar Hussain
Executive Director (Finance and Accounts)

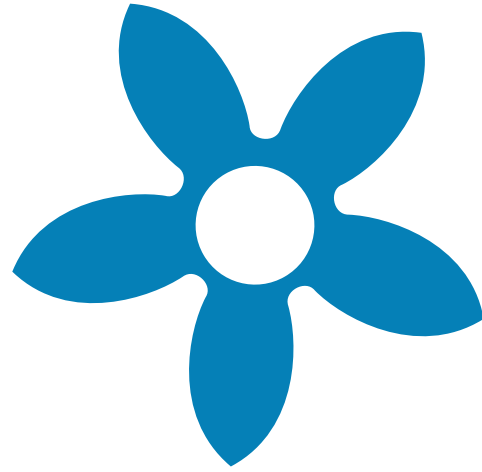
State Life

The Only
Insurance
Corporation
in Pakistan
with a
AAA Rating

The AAA Rating from PACRA reflects our exceptionally strong capacity to meet contractual obligations with our policyholders. It also denotes the leading position of State Life amongst insurance companies in Pakistan. Our extensive distribution network, good management, comprehensive information systems and growing business volumes are the basis for the ever-growing confidence that our policyholders repose in us.

State Life's senior management extends its gratitude to its policyholders for their unshakable trust and appreciates the hard work and dedication of its employees, officers and marketing force.

State Life's Insurance Policy
A Lasting Tradition for Every Generation



اسٹیٹ لائف کی بیمہ پالیسی - ایک تابندہ روایت نسل در نسل



STATE LIFE
INSURANCE CORPORATION OF PAKISTAN

www.statelife.com.pk



Progress at a Glance since Inception

(Rupees in million)

	1973	1975	1978	1980	1983	1985	1988	1990	1993	1995	1996	1997
First Year Premium (Net)	48	50	80	110	228	341	678	846	918	2,026	1,698	1,490
Renewal Premium (Net)	219	244	305	365	606	847	1,515	2,267	3,284	3,935	4,694	4,364
Group Premium (Net)	50	61	114	164	294	347	880	642	930	1,178	1,266	1,413
Pension Premium	-	-	-	-	-	-	-	-	-	-	-	-
Total Premium (Net)	317	354	500	638	1,128	1,535	3,073	3,755	5,132	7,139	7,658	7,266
Investment Income	81	122	221	279	562	767	1,323	1,906	3,675	5,066	5,984	5,901
Total Income	391	504	727	920	1,690	2,307	4,406	5,674	8,814	12,231	13,650	13,177
Total Outgo	292	307	427	593	1,005	1,342	2,597	2,877	4,138	6,245	7,355	7,477
Life Fund	1,494	1,735	2,494	3,111	4,660	6,422	11,327	16,321	28,333	39,339	45,582	51,010
Yield on Life Fund (%)	7	8	10	10	14	14	14	14	15	15	15	13
Overall Expense Ratio (%)	33	33	31	34	34	36	34	35	34	43	43	43
Renewal Expense Ratio(%)	26	27	26	30	28	25	26	22	26	30	35	39
Investment Portfolio	1,401	1,766	2,512	3,155	4,691	6,367	11,140	15,980	27,601	37,969	43,084	48,289
Policy Benefits	141	191	271	375	596	796	1,560	1,565	2,391	3,146	4,097	4,341
No. of Policies in Force (Individual Life)	357,413	379,083	397,158	413,231	489,366	599,423	945,258	1,297,879	1,681,946	2,034,969	2,087,919	2,092,404
No. of Lives Covered (Group Life)	-	1,500,000	2,340,472	2,585,775	2,802,279	3,003,387	3,767,266	4,308,986	4,250,232	4,190,181	4,341,011	4,198,974
Total Business in Force (Sum Assured and Bonuses)	17,899	17,952	30,055	45,847	62,277	77,542	117,726	145,626	311,306	407,296	440,762	489,772



(Rupees in million)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Annual Compound Growth Rates (1973-2010)
1,306	1,275	1,041	1,124	1,350	1,797	2,348	2,806	3,327	3,854	5,159	7,196	9,647	15%
4,413	4,312	4,538	4,565	5,489	5,790	6,655	8,454	9,785	12,054	13,993	17,634	22,287	13%
1,244	1,251	1,102	1,249	1,518	2,281	1,997	2,548	2,866	2,796	3,532	3,514	3,676	12%
-	-	-	7	8	13	15	12	14	14	11	23	29	-
6,964	6,838	6,681	6,945	8,364	9,881	11,014	13,820	15,992	18,717	22,695	28,367	35,639	14%
5,996	8,406	7,873	8,492	11,200	10,202	13,610	13,106	14,924	17,505	19,133	21,545	27,434	17%
12,976	15,286	14,592	15,436	19,564	20,082	24,624	26,926	30,915	36,222	41,828	49,914	63,073	15%
8,451	8,060	8,745	8,342	8,165	9,938	11,544	12,673	15,393	17,049	20,779	27,356	31,489	13%
55,460	62,484	68,127	75,343	86,211	95,957	108,808	122,775	137,960	156,737	177,459	199,445	230,422	15%
12	15	13	13	15	12	14	12	12	13	12	12	14	-
54	46	54	40	38	39	41	36	41	33	35	41	40	-
56	45	57	37	34	35	34	28	34	9	11	19	18	-
54,017	59,933	64,829	74,029	86,203	96,415	110,488	124,984	142,159	161,966	182,874	205,804	235,935	15%
4,715	4,904	5,136	5,572	5,005	6,123	7,063	7,654	8,912	10,783	12,779	15,724	17,072	14%
2,033,388	1,963,723	1,878,139	1,806,476	1,801,919	1,849,125	1,926,254	2,044,015	2,183,783	2,348,791	2,568,698	2,895,354	3,317,192	6%
4,456,347	3,501,163	3,259,618	3,295,387	3,443,916	3,632,688	3,898,333	3,731,002	3,915,529	4,061,865	3,879,686	3,754,296	3,835,712	-
539,751	656,776	499,136	506,245	629,011	816,210	947,239	1,040,556	1,143,770	1,289,079	1,602,159	1,674,745	2,013,298	14%



State Life offices in Pakistan and U.A.E.

Regional Office (South)

State Life Building # 2
10th Floor, wallace Road
Karachi.
Tel. 021-99217035-36

Karachi South

State Life Building # 2
11th Floor, wallace Road
Karachi.
Tel. 021-99217023-24

Karachi Central

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

Karachi Eastern

Jason Trade Centre,
7th Floor, 39-A-1,
PECHS, Sharah-e-Faisal
Karachi.
Tel. 021-34539180-8095

Hyderabad

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

Quetta

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

Sukkur

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

Mirpurkhas

M.A. Jinnah Road
Near D.C. Office
Islamabad
Tel. 0233-9290205

Larkana

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

Gulf

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

Regional Office (Central)

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

Lahore Central

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

Lahore Western

State Life Square,
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Lahore
Tel. 042-99211711-642

Faisalabad

State Life Bldg. 2
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Tel. 041-9200390-636

Sargodha

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

Gujranwala

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

Sialkot

Paris Road
Tel. 052-9250101-111

Real Estate

State Life Building # 5
33-E, Blue Area,
Islamabad
Tel. 051-9205329-6162

Real Estate

State Life Building
15-A Davis Road
Lahore
Tel. 042-9200396

Regional Office (North)

State Life Building # 9
Bulund Markaz Plaza, 33-E,
4th Floor, Blue Area, Islamabad.
ITel. 051-9204935-47

Rawalpindi

State Life Building # 1
The Mall
Tel. 051-9270315-1351

Peshawar

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

Abbottabad

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

Mirpur (AK)

Barry Mian Plaza,
Kotli Road
Tel. 05827-927465-435106

Swat

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

Gujrat

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

Islamabad

State Life Bldg No.9,
4th Floor, 33-E, Blue Area,
Jinnah Avenue, Islamabad
Tel. 051-9206017

G&P Rawalpindi

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

Regional Office (Multan)

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

Multan

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

Sahiwal

Sattar Complex
Stadium Road
Tel. 040-9200022-23

Rahim Yar Khan

2nd Floor Iqbal Complex
Model Town
Tel. 068-9230027-28

Dera Ghazi Khan

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

Bahawalpur

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

G&P Peshawar

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34- The Mall
Peshawar
Tel. 091-9211596

G&P Karachi

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G&P Lahore

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