



Habib Insurance Company Ltd.
81st Annual Report 2023

Habib Insurance Company Limited

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Habib Insurance Company Limited

Company Information

Board of Directors

Chairman	:	Rafiq M. Habib
Directors	:	Mansoor G. Habib Muhammad Hyder Habib Qumail R. Habib Aun Mohammad A. Habib Shahid Ghaffar Ali Fadool Maleeha Humayun Bangash Shabbir Gulamali
Chief Executive	:	Syed Ather Abbas
Chief Financial Officer	:	Murtaza Hussain
Company Secretary	:	Muhammad Asif
Auditors	:	M/s. Grant Thornton Anjum Rahman Chartered Accountants
Share Registrar	:	M/s. CDC Share Registrar Services Limited CDC House, 99-B, Block-B SMCHS, Main Shahrah-e-Faisal Karachi-74400
Shariah Advisory Board	:	Mufti Imtiaz Alam Mufti Muhammad Ashraf Alam Taj Muhammad
Registered Office	:	1st Floor, State Life Bldg. No. 6 Habib Square, M. A. Jinnah Road P.O. Box 5217, Karachi-74000 Pakistan Tel : (92-21) 32424030/38/39 Fax : (92-21) 32421600 UAN : (92-21) 111 03 03 03 Website : www.habibinsurance.net

Habib Insurance Company Limited

Review Report by the Chairman on the Overall Performance of the Board

Alhamdulillah, I am pleased to present a report on the overall performance of the Board and effectiveness of the role played by the Board in achieving the Company's objectives.

As required under the Code of Corporate Governance, an annual evaluation of the Board of the Company is carried out. The purpose of this evaluation is to ensure the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

Accordingly, performance evaluation of the Board was conducted in 2023 as per mechanism approved by the Board. It was concluded that the overall performance of the Board, including effectiveness of the role played by the Board in achieving the Company's objectives, was found to be generally satisfactory.

Overall objective of performance evaluation of the Board is to ensure sustainable growth and development of the Company, with focus on the following areas:

- (a) Creating an Effective Board
- (b) Running an Effective Board
- (c) Understanding the Business including Risk
- (d) Performance Evaluation
- (e) Ethical & Values Driven
- (f) Strategic Objectives
- (g) Ideas for Improvement

Lastly, I wish to acknowledge the commitment and diligence of my fellow Directors, the executive team and all the employees of the Company for their hard work and contribution towards the growth of the Company.

Karachi: March 28, 2024

RAFIQ M. HABIB
Chairman

Habib Insurance Company Limited

Eighty First Report of the Directors to the Shareholders for the year ended December 31, 2023

The Shareholders,

The Board of Directors have pleasure in presenting the Eighty First Annual Report, along with the audited accounts of the Company for the year ended December 31, 2023.

	Rupees in '000
Profit after tax for the year 2023	112,781
Amount available after appropriations for the year 2022	2,696
	<u>115,477</u>
The Board of Directors now propose:	
Payment of dividend at Rs. 0.625 per share of Rs. 5/- each i.e. @ 12.5%	77,422
Transfer to Reserves	35,000
Unappropriated profit carried forward	3,055
	<u>115,477</u>
Basic earnings per share - Rupees	0.91

The Directors are pleased to recommend a payout of 12.5% to shareholders as mentioned above.

By the Grace of Allah, the written gross premium grew by 21% to Rs. 3.65 billion. The net premium revenue was Rs. 1.5 billion compared to Rs. 1.2 billion last year. There was an underwriting loss of Rs. 240.7 million, primarily due to higher claims reported in Motor and Marine class of business.

The investment income for the year was Rs. 305.2 million as against 124.6 million, due to higher income recorded in fixed income securities and reversal of impairment on equity securities recorded during the year. As a result, the profit after tax of the Company for 2023 was Rs. 112.7 million.

The Pakistan Rating Agency has assigned A++ Insurer Financial Strength (IFS) rating to the Company. This denotes a strong capacity to meet policy holders and contract obligations.

In FY 2023, GDP of Pakistan contracted by 0.2%, compared with growth of about 6% in each of the previous two years. Restrictive policies to manage the balance of payments and control inflation had affected the industrial sector adversely, and so the sector recorded a decline of 3.8%, after growing by about 7% in the previous year. Heavy damage caused by floods contributed to slow-down of agricultural sector growth to 2.3%, compared with 4.3% in the year before. Fiscal deficit remained high at 7.7% of GDP. During the year, the Rupee remained under significant pressure and total foreign exchange reserves declined to US\$ 9.2 billion, from US\$ 15.5 billion. However, current account deficit narrowed to US\$ 2.2 billion, from US\$ 17.5 billion. Inflation remained high at 29.4% as of June 30, 2023.

In FY 2024, the economy started showing some signs of recovery. In July 2023, Pakistan entered into a Stand-By Arrangement with IMF which provided a framework for financial support from IMF and also helped inflows from bilateral and other sources. Subsequently, foreign exchange reserves have improved, agricultural and industrial sectors seem to be growing at a much faster rate, Rupee appears to be stabilizing, and trade deficit has reduced significantly. Inflation, although still quite high, is expected to go down in the coming months. The KSE 100 Index closed at as at December 31, 2023, an increase of 65% over the preceding year and is presently around 66547 level as on March 27, 2024.

Looking ahead for the year 2024, the Company will continue its effort to strive for progress to Inshallah attain better underwriting results through focusing on expansion of business through digital modes and increase in product range, without compromising on its cautious underwriting, alongwith sustained investment income.

Habib Insurance Company Limited

As always, we are indeed thankful to all our clients and customers who have placed confidence in our Company. A special mention is made for all the support and guidance we have received from our Reinsurers. The Board of Directors would like to express their appreciation to all staff members of the Company for their dedication and hard work throughout the year.

We pray to Allah for Peace and Prosperity for our Nation, Ameen!

Composition of the Board

The Board of Directors of the Company consist of nine (9) Directors (One Female and Eight Male directors). Composition of the Board is as below.

Category	Names
Independent Directors - Male	Mr. Shahid Ghaffar Mr. Ali Fadool
Independent Director - Female	Ms. Maleeha Humayun Bangash
Non-Executive Directors	Mr. Rafiq M. Habib Mr. Mansoor G. Habib Mr. Muhammad Hyder Habib Mr. Qumail R. Habib
Executive Directors	Mr. Aun Mohammad A. Habib Mr. Shabbir Gulamali

Corporate Social Responsibility (CSR)

The Company is fully committed to the concept of Corporate Social Responsibility and fulfills this responsibility by engaging in a wide range of activities which include:

- Corporate philanthropy amounting to Rs. 3.2 million by way of donations during the year for social and educational development and welfare of lesser privileged sections of society.
- Providing a safe and healthy work environment, energy conservation, environmental protection, and occupational safety and health by restricting unnecessary lighting, implementing tobacco control law and "No Smoking Zone".
- Business ethics, requiring all members to comply with the Company's "Code of Conduct", and to ensure the highest levels of business and personal ethics.
- Amicable staff relations, recognition of merit and performance, and on-going opportunities for learning and growth of staff, both on-the-job and through formal training programmes;
- Employment through a transparent procedure, without discrimination on the basis of religion, caste, language, etc.; and
- Contribution to the national exchequer by the Company by way of direct taxes of Rs. 46.9 million during the year; furthermore, an additional amount of over Rs. 650.5 million was deducted/ collected by the Company on account of withholding taxes, sales tax on services and federal excise duties on behalf of and disbursed to the Government of Pakistan.

Risk Management Framework

The Company has had a Risk Management Framework commensurate with its size and nature of business. This framework has developed over the years and continues to be refined and improved, and the process is overseen by the Risk Management Committee. The Company aims to take business risks in a prudent manner, guided by a conservative outlook. Business risks and mitigation factors are described in detail in Notes 37 & 38 of the Notes to the Conventional Financial Statements and Note 28 of Window Takaful Operations Financial Statements.

Board Committees

Audit Committee

The Audit Committee of the Company comprises of three members with representation of an Independent Director as Chairman who is also financially literate and two Non-Executive Directors. The Audit Committee met four times during the year. Attendance of meetings is as follows:

		No. of Meetings attended
Mr. Shahid Ghaffar	Chairman	3
Mr. Mansoor G. Habib	Member	3
Mr. Qumail R. Habib	Member	4

Habib Insurance Company Limited

Ethics, Nomination, Human Resource & Remuneration Committee

The Ethics, Nomination, Human Resource & Remuneration Committee comprises of four members with representation of an Independent Director as Chairman, one Non-Executive Director, an Executive Director & Chief Executive.

Mr. Ali Fadool	Chairman
Mr. Rafiq M. Habib	Member
Mr. Aun Mohammad A. Habib	Member
Syed Ather Abbas	Member

The committee met once during the year. At the time of the meeting the Committee comprised of the following members and their attendance in the meetings was as follows:

		No. of Meetings attended
Mr. Ali Fadool	Chairman	1
Mr. Rafiq M. Habib	Member	-
Mr. Abbas D. Habib	Member	-
Mr. Aun Mohammad A. Habib	Member	1
Mr. Shabbir Gulamali	Member	1

Investment Committee

The Investment Committee comprises of seven members with the representation of two Independent Directors, two Non-Executive Directors, an Executive Director, Chief Executive & Chief Financial Officer. The Investment Committee met four times during the year. Attendance of meetings is as follows:

		No. of Meetings attended
Mr. Shahid Ghaffar	Chairman	3
Mr. Mansoor G. Habib	Member	3
Mr. Qumail R. Habib	Member	3
Mr. Aun Mohammad A. Habib	Member	4
Ms. Maleeha Humayun Bangash	Member	2
Mr. Murtaza Hussain	Member	4
Syed Ather Abbas	Member	4

Leave of absence was granted to all the directors who could not attend the meeting.

Directors Training Programme

Directors have either attended the required training in prior years or stand exempted, as per criteria mentioned in the Code.

Directors' Remuneration Policy

The Board of Directors has approved a 'Policy and Procedure for Fixing Remuneration of Directors', which states that:

- No director shall determine own remuneration. Remuneration shall be subject to approval of the Board of Directors.
- Remuneration shall be appropriate and commensurate with the level of responsibility and expertise, to attract and retain directors needed to govern the Company successfully and to encourage value addition. However, it shall not be at a level that could be perceived to compromise their independence.

The details of the remuneration of Directors are disclosed in Note 33.

Auditors

The present auditors, M/s. Grant Thornton Anjum Rahman & Co. Chartered Accountants, retire and offer themselves for reappointment. As suggested by the Audit Committee, the Board of Directors have recommended their appointment as auditors of the Company for the year ending December 31, 2024, at a fee to be mutually agreed.

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Statement on Corporate and Financial Reporting Framework

1. The financial statements prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. The proper book of accounts of the Company has been maintained.
3. Appropriate accounting policies have been consistently applied in the preparation of financial statements, changes if any, have been adequately disclosed and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards and Islamic Financial Accounting Standards as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8. Key operating and financial data for the last six years is annexed.
9. Information about the taxes and levies is given in the notes to the financial statements.
10. Value of investments and balance in deposit accounts of Provident Fund as at December 31, 2023 is Rs. 104.4 million.
11. During the year four Board meetings were held and the attendance of the Directors is as follows:

Date of Meeting	Attended by	
May 05, 2023	Mr. Rafiq M. Habib Mr. Mansoor G. Habib Mr. Muhammad Hyder Habib Mr. Qumail R. Habib Mr. Aun Mohammad A. Habib Mr. Shahid Ghaffar Mr. Ali Fadool Ms. Maleeha Humayun Bangash Syed Ather Abbas	Chief Executive
May 30, 2023	Mr. Rafiq M. Habib Mr. Mansoor G. Habib Mr. Muhammad Hyder Habib Mr. Qumail R. Habib Mr. Aun Mohammad A. Habib Mr. Shahid Ghaffar Mr. Ali Fadool Ms. Maleeha Humayun Bangash Mr. Shabbir Gulamali Syed Ather Abbas	Chief Executive
August 29, 2023	Mr. Muhammad Hyder Habib Mr. Qumail R. Habib Mr. Aun Mohammad A. Habib Mr. Shahid Ghaffar Mr. Ali Fadool Mr. Shabbir Gulamali Syed Ather Abbas	Chief Executive
October 26, 2023	Mr. Mansoor G. Habib Mr. Muhammad Hyder Habib Mr. Qumail R. Habib Mr. Aun Mohammad A. Habib Mr. Ali Fadool Ms. Maleeha Humayun Bangash Mr. Shabbir Gulamali Syed Ather Abbas	Chief Executive

Leave of absence was granted to all the directors who could not attend the meeting.

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12. The pattern of shareholding and additional information regarding pattern of shareholding is annexed.
13. Except as stated below, no trades in the shares of the Company were carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

Purchased

Mr. Aun Mohammad A. Habib
Mr. Qumail R. Habib

No. of Shares

39,156
11,114

On behalf of the Board of Directors

AUN MOHAMMAD A. HABIB
Director

SYED ATHER ABBAS
Chief Executive

Karachi: March 28, 2024

Habib Insurance Company Limited

Six Years' Review at a Glance

Years	2023	2022	2021	2020	2019	2018
(Rupees in '000)						
Gross Written Premium/ Contribution	3,657,200	3,022,231	2,295,087	1,804,618	1,705,935	1,345,436
Net Insurance Premium/ Contribution	1,803,532	1,414,026	911,418	792,021	774,736	532,595
Investment Income	305,198	124,572	141,031	94,145	94,810	196,665
Net Insurance/ Takaful Claims	1,164,557	749,397	431,983	385,467	432,933	313,987
Profit after Tax	112,781	111,091	107,024	61,663	70,087	105,310
Paid-up Capital	619,374	619,374	619,374	619,374	619,374	619,374
Reserves & Retained Earnings	884,079	548,928	635,700	680,874	629,807	719,185
Total Assets	5,494,060	4,543,639	4,193,752	4,017,876	3,640,667	3,282,403
Cash Dividend - %	12.5	12.5	12.5	10	10	15

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Statement of Compliance with Code of Corporate Governance for Insurers, 2016 & Listed Companies (Code of Corporate Governance) Regulations, 2019 for the year ended December 31, 2023

This statement is being presented in compliance with the Code of Corporate Governance for Insurers, 2016 (the Code) and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) for the purpose of establishing a framework of good governance, whereby an insurer is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code and the Regulations in the following manner:

1. The total number of directors are nine as per the following:
 - Male 8
 - Female 1
2. The Insurer encourages representation of independent, non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors - Male	Mr. Shahid Ghaffar Mr. Ali Fadoo
Independent Director - Female	Ms. Maleeha Humayun Bangash
Non-Executive Directors	Mr. Rafiq M. Habib Mr. Mansoor G. Habib Mr. Muhammad Hyder Habib Mr. Qumail R. Habib
Executive Director	Mr. Aun Mohammad A. Habib Mr. Shabbir Gulamali

Syed Ather Abbas is the Chief Executive of the Company. Being the Chief Executive of the Company, he is deemed to be a Director.

The Company has Nine (9) elected Directors and a Chief Executive. The Independent Directors' fraction of 0.33 is below half (0.50) and accordingly, the same has not been rounded up as one.

The independent Directors meets the criteria of independence as laid down under the Code and the Regulations.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
4. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by a stock exchange.
5. No casual vacancy occurred on the Board during the year.
6. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
7. The Board has developed a vision/ mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
8. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provision of the Act and these regulations. The decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive, other Executive Director and key officers, have been taken by the Board.
9. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board. Written notices of Board meetings, along with agenda and working papers were circulated at least seven days before the meeting.

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10. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all the necessary aspects of internal controls given in the Code.
11. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and the Regulations.
12. The Company is compliant with the requirement of the Directors' Training Program provided in the Code. Directors have either attended the required training in prior years or stand exempted, as per criteria mentioned in the Code.
13. The Board had approved appointment of Company Secretary including his remuneration and terms and conditions of employment on March 28, 2024.

The Board approved the outsourcing of Internal Audit Function to a firm of Chartered Accountants. Accordingly, the Board also approved the appointment of Head of Internal Audit including his remuneration and terms and conditions of employment on March 28, 2024, to act as coordinator between the Board and the Firm.

There was no new appointment of CFO during the year.

14. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
15. Chief Financial Officer and Chief Executive duly endorsed the financial statements before approval of the Board.
16. The Directors, Chief Executive, and other executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
17. The Company has complied with all the corporate and financial reporting requirements of the Code.
18. The Board has formed the following Management Committees:

Underwriting, Reinsurance & Co-insurance Committee:

Name of Members	Category
Mr. Ali Fadool	Chairman
Mr. Aun Mohammad A. Habib	Member
Syed Ather Abbas	Member
Mr. Shabbir Gulamali	Member
Mr. Fawwad A. Razzak	Member
Mr. Farrukh Khan	Member
Mr. Ayaz Munir	Secretary

Claims Settlement Committee:

Name of Members	Category
Mr. Mansoor G. Habib	Chairman
Syed Ather Abbas	Member
Mr. Murtaza Hussain	Member
Mr. Murtuza Barristor	Secretary

Risk Management & Compliance Committee:

Name of Members	Category
Mr. Muhammad Hyder Habib	Chairman
Mr. Aun Mohammad A. Habib	Member
Mr. Shabbir Gulamali	Member
Syed Ather Abbas	Member
Mr. Murtaza Hussain	Member
Mr. Farrukh Khan	Secretary

Habib Insurance Company Limited

19. The Board has formed the following Board Committees:

Investment Committee:

Name of Members

Mr. Shahid Ghaffar
Mr. Mansoor G. Habib
Mr. Qumail R. Habib
Mr. Aun Mohammad A. Habib
Ms. Maleeha Humayun Bangash
Syed Ather Abbas
Mr. Murtaza Hussain

Category

Chairman – Independent Director
Member – Non-Executive Director
Member – Non-Executive Director
Member – Executive Director
Member – Independent Director
Member – Chief Executive
Member – Chief Financial Officer

Ethics, Nomination, Human Resource & Remuneration Committee:

Name of Members

Mr. Ali Fadoo
Mr. Rafiq M. Habib
Mr. Aun Mohammad A. Habib
Syed Ather Abbas

Category

Chairman – Independent Director
Member – Non-Executive Director
Member – Executive Director
Member – Chief Executive

20. The Board has formed an Audit committee. It comprises of three members of whom one is an Independent Director, two Non-Executive Directors. The Chairman of the Committee is an Independent Director. The composition of the Audit Committee is as follows:

Name of Members

Mr. Shahid Ghaffar
Mr. Mansoor G. Habib
Mr. Qumail R. Habib

Category

Chairman – Independent Director
Member – Non-Executive Director
Member – Non-Executive Director

21. The meetings of the Committees except Ethics, Nomination, Human Resource & Remuneration Committee, were held at least once every quarter. The quarterly Meetings of Audit Committee was held prior to approval of interim and final results of the Company. The Ethics, Nomination, Human Resource & Remuneration Committee met once during the year.
22. The terms of reference of the aforesaid committees have been formed, documented, and advised to the committee for compliance.
23. The Board had set up an effective internal audit function which was staffed with the resources who were suitably qualified and experienced for the purpose and were conversant with the policies and procedures of the Company and were involved in the internal audit function on a regular basis.

The Board in their meeting held on March 28, 2024 approved the outsourcing of the internal audit function to BDO Ebrahim & Co, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the insurer and they (or their representative) will be involved in the internal audit function on a regular basis.

24. The Chief Executive, Chief Financial Officer, Company Secretary & Compliance Officer and the Head of Internal Audit possess such qualification and experience as required under the Code. Moreover, the persons heading the Underwriting, Claim, Reinsurance, Risk Management and Grievance Departments possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000).

Name of the Person

Syed Ather Abbas
Mr. Murtaza Hussain
Mr. Muhammad Asif
Mr. Shahrukh Khan
Mr. Ayaz Munir
Mr. Fawwad A. Razzak
Mr. Farrukh Khan
Mr. Murtuza Barristor

Designation

Chief Executive
Chief Financial Officer and Head of Grievance
Company Secretary and Chief Compliance Officer
Head of Internal Audit, Coordinator
Head of Reinsurance
Head of Underwriting
Head of Risk Management
Head of Claims

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25. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in term of Section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive, Chief Financial Officer Head of Internal Audit, Company Secretary or Directors of the Company.
26. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
27. The Board ensures that the Investment Policy of the Company has been drawn up in accordance with the provisions of the Code.
28. The Board ensures that the Risk Management System of the Company is in place as per the requirements of the Code.
29. The Company has set up a Risk Management function which carries out its tasks as covered under the Code.
30. The Board ensures that as part of the Risk Management System, the Company gets itself rated from the Pakistan Credit Rating Agency which is being used by its Risk Management Function and the respective Committee as a risk monitoring tool. The rating assigned by the said rating agency on December 01, 2023 is A++.
31. The Board has set up a Grievance Function which fully complies with the requirements of the Code.
32. The Company has not obtained any exemption from the Securities and Exchange Commission of Pakistan in respect of requirements of the Code.
33. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

On behalf of the Board of Directors

AUN MOHAMMAD A. HABIB
Director

SYED ATHER ABBAS
Chief Executive

Karachi: March 28, 2024

Habib Insurance Company Limited

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Habib Insurance Company Limited

Review Report on the Statement of Compliance contained in Code of Corporate Governance for Insurers, 2016 and Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance for Insurer, 2016 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (combined called 'the Code') prepared by the Board of Directors of **Habib Insurance Company Limited** (the Company) for the year ended December 31, 2023 in accordance with the requirements of the Code.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

The Code require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Code as applicable to the Company for the year ended December 31, 2023.

Chartered Accountants

Karachi

Date: April 02, 2024

UDIN: CR2023101544qWazY5jy

Habib Insurance Company Limited

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HABIB INSURANCE COMPANY LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of Habib Insurance Company Limited ("the Company"), which comprise the statement of financial position as at December 31, 2023, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to and forming part of the financial statements, including a material accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flow together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2023 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significant in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Habib Insurance Company Limited

S.No.	Key audit matter(s)	How the matter was addressed in our audit
1	<p>Insurance Liabilities</p> <p>The Company's liability relating to outstanding claims including Incurred but not reported (IBNR) aggregating to Rs. 1,055.32 million, which represent 26.44% of the Company's total liabilities.</p> <p>Valuation of these claim liabilities involves Company's judgement regarding uncertainty in the estimation of claim payments, and assessment of frequency and severity of claims.</p> <p>Furthermore, the Company also maintains a provision for claims including IBNR based on the advice of an independent actuary. The actuarial valuation methodology involves estimates and the use of actuarial assumptions.</p> <p>Due to the significant judgment and estimation required to determine the obligations relating to outstanding claims including IBNR, we consider it to be a Key Audit Matter.</p> <p>Refer to note 3.20 and 23 to financial statements relating to outstanding claims including (IBNR).</p>	<p>Our procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of relevant controls over the process of capturing, processing and recording of information related to the claims. • Assessed the appropriateness of the Company's accounting policy for recording of claims in line with the requirements of applicable accounting and reporting standards; • Tested, on sample basis, claims transactions with the underlying documentation to evaluate whether the claims reported are recorded in accordance with the Company's policy and applicable insurance regulations, and assessed the sufficiency of reserving claim liabilities; • Obtained an understanding of the work performed by the management expert (actuary) for determining provision for claims Incurred But Not Reported and tested underlying data used; • Used an external actuarial specialist to assist us in evaluation of methodology, actuarial assumptions and basis adopted for actuarial valuations in respect of IBNR provisions; and • Examined the adequacy of the disclosures made by the Company with regard to applicable accounting and reporting standards.

Habib Insurance Company Limited

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Habib Insurance Company Limited

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

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;
- c) investments made, expenditures incurred and guarantees extended during the year were for the purpose of the Company's business; and;
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that ordinance.

Other Matter

The annual financial statements of the Company for the year ended December 31, 2022 were audited by another firm of Chartered Accountants, whose audit report date May 08, 2023 expressed an unmodified opinion on the aforementioned financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Khalid Aziz.

Chartered Accountants

Karachi

Date: April 02, 2024

UDIN: AR202310154mRw1B7poG

Habib Insurance Company Limited

Statement of Financial Position as at December 31, 2023

	Note	2023 (Rupees in '000)	2022
Assets			
Property and equipment	5	114,021	56,102
Intangible assets	6	235	449
Investments			
Equity securities	7	1,252,546	821,124
Debt securities	8	314,674	815,841
Loans, deposits and other receivables	9	92,469	182,727
Insurance/ reinsurance receivables	10	1,352,698	886,380
Reinsurance recoveries against outstanding claims	23	670,203	637,543
Salvage recoveries accrued		46,402	38,933
Deferred commission expense	25	184,408	146,080
Taxation - provision less payment		71,881	5,835
Prepayments	13	681,913	525,417
Cash and bank	14	471,369	306,241
		5,252,819	4,422,672
Total Assets of Window Takaful Operations - Operator's Fund	15	241,241	120,967
Total Assets		<u>5,494,060</u>	<u>4,543,639</u>
Equities and Liabilities			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital	16	619,374	619,374
Reserves	17	749,067	414,961
Unappropriated profits		135,012	133,967
Total Equity		1,503,453	1,168,302
Liabilities			
Underwriting provisions			
Outstanding claims including IBNR	23	1,055,320	959,567
Unearned premium reserves	22	1,390,472	1,202,472
Premium deficiency reserves		3,346	6,188
Unearned reinsurance commission	25	149,584	156,637
Retirement benefit obligations	11	93,716	130,311
Deferred taxation	12	142,074	17,290
Lease liability against right of use assets	18	40,766	30,908
Premium received in advance		41,463	60,189
Insurance/ reinsurance payables	19	553,586	425,363
Other creditors and accruals	20	366,669	303,447
		3,836,996	3,292,372
Total Liabilities of Window Takaful Operations - Operator's Fund	15	153,611	82,965
Total Liabilities		<u>3,990,607</u>	<u>3,375,337</u>
Total Equity and Liabilities		<u>5,494,060</u>	<u>4,543,639</u>
Contingencies and commitments	21		

The annexed notes from 1 to 44 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

AUN MOHAMMAD A. HABIB
Director

SYED ATHER ABBAS
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Statement of Comprehensive Income for the year ended December 31, 2023

	Note	2023 (Rupees in '000)	2022
Net insurance premium	22	1,505,708	1,227,979
Net Insurance claims	23	(951,898)	(627,306)
Premium deficiency		2,842	136
Net commission and other acquisition cost	25	(32,532)	85,289
Insurance claims and acquisition expense		(981,588)	(541,881)
Management expenses	26	(764,801)	(706,756)
Underwriting results		(240,681)	(20,658)
Investment income	27	305,198	124,572
Other income	28	48,117	39,259
Other expenses	29	(13,682)	(11,314)
Results of operating activities		98,952	131,859
Finance cost	30	(9,116)	(3,282)
Profit before tax from Window Takaful Operations - Operator's Fund	15	69,908	12,619
Profit before tax		159,744	141,196
Income tax expense	31	(46,963)	(30,105)
Profit after tax		112,781	111,091
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit and loss account</i>			
Unrealised gain / (loss) on available-for-sale investments		396,996	(188,243)
Less: Net (loss) / gain transferred to profit and loss on disposal / redemption / impairment of investment		(922)	11,906
		396,074	(176,337)
Related tax impact		(111,968)	48,244
		284,106	(128,093)
<i>Items not to be reclassified to profit and loss account in the subsequent year</i>			
Actuarial gain on defined benefit plan	11.5	19,186	7,918
Related tax impact		(3,493)	(266)
		15,693	7,652
Other comprehensive loss from Window Takaful Operations - Operator's Fund - net of tax		(7)	—
Other comprehensive income / (loss)		299,792	(120,441)
Total comprehensive income / (loss) for the year		412,573	(9,350)
		(Rupees)	
Earning per share - rupee	32	0.91	0.90

The annexed notes from 1 to 44 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

AUN MOHAMMAD A. HABIB
Director

SYED ATHER ABBAS
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Statement of Changes in Equity for the year ended December 31, 2023

	Attributable to equity holders of the Company					Total Equity
	Share capital	Capital reserves Reserve for exceptional losses	Revenue Reserves General reserves	Unrealized gain on revaluation of Available-for-sale investmentnet (Rupees in '000)	Unappropriated profit	
Balance as at January 01, 2022	619,374	9,122	255,000	228,932	142,646	1,255,074
Total comprehensive loss for the year ended December 31, 2022						
Profit after tax	-	-	-	-	111,091	111,091
Other comprehensive loss - net of tax	-	-	-	(128,093)	7,652	(120,441)
Total comprehensive loss for the year	-	-	-	(128,093)	118,743	(9,350)
Transaction with owner directly recorded with equity						
Final dividend for the year ended December 31, 2021 of Rs. 0.625 per share	-	-	-	-	(77,422)	(77,422)
Transfer to general reserve	-	-	50,000	-	(50,000)	-
Balance as at December 31, 2022	<u>619,374</u>	<u>9,122</u>	<u>305,000</u>	<u>100,839</u>	<u>133,967</u>	<u>1,168,302</u>
Balance as at January 01, 2023	619,374	9,122	305,000	100,839	133,967	1,168,302
Total comprehensive income for the year ended December 31, 2023						
Profit after tax	-	-	-	-	112,781	112,781
Other comprehensive loss - net of tax	-	-	-	284,106	15,686	299,792
Total comprehensive income for the year	-	-	-	284,106	128,467	412,573
Transaction with owner directly recorded with equity						
Final dividend for the year ended December 31, 2022 of Rs. 0.625 per share	-	-	-	-	(77,422)	(77,422)
Transfer to general reserve	-	-	50,000	-	(50,000)	-
Balance as at December 31, 2023	<u>619,374</u>	<u>9,122</u>	<u>355,000</u>	<u>384,945</u>	<u>135,012</u>	<u>1,503,453</u>

The annexed notes from 1 to 44 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

AUN MOHAMMAD A. HABIB
Director

SYED ATHER ABBAS
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Cash Flow Statement for the year ended December 31, 2023

	2023 (Rupees in '000)	2022
Operating cash flow		
(a) Underwriting activities		
Insurance premium received	2,609,032	2,969,705
Reinsurance premium paid	(1,594,894)	(1,200,774)
Claims paid	(1,782,558)	(1,301,630)
Reinsurance and other recoveries received	886,284	775,073
Commission paid	(372,103)	(316,562)
Commission received	347,113	385,074
Net cash inflows from underwriting activities	92,874	1,310,886
(b) Other operating activities		
Income tax paid	(38,869)	(43,473)
Other operating payments	(648,776)	(705,513)
Other operating receipts	5,863	5,203
Loans advanced	(9,190)	(5,815)
Loan repayment received	22,033	17,655
Net cash (outflow) from other operating activities	(668,939)	(731,943)
Total cash (outflow) / inflows from all operating activities	(576,065)	578,943
Investment activities		
Profit/ return received	168,613	34,161
Dividend received	139,150	149,641
Payment for investments	(473,880)	(2,473,280)
Proceeds from investments	1,063,233	2,016,448
Fixed capital expenditure	(59,571)	(9,758)
Proceeds from sale of property and equipment	809	5,625
Total cash inflows / (outflows) from investing activities	838,354	(277,163)
Financing activities		
Payments against leased liabilities	(21,127)	(8,931)
Dividends paid	(76,034)	(75,174)
Total cash (outflows) from financing activities	(97,161)	(84,105)
Net cash flows from all activities	165,128	217,675
Cash and cash equivalents at beginning of year	306,241	88,566
Cash and cash equivalents at end of year	471,369	306,241
Reconciliation to profit and loss account		
Operating cash flows	(576,065)	578,943
Depreciation and amortisation expense	(26,856)	(18,627)
Financial charges expense	(9,116)	(3,282)
Profit on disposal of property and equipment	161	2,079
Profit/ return received	168,613	34,161
Capital gain	656	(11,906)
Dividends income	139,150	149,641
Provision for gratuity	(29,644)	(24,827)
Reversal / (provision) for impairment	37,697	(37,696)
Gratuity paid	36,597	17,093
Income tax paid	38,869	43,473
Provision of taxation	(46,963)	(30,105)
(Decrease)/ Increase in assets other than cash	701,271	(81,929)
Decrease in liabilities other than borrowings	(391,497)	(518,546)
Profit after tax from conventional insurance operations	42,873	98,472
Profit from Window Takaful Operations - Operator's Fund	69,908	12,619
Profit after taxation	112,781	111,091

The annexed notes from 1 to 44 form an integral part of these financial statements.

RAFIQ M. HABIB Chairman	MANSOOR G. HABIB Director	AUN MOHAMMAD A. HABIB Director	SYED ATHER ABBAS Chief Executive	MURTAZA HUSSAIN Chief Financial Officer
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Habib Insurance Company Limited

Notes to and Forming Part of the Financial Statements for the year ended December 31, 2023

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Habib Insurance Company Limited (the Company) was incorporated as a Public Limited Company in the year 1942 under the Companies Act, 1913 (now the Companies Act, 2017). The registered office of the Company is situated at Habib Square, M.A. Jinnah Road, Karachi and the shares of the Company are quoted on the Pakistan Stock Exchange Limited. The Company is engaged in general insurance business comprising of Fire and property, Marine and transport, Motor, Group hospitalization and other classes.

The Company, as an Operator, was allowed to work as Window Takaful Operator on July 18, 2018 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations (WTO) in Pakistan. The registered office of the Operator is situated at Habib Square, M.A. Jinnah Road, Karachi.

- 1.2 The Company operates through the following locations in Pakistan;

Locations	Address
Head Office	State Life Building No. 6, Habib Square, M.A. Jinnah Road, Karachi.
Karachi Region	P&O Plaza, Survey No. 3/2, Sheet No. R.4.5, Railway Quarter, I.I. Chundrigar Road Karachi.
Rawalpindi Branch	1st Floor, Majeed Plaza, Bank Road, Rawalpindi Cantt.
Dera Ghazi Khan Branch	Block No. 17, Jampur Road, Dera Ghazi Khan.
Faisalabad Branch	Fatima Tower, 2nd Floor, Kohinoor Plaza, Faisalabad. P-6161, West Canal Road, adjacent to Toyota Faisalabad Motors & behind HBL Canal Road Branch, Faisalabad.
Multan Branch	Room No. 401, 403, Plot No. 74, United Mall, Abdali Road, Multan.
Lahore Branches	Plot No. 320, Block No. G/3, M.A. Johar Town, Lahore.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

Provisions of and directives issued under the Companies Act, 2017, Insurance Ordinance, 2000, Insurance Rules 2017, Insurance Accounting Regulations, 2017, General Takaful Accounting Regulations, 2019 and Takaful Rules, 2012.

In case requirement differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, Insurance Rules 2017, General Takaful Accounting Regulations, 2019 shall prevail.

Total assets, total liabilities and profit of the Window Takaful Operations of the Company referred to as the Operator's Fund has been presented in these unconsolidated financial statements in accordance with the requirements of Circular 25 of 2015 dated 09 July 2015. A separate set of financial statements of the General Window Takaful Operations has been reported which is annexed to these unconsolidated financial statements as per the requirements of the SECP Takaful Rules, 2012, General Takaful Accounting Regulations, 2019.

2.1 Basis of measurement

The financial statements have been prepared under the historical cost basis except for the available-for-sale investments that has been measured at fair value and the Company's liability under defined benefit plan that is determined based on present value of defined benefit obligation less fair value of plan assets.

Habib Insurance Company Limited

2.2 Functional and presentation currency

These financial statements are presented in Pak Rupees which is also the Company's functional currency. All financial information presented in Pak Rupees has been rounded to nearest thousand rupees, unless otherwise stated.

2.3 Standards, interpretations and amendments effective during the current year

The Company has adopted following accounting standards, interpretations and amendments of IFRSs and the improvements to accounting standards which became effective for the current year.

Amendments to approved accounting standards

Definition of Accounting Estimates - IAS 8

Disclosure of Accounting Policies - IAS 1 and IFRS Practice Statement 2

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - IAS 12

International Tax Reform-Pillar Two Model Rules - IAS 12

These amendments had no or material impact on the Company's financial statements.

2.4 Standards, interpretations and amendments to approved accounting standards that are not yet effective

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

Amendments	Effective date (annual periods beginning on or after)
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	
Non-current Liabilities with Covenants - Amendments to IAS 1	01-January-2024
Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	01-January-2024
Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	01-January-2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Not yet finalized

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application, except for IFRS 17.

SECP vide its SRO 1715 dated 21 November 2023 directed the application of IFRS 17 for the period commencing from 1 January 2026.

- IFRS 17 - 'Insurance contracts' has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2023, however it is yet to be notified by the Securities and Exchange Commission of Pakistan. In addition, the Company has opted for the temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Further details relating to the temporary exemption from the application of IFRS 9 are given in the notes below.

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

- Temporary Exemption from the Application of IFRS 9 (Financial Instruments)

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

Habib Insurance Company Limited

Financial assets with contractual cash flows that meet the SPPI criteria

As at December 31,
2023 2022
(Rupees in '000)

Debt securities - Available for sale

Opening fair value	815,841	183,188
Additions / (disposals during the year)	(496,899)	638,242
Adjustment in the fair value	(4,268)	(5,589)
Closing fair value	<u>314,674</u>	<u>815,841</u>

Financial assets with contractual cash flows that do not meet the SPPI criteria

Equity securities - Available for sale

Opening fair value	821,124	1,210,429
Disposals / additions during the year	65	(180,861)
Impairment	37,697	(37,696)
Adjustment in the fair value	393,660	(170,748)
Closing fair value	<u>1,252,546</u>	<u>821,124</u>

Other details of financial assets which pass the SPPI test are as follows:

Gross carrying amounts and fair values of financial instruments that pass the SPPI test:

Rating	December 31, 2023					
	AAA	AA+	AA-	Others*	Sovereign Bonds	Unrated / Unavailable
(Rupees in '000)						
Cash and bank	470,972	50	—	—	—	—
Investment in debt securities available for sale	—	—	250,000	—	64,674	—
Insurance / reinsurance receivable	—	—	—	—	—	1,352,698
Loans, deposits and other receivables	—	—	—	—	—	60,878
Reinsurance recoveries against outstanding claims	—	323,779	—	346,167	—	257
Salvage recoveries accrued	—	—	—	—	—	46,402
	<u>470,972</u>	<u>323,829</u>	<u>250,000</u>	<u>346,167</u>	<u>64,674</u>	<u>1,460,235</u>
Rating	A	AA++	A++	A+	AA	Total
*Reinsurance recoveries against outstanding claims	<u>176,672</u>	<u>59,514</u>	<u>4,945</u>	<u>97,135</u>	<u>7,901</u>	<u>346,167</u>

Habib Insurance Company Limited

Rating	December 31, 2022					
	AAA	AA+	AA-	Others*	Sovereign Bonds	Unrated / Unavailable
	(Rupees in '000)					
Cash and bank	303,212	50	–	–	–	–
Investment in debt securities available for sale	–	–	100,573	–	715,268	–
Insurance / reinsurance receivable	–	–	–	–	–	886,380
Loans, deposits and other receivables	–	–	–	–	–	156,413
Reinsurance recoveries against outstanding claims	–	110,464	–	496,347	–	30,732
Salvage recoveries accrued	–	–	–	–	–	38,933
	<u>303,212</u>	<u>110,514</u>	<u>100,573</u>	<u>496,347</u>	<u>715,268</u>	<u>1,112,458</u>

Rating	December 31, 2022					
	A	AA++	AA++	A+	AA	Total
	(Rupees in '000)					
*Reinsurance recoveries against outstanding claims	<u>454,389</u>	<u>38,349</u>	<u>1,661</u>	<u>1,899</u>	<u>49</u>	<u>496,347</u>

Ratings are by different rating agencies including Pakistan Credit Rating Agency (PACRA), JCR-VIS and Moody's incase of overseas reinsurance entities.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies adopted in the preparation of these financial statements are consistent to all the years presented. Details of these accounting policies are as follows:

3.1 Property and Equipment

3.1.1 Tangible assets - owned

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation on tangible fixed assets except vehicles is charged to income applying the straight line method at the rates specified in note 5.1 to the financial statements after taking into account residual value, if any. The useful lives, residual values and depreciation method are reviewed and adjusted if appropriate, at each reporting date. Depreciation on additions is charged for the full month in which as asset is put to use and on deletions up to the month immediately preceding the deletion.

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indications exist and where the carrying values exceeds the estimated recoverable amounts the assets are written down to their recoverable amounts.

Capital work-in-progress is stated at cost less any impairment in value. It includes advances to the suppliers for the tangible assets.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and assets so replaced, if any, are retired. Gain or loss on disposal of fixed asset is included in income currently.

3.1.2 Intangible assets

These are stated at cost less accumulated amortization and any provision for impairment loss. Amortization of intangible fixed assets is charged to income applying the straight line method at the rates specified in note 6 to the financial statements after taking into account residual value, if any.

Full month's amortization is calculated from the month the assets are available for use using the straight-line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization method is reviewed, and adjusted if appropriate, at each reporting date.

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The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

3.1.3 Leases - Right-of-use assets and related liabilities

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company mainly lease properties for its operations and recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of the right-of-use asset or end of lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate of the Company. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. The Company has elected not to recognize right-of-use assets and lease liabilities for short term and low value assets. The lease payments associated with these leases are recognized as an expense on a straight line basis over the lease term. The right-of-use assets are presented in the same line item as it presents underlying assets for the same nature it owns.

3.2 Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policy holders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. These contracts are entered with group companies, corporate clients, and individuals residing or located in Pakistan.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its period, even if the insurance risk reduces significantly during this period, unless all rights and liabilities are extinguished or expired.

Insurance contracts are classified into following main categories:

3.2.1 Fire and property

The perils covered under fire insurance include damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation, impact and other coverage.

3.2.2 Marine and transport

Marine and transport insurance provides coverage against cargo risk, war risk and damages occurring in inland transit.

3.2.3 Motor

Motor insurance provides comprehensive car coverage and indemnity against third party loss.

3.2.4 Health

Group hospitalization insurance provides cover to compensate personal accident, hospitalization and outpatient medical coverage to the insured.

3.2.5 Other classes

Other classes includes mainly bankers blanket bond, liability, engineering, etc.

3.3 Commission

Deferred commission expense

Commission expense incurred in obtaining and recording policies is deferred and recognized in the Statement of Comprehensive Income as an expense in accordance with the pattern of recognition of premium revenue.

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Commission income

Commission income from reinsurers is recognized on the date of commencement of the underlying insurance policy. These are deferred and recognized as liability and recognized in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premiums.

Profit commission and sliding sales commission, if any, under the terms of reinsurance arrangements, is recognized when due.

3.4 Unearned premium reserve

The unearned premium represents the portion of premium written relating to the unexpired period of insurance coverage at the reporting date. It is recognized as a liability. Such liability is calculated as a ratio of the unexpired period of the policy and the total policy period, both measured to the nearest day except:

- for marine cargo, as a ratio of the unexpired shipment period to the total expected shipment period, both measured to the nearest day.

Policy for recognition of premium revenue is disclosed in detail in note 3.11.1 to these financial statements.

3.5 Premium deficiency reserve

The Company is required as per section 34(2)(d) of the Insurance Ordinance, 2000, to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recorded as an expense in the statement of comprehensive income and the same are recognized as a liability.

The Company determines adequacy of liability of premium deficiency by carrying out an analysis of expired periods. For this purpose actuarial valuation has been carried out to determine the amount of premium deficiency reserve as required by under Insurance Rules, 2017 issued by the Securities and Exchange Commission of Pakistan on January 09, 2012.

Provision has been made for Health business as the unearned premium reserve for the class of business as at the year end is not adequate to meet the expected future liability after reinsurance from claims and other expenses, expected to be incurred after the reporting date in respect of policies in force at the reporting date.

3.6 Reinsurance contracts held

Insurance contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued are reinsurance contracts. These reinsurance contracts include both facultative and treaty arrangement contracts and are classified in the same categories of insurance contracts for the purpose of these financial statements. The Company recognizes the entitled benefits under the contract as reinsurance assets. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contract.

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not offset against expenses or income from related insurance assets.

The deferred portion of reinsurance premium ceded is recognized as a prepayment which is calculated in accordance with the pattern of recognition of revenue.

The Company assesses its reinsurance assets for impairment on financial statement date. If there is an objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the profit and loss account.

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3.7 Receivables and payables

3.7.1 Receivables related to Insurance contract

Receivables related to insurance contracts are recognized and due at cost which is the fair value of the consideration given less provision for impairment, if any. If there is an objective evidence that the insurance receivable is impaired, as a result of one or more events that occurred after the initial recognition, the Company reduces the carrying amount of the insurance receivables and recognizes that impairment loss in the statement of comprehensive income.

Provision for impairment in premium receivables is estimated on a systematic basis after analyzing the receivables as per their ageing.

Further, premium received in advance is recognized as liability till the time of issuance of insurance contract there against.

3.7.2 Creditors, accruals and provisions

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

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

Provisions are reviewed at each financial statement date and adjusted to reflect the current estimate.

3.8 Reinsurance recoveries against outstanding claims

Claims recoveries against outstanding claims from the reinsurer and salvage are recognized as an asset at the same time as the claims which give rise to the right of recovery are recognized as a liability and are measured at the amount expected to be received.

3.9 Segment reporting

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

The Company presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017. The reported operating segments are also consistent with the internal reporting provided to the Board of Directors who assess the performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

Assets and liabilities that are directly attributable to specific segments are assigned to them, while the carrying amount of certain assets (liabilities) used (incurred) jointly by two or more segments are allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

The Company has four primary business segments for reporting purposes, namely fire and property, marine and transport, motor and other classes. The nature and business activities of these segments are disclosed in note no. 3.2. Income and expenses directly attribute to a particular segment is so allocated. Underwriting expenses have been allocated to various classes of business on a basis deemed equitable by the management. Expenses not attributable to the underwriting business are charged as other expenses.

3.10 Cash and cash equivalents

Cash and cash equivalents are carried in the financial statement at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, stamps in hand and current and saving accounts with bank.

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3.11 Revenue recognition

3.11.1 Premiums

Premiums including administrative surcharge under an insurance contract are recognized as written from date of issuance to the date of attachment of risk to the policy / cover note. Where premium for a policy is payable in installments, full premium for the duration of the policy is recognized as written, where the first such installment has been duly received by the Company, at the inception of the policy and related asset is recognized as premium receivable.

Revenue from premiums is determined after taking into account the unearned portion of premiums. The unearned portion of premium income is recognized as a liability as explained in note 3.4.

Reinsurance premium is recognized as expense after taking into account the proportion of prepaid reinsurance premium which is recognized as a proportion of the gross reinsurance premium of each policy, determined as the ratio of the unexpired period of the policy and the total period, both measured to the nearest day. The prepaid portion of premium is recognized as a prepayment as explained in note 3.4.

3.11.2 Commission income

Commission income from other insurers / reinsurers is deferred and recognized as liability and recognized in the profit and loss account as commission income in accordance with the pattern of recognition of the reinsurance premiums.

3.11.3 Dividend income

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

3.11.4 Gain / loss on sale / redemption of investments

Gain / loss on sale / redemption of investments is taken to profit and loss account at the time of sale / redemption.

3.11.5 Income on debt securities and bank balances

Income from debt securities investments and bank balances is recognized on a time proportionate basis taking account the effective yield on the investment / bank balance.

3.12 Investments

These comprises of the following:

- In equity securities
- In debt securities

3.12.1 Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs except for held for trading investments in which case transaction costs are charged to the profit and loss account. All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments. These are recognized and classified as follows:

- Investment at fair value through profit and loss (held for trading)
- Available-for-sale
- Held to maturity

3.12.2 Measurement

3.12.2.1 Investment at fair value through profit or loss (held for trading)

At the time of acquisition, quoted investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or are part of portfolio for which there is a recent actual pattern of short term profit taking are classified as held for trading.

Subsequent to initial recognition these are remeasured at fair value by reference to quoted market prices (as explained below) with the resulting gain or loss being included in net profit or loss for the period in which it arises.

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3.12.2.2 Available-for-sale

Available-for-Sale investments are those non-derivative instruments / contracts that are designated as available-for-sale or are not classified in any other category.

At the time of acquisition, investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

Subsequent to initial measurement, the available-for-sale investments are remeasured at fair value. Surplus / (deficit) on revaluation from one reporting date to other is taken to other comprehensive income in the statement of comprehensive income. On derecognition or impairment, the cumulative gain or loss previously reported in other comprehensive income is transferred to profit and loss for period within statement of comprehensive income.

Fair value of the listed equity shares are determined with reference to the rates quoted on the stock exchange, while the fair value of the mutual funds units and of term finance certificates are determined with reference to the rates quoted on the MUFAP website. The fair value of the Government securities are determined with reference the rates quoted on the PKRV page.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the Statement of Comprehensive Income.

3.12.2.3 Held-to-maturity

At the time of acquisition, investments with fixed maturity, where management has both the intent and the ability to hold till maturity, are classified as held-to-maturity.

Subsequently, these are measured at amortized cost less provision for impairment in value, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition by using the effective yield method.

The difference between the redemption value and the purchase price of the held-to-maturity investments is amortized and taken to the profit and loss account over the term of the investment.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the Statement of Comprehensive Income.

3.13 Off setting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statement, if the Company has a legally enforceable right to set-off and the Company intends either to settle the assets and liabilities on a net basis or to realize the asset and settle the liability simultaneously.

3.14 Taxation

3.14.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the tax rates enacted on substantially enacted as at the year end. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years.

3.14.2 Deferred

Deferred tax is accounted for using the balance sheet liability method, in respect of temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the profit and loss account except in the case of items credited or charged to equity in which case it is included in equity.

3.15 Staff retirement benefits

3.15.1 Defined contribution plan

The Company operates a recognized Provident Fund scheme for its employees. Equal contributions are made by the Company and the employees at the applicable rate.

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3.15.2 Defined benefit plan

The Company operates an unfunded approved gratuity scheme for all of its eligible permanent employees. Gratuity is based on employees' last drawn basic salary.

Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to the Statement of Comprehensive Income. The most recent valuation was carried out as of December 31, 2023 using the "Projected Unit Credit Method."

Remeasurement of the defined benefit liability, which comprises actuarial gain and losses are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual year to the then net defined benefit liability (asset), taking into account any change in the net defined benefit liability (asset) during the year as a result of contribution and benefit payments. Net interest expense and other expense related to defined benefit plans are recognized in the Statement of Comprehensive Income.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognized immediately in Statement of Comprehensive Income. The Company recognizes gain and loss on the settlement of a defined benefit plan when the settlement occurs.

3.15.3 Employees' compensated absences

The Company accounts for its liability towards accumulating compensated absences, when the employees render service that increase their entitlement to future compensated absences. An actuarial valuation has been carried out using Projected Unit Credit method to determine the amount of charge and liability to be recognized at the financial statement date. Charge for these benefits are immediately recognized in the Statement of Comprehensive Income.

3.16 Impairment of assets

A financial asset is assessed at each financial statement date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if there is an objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset. If a decline in fair value is significant or prolonged, than there is an objective evidence, of impairment regardless of how long management intends to hold the investment.

The carrying amount of non financial assets is reviewed at each financial statement date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exist, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less cost of sell. An impairment loss is recognized the carrying amount of an asset exceeds its estimated recoverable amount. All impairment losses are recognized in the Statement of Comprehensive Income. Provision of impairment are reviewed at each financial statement date and are adjusted to reflect the current best estimates. Change in the provisions are recognized as an income or expense.

3.17 Dividend distribution

Dividend declaration and reserve appropriations are recognized when approved.

3.18 Foreign currency translations

Transactions in foreign currencies are accounted for in rupees at the rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into rupees at the rates of exchange which approximate those prevailing at the financial statement date. Exchange differences are taken to the profit and loss account.

3.19 Salvage recoveries accrued

Salvage recoveries are recognized as an asset and measured at the amount expected to be received.

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3.20 Claims

Insurance claims include all claims incurred during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims.

3.20.1 Provision for outstanding claims

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

The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual estimates (comprising of reports by the surveyors).

3.20.2 Claims incurred but not reported

The provision for claims incurred but not reported (IBNR) is made at the financial statement date. In accordance with SECP circular No. 9 of 2016, the Company takes actuarial advice for the determination of IBNR claims. IBNR claims have been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level.

3.21 Financial instruments

Financial assets and financial liabilities within the scope of IAS-39 are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and are derecognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is included in the Statement of Comprehensive Income. Fair value of long term financial assets at discounted interest rates are determined initially and the difference carried forward as a prepayment (staff bonus), which then is expensed out over the period in which the services are rendered.

3.22 Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate of the Company. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

3.23 Expenses of management

All expenses of management have been allocated between business of Company and window takaful operations - Operators' Fund to the various revenue accounts on equitable basis.

3.24 Earnings per share

The company presents basic and diluted earning per share (EPS). Basic EPS is calculated by dividing profit after tax for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is not calculated separately, as the Company does not have any convertible instruments in issue.

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4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates 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 recognized 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. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

	Note
Property and equipment	3.1
Premium deficiency	3.5
Insurance / reinsurance receivable - impairment	3.7.1
Provision for outstanding claims including IBNR	3.20.2
Taxation	3.14
Staff retirement benefits	3.15
Impairment of assets	3.16

	Note	2023 (Rupees in '000)	2022
5. PROPERTY AND EQUIPMENT			
Property and Equipment	5.1	76,970	30,319
Right of use assets	5.2	37,051	25,783
		<u>114,021</u>	<u>56,102</u>

5.1 Property and Equipment

	December 31, 2023									
	Cost				Accumulated Depreciation				Written Down Value	Depreciation Rate %
	As at January 01, 2023	Additions	Disposals	As at December 31, 2023	As at January 01, 2023	Charge for the year	Disposals	As at December 31, 2023	As at December 31, 2023	
	(Rupees in '000)									
Computer equipment	19,775	1,852	209	21,418	15,313	2,747	207	17,853	3,565	33
Furniture and fixtures	30,810	43,723	—	74,533	16,173	4,656	—	20,829	53,704	10
Office equipment	17,499	12,171	755	28,915	11,363	3,352	521	14,194	14,721	20
Motor vehicles - Owned	15,923	1,825	686	17,062	10,839	1,516	273	12,082	4,980	10*
	84,007	59,571	1,650	141,928	53,688	12,271	1,001	64,958	76,970	

* being depreciated on the basis of remaining useful lives ranging between 3 years to 10 years.

	December 31, 2022									
	Cost				Accumulated Depreciation				Written Down Value	Depreciation Rate %
	As at January 01, 2022	Additions	Disposals	As at December 31, 2022	As at January 01, 2022	Charge for the year	Disposals	As at December 31, 2022	As at December 31, 2022	
	(Rupees in '000)									
Computer equipment	17,732	3,246	1,203	19,775	13,737	2,671	1,095	15,313	4,462	33
Furniture and fixtures	29,356	1,898	444	30,810	13,870	2,547	244	16,173	14,637	10
Office equipment	15,591	2,422	514	17,499	9,448	2,176	261	11,363	6,136	20
Motor vehicles - Owned	16,895	2,192	3,164	15,923	9,817	1,200	178	10,839	5,084	10*
	79,574	9,758	5,325	84,007	46,872	8,594	1,778	53,688	30,319	

5.1.1 Details of tangible assets disposed off during the year are as follows:

Category of assets	Cost	Accumulated Depreciation	Book value (Rupees in '000)	Sale proceeds	Gain / (loss)	Mode of disposals	Sold to
Motor vehicles - owned	46	31	15	20	5	Negotiation	Tariq Shah
	260	121	139	170	31	Negotiation	Muhammad Junaid
	78	7	71	37	(34)	Negotiation	Murtaza Hussain (Employee)
	40	25	15	12	(3)	Negotiation	Bilal Ahmed
	57	14	43	45	2	Negotiation	Asif Mehmood
	121	7	114	122	8	Claim	IGI General Insurance
	44	28	16	27	11	Negotiation	Siafal Gulzar (Employee)
	40	40	–	20	20	Negotiation	Muhammad Muneer Khan
	686	273	413	453	40		
Office Equipment	755	521	234	303	69	Negotiation	Various
Computer equipment	209	207	2	54	52	Negotiation	Various
2023	1,650	1,001	649	810	161		
2022	5,325	1,778	3,547	5,626	2,079		

5.1.2 Cost of above assets include cost of tangible operating assets amounting to Rs. 29.801 million having net book value equal to NIL at the reporting date and are still in use. (December 31, 2022 Rs. 15.404 million).

5.2 Right of use assets

December 31, 2023									
Cost				Accumulated Depreciation				Written Down Value	Depreciation Rate %
As at January 01, 2023	Additions	Deletions / Adjustments	As at December 31, 2023	As at January 01, 2023	Charge for the year	Deletions / Adjustments	As at December 31, 2023	As at December 31, 2023	
(Rupees in '000)									
Leasehold property	47,162	25,215	957	71,420	21,379	14,371	1,381	34,369	37,051 Various over the contract period
	<u>47,162</u>	<u>25,215</u>	<u>957</u>	<u>71,420</u>	<u>21,379</u>	<u>14,371</u>	<u>1,381</u>	<u>34,369</u>	<u>37,051</u>
December 31, 2022									
Cost				Accumulated Depreciation				Written Down Value	Depreciation Rate %
As at January 01, 2022	Additions	Deletions / Adjustments	As at December 31, 2022	As at January 01, 2022	Charge for the year	Deletions / Adjustments	As at December 31, 2022	As at December 31, 2022	
(Rupees in '000)									
Leasehold property	47,753	–	591	47,162	11,563	9,816	–	21,379	25,783 Various over the contract period
	<u>47,753</u>	<u>–</u>	<u>591</u>	<u>47,162</u>	<u>11,563</u>	<u>9,816</u>	<u>–</u>	<u>21,379</u>	<u>25,783</u>

6. INTANGIBLE ASSETS

December 31, 2023										
	Cost				Accumulated Amortisation				Written Down Value	Amortisation Rate %
	As at January 01, 2023	Additions	Write off	As at December 31, 2023	As at January 01, 2023	Charge for the year	Write off	As at December 31, 2023	As at December 31, 2023	
	(Rupees in '000)									
Owned										
Computer Software	13,694	-	-	13,694	13,245	214	-	13,459	235	20
December 31, 2022										
	Cost				Accumulated Amortisation				Written Down Value	Amortisation Rate %
	As at January 01, 2022	Additions	Write off	As at December 31, 2022	As at January 01, 2022	Charge for the year	Write off	As at December 31, 2022	As at December 31, 2022	
	(Rupees in '000)									
Owned										
Computer Software	13,694	-	-	13,694	13,028	217	-	13,245	449	20

- 6.1 Cost of above assets include cost of intangible operating assets amounting to Rs.12.644 million having net book value equal to NIL at the reporting date and are still in use. (December 31, 2022: Rs. 12.610 million).

7. INVESTMENT IN EQUITY SECURITIES

Note	2023				2022			
	Cost	Impairment / Provision	Revaluation surplus / (deficit)	Carrying Value	Cost	Impairment Provision	Revaluation surplus / (deficit)	Carrying Value
(Rupees in '000)								
Available-for-sale								
Related parties - Listed ordinary shares								
Bank AL Habib Limited	84,100	–	76,980	161,080	84,100	–	26,460	110,560
Habib Metropolitan Bank Limited	249,082	–	121,890	370,972	249,082	–	(21,415)	227,667
Indus Motor Company Limited	17,453	–	11,363	28,816	17,453	–	6,680	24,133
	350,635	–	210,233	560,868	350,635	–	11,725	362,360
Others								
Listed ordinary shares	7.1 322,694	(763)	329,100	651,031	322,694	(38,460)	132,668	416,902
Listed preference shares	7.2 19,331	–	2,876	22,207	19,331	–	3,921	23,252
Mutual funds	605	–	2,100	2,705	540	–	1,576	2,116
Modaraba certificates - listed								
7.3 Orix Modaraba	1,319	–	9	1,328	1,319	–	62	1,381
First Habib Modaraba	13,695	–	712	14,407	13,695	–	1,418	15,113
	15,014	–	721	15,735	15,014	–	1,480	16,494
	708,279	(763)	545,030	1,252,546	708,214	(38,460)	151,370	821,124

7.1 Impairment in investment securities

	2023			2022		
	Cost	Impairment	Carrying Value	Cost	Impairment	Carrying Value
(Rupees in '000)						
Panther Tyres Limited	–	–	–	5,420	(3,372)	2,048
The Hub Power Company Limited	–	–	–	60,462	(14,039)	46,423
Engro Polymers & Chemicals Limited	–	–	–	8,359	(2,011)	6,348
International Steel Limited	1,111	(763)	348	8,484	(3,949)	4,535
International Industries Limited	–	–	–	1,527	(1,111)	416
Lucky Cement Limited	–	–	–	20,775	(9,610)	11,165
Jubilee General Insurance Company Limited	–	–	–	9,683	(4,368)	5,315
	1,111	(763)	348	114,710	(38,460)	76,250

Habib Insurance Company Limited

7.2	Modaraba certificates			
	Company Name	Chief Executive Officer	Nominal value	Number of certificates
	Orix Modaraba	Mr. Raheel Qamar Ahmed	Rs.10	108,750
	First Habib Modaraba	Mr. Muhammad Shoaib Ibrahim	Rs.5	2,015,000

7.3	Preference shares			
	Company Name	Chief Executive Officer	Nominal value	Number of shares
	Engro Polymers & Chemical Ltd - Preference Shares	Mr. Jahangir Paracha	Rs.10	1,836,114

Preference shares of Engro Polymer & Chemicals Limited were issued on December 18, 2020 and are perpetual. The dividends are cumulative in nature and will be calculated at 6 Months KIBOR + 3.50% on the issue date and then repriced at the end of June 30 and December 31, each year. The company has the option to purchase the entire portfolio from investor through 30 days notice after the expiry of 12 months from issue Date. The conversion Option can be exercised by the investor after the expiry of 80 months from the issue date into 1:1 (One preference shares equals to one ordinary share).

Note 2023 2022
(Rupees in '000)

8. INVESTMENT IN DEBT SECURITIES

Government Securities - Available for sale

Term Finance Certificates - Unsecured (Available For Sale)	8.1	64,674	715,268
		<u>314,674</u>	<u>815,841</u>

8.1 Government Securities - Available for sale

Pakistan Investment Bonds (PIBs)	8.1.1	64,674	62,295
Treasury Bills		—	652,973
		<u>64,674</u>	<u>715,268</u>

8.1.1 PIBs have face value of Rs. 70 million (market value of Rs. 64.67 million) [December 31, 2022: Rs. 70 million (market value of Rs. 62.295 million)]. These carry mark-up ranging from 10.45% to 13.46% (December 31, 2022: 10.45% to 13.46%) per annum and will mature on August 05, 2024 and September 09, 2024. These PIBs have been deposited with the State Bank of Pakistan (SBP) as statutory deposit in accordance with the requirements of Section 29 of the Insurance Ordinance, 2000 and circular No. 15 of 2008 dated July 07, 2008 issued by the SECP. These investments can be replaced with alternate eligible securities.

8.2 TERM FINANCE CERTIFICATES - Unsecured (available for sale)

Name of Company	Name of Chief Executive	Term/ Profit Payment	No. of Certificates	Cost	2023 Carrying value (Rupees in '000)	2022
Bank Alfalah Limited	Mr. Atif Bajwa	Perpetual and 6 Monthly Non-cumulative KIBOR + 2%	20,000	100,000	100,000	100,573
Bank AL Habib Limited	Mr. Mansoor Ali Khan	Perpetual and 6 Monthly KIBOR + 1.65%	30,000	150,000	150,000	—

Habib Insurance Company Limited

	Note	2023 (Rupees in '000)	2022
9. LOANS DEPOSITS AND OTHER RECEIVABLES - Considered good			
Accrued investment income		9,164	6,137
Security deposits		17,777	16,413
Advances		5,639	2,946
Advance to commission agents		10,014	13,151
Loans to employees	9.1	33,652	40,319
Receivable against sale of investments		—	85,483
Receivable from Window Takaful operations (for expenses incurred on their behalf)		249	—
Receivable from employees - Parents insurance policy		2,160	1,472
Input sales tax		13,814	9,901
Receivable from a Trust		—	6,905
		<u>92,469</u>	<u>182,727</u>

- 9.1** The loans are secured against provident fund balances or deposits of the title documents. These loans are recoverable in monthly instalments over the loan periods and includes Rs. 10.475 million (2022: Rs. 6.893 million) receivable in 2023 representing the current portion of loans to employees. The loans carry mark-up rate ranging from 8.33% to 22.0% (2022: 8.33% to 19.34%) per annum.

	Note	2023 (Rupees in '000)	2022
10. INSURANCE / REINSURANCE RECEIVABLES Unsecured and considered good			
Due from insurance contract holders Considered good		611,586	615,037
Considered doubtful		20,488	20,488
Less: Provision for impairment of receivables from Insurance contract holders	10.1	(20,488)	(20,488)
		<u>611,586</u>	<u>615,037</u>
Due from other insurers/ reinsurers (note 19.2) Considered good		741,112	271,343
Considered doubtful		30,165	16,894
Less: Provision for impairment of due from other insurers/ reinsurers	10.2	(30,165)	(16,894)
		<u>741,112</u>	<u>271,343</u>
		<u>1,352,698</u>	<u>886,380</u>
10.1 Movement of balances due from the contract holders considered doubtful			
Opening balance		20,488	18,689
Provision for impairment of balances due from insurance contract holders		—	1,799
Closing balance		<u>20,488</u>	<u>20,488</u>
10.2 Movement of the balances due from other insurer / reinsurer considered doubtful			
Opening balance		16,894	6,500
Provision for impairment of balances due from insurer / reinsurer		13,271	10,394
Closing balance		<u>30,165</u>	<u>16,894</u>

Habib Insurance Company Limited

11 RETIREMENT BENEFIT OBLIGATIONS

Defined benefit obligation - unfunded gratuity scheme

The Company is operating an unfunded gratuity scheme for its permanent employees who become eligible for gratuity after five years of service. Gratuity entitlement is based on the last drawn basic salaries. The obligation under this scheme is determined under an actuarial valuation carried out by a qualified actuary using the Projected Unit Credit Method. The latest valuation was carried out as of December 31, 2023.

		2023 Number of Employees	2022
	The number of employees covered under the defined benefit scheme are:	167	125
11.1	The following principal actuarial assumptions were used for the valuation of above mentioned scheme:		
		2023	2022
	Financial assumptions		
	- Discount rate (per annum compounded)	15.50%	14.25%
	- Salary increase per annum	15.50%	14.25%
	Demographic assumptions		
	- Expected service length of the employees	15 years	15 years
	- Normal retirement	60 years	60 years
	- Rate of employee turnover	Moderate	Moderate
	- Mortality rate	SLIC (2001-05) - 1	SLIC (2001-05) - 1
	Note	2023 (Rupees in '000)	2022
11.2	Liability in financial statement		
	Present value of defined benefit obligations	11.3 93,716	130,311
11.3	Reconciliation of defined benefit obligations		
	Present value of defined benefit obligations as at January 01,	130,311	130,859
	Current service cost	11.4 10,634	9,623
	Interest cost	11.4 19,009	14,840
	Benefits paid	(36,597)	(17,093)
	Net provisions with respect to transferees	(10,378)	—
	Gratuity adjustment for ex-employees	(77)	—
	Actuarial gain on obligation	11.5 (19,186)	(7,918)
	Present value of defined benefit obligations as at December 31,	93,716	130,311
11.4	Charge for the defined benefit plan		
	Cost recognised in profit and loss		
	Current service cost	10,634	9,623
	Interest cost	19,009	14,840
		29,643	24,463
11.5	Actuarial gain on defined benefit obligation recognised in other comprehensive income		
	Loss due to change in financial assumptions	509	1,433
	Gain due to change in demographic assumptions	(1,533)	—
	Gain due to change in experience adjustments	(18,162)	(9,351)
		(19,186)	(7,918)
11.6	Sensitivity analysis		

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations on various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

Habib Insurance Company Limited

	2023	2022
	(Rupees in '000)	
Increase in discount rate by 0.5%	(89,605)	(123,696)
Decrease in discount rate by 0.5%	98,132	137,289
Increase in expected future increment in salary by 0.5%	98,324	137,558
Decrease in expected future increment in salary by 0.5%	(89,394)	(123,398)

11.7 Comparison for Five Years As at December 31,	2023	2022	2021	2020	2019
	(Rupees in '000)				
Defined benefit obligation	<u>93,716</u>	<u>130,311</u>	<u>130,859</u>	<u>119,302</u>	<u>88,470</u>
Experience adjustment loss on obligation (as percentage of plan obligations)	<u>-19.38%</u>	<u>-7.18%</u>	<u>-6.45%</u>	<u>-1.93%</u>	<u>-3.99%</u>

11.8 Others	2023	2022
	(Rupees in '000)	
Expected contributions to the fund in the following year (as per the actuarial advise)	<u>18,348</u>	<u>18,348</u>
Expected benefit payments to retirees in the following year (Rupees in '000)	<u>4,944</u>	<u>4,944</u>
Weighted average duration of the defined benefit obligation (year)	<u>9.08</u>	<u>10.42</u>

11.9 These defined benefit plans expose the Company to actuarial risks such as investment risk and salary risk. The main features of the gratuity schemes are these:

All confirmed employees are eligible to the scheme and the normal retirement age for all employees is 60 years. A member shall be entitled to gratuity on resignation, termination, retirement, early retirement, retrenchment, death and dismissal based on the Company's Service rules. The scheme is subject to the regulations laid down under the Income Tax Rules, 2002.

12. DEFERRED TAXATION		
Deductable differences in respect of		
Provisions for:		
- doubtful debts (insurance / reinsurance receivable)	(15,702)	(11,588)
- compensated absences	(6,229)	(6,836)
- impairment on available-for-sale investments	(237)	(11,923)
	<u>(22,168)</u>	<u>(30,347)</u>
Lease liability - net	<u>(1,151)</u>	<u>(1,588)</u>
	<u>(23,319)</u>	<u>(31,935)</u>
Taxable temporary differences in respect of:		
Accelerated depreciation	2,624	1,917
Actuarial gain on defined benefit plan	5,948	2,455
Unrealized gain on available-for-sale investments	156,821	44,853
	<u>165,393</u>	<u>49,225</u>
Deferred tax Liability	<u>142,074</u>	<u>17,290</u>

Habib Insurance Company Limited

Note 2023 2022
(Rupees in '000)

12.1 Reconciliation of deferred tax

Opening balance	17,290	82,023
Directly recognised in other comprehensive income due to actuarial gain on staff retirement benefit	3,493	266
Directly recognised in other comprehensive income due to unrealised gain on available-for-sale investments	111,968	(48,244)
Window Takaful Operations	—	—
Directly recognized in the Statement of Comprehensive Income (profit or loss)	9,323	(16,755)
Closing balance	<u>142,074</u>	<u>17,290</u>

13. PREPAYMENTS

Prepaid reinsurance premium ceded	654,680	501,272
Prepaid employees group/health insurance	9,498	9,154
Others	13.1 17,735	14,991
	<u>681,913</u>	<u>525,417</u>

13.1 This includes the prepaid discount effect of Rs. 8.381 million (2022: Rs. 11.421 million) relating to staff loans.

14. CASH AND BANK

Cash and cash equivalent

- Cash in hand	271	194
- Policy stamps	76	2,785
	<u>347</u>	<u>2,979</u>

Cash at bank

- Current accounts	19,165	32,301
- Saving accounts	451,857	270,961
	<u>471,022</u>	<u>303,262</u>
	<u>471,369</u>	<u>306,241</u>

14.1 These balances are held with a related party and carries mark-up rates ranging between 14.75% and 20.80% (2022: 9.25% to 14.75%) per annum.

Habib Insurance Company Limited

2023 2022
(Rupees in '000)

15. Window Takaful Operations - Operator's Fund

Assets

Loans and other receivables	25	—
Deferred commission expense	32,661	23,498
Receivable from PTF	18,063	7,469
Prepayments	—	465
Cash and bank balances	190,492	89,535

Total Assets	241,241	120,967
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Total Liabilities	153,611	82,965
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Wakala fee	141,204	57,757
Commission expense	(58,901)	(40,566)
Management expenses	(39,616)	(12,207)
Investment income	29,315	9,300
Other expenses	(2,094)	(1,665)
Profit before taxation	69,908	12,619

16. SHARE CAPITAL

Authorised capital

2023 2022
(Number of Shares)

130,000,000	130,000,000	Ordinary shares of Rs. 5/- each	650,000	650,000
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16.1 Issued, subscribed and paid-up share capital

123,874,755	123,874,755	Ordinary shares of Rs. 5/- each at the beginning and end of the year	619,374	619,374
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16.2 At December 31, 2023 Habib Insurance Company Limited's associated undertaking held 5.735 million (4.63%) [2022: 5.735 million (4.63%)] number of ordinary shares of Rs.5 each.

2023 2022
(Rupees in '000)

17. RESERVES

Capital Reserves

Reserve for exceptional losses	17.1	9,122	9,122
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Revenue Reserves

General reserves	355,000	305,000
Unrealized gain on revaluation of available-for-sale investments	384,945	100,839
	739,945	405,839
	749,067	414,961

17.1 Under the Income Tax Act, 1922 applicable to insurance companies, the Company had set aside in prior years amounts up to ten percent of premium earnings, net of reinsurances of the year as a reserve for exceptional losses, which was treated as an allowable deduction in arriving at the taxable income. This option was withdrawn by the Income Tax Ordinance, 1979 with retrospective effect from the accounting year ended December 31, 1978. Accordingly, the Company has ceased to set aside such amounts, but has retained the reserves created up to December 31, 1978.

Habib Insurance Company Limited

	Note	2023 (Rupees in '000)	2022 (Rupees in '000)
18. LEASE LIABILITY - against right-of-use assets (leasehold property)			
Lease liability	18.1	40,766	30,908
Current portion		19,362	14,536
Non-current portion		21,404	16,372
		40,766	30,908

18.1 Lease Liability

The amount of future lease payments and the period in which these become due are as follows:

	2023			2022		
	Minimum Lease Payments	Financial Charges	Present value minimum lease payments (Rupees in '000)	Minimum Lease Payments	Financial Charges	Present value minimum lease payments
Not later than one year	22,871	3,509	19,362	15,111	575	14,536
Later than one year but not later than five years	28,666	7,262	21,404	20,549	4,177	16,372
	51,537	10,771	40,766	35,660	4,752	30,908

Above lease liability has been discounted at rates ranging between 9.69% to 25.28% per annum.

	Note	2023 (Rupees in '000)	2022 (Rupees in '000)
19. INSURANCE/ REINSURANCE PAYABLES			
Due to other insurers/ reinsurers	19.1	553,586	425,363
19.1 Due to other insurers/ reinsurers			
- Foreign reinsurers		155,411	166,350
- Local reinsurers		182,054	230,959
- Co-insurers		216,121	28,054
		553,586	425,363

19.2 The Company has co-insurance and re-insurance arrangements with various insurance and a domestic re-insurance company. Under the above arrangements, the receivable and payable balances originate mainly due to premiums collected or claims settled by the lead insurer on behalf of other co-insurers, and in case of re-insurance, the premium ceded to and claims recoverable from the re-insurer under the respective contracts. As per the prevailing industry practices, settlements of balances under co-insurance arrangements are done between the respective insurance companies in normal course of business. The current balances of co-insurers and re-insurer reflected in the records of the Company are based on the underlying contracts and transactions. The reconciliation process of these balances with the respective insurance companies is carried out on an ongoing basis. However, as advised by the SECP, this process will be formalized as per the guidelines suggested by the Insurance Associates of Pakistan for the insurance industry.

	Note	2023 (Rupees in '000)	2022 (Rupees in '000)
20. OTHER CREDITORS AND ACCRUALS			
Agents commission payable		168,237	118,451
Federal excise duty		59,160	37,739
Federal insurance fee		4,054	2,677
Accrued expenses	20.1	25,614	30,172
Withholding income tax payable		2,942	4,689
Payable for the purchase of listed equity shares		—	13,380
Unclaimed dividends		66,446	65,058
Sundry creditors	20.2	29,584	30,090
Payable to Window Takaful Operations		—	415
Others		10,632	776
		366,669	303,447

Habib Insurance Company Limited

- 20.1** This includes provision for staff compensated absences amounting to Rs. 20.095 million (2022: Rs. 22.05 million). The liability is determined through an actuarial valuation carried out under the projected unit credit (PUC) actuarial cost method (by an actuary). An amount of Rs 4.54 million (2020: reversal of Rs. 1.1 million) has been charged to profit and loss account in the current year based on the actuarial advice.
- 20.2** This includes outstanding claims in respect of which cheques aggregating to Rs. 21.698 million (2022: Rs. 29.625 million) have been issued by the Company for claim settlement but the same have not been encashed by the claimants.

The following is the ageing as required by SECP Circular No. 11 of 2014 dated May 19, 2014

Claims not encashed	Age-wise break-up					Total
	1 to 6 months	7 to 12 months	13 to 24 months (Rupees in '000)	25 to 36 months	Beyond 36 months	
2023	203	228	2,143	1,092	18,032	21,698
2022	894	709	4,201	1,056	22,765	29,625

21 CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

A case has been instituted against the Company for the recovery of insurance claim of Rs. 6.28 million along with liquidated damages. The said suit is being adjudicated before the Honourable Insurance Tribunal. The suit is at the stage of arguments and is being argued on maintainability. It may get dismissed at the maintainability stage in favour of the Company. The Company has a good prima facie case.

Tax related contingencies are reported in note 31.2 to the financial statements.

21.2 Commitments

There are no commitments as at December 31, 2023.

22. NET INSURANCE PREMIUM

	2023 (Rupees in '000)	2022 (Rupees in '000)
Written gross premium	3,075,350	2,637,092
Add: Unearned premium reserve opening	1,202,472	1,002,575
Less: Unearned premium reserve closing	(1,390,472)	(1,202,472)
Premium earned	2,887,350	2,437,195
Less: Reinsurance premium ceded	1,535,050	1,246,548
Add: Prepaid reinsurance premium opening	501,272	463,940
Less: Prepaid reinsurance premium closing	(654,680)	(501,272)
Reinsurance expense	1,381,642	1,209,216
Net insurance premium	1,505,708	1,227,979

Habib Insurance Company Limited

	2023	2022
	(Rupees in '000)	
23. NET INSURANCE CLAIMS		
Claims paid	1,782,558	1,301,630
Add: Outstanding claims including IBNR closing	1,055,320	959,567
Less: Outstanding claims including IBNR opening	(959,567)	(786,589)
Claims expense	1,878,311	1,474,608
Less: Reinsurance and other recoveries received	886,284	775,073
Add: Reinsurance and other recoveries in respect of outstanding claims net of impairment - closing	716,605	676,476
Less: Reinsurance and other recoveries in respect of outstanding claims net of impairment - opening	(676,476)	(604,247)
Reinsurance and other recoveries revenue	926,413	847,302
Net insurance claims	951,898	627,306

24. CLAIM DEVELOPMENT

The following table shows the development of claims over a period of time on gross basis. For each class of business the uncertainty about the amount and timings of claims payment is usually resolved within a year.

Accident year	2019 & Prior	2020	2021	2022	2023
	(Rupees in '000)				
Estimate of ultimate claims costs:					
At end of accident year	3,645,928	1,022,555	1,170,579	1,396,022	1,853,711
One year later	1,932,023	908,388	1,241,781	1,666,174	—
Two year later	1,766,086	913,179	1,008,721	—	—
Three year later	1,725,156	972,248	—	—	—
Four year later	1,668,894	—	—	—	—
Current estimate of ultimate claims cost	1,668,894	972,248	1,008,721	1,666,174	1,853,711
Cumulative payments to date	(1,442,769)	(940,845)	(914,222)	(1,535,673)	(1,280,919)
Liability for outstanding claims	226,125	31,403	94,499	130,501	572,792

	2023	2022
	(Rupees in '000)	
25. NET COMMISSION INCOME		
Commissions paid or payable	421,889	321,113
Add: Deferred commission - opening	146,080	131,216
Less: Deferred commission - closing	(184,408)	(146,080)
Commission expense	383,561	306,249
Less: Commission from reinsurers	343,976	387,389
Commission received or receivable	156,637	160,786
Add: Unearned reinsurance commission - opening	(149,584)	(156,637)
Less: Unearned reinsurance commission - closing		
Commission from reinsurers	351,029	391,538
Net commission (expense) / income	(32,532)	85,289

Habib Insurance Company Limited

	Note	2023 (Rupees in '000)	2022
26. MANAGEMENT EXPENSES			
Employee benefit cost	26.1	553,338	504,337
Traveling expenses		59,759	46,203
Advertisement and sales promotion		3,936	1,867
Printing and stationary		11,060	6,263
Depreciation		26,642	18,690
Amortisation		214	217
Rent, rates and taxes		8,248	7,870
Legal and professional charges	26.2	9,305	28,332
Electricity, gas and water		16,233	12,276
Entertainment		8,426	9,389
Office repairs and maintenance		13,433	7,815
Bank charges		897	727
Postages, telegrams and telephone		12,344	12,244
Annual supervision fee of SECP		3,264	2,654
Bad and doubtful debts		13,270	37,966
Miscellaneous		24,432	9,906
		<u>764,801</u>	<u>706,756</u>
26.1 Employee benefit cost			
Salaries, allowances and other benefits		522,758	468,435
Charge for post employment benefits			
- Provident		11,391	11,439
- Gratuity		19,189	24,463
		<u>553,338</u>	<u>504,337</u>

26.2 This includes Rs. 19.310 million services charges charged by the co-insurance companies.

Habib Insurance Company Limited

2023 2022
(Rupees in '000)

27. INVESTMENT INCOME

Income from equity securities - available-for-sale

- Dividend income 138,581 150,210

Income from debt securities - available-for-sale

- Pakistan Investment Bonds	7,643	8,854
- Treasury Bills	84,218	11,181
- Term Finance Certificates	36,709	4,233
	128,570	24,268

Net realised gain on investments - available-for-sale

- Equity securities	–	15,141
- Mutual funds units	922	10,763
	922	25,904

Net realised loss on investments available-for-sale

- Debt securities	(268)	–
- Equity securities	–	(37,810)

Total investment income 267,805 162,572

Less: Reversal/ (Impairment) in value of investments available-for-sale

- Equity securities 37,697 (37,696)

Less: Investment related expenses (304) (304)

305,198 124,572

28. OTHER INCOME

Return on bank balances	43,639	11,628
Gain on sale of fixed assets	161	2,079
Return on loan to employees	4,317	4,803
Liabilities no longer payable written back	–	20,261
Miscellaneous	–	488
	48,117	39,259

29. OTHER EXPENSES

Auditor's remuneration	29.1	5,159	3,933
Subscription		5,323	4,181
Donations	29.2	3,200	3,200
		13,682	11,314

29.1 Auditor's remuneration

Audit fee	1,479	1,146
Review of condensed interim financial statements	537	490
Special certifications	1,601	1,207
	3,617	2,843

Sindh sales tax	382	291
Out-of-pocket expenses	1,160	799
	5,159	3,933

29.2 Details of donation of Rs. 3.2 million (2022: Rs. 3.2 million) are as follows:

Habib Insurance Company Limited

Name of Directors	Interest in Donee	Name of Donee	Address of Donee	Amount (Rupees in '000)
Mr. Rafiq M.Habib Mr. Mansoor G.Habib & Mr. Aun Mohammad A. Habib	Trustee	Al-Sayyeda Benevolent Trust	UBL Building, I.I.Chundrigar Road, Karachi	640
Mr. Aun Mohammad A. Habib	Trustee	Rehmatbai Habib Widows & Orphans Trust	UBL Building, I.I.Chundrigar Road, Karachi	640
Mr. Aun Mohammad A. Habib	Trustee	Rehmatbai Habib Food & Clothing Trust	UBL Building, I.I.Chundrigar Road, Karachi	640
Mr. Mansoor G.Habib & Mr. Aun Mohammad A. Habib	Trustee	Habib Poor Fund	UBL Building, I.I.Chundrigar Road, Karachi	640
Mr. Rafiq M.Habib	Trustee	Habib Medical Trust	UBL Building, I.I.Chundrigar Road, Karachi	640
				3,200
			2023 (Rupees in '000)	2022
30. FINANCE COST				
Mark-up on short term financing			3,121	95
Mark-up on lease liabilities			5,995	3,187
			<u>9,116</u>	<u>3,282</u>
31. TAXATION				
For the year				
Current			37,640	57,622
Prior			—	(10,762)
Deferred			9,323	(16,755)
			<u>46,963</u>	<u>30,105</u>
31.1 Relationship between tax expense and accounting profit				
Profit before taxation			<u>159,744</u>	<u>141,196</u>
Tax at enacted rate of 29% (2022: 29%)			46,326	40,947
Deferred Tax due to change of rate of 2%			1,156	—
Prior year tax			—	(10,762)
Super tax on taxable income @ 1%			—	1,952
Others			(519)	(2,032)
			<u>46,963</u>	<u>30,105</u>

31.2 Details of pending tax appeals / cases / notices are as follows:

- The Income Tax department has made an assessment order for the tax year 2018 by adding back certain expenses, written off of bad debts, loan to employees, capitalization of renovation expenses and provision for gratuity. The Company had filed an appeal before the Commissioner, Inland Revenue (Appeals-I) [CIR-A] on which partial relief was allowed to the Company and amount of Rs 1.5 million was payable by the Company. The second appeal has been filed, which is pending for adjudication. The management, based on the discussion with the tax advisor believes that the case will be decided in favour of the Company.

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- The Income Tax department has issued an assessment order for the tax years 2011, 2012, 2014, 2015 and 2016 raised additional tax demand of Rs. 23 million, Rs.12.6, Rs. 2.4 million, Rs. 4.4 million and Rs. 23.24 respectively by charging tax on dividend and capital gain as single basket, disallowance of provision for IBNR, non-deduction of tax on commission payment, addition of cash withdrawals, provision for impairment, provision for gratuity, provision for workers welfare fund, donations, capital expenditure, renovation of rented premises, bonus shares and loan to employees. The Company has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) in respect of above tax years. The appeals are yet to be fixed for hearing. The management, based on the discussion with the tax advisor believes that the case will be decided in favour of the Company.
- The Income Tax department has filed an appeal before the Sindh High Court against the appellate order passed by the ATIR for the tax year 2009 and 2012 raised additional tax demand of Rs. 3.4 and Rs. 12.6 respectively. The aforesaid appeal is pending for adjudication. The management, based on the discussion with the tax advisor believes that the case will be decided in favour of the Company.
- In respect of tax years 2000, 2001, 2008 and 2009 Civil Appeals were filed by the Commissioner Inland Revenue (CIR) against the Consolidated Judgment passed by the Honourable High Court of Sindh (SHC) on the issue of allocation of Expenses towards dividend income under section 67 of the Income Tax Ordinance, 2001 (the Ordinance). Civil Appeals were ordered to be heard ex-parte. An application was filed for setting aside the order for ex-parte proceedings and to allow enter appearance to argue the case on merits. The Income Tax department had filed civil petition leave to appeal against the judgement passed by the SHC in the Honorable Supreme Court of Pakistan (SCP). The Civil petition leave to appeal has been granted and converted into Civil Appeal. The proceedings are still pending before the Honorable Supreme Court of Pakistan (SCP).
- The main appeals along with the said applications were last fixed for hearing on June 08, 2023; however, on the said date the matter was adjourned. No further date of hearing has been communicated till date. The management, based on the discussion with the tax advisor believes that the case will be decided in favour of the Company.
- In respect of tax year 2005, the Company had challenged the notice issued by Federal Board of Revenue under section 122(9) for further amendment of assessment under section 122(5A) of the Ordinance. The SHC has granted an interim stay order and the matter is still pending before the Court. The management, based on the discussion with the tax advisor believes that the case will be decided in favour of the Company.
- An appeal is pending before the Commissioner Appeals Sindh Revenue Board, Karachi relating to sales tax on reinsurance. The Company obtained the interim stay order from Honorable High Court of Sindh, Karachi till the judgement passed by Commissioner Appeals SRB. Tax amount involved is Rs. 190 million. Based on the opinion of tax advisor, the management believes that the case will be decided in favour of the Company, hence no provision is recorded in the financial statements.
- The Company received show cause notice from the office of Assistant Commissioner Sindh Revenue Board, Karachi for short payment of sales tax on reinsurance services obtained from July till December 2011 and January 2012 till December 2013. The adjudication proceedings are under process. The Company obtained the interim stay order from Honorable High Court of Sindh, Karachi. Tax amount involved is Rs. 72 million would arise. Based on the opinion of tax advisor, the management believes that the case will be decided in favour of the Company, hence no provision is recorded in the financial statements.
- In respect of tax year 2020 the Deputy Commissioner Inland Revenue through their order dated June 17, 2023, has given the Appeal Effect of Honourable Appellate Tribunal Inland Revenue, Karachi's order dated March 29, 2022, whereby order passed u/s 161/205 of the Income Tax Ordinance, 2001, for the Tax Year 2020, was annulled by the ATIR. As per order passed u/s 124/161/205 dated June 17, 2023, the tax demand originally raised at Rs. 69,804,739 has now been reduced to Rs. 503,201/-. The demanded tax had already been paid by the Company.
- During the year, a show cause notice for short payment of sales tax Rs. 326.46 million has been issued by Assistant Commissioner - Sindh Revenue Board (SRB), for the period from January 2014 to December 2014 and January 2015 to December 2015. The adjudication proceeding are under process and an interim stay order has been obtained from the Honorable High Court of Sindh. Against in the case also, the Company believes on the opinion of tax advisor, the management believes that the case will be decided in favour of the Company, hence no provision is recorded in the financial statements.

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	2023 (Rupees in '000)	2022
32. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit after tax for the year	112,781	111,091
	(Number of Shares)	
Weighted average number of ordinary shares of Rs.5 each	123,874,755	123,874,755
	(Rupees)	
Earnings per share	0.91	0.90
32.1	No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.	

33. COMPENSATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES / KEY MANAGEMENT PERSONNEL

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

		Chief Executive Officer		Directors		Executives		Total	
	Note	2023	2022	2023	2022	2023	2022	2023	2022
		(Rupees in '000)							
Fee		–	–	500	530	–	–	500	530
Managerial remuneration	33.1	15,947	15,741	24,003	23,414	102,928	174,793	142,878	213,948
Bonus		1,913	1,968	3,333	3,024	10,788	15,679	16,034	20,671
Retirement benefits		750	739	1,170	1,159	4,721	6,324	6,641	8,222
Utility		–	–	1,677	882	–	–	1,677	882
Medical		75	75	–	–	1,105	–	1,180	75
Others		1,997	3,211	383	371	22,100	40,815	24,480	44,397
		<u>20,682</u>	<u>21,734</u>	<u>31,066</u>	<u>29,380</u>	<u>141,642</u>	<u>237,611</u>	<u>193,390</u>	<u>288,725</u>
Number of persons		<u>1</u>	<u>2</u>	<u>9</u>	<u>9</u>	<u>25</u>	<u>44</u>	<u>35</u>	<u>55</u>

* During the year a new Chief Executive was appointed by the Board.

33.1 Managerial remuneration includes basic salary, house rent allowance and utility allowance.

The Chief Executive Officer, Executive director and other executives of the Company are entitled to medical reimbursement up to a prescribed limit as per Company's policy. They are also entitled to avail benefits under the unfunded approved gratuity scheme operated by the Company.

In addition the Executive Director is provided with free use of Company maintained car in accordance with his entitlement.

33.2 Chief Executive Officer and the Directors of the Company are considered as the Key Management Personnel of the Company.

34 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associated companies, companies with common directors, major shareholders, staff retirement funds, directors and key management personnel.

The balances with the related parties and transactions with them, other than those which have been specifically disclosed elsewhere in the financial statements, are as follows:

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Transactions and balances with related parties

	2023 (Rupees in '000)	2022
Transactions during the year with associated companies		
Premium written	449,393	443,660
Claims paid	220,077	154,038
Dividend received	89,440	43,991
Dividend paid	7,555	6,931
Interest received on bank accounts	43,639	11,628
Bank charges	799	701
Fees paid	500	530
Interest expense	3,142	95
Donations	3,200	3,200
Premium ceded to reinsurer	375,854	325,163
Commission income	118,978	114,548
Reinsurance recoveries received	168,034	127,902
Commission expense	21,228	—
Commission expense paid	23,764	—
Balances with associated companies		
Premium due but unpaid	95,834	44,194
Claims outstanding	129,397	92,889
Bank balances	442,491	286,127
Investment held	560,868	362,359
Reinsurance payable	31,819	(73,921)
Transactions during the year with other related parties including key management personnel		
Brokerage expenses paid	128	151
Contribution to the provident fund	11,699	11,439
Remuneration of key management personnel	49,209	51,185
Balances with other related parties including key management personnel		
Premium due but unpaid	52	—
Receivable from a Trust	—	6,905

34.1 Remuneration to the key management personnel are in accordance with the terms of their employment (refer note 33). Contribution to the provident fund is in accordance with the Company's staff services rules and other transactions with the related parties are in accordance with the agreed terms.

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35. SEGMENT REPORTING

	December 31, 2023					
	Fire and property	Marine and transport	Motor	Health	Other Classes	Aggregate
	(Rupees in '000)					
Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative surcharge)	1,366,065	407,919	1,276,247	11,770	488,117	3,550,118
Less: Federal Excise Duty	179,510	45,208	157,649	1,358	60,105	443,830
Federal Insurance Fee	11,723	3,616	11,100	104	4,395	30,938
Gross written premium (inclusive of Administrative Surcharge)	1,174,832	359,095	1,107,498	10,308	423,617	3,075,350
Gross direct premium	1,162,335	346,999	1,073,507	10,297	418,044	3,011,182
Facultative inward premium	4,571	—	61	—	—	4,632
Administrative surcharge	7,927	12,096	33,930	10	5,573	59,536
	1,174,833	359,095	1,107,498	10,307	423,617	3,075,350
Insurance premium earned	1,034,462	361,452	1,106,325	14,560	370,551	2,887,350
Insurance premium ceded to reinsurers	(837,373)	(154,435)	(163,977)	—	(225,857)	(1,381,642)
Net insurance premium	197,089	207,017	942,348	14,560	144,694	1,505,708
Premium deficiency reserve	—	—	—	2,842	—	2,842
Commission income	234,344	43,044	40,600	—	33,041	351,029
Net underwriting income	431,433	250,061	982,948	17,402	177,735	1,859,579
Insurance claims	429,795	465,871	813,054	20,530	149,061	1,878,311
Insurance claims recovered from reinsurers	(383,360)	(296,034)	(159,234)	(951)	(86,834)	(926,413)
Net Claims	46,435	169,837	653,820	19,579	62,227	951,898
Commission expense	(185,347)	(44,477)	(111,276)	(300)	(42,161)	(383,561)
Management expenses	(292,166)	(89,302)	(275,422)	(2,563)	(105,348)	(764,801)
Net insurance claims and expenses	(477,513)	(133,779)	(386,698)	(2,863)	(147,509)	(1,148,362)
Underwriting result	(92,515)	(53,555)	(57,570)	(5,040)	(32,001)	(240,681)
Investment income - unallocated						305,198
Other income - unallocated						48,117
Other expenses - unallocated						(13,682)
Results of operating activities						98,952
Financial charges - unallocated						(9,116)
Loss from Window Takaful Operations - Operator's Fund						69,908
Profit before tax						159,744
Segment assets						
Allocated Assets						
Premium due but unpaid	205,074	72,072	219,174	7,296	107,970	611,586
Prepaid reinsurance premium ceded	493,351	5,447	54,811	—	101,071	654,680
Reinsurance recoveries against outstanding claims	445,853	55,320	52,220	951	115,859	670,203
Salvage recoveries outstanding	13,161	18,461	14,701	—	79	46,402
Deferred commission expense	92,319	3,948	62,442	84	25,615	184,408
	1,249,758	155,248	403,348	8,331	350,594	2,167,279
Unallocated Assets						
Fixed Assets, at cost less depreciation						114,256
Amounts due from other insurers/ reinsurers						741,112
Cash and Cash equivalents						471,369
Loans - secured, considered good						33,652
Investments						1,567,220
Accrued investment income						9,164
Receivable against sale of investments						—
Advances, deposits and prepayments						49,653
Taxation provision less payments						71,881
Prepayments						27,233
						3,085,540
Total Assets						5,252,819
Unallocated assets of General Takaful Operations - Operator's Fund						241,241
						5,494,060

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December 31, 2023

	Fire and property	Marine and transport	Motor (Rupees in '000)	Health	Other Classes	Aggregate
Allocated Liabilities						
Outstanding Claims	497,227	137,660	222,106	7,828	190,499	1,055,320
Unearned Premium	614,698	29,842	582,292	4,773	158,867	1,390,472
Unearned Reinsurance Commission	106,936	1,887	16,863	–	23,898	149,584
Premium Deficiency Reserve	–	–	–	3,346	–	3,346
	1,218,861	169,389	821,261	15,947	373,264	2,598,722
Unallocated Liabilities						
Premiums received in advance						41,463
Amounts due to other insurers/ reinsurers						553,586
Staff retirement benefits						93,716
Deferred tax						142,074
Financial lease liability						40,766
Other creditors and accruals						366,669
						1,238,274
Total Liabilities						3,836,996
Unallocated liabilities of General Takaful Operations - Operator's Fund						153,611
						3,990,607

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December 31, 2022

	Fire and property	Marine and transport	Motor	Group Hospitalisation	Other Classes	Aggregate
	(Rupees in '000)					
Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative surcharge)	1,053,092	461,617	1,239,775	16,418	261,252	3,032,154
Less: Federal Excise Duty	133,037	51,765	148,719	1,931	33,169	368,621
Federal Insurance Fee	9,075	4,056	10,803	148	2,359	26,441
Gross written premium (inclusive of Administrative Surcharge)	910,980	405,796	1,080,253	14,339	225,724	2,637,092
Gross direct premium	897,872	392,497	1,041,955	14,310	221,680	2,568,314
Facultative inward premium	5,307	368	832	—	—	6,507
Administrative surcharge	7,801	12,931	37,466	29	4,044	62,271
	910,980	405,796	1,080,253	14,339	225,724	2,637,092
Insurance premium earned	841,802	435,240	936,659	14,895	208,599	2,437,195
Insurance premium ceded to reinsurers	(688,458)	(218,042)	(192,718)	—	(109,998)	(1,209,216)
Net insurance premium	153,344	217,198	743,941	14,895	98,601	1,227,979
Premium deficiency reserve	—	—	—	136	—	136
Commission income	220,843	81,213	64,011	—	25,471	391,538
Net underwriting income	374,187	298,411	807,952	15,031	124,072	1,619,653
Insurance claims	284,094	383,124	676,509	20,366	110,515	1,474,608
Insurance claims recovered from reinsurers	(230,940)	(282,207)	(284,874)	—	(49,281)	(847,302)
Net Claims	53,154	100,917	391,635	20,366	61,234	627,306
Commission expense	(141,085)	(50,933)	(82,404)	(201)	(31,626)	(306,249)
Management expenses	(244,148)	(108,756)	(289,514)	(3,843)	(60,495)	(706,756)
Reversal of premium deficiency reserve	—	—	—	—	—	—
Net insurance claims and expenses	(385,233)	(159,689)	(371,918)	(4,044)	(92,121)	(1,013,005)
Underwriting result	(64,200)	37,805	44,399	(9,379)	(29,283)	(20,658)
Investment income - unallocated						124,572
Other income - unallocated						39,259
Other expenses - unallocated						(11,314)
Results of operating activities						131,859
Financial charges - unallocated						(3,282)
Loss from Window Takaful Operations - Operator's Fund						12,619
Profit before tax						141,196
Segment assets						
Allocated Assets						
Premium due but unpaid	261,863	71,812	193,872	13,492	73,998	615,037
Prepaid reinsurance premium ceded	352,659	10,945	75,310	—	62,358	501,272
Reinsurance recoveries against outstanding claims	426,257	79,327	42,009	—	89,950	637,543
Salvage recoveries outstanding	956	31,256	6,663	—	58	38,933
Deferred commission expense	73,689	3,646	53,280	97	15,368	146,080
	1,115,424	196,986	371,134	13,589	241,732	1,938,865
Unallocated Assets						
Fixed Assets, at cost less depreciation						56,551
Amounts due from other insurers/ reinsurers						271,343
Cash and Cash equivalents						306,241
Loans - secured, considered good						40,319
Investments						1,636,965
Accrued investment income						6,137
Receivable against sale of investments						85,483
Advance, deposits and prepayments						50,788
Taxation provision less payments						5,835
Prepayments						24,145
						2,483,807
Total Assets						4,422,672
Unallocated assets of General Takaful Operations - Operator's Fund						120,967
						4,543,639

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	December 31, 2022					
	Fire and property	Marine and transport	Motor (Rupees in '000)	Health	Other Classes	Aggregate
Allocated Liabilities						
Outstanding Claims	475,379	183,739	143,207	4,358	152,884	959,567
Unearned Premium	474,329	32,199	581,119	9,025	105,800	1,202,472
Unearned Reinsurance Commission	110,753	4,436	24,751	–	16,697	156,637
Premium Deficiency Reserve	–	–	–	6,188	–	6,188
	1,060,461	220,374	749,077	19,571	275,381	2,324,864
Unallocated Liabilities						
Premiums received in advance						60,189
Amounts due to other insurers/ reinsurers						425,363
Staff retirement benefits						130,311
Taxation - provision less payments						–
Deferred tax						17,290
Financial lease liability						30,908
Other creditors and accruals						303,447
						967,508
Total Liabilities						3,292,372
Unallocated liabilities of General Takaful Operations - Operator's Fund						82,965
						3,375,337

36. MOVEMENT IN INVESTMENTS

	Available-for-Sale Rs. '000
As at January 01, 2022	1,393,617
Additions	2,473,280
Disposals (sale and redemption)	(2,016,448)
Fair value net gains (excluding net realized gains)	(188,243)
Impairment of investments	(37,696)
Amortisation of premium / discount	12,455
As at December 31, 2022	1,636,965
Additions	473,880
Disposals (sale and redemption)	(1,063,233)
Fair value net gains (excluding net realized gains)	395,468
Impairment of investments	37,697
Amortisation of premium / discount	86,443
As at December 31, 2023	1,567,220

37. MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

The Company issue contracts that transfer insurance risk or financial risk or both. This section summarises the insurance risks and the way the Company manages them.

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37.1 Insurance risk management

37.1.1 Insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of compensation to the insured. Generally most insurance contracts carry the insurance risk for a period of one year, except that in case of marine insurance policies, these may be of lesser periods.

The Company accepts insurance through issuance of general insurance contracts. For these general insurance contracts the most significant risks arise from fire, atmospheric disturbance, earthquakes, transit, theft and third party liabilities, etc.

Risk associated with general insurance contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the insured events. This has been managed by having in place underwriting strategy, reinsurance arrangements and proactive claim handling procedures.

37.1.2 Frequency and severity of claims

Risk associated with general insurance contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the insured events. This has been managed by having in place underwriting strategy, reinsurance arrangements and proactive claim handling procedures.

The reinsurance arrangements against major risk exposure include excess of loss, quota share, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on Company's net retentions.

37.1.3 Uncertainty in the estimation of future claim payments

Claims on general insurance contracts are payable on a claim occurrence basis. The Company is liable for all insured events as per terms and condition of the insurance contract.

The key source of estimation uncertainty at the financial statement date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the financial statement date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the financial statement date. The details of estimation of outstanding claims (including IBNR) are given under note 3.20.

There are several variable factors which affect the amount and timing of recognised claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognised amount. Similarly, the provision for claims incurred but not reported is based on historic reporting pattern of the claims; hence, actual amount of incurred but not reported claims may differ from the amount estimated. Outstanding claims are reviewed on a periodic basis.

37.1.4 Key assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected income. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate case to case basis with due regard to the claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Core estimates are reviewed regularly and are updated as and when new information is available.

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The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of financial statement date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

37.1.5 SENSITIVITY ANALYSIS

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

The claim liabilities are sensitive to the incidence of insured events and severity / size of claims. As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit before tax net of reinsurance. The impact of 10% increase / decrease in incidence of insured events on profit before tax and shareholder's equity is as follows:

	Underwriting results/ profit before tax		Shareholder's equity	
	2023 (Rupees in '000)	2022 (Rupees in '000)	2023 (Rupees in '000)	2022 (Rupees in '000)
Impact of change in claims liabilities +10% / -10%				
Fire and property	5,315	5,315	3,667	3,667
Marine and transport	10,092	10,092	6,963	6,963
Motor	39,164	39,164	27,023	27,023
Group hospitalisation	2,037	2,037	1,406	1,406
Other classes	6,124	6,124	4,226	4,226
	<u>62,732</u>	<u>62,732</u>	<u>43,285</u>	<u>43,285</u>

37.1.6 Concentration of risk

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

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

For marine risks, complete underwriting details such as sums insured, mode of transport (air / inland transit), vessel identification, sailing dates, origin and destination of the shipments, per carry limits, accumulation of sum insured on a single voyage etc. are taken into consideration.

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The ability to manage catastrophic risk is tied managing the density of risk within a particular area. For catastrophic aggregates, the system assigns precise geographic CRESTA (Catastrophe Risk Evaluating and standardising Target Accumulations) codes with reference to the accumulation of sum insured in force at any particular location against natural perils.

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

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

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

	Gross sum insured		Reinsurance		Net	
	2023	2022	2023	2022	2023	2022
	(Rupees in ' 000)					
Fire and property	18,014,512	10,583,552	18,004,512	10,579,052	10,000	4,500
Marine and transport	2,350,284	2,078,510	2,345,284	2,077,010	5,000	1,500
Motor	102,500	126,000	100,000	99,000	2,500	27,000
Group hospitalisation	740	1,500	—	—	740	1,500
Other classes	1,225,511	881,739	1,215,511	877,239	10,000	4,500
	<u>21,693,547</u>	<u>13,671,301</u>	<u>21,665,307</u>	<u>13,632,301</u>	<u>28,240</u>	<u>39,000</u>

38 FINANCIAL RISK MANAGEMENT

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

38.1 Credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

38.1.1 Management of credit risk

The Company's policy is to enter into financial contracts in accordance with the guidelines set by the Board of Directors. Credit risk is managed and controlled by the management of the Company in the following manner:

- Credit rating and / or credit worthiness of the counter party is taken into account along with the financial background so as to minimize the risk of default. Collaterals are obtained wherever appropriate / relevant.

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- The risk of counterparty exposure due to failed agreements causing a loss to the Company is mitigated by a periodic review of the credit ratings, financial statements, credit worthiness, etc. on a regular basis and makes provision against those balances considered doubtful of recovery.
- Loans given to employees are deductible from the salary of the employees.
- Cash is held with reputable banks only.

To reduce the credit risk, the management continuously reviews and monitors the credit exposure towards the policyholders and other insurers/reinsurers and makes provision against those balances considered doubtful of recovery.

38.1.2 Exposure to credit risk

In summary, compared to the amount included in statement of assets and liabilities, the maximum exposure to credit risk as at December 31, is as follows:

	2023		2022	
	Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
	(Rupees in ' 000)			
Investment in equity securities	1,252,546	–	821,124	–
Investment in debt securities	314,674	250,000	815,841	100,573
Loans, deposits and other receivables	60,878	60,878	156,413	156,413
Insurance/ reinsurance receivables	1,352,698	1,352,698	886,380	886,380
Reinsurance recoveries against outstanding claims	670,203	670,203	637,543	637,543
Salvage recoveries accrued	46,402	46,402	38,933	38,933
Balances with banks	471,022	471,022	303,262	303,262
Window Takaful Operations	208,580	208,580	97,004	97,004
	<u>4,377,003</u>	<u>3,059,783</u>	<u>3,756,500</u>	<u>2,220,108</u>

Investments of Rs. 64.674 million (2022: Rs. 715.268 million) is not considered to be exposed to credit risk.

38.1.3 Past due / impaired assets

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

	2023		2022	
	Gross	Impairment	Gross	Impairment
	(Rupees in ' 000)			
Upto 1 year	600,820	–	537,741	–
1-2 years	30,894	18,642	77,205	–
2-3 years	1,104	1,104	19,255	19,164
Over 3 years	(743)	743	1,324	1,324
Total	<u>632,075</u>	<u>20,489</u>	<u>635,525</u>	<u>20,488</u>

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

	2023		2022	
	Gross	Impairment	Gross	Impairment
	(Rupees in ' 000)			
Upto 1 year	681,841	–	133,664	–
1-2 years	26,091	–	98,442	–
Over 2 years	63,345	30,165	56,131	16,894
Total	<u>771,277</u>	<u>30,165</u>	<u>288,237</u>	<u>16,894</u>

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

	2023		2022	
	Gross	Impairment	Gross	Impairment
	(Rupees in ' 000)			
Upto 1 year	48,884	—	(640)	—
1-2 years	(62,390)	—	31,845	—
Over 2 years	705,445	—	645,271	—
Total	691,939	—	676,476	—

In respect of the aforementioned insurance and reinsurance assets, the Company takes into account its past history / track record of recoveries and financial position of the counterparties while creating provision for impairment. Further, reinsurance recoveries are made when corresponding liabilities are settled.

38.1.4 Credit Rating and Collateral

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

	Short/ Long term Rating	Rating Agency	2023 (Rupees in ' 000)	2022
Habib Bank Limited	A1+ / AAA	JCR-VIS	28,460	17,135
Habib Metropolitan Bank Limited	A1+ / AA+	PACRA	50	50
Bank AL Habib Limited	A1+ / AAA	PACRA	442,512	286,077
			<u>471,022</u>	<u>303,262</u>

The credit quality of Company's investment in term finance certificates can be assessed with reference to external credit ratings as follows:

	Short/ Long term Rating	Rating Agency	2023 (Rupees in ' 000)	2022
Bank Alfalah Limited	AA-	JCR-VIS	100,000	100,573
Bank AL Habib Limited	AAA	PACRA	250,000	—
			<u>350,000</u>	<u>100,573</u>

38.1.5 The Company enters into re-insurance / co-insurance arrangements with re-insurers / other insurers having sound credit ratings accorded by reputed credit rating agencies. The Company is required to comply with the requirements of circular no. 32 / 2009 dated October 27, 2009 issued by SECP which requires an insurance company to place at least 80% of their outward treaty cessions with reinsurers rated 'A' or above by Standard & Poor's with the balance being placed with entities rated at least 'BBB' by reputable ratings agency. An analysis of all reinsurance assets relating to outward treaty cessions recognised by the rating of the entity from which it is due is as follows:

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	2023	2022
			(Rupees in '000)		
A or above (including PRCL)	771,277	716,605	654,680	2,142,562	1,465,985

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38.1.6 Concentration of credit risk

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The company manages concentration of credit risk through diversification of activities among individuals, groups and industry segments.

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

	December 31, 2023		December 31, 2022	
	(Rupees in '000)	%	(Rupees in '000)	%
Automobiles	222,156	36.3	160,617	26.1
Banks, modaraba and leasing	2,455	0.4	5,560	0.9
Textile and composite	83,329	13.6	159,531	25.9
Sugar	18,236	3.0	27,455	4.5
Chemicals and allied industries	4,442	0.7	41,140	6.7
Glass, ceramics and tiles	31,148	5.09	13,945	2.27
Cable, engineering and steel	1,815	0.3	5,625	0.9
Food and confectionary	12,818	2.1	37,411	6.1
Pharmaceuticals	4,047	0.7	11,689	1.9
Others	231,140	37.8	152,064	24.7
	<u>611,586</u>	<u>100</u>	<u>615,037</u>	<u>100</u>

38.1.7 Settlement risk

The company's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

This risk is addressed more or less in accordance with the parameters set out in the credit risk management above.

38.1.8 Liquidity risk

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

The table below provides the maturity analysis of the Company's liabilities as at financial statement date. All liabilities are presented on a contractual cash flow basis except for the provision of outstanding claims (including IBNR), which are presented with their expected cash flows;

	2023		
	(Rupees in '000)		
	Carrying amount	Up to one year	Greater than one year
Financial Liabilities			
Outstanding claims including IBNR	1,055,320	1,055,320	—
Lease liability	40,766	19,362	21,404
Insurance / reinsurance payable	553,586	553,586	—
Other creditors and accruals	300,513	300,513	—
Financial Liabilities - OPF	45,512	45,512	—
	<u>1,995,697</u>	<u>1,974,293</u>	<u>21,404</u>

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	2022		
	(Rupees in '000)		
	Carrying amount	Up to one year	Greater than one year
Financial Liabilities			
Outstanding claims including IBNR	959,567	959,567	—
Lease liability	30,908	14,536	16,372
Insurance / reinsurance payable	425,363	425,363	—
Other creditors and accruals	258,343	258,343	—
Financial Liabilities - OPF	34,760	34,760	—
	<u>1,708,941</u>	<u>1,692,569</u>	<u>16,372</u>

38.1.9 Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfil its obligation; monitoring financial statement liquidity ratios against internal and external requirements and maintaining debt financing plans.

38.1.10 Maturity analysis for financial assets and liabilities

The table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the financial statement date to maturity date and represents the undiscounted cash flows. The information given below is based on contractual reprising or maturity dates, whichever is earlier.

	December 31, 2023						
	Interest/ Markup bearing			Non-Interest/ Non-markup bearing			Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year (Rs. in '000)	Maturity after one year	Sub Total	
FINANCIAL ASSETS							
Investments							
Equity securities	—	—	—	1,252,546	—	1,252,546	1,252,546
Debt securities	250,000	64,674	314,674	—	—	—	314,674
Loans and other receivables	12,556	21,096	33,652	27,226	—	27,226	60,878
Insurance / reinsurance receivables	—	—	—	1,352,698	—	1,352,698	1,352,698
Reinsurance recoveries against outstanding claims	—	—	—	670,203	—	670,203	670,203
Salvage recoveries accrued	—	—	—	46,402	—	46,402	46,402
Cash and bank balances	451,857	—	451,857	19,165	—	19,165	471,022
Window Takaful Operations - Operator's Fund	—	—	—	208,580	—	208,580	208,580
As at December 31, 2023	<u>714,413</u>	<u>85,770</u>	<u>800,183</u>	<u>3,576,820</u>	<u>—</u>	<u>3,576,820</u>	<u>4,377,003</u>
FINANCIAL LIABILITIES							
Outstanding claims including IBNR	—	—	—	—	1,055,320	1,055,320	1,055,320
Lease liability against right of use asset	19,362	21,404	40,766	—	—	—	40,766
Insurance / reinsurance payables	—	—	—	553,586	—	553,586	553,586
Other creditors and accruals	—	—	—	300,513	—	300,513	300,513
Financial Liabilities - OPF	—	—	—	45,512	—	45,512	45,512
As at December 31, 2022	<u>19,362</u>	<u>21,404</u>	<u>40,766</u>	<u>899,611</u>	<u>1,055,320</u>	<u>1,954,931</u>	<u>1,995,697</u>

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	Interest/ Markup bearing			Non-Interest/ Non-markup bearing			Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year (Rs. in '000)	Maturity after one year	Sub Total	
FINANCIAL ASSETS							
Investments							
Equity securities	–	–	–	821,124	–	821,124	821,124
Debt securities	753,546	62,295	815,841	–	–	–	815,841
Loans and other receivables	12,556	27,763	40,319	116,094	–	116,094	156,413
Insurance / reinsurance receivables	–	–	–	886,380	–	886,380	886,380
Reinsurance recoveries against outstanding claims	–	–	–	637,543	–	637,543	637,543
Salvage recoveries accrued	–	–	–	38,933	–	38,933	38,933
Cash and bank balances	270,961	–	270,961	32,301	–	32,301	303,262
Window Takaful Operations - Operator's Fund	–	–	–	97,004	–	97,004	97,004
As at December 31, 2022	<u>1,037,063</u>	<u>90,058</u>	<u>1,127,121</u>	<u>2,629,379</u>	<u>–</u>	<u>2,629,379</u>	<u>3,756,500</u>

FINANCIAL LIABILITIES

Outstanding claims including IBNR	–	–	–	–	959,567	959,567	959,567
Lease liability against right of use asset	14,536	16,372	30,908	–	–	–	30,908
Insurance / reinsurance payables	–	–	–	425,363	–	425,363	425,363
Other creditors and accruals	–	–	–	258,343	–	258,343	258,343
Financial Liabilities - OPF	–	–	–	34,760	–	34,760	34,760
As at December 31, 2022	<u>14,536</u>	<u>16,372</u>	<u>30,908</u>	<u>718,466</u>	<u>959,567</u>	<u>1,678,033</u>	<u>1,708,941</u>

Details of the interest rates on interest bearing financial instruments are given in the respective notes. Besides please also refer note 38.3.1.

38.2 Fair value of financial instruments

Fair value in the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

The following table shows financial instruments recognized at fair value, analysed between those whose fair value is based on:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

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

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December 31, 2023								
	Available for sale	Loans & receivable	Other financial assets	Financial liabilities	Total	Fair value measurement using		
						Level 1	Level 2	Level 3
	(Rupees in '000)							
Financial assets measured at fair value								
Investments								
Ijara Sukuk								
Corporate sukuk								
Equity securities - quoted	1,001,022	—	—	—	1,001,022	1,001,022	—	—
Mutual fund units	2,116	—	—	—	2,116	—	2,116	—
Modaraba certificates	15,735	—	—	—	15,735	16,494	—	—
Debt securities	314,674	—	—	—	314,674	—	314,674	—
Financial assets not measured at fair value								
Loans, deposits and other receivables	—	60,878	—	—	60,878	—	—	—
Insurance / reinsurance receivable	—	1,352,698	—	—	1,352,698	—	—	—
Reinsurance recoveries against outstanding claims	—	670,203	—	—	670,203	—	—	—
Salvage recoveries accrued	—	46,402	—	—	46,402	—	—	—
Cash and bank balances	—	—	471,369	—	471,369	—	—	—
Total financail assets of Window Takaful								
Operations - Operator's Fund	—	—	208,580	—	208,580	—	—	—
	1,333,547	2,130,181	679,949	—	4,143,677	1,017,516	316,790	—
Financial liabilities not measured at fair value								
Outstanding claims including IBNR	—	—	—	(1,055,320)	(1,055,320)	—	—	—
Lease liability against right of use asset	—	—	—	(40,766)	(40,766)	—	—	—
Insurance / reinsurance payables	—	—	—	(553,586)	(553,586)	—	—	—
Other creditors and accruals	—	—	—	(300,513)	(300,513)	—	—	—
Total financial liabilities of Window Takaful								
Operations - Operator's Fund	—	—	—	(45,512)	(45,512)	—	—	—
	—	—	—	(1,995,697)	(1,995,697)	—	—	—

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	Available for sale	Loans & receivable	Other financial assets	Financial liabilities	Total	Fair value measurement using		
						Level 1	Level 2	Level 3
	(Rupees in '000)							
Financial assets measured at fair value								
Investments								
Ijarah Sukuk								
Corporate sukuk								
Equity securities - quoted	802,514	–	–	–	802,514	802,514	–	–
Mutual fund units	2,116	–	–	–	2,116	–	2,116	–
Modaraba certificates	16,494	–	–	–	16,494	16,494	–	–
Debt securities	815,841	–	–	–	815,841	–	815,841	–
Other debt securities	–	–	–	–	–	–	–	–
Financial assets not measured at fair value								
Loans, deposits and other receivables	–	156,729	–	–	156,729	–	–	–
Insurance / reinsurance receivable	–	886,380	–	–	886,380	–	–	–
Reinsurance recoveries against outstanding claims	–	637,543	–	–	637,543	–	–	–
Salvage recoveries accrued	–	38,933	–	–	38,933	–	–	–
Cash and bank balances	–	–	306,241	–	306,241	–	–	–
Total financial assets of Window Takaful Operations - Operator's Fund	–	–	97,004	–	97,004	–	–	–
	1,636,965	1,719,585	403,245	–	3,759,795	819,008	817,957	–
Financial liabilities not measured at fair value								
Outstanding claims including IBNR	–	–	–	(959,567)	(959,567)	–	–	–
Lease liability against right of use asset	–	–	–	(30,908)	(30,908)	–	–	–
Insurance / reinsurance payables	–	–	–	(425,363)	(425,363)	–	–	–
Other creditors and accruals	–	–	–	(258,343)	(258,343)	–	–	–
Total financial liabilities of Window Takaful Operations - Operator's Fund	–	–	–	(34,760)	(34,760)	–	–	–
	–	–	–	(1,708,941)	(1,708,941)	–	–	–

The fair value of the investments have been determined in the manner explained in note number 3.12.2.2.

The carrying values of remaining financial assets and liabilities reflected in these financial statements approximate to their fair value.

38.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will effect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

All transactions are carried in Pak Rupees therefore, the Company is not exposed to currency risk. However the Company is exposed to interest rate risk and other price risk.

38.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate exposure arises from balances held in profit and loss sharing accounts with reputable banks, staff loans and government securities. The Company limits interest rate risk by monitoring changes in interest rates. Other risk management procedures are the same as those mentioned in the credit risk management.

38.3.1.1 Sensitivity analysis

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

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	2023	2022	2023	2022
Financial assets	Effective interest rate (in %)		(Rupees in '000)	
Assets subject to fixed rate				
- Pakistan Investment Bond	10.45% - 13.46%	10.45% - 13.46%	64,674	62,295
- Treasury bills	—	12.93%	—	652,973
- Other debt securities	23.67%	19.02%	250,000	100,573
- Loan to employees	6.33% to 23.43%	8.33% to 19.34%	33,652	40,319
Assets subject to variable rate				
- Bank balances	14.75% - 20.80%	9.25% - 14.75%	451,857	270,961
			800,183	1,127,121
Financial liabilities				
- Lease liabilities	9.69% - 25.28%	9.69% - 15.07%	(40,766)	(30,908)
			759,417	1,096,213

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account and equity of the Company.

Cash flow sensitivity analysis for variable rate instruments

A hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	2023		2022	
	Mark-up 100 bps Increase	Decrease	Mark-up 100 bps Increase	Decrease
	(Rupees in '000)			
Cash flow sensitivity - variable rate financial assets	45,186	(45,186)	27,096	(27,096)

38.3.2 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Company is exposed to equity price risk since it has investments in quoted equity securities and investments in available for sale debt securities at the financial statement date.

The Company's strategy is to hold its strategic investments for long period of time. Thus, Company's management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favorable. Company strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. Company manages price risk by monitoring exposure in these securities and implementing the strict discipline in internal risk management and investment policies.

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Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold. The Company has no significant concentration of price risk.

38.3.2.1 Sensitivity analysis

The table below summarizes Company's equity price risk as of 31 December 2023 and 2022 and shows the effects of a hypothetical 10% increase / (decrease) in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse in Company's equity investment portfolio because of the nature of equity markets.

	Fair value (Rupees in '000)	Hypothetical price change	Estimated fair value after change in prices	Increase / (decrease) shareholders' equity (Rupees in '000)	Increase (decrease) profit before tax
2023	1,252,546	10% increase 10% decrease	1,377,801 1,127,291	125,255 (125,255)	125,255 (125,255)
2022	821,124	10% increase 10% decrease	903,236 739,012	82,112 (82,112)	82,112 (82,112)

38.3.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pak Rupees.

38.4 Capital Management

The Company's objective when managing capital is to safe guard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares. The Company currently meets the paid-up capital requirement as required by Securities and Exchange Commission of Pakistan. The statement of solvency is presented in note 39 to the financial statements. The Company meets the solvency requirement as required in the Insurance Ordinance, 2000.

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38.5 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities	2023	
		Equity	
		Ordinary Share Capital (Rupees in '000)	Reserves including unappropriated
Balance as at January 01, 2023	3,375,337	619,374	548,928
Changes from financing cash flow			
- Dividend for 2022	—	—	(77,422)
- Lease liability	(21,127)	—	—
Other Liability related changes during the year (including of WTO operations)	636,397	—	—
Equity related changes during the year	—	—	412,573
Balance as at December 31, 2023	<u>3,990,607</u>	<u>619,374</u>	<u>884,079</u>
	Liabilities	2022	
		Equity	
		Ordinary Share Capital (Rupees in '000)	Reserves including unappropriated
Balance as at January 01, 2022	2,938,678	619,374	635,700
Changes from financing cash flow			
- Dividend for 2021	—	—	(77,422)
- Lease liability	(8,931)	—	—
Other Liability related changes during the year (including of WTO operations)	445,590	—	—
Equity related changes during the year	—	—	(9,350)
Balance as at December 31, 2022	<u>3,375,337</u>	<u>619,374</u>	<u>548,928</u>

Habib Insurance Company Limited

39. STATEMENT OF SOLVENCY

	2023 (Rupees in '000)	2022
Assets		
Property and equipment	114,021	56,102
Intangible assets	235	449
Investments		
Equity securities	1,252,546	821,124
Debt securities	314,674	815,841
Loans and other receivables	92,469	182,727
Insurance/ reinsurance receivable	1,352,698	886,380
Reinsurance recoveries against outstanding claims	670,203	637,543
Salvage recoveries accrued	46,402	38,933
Deferred commission expense	184,408	146,080
Prepayments	681,913	525,417
Taxation - payment less provisions	71,881	5,835
Cash and bank deposits	471,369	306,241
Total assets - Operator's Fund (WTO Operations)	241,241	120,967
Total assets (A)	5,494,060	4,543,639
In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance, 2000		
Property and equipment	73,405	56,102
Intangible assets	235	449
Investments		
Equity securities	511,748	206,237
Term finance certificate	48,088	3,562
Loans, deposits and other receivables	8,525	9,158
Insurance / reinsurance receivable	180,287	414,595
Total of In-admissible Assets (B)	822,288	690,103
Total of Admissible Assets (C=A-B)	4,671,772	3,853,536
Total Liabilities		
Underwriting provisions		
Outstanding claims including IBNR	1,055,320	959,567
Unearned premium reserves	1,390,472	1,202,472
Unearned reinsurance commission	149,584	156,637
Premium deficiency reserve	3,346	6,188
Deferred taxation	142,074	17,290
Financial lease liability	40,766	30,908
Premium received in advance	41,463	60,189
Retirement benefit obligations	93,716	130,311
Insurance / reinsurance payables	553,586	425,363
Other creditors and accruals	366,669	303,447
Total assets - Operator's Fund (WTO Operations)	153,611	82,965
Total Liabilities (D)	3,990,607	3,375,337
Total Net Admissible Assets (E= C-D)	681,165	478,199
Minimum Solvency Requirement (higher of the following)	338,267	273,351
Method A - U/s 36(3)(a)	150,000	150,000
Method B - U/s 36(3)(b)	338,267	273,079
Method C - U/s 36(3)(c)	303,827	273,351
Excess in Net Admissible Assets over Minimum Requirements	342,898	204,848

Habib Insurance Company Limited

40. SUBSEQUENT EVENTS - NON ADJUSTING

In the meeting held on March 28, 2024, the Board of Directors of the Company proposed a final cash dividend of Rs. 0.625 per share (2022: Rs. 0.625 per share) amounting to Rs. 77.422 million (2022: Rs. 77.422 million) for the year ended December 31, 2023, for approval by the members in Annual General Meeting to be held on April 25, 2024.

41. NUMBER OF EMPLOYEES

The total average number of employees during the year end as at December 2023 and 2022 are as follows:

	2023	2022
At year end	237	265
Average during the year	251	254

42. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on March 28, 2024 by the Board of Directors of the Company in its meeting held on that date.

43. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, to facilitate comparison.

44. GENERAL

Figures has been rounded off to the nearest thousand rupees.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

AUN MOHAMMAD A. HABIB
Director

SYED ATHER ABBAS
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Financial Statements

Window Takaful Operations

Habib Insurance Company Limited

Shariah Advisory Board's Report to the Board of Directors for the year ended December 31, 2023

The Company, Habib Insurance Company Limited commenced Window Takaful Operations on October 1, 2018. By the grace of Almighty Allah and sincere efforts of Management, the year under review was the fifth successful year of Window Takaful Operations.

As per the charter of the Company, it is mandatory on the management and employees to ensure application of Shariah guidelines issued by the Shariah Advisory Board and to ensure Shariah compliance in all activities of the Company. The prime responsibility for ensuring Shariah compliance of the Company's operations thus lies with the management.

We acknowledge that as Shariah Advisory Board members of Takaful Operator, it is our responsibility to provide Shariah guidelines and develop framework for assurance that the financial arrangements, contracts and transactions undertaken by the Takaful Operator with its participants and stakeholders are in compliance with the requirements of Shariah rules and principles.

During the year, the Company executed variety of established Takaful transactions which are approved by the Shariah Advisory Board of the company. The Company is offering Shariah Compliant services in the following areas:

- Fire and Property Takaful
- Engineering Takaful
- Marine Takaful
- Motor Takaful
- Miscellaneous Takaful

The Company invests its available funds in the approved Shariah Compliant avenues.

The Takaful Operator's activities and operations are periodically checked and monitored by Shariah Advisory Board. In order to have an independent assessment of the Shariah Governance and Compliance environment of the Takaful operations under taken by the Operator and the conformity of Takaful operations with Shariah rules and principles an external Shariah audit was conducted. Further, Shariah Compliance review through Shariah Compliance officer was conducted as well. Based on their reports and statement of compliance with the Shariah Principles submitted by the Operator/Management to the Board of Director, We hereby present our report as follows:

In our opinion and to the best of our knowledge, the financial arrangements, products and transactions entered into by the Company and the Waqf, as the case may be, for the year ended December 31, 2023 are in compliance with the requirements of the Shariah rules and guidelines as prescribed by the Shariah Advisory Board and Allah knows the best. However, the following are recommended:

- The Operator/ management should take concrete measures to play pivotal role in sound and transparent growth of Takaful countrywide.
- Necessary steps should be taken to educate all staff including business development staff about the concept and practice of Takaful.

May Allah bless us with the best Tawfeeq to achieve these precious tasks and bestow us with success in world and in the world hereafter, and forgive us for our mistakes. A'ameen.

Taj Muhammad
Shariah Expert Member
Of Shariah Supervisory Board

Mufti Muhammad Ashraf Alam
Shariah Supervisory Board Member
& Shariah Advisor

Mufti Imtiaz Alam
Chairman Shariah Supervisory
Board

Karachi: March 28, 2024

Habib Insurance Company Limited

Independent Assurance Report on to the Board of Directors on the Statement of Management's Assessment of Compliance with the Shariah Principles

Scope

We were engaged by the Board of Directors of Habib Insurance Company Limited (the Company) to report on the management's assessment of compliance of the Window Takaful Operations (Takaful Operations) of the Company, as set out in the annexed statement prepared by the management for the year ended December 31, 2023, with the Takaful Rules, 2012, in the form of an independent limited assurance conclusion about whether the annexed statement reflects the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects. This engagement was conducted by a multidisciplinary team including assurance practitioners and independent Shariah scholars.

Applicable Criteria

The criteria for the assurance engagement against which the annexed statement has been assessed comprises of the Takaful Rules, 2012, issued by the Securities and Exchange Commission of Pakistan (SECP).

Management's Responsibility for Shariah Compliance

The management is responsible for preparation and designing, implementing and maintaining internal controls relevant to the preparation of the annexed statement that is free from material misstatement, whether due to fraud or error. It also includes ensuring the overall compliance of the Takaful Operations with the Takaful Rules, 2012.

The management is also responsible for preventing and detecting fraud and for identifying and ensuring that the Takaful Operations comply with laws and regulations applicable to its activities. They are also responsible for ensuring that the management, where appropriate, those charged with governance, and personnel involved with the Takaful Operations compliance with the Takaful Rules, 2012 are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standards on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, And Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility and Summary of The Work Performed

Our responsibility is to examine the annexed statement and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the annexed statement presents reflects the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

Habib Insurance Company Limited

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Takaful Rules, 2012, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Takaful Operations' compliance with the Takaful Rules, 2012, in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Corporation's internal control over the Takaful Operations' compliance with the Takaful Rules, 2012. Reasonable assurance is less than absolute assurance.

A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with Takaful Rules, 2012, and consequently cannot provide absolute assurance that the objective of compliance with Takaful Rules, 2012, will be met. Also, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail.

The procedure performed included:

- Evaluate the systems, procedures and practices in place with respect to the Takaful operations against the Takaful Rules, 2012 and Shariah advisor's guidelines;
- Evaluating the guidelines arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee/ Shariah Advisor and the Board of Directors;
- Test for a sample of transactions relating to the Takaful operations to ensure that these are carried out in accordance with the laid procedures and practices including the regulations relating to the Takaful operations as laid down in Takaful Rules, 2012; and
- Review the statement of management's assessment of compliance of the Takaful transactions during the year ended December 31, 2023 with the Takaful Rules, 2012.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, for the year ended December 31, 2023, presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

Chartered Accountants
Karachi
Date: April 02, 2024

Habib Insurance Company Limited

Statement of Compliance with the Takaful Rules, 2012 and Sharia Rules and Principles

The financial arrangements, contracts and transactions, entered into by Habib Insurance Company Limited - Window Takaful Operations (the Operator) for the year ended December 31, 2023 are in compliance with the Takaful Rules, 2012 and the Shariah Rules and Principles determined by the Shariah Advisory Board of the Operator, (Shariah Rules and Principles).

Further, we confirmed that:

- The Company has developed and implemented all the policies and procedures in accordance with the Takaful Rules, 2012 and rulings of the Shariah Advisory Board along with a comprehensive mechanism to ensure compliance with such rulings and Takaful Rules, 2012 in their overall operations. Further, the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shariah Advisory Board and Board of Directors have been implemented;
- The Operator has imparted trainings/ orientations and ensured availability of all manuals/ agreements approved by Shariah Advisory Board/ Board of Directors to maintain the adequate level of awareness, capacity and sensitization of the staff, management;
- All the products and policies have been approved by Shariah Advisory Board and the financial arrangement including investments made, policies, contracts and transactions entered into by Window Takaful Operations are in accordance with the policies approved by Shariah Advisory Board; and
- The assets and liabilities of Window Takaful Operations (Participant Takaful Fund and Operator's fund) are segregated from its other assets and liabilities, at all times in accordance with provisions of the Takaful Rules, 2012

This has been duly confirmed by the Shariah Advisory Board of the Operator.

Karachi: March 28, 2024

SYED ATHER ABBAS
Chief Executive

Habib Insurance Company Limited

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HABIB INSURANCE COMPANY LIMITED- WINDOW TAKAFUL OPERATIONS

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of Habib Insurance Company Limited – Window Takaful Operations (the Operator), which comprise the statement of financial position of as at December 31, 2023, the statement of comprehensive income, the statement of changes in funds and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Operator's affairs as at December 31, 2023 and of the profit, total comprehensive loss, the changes in fund and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

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

Habib Insurance Company Limited

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Operator's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Operator's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Operator to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Habib Insurance Company Limited

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Operator as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Operator's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter

The annual financial statements of the Company for the year ended December 31, 2022 were audited by another firm of Chartered Accountants, whose audit report date May 08, 2023 expressed an unmodified opinion on the aforementioned financial statements.

The engagement partner on the audit resulting in this independent auditor's report is **Muhammad Khalid Aziz**.

Chartered Accountants

Karachi

Dated: April 2, 2024

UDIN: AR202310154r11RLtPIg

Habib Insurance Company Limited

Statement of Financial Position as at December 31, 2023

		Operator's Fund		Participant's Fund	
		December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	Note	(Rupees in '000)			
Assets					
Loans and other receivables	5	25	—	3,398	2,823
Takaful/ retakaful receivable	6	—	—	190,987	130,585
Retakaful recoveries against outstanding claims		—	—	23,890	61,818
Salvage recoveries accrued		—	—	3,330	25
Deferred Wakala expense	17	—	—	75,636	44,221
Deferred commission expense	18	32,661	23,498	—	—
Receivable from PTF	19	18,063	7,469	—	—
Taxation - payments less provision		—	—	6,954	5,640
Prepayments	7	—	465	96,064	55,998
Cash and bank balances	8	190,492	89,535	284,219	211,907
Total Assets		241,241	120,967	684,478	513,017
FUNDS AND LIABILITIES					
Operator's Takaful Fund (OPF)					
Share capital	1.2	50,000	50,000	—	—
Accumulated surplus / (deficit)		37,630	(11,998)	—	—
Total Operator's Fund		87,630	38,002	—	—
Participants' Takaful Fund (PTF)					
Ceded money	1.2	—	—	500	500
Accumulated surplus		—	—	102,373	100,192
Balance of Participants' Takaful Fund		—	—	102,873	100,692
Liabilities					
PTF Underwriting provisions					
Outstanding claims including IBNR	14	—	—	126,625	118,074
Unearned contribution reserve	12	—	—	252,121	182,731
Reserve for unearned retakaful rebate	13	—	—	18,561	11,254
Balance of Participant's Takaful Fund		—	—	397,307	312,059
Unearned Wakala Fee	17	75,636	44,221	—	—
Contribution received in advance		—	—	19,026	19,697
Takaful/ retakaful payable	11	—	—	135,162	65,713
Other creditors and accrual	9	48,878	35,168	12,047	7,387
Payable to OPF	19	—	—	18,063	7,469
Taxation - payments less provision		16,285	1,620	—	—
Retirement benefit obligation	10	12,812	1,956	—	—
		153,611	82,965	184,298	100,266
Total Liabilities		153,611	82,965	581,605	412,325
Total Equity and liabilities		241,241	120,967	684,478	513,017
Contingencies and commitments	24				

The annexed notes from 1 to 34 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

AUN MOHAMMAD A. HABIB
Director

SYED ATHER ABBAS
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Statement of Comprehensive Income for the year ended December 31, 2023

		December 31, 2023	December 31, 2022
	Note	(Rupees in '000)	
Participants' Takaful Fund			
Contribution earned	12	371,256	274,835
Less: Contribution ceded to retakaful	12	(214,636)	(146,545)
Net contribution revenue		156,620	128,290
Retakaful rebate earned	13	35,553	24,458
Net Underwriting Income		192,173	152,748
Net Claims - reported / settled		(173,847)	(106,669)
- IBNR		(38,812)	(15,422)
	14	(212,659)	(122,091)
Surplus before investment income		(20,486)	30,657
Other expenses	15	(3,267)	(1,427)
Other Income		—	2,442
Provision for impairment	6	—	(24,304)
Investment income	16	25,934	17,155
Surplus transferred to accumulated surplus		2,181	24,523
Other comprehensive income	18	—	—
Total comprehensive income for the year		2,181	24,523
Operator's Takaful Fund			
Wakala fee	17	141,204	57,757
Commission expense	18	(58,901)	(40,566)
Management expenses	20	(39,616)	(12,207)
		42,687	4,984
Investment income	16	29,315	9,300
Other expenses	21	(2,094)	(1,665)
Profit before taxation		69,908	12,619
Taxation	23	(20,273)	(3,660)
Profit after taxation		49,635	8,959
Other comprehensive loss			
Acturial (loss) / gain on defined benefit obligation		(7)	—
Other comprehensive (loss) / income for the year		(7)	—
		49,628	8,959

The annexed notes from 1 to 34 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

AUN MOHAMMAD A. HABIB
Director

SYED ATHER ABBAS
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Statement of Changes in Fund for the year ended December 31, 2023

	Operator's Takaful Fund		
	Statutory Fund	Accumulated (Deficit) / Surplus	Total
	(Rupees in '000)		
Balance as at January 01, 2022	50,000	(20,957)	29,043
Comprehensive income for the year			
Profit after taxation	—	8,959	8,959
Other comprehensive income for the year	—	—	—
Balance as at December 31, 2022	—	8,959	8,959
	<u>50,000</u>	<u>(11,998)</u>	<u>38,002</u>
Balance as at January 01, 2023	50,000	(11,998)	38,002
Comprehensive income for the year			
Profit after taxation	—	49,635	49,635
Other comprehensive loss for the year	—	(7)	(7)
	—	49,628	49,628
Balance as at December 31, 2023	<u>50,000</u>	<u>37,630</u>	<u>87,630</u>

	Participant's Takaful Fund		
	Ceded money	Accumulated Surplus	Total
	(Rupees in '000)		
Balance as at January 01, 2022	500	75,669	76,169
Comprehensive income for the year			
Surplus for the year	—	24,523	24,523
Other comprehensive income	—	—	—
Balance as at December 31, 2022	—	24,523	24,523
	<u>500</u>	<u>100,192</u>	<u>100,692</u>
Balance as at January 01, 2023	500	100,192	100,692
Comprehensive income for the year			
Surplus for the year	—	2,181	2,181
Other comprehensive Income	—	—	—
	—	2,181	2,181
Balance as at December 31, 2023	<u>500</u>	<u>102,373</u>	<u>102,873</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

RAFIQ M. HABIB <i>Chairman</i>	MANSOOR G. HABIB <i>Director</i>	AUN MOHAMMAD A. HABIB <i>Director</i>	SYED ATHER ABBAS <i>Chief Executive</i>	MURTAZA HUSSAIN <i>Chief Financial Officer</i>
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Habib Insurance Company Limited

Statement of Cash Flow for the year ended December 31, 2023

	Operator's Takaful Fund		Participant's Takaful Fund	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	(Rupees in '000)			
Operating activities				
(a) Takaful activities				
Contribution received	—	—	523,327	382,846
Retakaful contribution paid	—	—	(185,033)	(156,823)
Claims paid	—	—	(259,919)	(135,113)
Retakaful and other recoveries received	—	—	90,434	42,253
Commission paid	(55,322)	(39,521)	—	—
Wakala / Mudarib fee	173,140	89,067	(173,140)	(89,067)
Commission received	—	—	42,860	27,066
Net cash inflows from takaful activities	117,818	49,546	38,529	71,162
(b) Other operating activities				
Other operating payments	(35,061)	(13,166)	(3,266)	(9,812)
Other operating receipts	—	—	—	—
Net cash flows from other operating activities	(35,061)	(13,166)	(3,266)	(9,812)
Total cash flows from all operating activities	82,757	36,380	35,263	61,350
Investment activities				
Profit / return received	17,928	3,052	36,516	11,285
Dividend received	272	3,283	533	8,835
Payments for investments	(85,232)	(194,016)	(190,453)	(135,324)
Proceeds from investments	85,232	232,590	190,453	220,680
Total cash flows from investing activities	18,200	44,909	37,049	105,476
Cash flows from financing activities	—	—	—	—
Net cash flows from all activities	100,957	81,289	72,312	166,826
Cash and cash equivalents at beginning of year	89,535	8,246	211,907	45,081
Cash and cash equivalents at end of period	190,492	89,535	284,219	211,907
Reconciliation to profit and loss account				
Operating cash flows	82,757	36,380	35,263	61,350
Leave encashment	2,650	(30)	—	—
Profit / return received	17,928	3,052	36,516	11,285
Provision for impairment	—	—	—	(24,304)
Provision for for taxation	(20,273)	(3,660)	—	—
Dividends received	272	3,283	533	8,835
(Increase)/ decrease in assets other than cash	8,572	2,313	98,113	74,103
(Decrease)/ Increase in liabilities	(42,271)	(32,379)	(168,244)	(106,746)
Profit after taxation	49,635	8,959	2,181	24,523
Attributed to:				
Operator's Fund	49,635	8,959	—	—
Participants' Takaful Fund	—	—	2,181	24,523
	49,635	8,959	2,181	24,523

The annexed notes from 1 to 34 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

AUN MOHAMMAD A. HABIB
Director

SYED ATHER ABBAS
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Notes to or Forms Part of Financial Statements for the year ended December 31, 2023

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Habib Insurance Company Limited (the Operator) was incorporated in Pakistan in 1942 as a public limited company under the Companies Act, 2017 to carry on general insurance business. The Operator was allowed to work as Window Takaful Operator on July 18, 2018 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations (WTO) in Pakistan. The Operator is listed at Pakistan Stock Exchange Limited. The registered office of the Operator is situated at Habib Square, M.A. Jinnah Road, Karachi.
- 1.2** The Operator transferred statutory fund of Rs. 50 million in a separate bank account for the Window Takaful Operations as per the requirement of circular 8 of 2014. The Operator has formed a Waqf for Participants' Fund, Participants Takaful Fund (PTF) by executing the Waqf deed dated June 12, 2018 and deposited a cede money of Rs. 0.5 million. The cede money is required to be invested in Shari'ah compliant remunerative instrument which may be used to acquire immovable Waqf property if Shari'ah and law so warrants. Waqf Deed governs the relationship of Operator and participants for management of takaful operations, investments of participants' funds and investments of the Operator's funds approved by the shari'ah advisor of the Operator.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements are prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Takaful Rules, 2012 and the General Takaful Accounting Regulations, 2019.

In case requirements differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, the Takaful Rules 2012 and the General Takaful Accounting Regulations, 2019 shall prevail.

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

2.1 Basis of measurement

These financial statements have been prepared under the historical cost basis except for available for sale investments that are measured at fair value.

2.2 Functional and presentation currency

These financial statements are presented in Pak Rupees which is also the WTO's functional currency. All financial information presented in Pak Rupees has been rounded to nearest thousand Rupees, unless otherwise stated.

2.3 Standards, interpretations and amendments to published approved accounting standards that were effective in the current year

The Company has adopted following accounting standards, interpretations and amendments of IFRSs and the improvements to accounting standards which became effective for the current year.

Habib Insurance Company Limited

Amendments to approved accounting standards

Definition of Accounting Estimates - IAS 8
Disclosure of Accounting Policies - IAS 1 and IFRS Practice Statement 2
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - IAS 12
International Tax Reform-Pillar Two Model Rules - IAS 12

These do not have any significant effect on the Operators' financial statements.

2.4 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

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

	Effective date (annual periods beginning on or after)
Amendments	
Classification of Liabilities as Current or Non-current - Amendments to IAS 1 ¹	
Non-current Liabilities with Covenants - Amendments to IAS 1	01-January-2024
Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	01-January-2024
Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	01-January-2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Not yet finalized

The Operator expects that such improvements to the standards will not have any material impact on the Operators' financial statements in the period of initial application, except for IFRS 17.

SECP vide its SRO 1715 dated 21 November 2023 directed the application of IFRS 17 for the period commencing from January 01, 2026.

IFRS 17 - 'Insurance contracts' has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2023, however it is yet to be notified by the Securities and Exchange Commission of Pakistan. In addition, the Company has opted for the temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Further details relating to the temporary exemption from the application of IFRS 9 are given in the notes below.

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

Temporary Exemption from the Application of IFRS 9 (Financial Instruments)

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

Financial assets with contractual cash flows that meet the SPPI criteria

Habib Insurance Company Limited

	Operators' Takaful Fund		Participant Takaful Fund	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	(Rupees in '000)		(Rupees in '000)	
Debt securities – Available for sale				
Opening fair value	–	35,051	–	80,116
Disposals during the year	–	(35,051)	–	(80,116)
Closing fair value	–	–	–	–

Operator's Fund	Rating	December 31, 2023		December 31, 2022	
		AAA	Unrated / Unavailable	AAA	Unrated / Unavailable
		(Rupees in '000)		(Rupees in '000)	
Bank balances		190,492	–	89,535	–
Receivable from PTF		–	18,063	–	7,469
		<u>190,492</u>	<u>18,063</u>	<u>89,535</u>	<u>7,469</u>

Participant's Takaful Fund	Rating	December 31, 2023		December 31, 2022	
		AAA	Unrated / Unavailable	AAA	Unrated / Unavailable
		(Rupees in '000)		(Rupees in '000)	
Bank balances		211,901	–	211,901	–
Takaful / retakaful receivable		–	190,987	–	130,585
Loans and other receivables		–	3,398	–	2,823
Retakaful recoveries against outstanding claims		–	23,890	–	61,818
Salvage recoveries accrued		–	3,330	–	25
		<u>211,901</u>	<u>221,605</u>	<u>211,901</u>	<u>195,251</u>

Habib Insurance Company Limited

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

Amendments	Effective date (annual periods beginning on or after)
IFRS 1- First time Adoption of International Financial Reporting Standards	01-January-2024

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are consistent to all the years presented. Details of these accounting policies are as follows:

3.1 Takaful contracts

The takaful contracts are based on the principles of Wakala. The takaful contracts so agreed usually inspire concept of tabarru (to donate for benefit of others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty.

A separate Participants Takaful Fund (PTF) has been created in which all contribution received under general takaful contribution net off any government levies and administrative surcharge are credited. The role of takaful operator is of the management of the PTF. At the initial stage of the setup of the PTF, the takaful operator makes an initial donation to the PTF. The terms of the takaful contracts are in accordance with the generally accepted principles and norms of insurance business suitably modified with guidance by the Shariah Advisor of the Takaful operator.

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

Once a contract has been classified as an takful contract, it remains a takaful contract for the remainder of its period, even if the takaful risk reduces significantly during this period, unless all rights and liabilities are extinguished or expired.

Takaful contracts are classified into following main categories:

3.1.1 Fire and property

The perils covered under fire takaful include damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation, impact and other coverage.

3.1.2 Marine and transport

Marine and transport takaful provides coverage against cargo risk, war risk and damages occurring in inland transit.

3.1.3 Motor

Motor takaful provides comprehensive car coverage and indemnity against third party loss.

3.1.4 Other classes

Other classes includes mainly bankers blanket bond, liability, engineering, etc.

3.2 Commission

3.2.1 Deferred commission expense

Commission expense incurred in obtaining and recording takaful contracts is deferred and recognised in the Statement of Comprehensive Income as an expense in accordance with the pattern of recognition of contribution revenue.

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3.2.2 Rebate income

Rebate income from retakaful operator is recognised on the date of the commencement of the underlying takaful contract. These are deferred and recognised as liability and recognised in the Statement of Comprehensive Income as revenue in accordance with the pattern of recognition of the retakaful contributions.

3.3 Unearned Contribution

Contribution under a policy is recognised on the time of commencement of the takaful contract.

The unearned contribution reserve is the unexpired portion of the contribution including administrative surcharge. Unearned premiums have been calculated by applying 1/24th / 1/6th method as applicable and specified in the Insurance Rules, 2017. Remaining portion is recognized in the Statement of Comprehensive Income.

3.4 Contribution deficiency reserve

The WTO is required as per Insurance Rules, 2017, to maintain a provision in respect of contribution deficiency for the class of business where the unearned contribution reserve is not adequate to meet the expected future liability, after retakaful, from claims and other expenses, including retakaful expense, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of the unexpired takaful contract in that class of business at the balance sheet date. The movement in the contribution deficiency reserve is recorded as an expense in the Statement of Comprehensive Income and the same is recognized as a liability.

The WTO determines adequacy of liability of contribution deficiency by carrying out analysis of expired periods. For this purpose actuarial valuation has been carried out to determine the amount of contribution deficiency reserve as required by under Insurance Rules, 2017 issued by the Securities and Exchange Commission of Pakistan on January 09, 2012. However, the management, including on the basis of this actuarial valuation as of December 31, 2023, consider that no contribution deficiency reserve is required to be maintained.

3.5 Retakaful contracts held

Takaful contracts entered into by the WTO (for PTF) with retakaful operator for compensation of losses suffered on takaful contracts issued are retakaful contracts. These retakaful contracts include both facultative and treaty arrangement contracts and are classified in same categories of takaful contracts for the purpose of these financial statements. The WTO recognizes the entitled benefits under the contract as retakaful assets. Outward retakaful contribution are accounted for in the same period as the related contribution for the direct or accepted retakaful business being covered under the retakaful arrangement.

Retakaful liabilities represent balances due to retakaful entities. Amounts payable are estimated in a manner consistent with the related retakaful contract.

Retakaful assets represent balances due from retakaful companies. Amounts recoverable from retakaful operator are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the retakaful contract and are in accordance with the related retakaful contract. Retakaful assets are not offset against related retakaful liabilities. Income or expenses from retakaful contracts are not offset against expenses or income from related retakaful assets / liabilities.

The deferred portion of retakaful contribution ceded is recognized as a prepayment which is calculated in accordance with the pattern of recognition of revenue.

The WTO assesses its retakaful assets for impairment on financial statement date. If there is an objective evidence that the retakaful asset is impaired, the WTO reduces the carrying amount of the retakaful asset to its recoverable amount and recognises that impairment loss in the Statement of Comprehensive Income.

3.6 Receivables and payables

3.6.1 Receivables related to Takaful contract

Receivables related to takaful contracts are recognized and due at cost which is the fair value of the consideration given less provision for impairment, if any. If there is an objective evidence that the takaful receivable is impaired, as a result of one or more events that occurred after the initial recognition, the WTO reduces the carrying amount of the takaful receivables accordingly and recognizes that impairment loss in the Statement of Comprehensive Income.

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Provision for impairment on contribution receivables is estimated on a systematic basis after analyzing the receivables as per their ageing.

3.6.2 Creditors, accruals and provisions

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

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

Provisions are reviewed at each financial statement date and adjusted to reflect the current estimate.

3.7 Retakaful recoveries against outstanding claims

Claims recoveries against outstanding claims from the retakaful operators and salvage are recognised as an asset at the same time as the claims which give rise to the right of recovery are recognised as a liability and are measured at the amount expected to be received.

3.8 Segment reporting

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

The WTO presents segment reporting of operating results using the classes of business as specified under the Insurance Rules, 2017 and General Takaful Accounting Regulation, 2019. The reported operating segments are also consistent with the internal reporting provided to the Board of Directors who assess the performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

Assets, liabilities and capital expenditures that are directly attributable to specific segments are assigned to them, while the carrying amount of certain assets (liabilities) used (incurred) jointly by two or more segments are allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

The WTO has four primary business segments for reporting purposes, namely fire and property, marine and transport, motor and other classes. The nature and business activities of these segments are disclosed in note no. 3.1. Income and expenses directly attribute to a particular segment is so allocated. Underwriting expenses have been allocated to various classes of business on a basis deemed equitable by the management. Expenses not attributable to the underwriting business are charged as other expenses.

3.9 Cash and cash equivalents

Cash and cash equivalents are carried in the financial statement at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, stamps in hand and current and saving accounts with banks.

3.10 Revenue recognition

3.10.1 Contribution

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

3.10.2 Retakaful rebate income

The revenue recognition policy for rebate from retakaful operators is given under note 3.2.

3.10.3 Dividend income

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

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3.10.4 Gain / loss on sale / redemption of investments

Gain / loss on sale / redemption of investments is taken to the Statement of Comprehensive Income in the year of sale / redemption.

3.10.5 Income on debt securities and bank balances

Income from debt securities and bank balances is recognised on a time proportionate basis taking account the effective yield on the investment / bank balance.

3.10.6 Wakala and Mudarib fees

The Takaful operator manages the general takaful operations for the Participants. The wakala fee for the year was 30% (2022: January 10% & February to December 2022: 25%) of the gross contribution on all classes of business as per the approval of the Shariah Advisory Board. Wakala fee is recognized on the same basis on which the related revenue is recognized. Unexpired portion of wakala fee is recognized as liability of OPF and asset of PTF.

The Takaful operator also manages the participants' investment as Mudarib and charges 30% of the investment / deposit income earned by the Participants' Takaful Fund as Mudarib's share (2022: January to September 2022: 10% and October to December 2022: 30%)

3.11 Investments

These comprises of the following:

- In equity securities
- In debt securities

3.11.1 Recognition

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs except for held for trading investments in which case transaction costs are charged to the Statement of Comprehensive Income. All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the WTO commits to purchase or sell the investments. These are recognised and classified as follows:

- Investment at fair value through profit and loss (held for trading)
- Available-for-sale
- Held to maturity

3.11.2 Measurement

3.11.2.1 Investment at fair value through profit or loss (held for trading)

At the time of acquisition, quoted investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or are part of portfolio for which there is a recent actual pattern of short term profit taking are classified as held for trading.

Subsequent to initial recognition these are remeasured at fair value by reference to quoted market prices (as explained below) with the resulting gain or loss being included in net profit or loss for the period in which it arises.

3.11.2.2 Available-for-sale

Available-for-Sale investments are those non-derivative instruments / contracts that are designated as available-for-sale or are not classified in any other category.

At the time of acquisition, investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

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Subsequent to initial measurement, the available-for-sale investments are remeasured at fair value. Surplus / (deficit) on revaluation from one reporting date to other is taken to other comprehensive income in the statement of comprehensive income. On derecognition or impairment, the cumulative gain or loss previously reported in other comprehensive income is transferred to profit and loss for period within statement of comprehensive income.

Fair value of the listed equity shares are determined with reference to the rates quoted on the stock exchange, while the fair value of the mutual funds units and of term finance certificates are determined with reference to the rates quoted on the MUFAP website. The fair value of the Government securities are determined with reference to the rates quoted on the PKRV page.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the Statement of Comprehensive Income.

3.11.2.3Held-to-maturity

At the time of acquisition, investments with fixed maturity, where management has both the intent and the ability to hold till maturity, are classified as held-to-maturity.

Subsequently, these are measured at amortised cost less provision for impairment in value, if any. Amortised cost is calculated by taking into account any discount or premium on acquisition by using the effective yield method.

The difference between the redemption value and the purchase price of the held-to-maturity investments is amortised and taken to the profit and loss account over the term of the investment.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the Statement of Comprehensive Income.

3.12 Off setting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statement, if the WTO has a legally enforceable right to set-off and the WTO intends either to settle the assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously.

3.13 Taxation

3.13.1Current (of OPF)

Provision for current taxation is based on taxable income of the operator for the year determined in accordance with the tax rates enacted or substantially enacted as at the year end. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years / relating to the operators fund operated.

3.13.2Deferred (of OPF)

Deferred tax is accounted for using the balance sheet liability method, in respect of temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the profit and loss account except in the case of items credited or charged to equity in which case it is included in equity.

3.14 Staff retirement benefits

3.14.1Defined contribution plan

The WTO operates a recognised Provident Fund scheme for its employees. Equal contributions are made by the WTO and the employees at the applicable rate.

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3.14.2 Defined benefit (operator) plan

The WTO operates an unfunded approved gratuity scheme for all of its eligible permanent employees. Gratuity is based on employees' last drawn basic salary.

Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to the Statement of Comprehensive Income. The most recent valuation was carried out as of December 31, 2023 using the "Projected Unit Credit Method".

Remeasurement of the defined benefit liability, which comprises actuarial gain and losses are recognized immediately in other comprehensive income. The WTO determines the net interest expense (income) on the net defined benefit liability (asset) for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual year to the then net defined benefit liability (asset), taking into account any change in the net defined benefit liability (asset) during the year as a result of contribution and benefit payments. Net interest expense and other expense related to defined benefit plans are recognized in the Statement of Comprehensive Income.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in Statement of Comprehensive Income. The WTO recognises gain and loss on the settlement of a defined benefit plan when the settlement occurs.

3.14.3 Employees' compensated absences

The WTO accounts for its liability towards accumulating compensated absences, when the employees render service that increase their entitlement to future compensated absences. An actuarial valuation has been carried out using Projected Unit Credit method to determine the amount of charge and liability to be recognized at the financial statement date. Charge for these benefits are immediately recognized in the Statement of Comprehensive Income.

3.15 Impairment of assets

A financial asset is assessed at each financial statement date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if there is an objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset. If a decline in fair value is significant or prolonged, than there is an objective evidence, of impairment regardless of how long management intends to hold the investment.

The carrying amount of non financial assets is reviewed at each financial statement date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exist, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less cost of sell. An impairment loss is recognised when the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognised in the Statement of Comprehensive Income. Provision for impairment are reviewed at each financial statement date and are adjusted to reflect the current best estimates. Change in the provisions are recognised as an income or expense.

3.16 Foreign currency translations

Transactions in foreign currencies are accounted for in rupees at the rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into rupees at the rates of exchange which approximate those prevailing at the financial statement date. Exchange differences are taken to the profit and loss account.

3.17 Salvage recoveries accrued

Salvage recoveries are recognized as an asset and measured at the amount expected to be received.

3.18 Management expenses

Expenses of management allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated to the various classes of business on the basis of gross contribution written. Expenses not allocable to the underwriting business are charged as other expenses. Management expense of the Operator are charged to Operator's Takaful Fund.

3.19 Provision

3.19.1 Claims

Takaful claims include all claims incurred during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims.

Habib Insurance Company Limited

3.19.2 Provision for outstanding claims

The WTO recognizes liability in respect of all claims incurred up to the financial statement date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract.

The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual estimates (comprising of reports by the surveyors).

3.19.3 Claims incurred but not reported

The provision for claims incurred but not reported (IBNR) is made at the financial statement date. In accordance with SECP circular No. 9 of 2016, the WTO takes actuarial advice for the determination of IBNR claims. IBNR claims have been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level.

3.19.4 Others

Provisions are recognised in the statement of financial position when the WTO has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

3.20 Financial instruments

Financial assets and financial liabilities within the scope of IAS-39 are recognized at the time when the WTO becomes a party to the contractual provisions of the instrument and are derecognized when the WTO loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is included in the Statment of Comprehensive Income. Fair value of financial assets at discounted interest rates are determined initially and the difference carried forward as a prepayment (staff bonus), which then is expensed out over the period in which the services are rendered.

3.21 Takaful surplus

Takaful surplus attributable to the participants is calculated after charging all direct cost and setting aside various reserves. Allocation to participants, if applicable, is made after adjustment of claims paid to them during the year.

3.22 Qard-e-Hasna

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the WTO's accounting polices. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates 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. In the process of applying the WTO's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

	Note
Contribution deficiency reserve	3.4
Takaful / retakaful receivable - impairment	3.6.1
Provision for outstanding claims including IBNR	3.19
Taxation	3.13
Staff retirement benefits	3.14
Impairment of assets	3.15

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5. LOANS AND OTHER RECEIVABLES

	Note	December 31, 2023			December 31, 2022		
		Operator's Takaful Fund	Participant Takaful Fund	Total	Operator's Takaful Fund	Participant Takaful Fund	Total
		(Rupees in '000)					
FED Receivable		–	111	111	–	2,823	2,823
Others	5.1	25	3,287	3,312	–	–	–
		<u>25</u>	<u>3,398</u>	<u>3,423</u>	<u>–</u>	<u>2,823</u>	<u>2,823</u>

5.1 This represents contribution received in advance. The amount credited in the conventional operational bank account.

6. TAKAFUL / RETAKAFUL RECEIVABLE - Unsecured

	Note	December 31, 2023 (Rupees in '000)	December 31, 2022 (Rupees in '000)
Due from Takaful contract holders			
Considered good		57,835	79,223
Considered doubtful	6.1	20,602	20,602
Less: Provision for impairment of receivables from takaful contract holders		(20,602)	(20,602)
		<u>57,835</u>	<u>79,223</u>
Due from other takaful / retakaful operators - Considered good		133,152	51,362
		<u>190,987</u>	<u>130,585</u>

6.1 Movement of considered doubtful

Opening balance	20,602	1,988
Add: Provision for impairment of due from other takaful / retakaful operators	–	18,614
Closing balance	<u>20,602</u>	<u>20,602</u>

7. PREPAYMENTS

	Note	December 31, 2023			December 31, 2022		
		OPF	PTF	Total	OPF	PFT	Total
		(Rupees in '000)					
Prepaid retakaful		–	95,844	95,844	–	55,998	55,998
Contribution ceded	7.1	–	220	220	465	–	465
Others		<u>–</u>	<u>96,064</u>	<u>96,064</u>	<u>465</u>	<u>55,998</u>	<u>56,463</u>

7.1 This represents accrual maintenance charges to Takaful software.

	Note	December 31, 2023			December 31, 2022		
		OPF	PTF	Total	OPF	PFT	Total
		(Rupees in '000)					
8. CASH AND BANK							
Cash and cash equivalent							
– Policy stamps		–	38	38	–	6	6
Cash at bank							
– Profit and loss sharing (PLS) accounts	9.1	190,492	284,181	474,673	89,535	211,901	301,436
		<u>190,492</u>	<u>284,219</u>	<u>474,711</u>	<u>89,535</u>	<u>211,907</u>	<u>301,442</u>

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8.1 These balances are held with a related party and carry profit at a range of 9.0% to 10.75% (2022: 9.25% to 14.75%).

9. OTHER CREDITORS AND ACCRUALS

Note	December 31, 2023			December 31, 2022		
	Operator's Fund	Participant Takaful Fund	Total	Operator's Fund	Participant Takaful	Total
(Rupees in '000)						
Federal takaful fee	–	581	581	–	475	475
Federal Excise Duty	–	9,243	9,243	–	6,658	6,658
Commission payable	42,871	–	42,871	30,129	–	30,129
Provision for compensated clearance	9.1	3,058	3,058	408	–	408
Payable to Habib Insurance Company Limited - Conventional Operations	9.2	557	557	2,407	–	2,407
Other creditors	499	2,223	2,722	228	254	482
Other accrued expenses	1,893	–	1,893	1,996	–	1,996
	<u>48,878</u>	<u>12,047</u>	<u>60,925</u>	<u>35,168</u>	<u>7,387</u>	<u>42,555</u>

9.1 This includes provision for staff compensated absences amounting to Rs. 3.058 million (2022: Rs. 0.408 million). The liability is determined through an actuarial valuation carried out under the projected unit credit (PUC) actuarial cost method (by an actuary). An amount of Rs. 2.65 million (2022: Rs. 0.03 million) has been charged to profit and loss account in the current year based on the actuarial advice.

9.2 Due for expenses incurred on behalf of the PTF Operations.

10 RETIREMENT BENEFIT OBLIGATIONS

Defined benefit obligation - unfunded gratuity scheme

The Company is operating an unfunded gratuity scheme for its permanent employees. Gratuity entitlement is based on the last drawn basic salaries. The obligation under this scheme is determined under an actuarial valuation carried out by a qualified actuary using the Projected Limit Credit Method. The latest valuation was carried out as of December 31, 2023.

December 31, 2023 December 31, 2022
(No. of Employees)

The number of employees covered under the defined benefit scheme are: 28 02

10.1 The following principal actuarial assumptions were used for the valuation of above mentioned scheme:

	December 31, 2023	December 31, 2022
Financial assumptions		
- Discount rate (per annum compounded)	15.50%	14.25%
- Salary increase per annum	15.50%	14.25%
Demographic assumptions		
- Expected service length of the employees	15 years	15 years
- Normal retirement	60 years	60 years
- Rate of employee turnover	Moderate	Light
- Mortality rate	SLIC (2001-05)-1	SLIC (2001-05)-1

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December 31, 2023 December 31, 2022
(Rupees in '000)

10.2 Liability in financial statement

Present value of defined benefit obligations	12,812	1,956
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10.3 Reconciliation of / movement in defined benefit obligations

Present value of defined benefit obligations as at January 01,	1,956	1,632
Current service cost	181	124
Interest cost	290	200
Net Provisions with respect to transferees	10,378	—
Actuarial loss / (gain) on obligation	7	—
Present value of defined benefit obligations as at December 31,	12,812	1,956

10.4 Charge of the defined benefit plan

Cost recognised in profit and loss

Current service cost	181	124
Interest cost	290	200
	471	324

10.5 Actuarial gain on defined benefit obligation recognised in other comprehensive income

Actuarial gain on defined benefit obligation		
- (Gain) / Loss due to change in financial assumptions	7	22
- (Gain) / Loss due to change in experience adjustments	—	(62)
	7	(40)

10.6 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations on various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

December 31, 2023 December 31, 2022
(Rupees in '000)

Increase in discount rate by 0.5%	(12,235)	(1,814)
Decrease in discount rate by 0.5%	13,434	2,110
Increase in expected future increment in salary by 0.5%	13,460	2,114
Decrease in expected future increment in salary by 0.5%	(12,206)	(1,809)

10.7 Comparison for five years As at December 31,

	2023	2022	2021	2020	2019
Defined benefit obligation	12,812	1,956	1,632	—	—
Experience adjustment loss on obligation (as percentage of plan obligations)	0.00%	3.17%	0.00%	0.00%	0.00%

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	Decebmmer 31, 2023	December 31, 2022
10.8 Others		
Expected contributions to the fund in the following year (as per the actuarial advise) - (Rupees in '000)	—	—
Expected benefit payments to retirees in the following year - (Rupees in '000)	1,608	—
Weighted average duration of the defined benefit obligation - (year)	9.34	—

10.9 These defined benefit plans expose the Company to actuarial risks such as investment risk and salary risk. The main features of the gratuity schemes are these:

All confirmed employees are eligible to the scheme and the normal retirement age for all employees is 60 years. A member shall be entitled to gratuity on resignation, termination, retirement, early retirement, retrenchment, death and dismissal based on the Company's Service rules. The scheme is subject to the regulations laid down under the Income Tax Rules, 2002.

	Decebmmer 31, 2023	December 31, 2022
	(Rupees in '000)	
11. TAKAFUL/RETAKAFUL PAYABLE		
Due to other takaful / retakaful	11.1 135,162	65,713
11.1 Due to other takaful / retakaful		
- Foreign retakaful	55,338	46,482
- Local retakaful	55,894	16,736
- Co-takaful	23,930	2,495
	135,162	65,713

11.2 The Company has co-takaful and re-takaful arrangements with various takaful and a domestic re-takaful company. Under the above arrangements, the receivable and payable balances originate mainly due to contributions collected or claims settled by the lead insurer on behalf of other co-takaful, and in case of re-takaful, the contribution ceded to and claims recoverable from the re-takaful under the respective contracts. As per the prevailing industry practices, settlements of balances under co-takaful arrangements are done between the respective takaful companies in normal course of business. The current balances of co- takaful and re-takaful reflected in the records of the Company are based on the underlying contracts and transactions. As advised by SECP, the process for reconciliation of these balances with the respective takaful companies will be formalized as per the guidelines suggested by the Insurance Association of Pakistan for the takaful industry.

	December 31, 2023	December 31, 2022
	(Rupees in '000)	
12. NET CONTRIBUTION		
Written gross contribution	581,850	385,139
Less: Wakala Fee	(141,204)	(57,757)
Contribution Net of Wakala Fee	440,646	327,382
Add: Unearned contribution reserve opening	182,731	130,184
Less: Unearned contribution reserve closing	(252,121)	(182,731)
Contribution earned	371,256	274,835
Retakaful contribution ceded	254,482	159,400
Add: Prepaid retakaful contribution opening	55,998	43,143
Less: Prepaid retakaful contribution closing	(95,844)	(55,998)
Retakaful expense	214,636	146,545
Net contribution	156,620	128,29

Habib Insurance Company Limited

December 31, 2023 December 31, 2022
(Rupees in '000)

13. RETAKAFUL REBATE

Retakaful rebate received	42,860	27,066
Add: Unearned retakaful rebate - opening	11,254	8,646
Less: Unearned retakaful rebate - closing	(18,561)	(11,254)
Retakaful rebate	<u>35,553</u>	<u>24,458</u>

14. TAKAFUL CLAIMS EXPENSE

Claims paid	259,919	135,113
Add: Outstanding claims including IBNR closing	126,625	118,074
Less: Outstanding claims including IBNR opening	(118,074)	(48,618)
Claims expense	<u>268,470</u>	<u>204,569</u>

Retakaful and other recoveries received

Add: Retakaful and other recoveries in respect of outstanding claims net of impairment - closing
Less: Retakaful and other recoveries in respect of outstanding claims net of impairment - opening

90,434	42,253
27,220	61,843
(61,843)	(21,618)
<u>55,811</u>	<u>82,478</u>
<u>212,659</u>	<u>122,091</u>

Retakaful and other recoveries revenue

Net claim expense

15. OTHER EXPENSES - PTF

This represents co-takaful service charges.

16. INVESTMENT INCOME - net

Note	Operator's Takaful Fund		Participant Takaful Fund	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
(Rupees in '000)				
Income from mutual fund units - available-for-sale				
Dividend income	272	3,283	533	8,835
Income from mutual fund units - available-for-sale				
Profit on certificate of Musharika	—	2,194	—	5,651
Profit on certificate of Sharikah	—	—	—	1,775
Return on bank balances	17,928	858	36,516	3,859
Mudarib fees	11,115	2,965	(11,115)	(2,965)
Total investment income	<u>29,315</u>	<u>9,300</u>	<u>25,934</u>	<u>17,155</u>

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	Note	December 31, 2023	December 31, 2022
(Rupees in '000)			
17. WAKALA FEE			
Gross Wakala Fee		172,619	88,959
Add: Deferred wakala fee - opening		44,221	13,019
Less: Deferred wakala fee - closing		(75,636)	(44,221)
Net wakala fee		<u>141,204</u>	<u>57,757</u>
18. COMMISSION EXPENSE			
Commissions paid or payable		68,064	49,641
Add: Deferred commission - opening		23,498	14,423
Less: Deferred commission - closing		(32,661)	(23,498)
Commission expense		<u>58,901</u>	<u>40,566</u>
19. RECEIVABLE FROM PTF/PAYABLE TO OTF			
Opening balance		7,469	7,577
Wakala/ Mudarib fee income		183,734	91,924
Wakala/ Mudarib fee received		(173,140)	(92,032)
Closing balance		<u>18,063</u>	<u>7,469</u>
20. MANAGEMENT EXPENSES - OPF			
Employee benefit cost	20.1	26,263	4,491
Utilities - electricity and water		2,586	1,745
Repairs and maintenance		4,664	1,978
Vehicle running expenses		2,186	428
Legal and professional charges		2,414	2,522
Postages, telegrams and telephone		328	341
Miscellaneous		1,175	702
		<u>39,616</u>	<u>12,207</u>
20.1 This includes Rs. 8.670 million (2022: Rs. 2.918 million) being salaries and other benefits Rs. 0.182 million (2022: Rs. 0.162 million) being contribution to employees' provident fund and Rs. 0.471 million (2022: Rs. 324 million) being charge of gratuity scheme.			
	Note	December 31, 2023	December 31, 2022
(Rupees in '000)			
21. OTHER EXPENSES - OPF			
Auditors remuneration	21.1	1,917	1,170
Subscription		177	495
		<u>2,094</u>	<u>1,665</u>
21.1 Auditor's remuneration			
Audit fee		1,271	746
Review of condensed interim financial statements		424	281
Out-of-pocket expenses		222	143
		<u>1,917</u>	<u>1,170</u>

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22. CLAIM DEVELOPMENT - PTF

The following table shows the development of claims over a period of time on gross basis. For each class of business the uncertainty about the amount and timings of claims payment is usually resolved within a year:

Accident year	2019	2020	2021	2022	2023
			(Rupees in '000)		
Estimate of ultimate claims costs:					
At end of accident year	<u>29,173</u>	<u>87,248</u>	<u>82,069</u>	<u>223,366</u>	<u>(57,907)</u>
One year later	<u>24,541</u>	<u>64,951</u>	<u>62,870</u>	<u>199,175</u>	<u>—</u>
Two year later	<u>24,451</u>	<u>65,229</u>	<u>69,140</u>	<u>—</u>	<u>—</u>
Three year later	<u>24,415</u>	<u>64,491</u>	<u>—</u>	<u>—</u>	<u>—</u>
Estimate of cumulative claims	<u>23,445</u>	<u>64,491</u>	<u>69,140</u>	<u>199,175</u>	<u>(57,907)</u>
Cumulative payment made to date	<u>(22,799)</u>	<u>(60,754)</u>	<u>(65,237)</u>	<u>(195,403)</u>	<u>172,474</u>
Liability for outstanding claims	<u>646</u>	<u>3,737</u>	<u>3,903</u>	<u>3,772</u>	<u>114,567</u>

December 31,
2023
(Rupees in '000)

December 31,
2022

23. TAXATION

For the year
Current

20,273 3,660

23.1 Relationship between tax expense and accounting profit

Profit before taxation	<u>69,908</u>	<u>12,619</u>
Tax at enacted rate of 29% (2022: 29%)	<u>20,273</u>	<u>3,660</u>

23.2 Deferred tax asset of Rs. 4.97 million (2022: Rs. 4.97 million) on losses has not been recognized under prudence.

24. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments outstanding as at December 31, 2023 (December 31, 2022: Nil).

25. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of directors, major share holders, key management personnel, associated companies, entities with common directors and employee retirement benefit funds. The transactions with related parties are carried out at commercial terms and conditions. The transactions and balances with related parties are as follows:

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December 31, 2023 December 31, 2022
(Rupees in '000)

25.1 Operator's Fund

Transactions

Wakala fee charged during the year	172,619	88,959
Mudarib fees charged during the year	11,115	2,965

Transactions during the year with associated companies

Profit on bank accounts	17,928	858
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Balances with associated companies

Bank balance	184,706	84,830
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Transactions during the year with other related parties including key management personnel

Contribution to the provident fund	183	162
------------------------------------	-----	-----

25.2 Participants' Takaful Fund

Transactions

Associated companies		
- Contribution written	38,945	19,649
- Claim paid	7,980	8,371
- Profit on bank accounts	36,516	3,859

Others

- Mudarib fee charged during the year	11,115	2,965
Commission income	25,797	17,196

Balances

Associated companies		
- Contribution due but unpaid	7,714	2,441
- Claim outstanding	5,884	4,411
- Bank balance	271,743	186,557

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26 MANAGEMENT OF TAKAFUL AND FINANCIAL RISK

The Operator (PTF) issues contracts that transfers takaful risk or financial risk or both. This section summarises the takaful risks and the way the Operator manages them.

26.1 Takaful risk management

26.1.1 Takaful risk

The risk under any takaful contract is the possibility that the insured event occurs and the uncertainty of the amount of compensation to the participant. Generally most takaful contracts carry the takaful risk for a period of one year, although in case of marine contracts, it may be of lesser period.

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

26.1.2 Frequency and severity of claims

Risk associated with general takaful contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the covered events. This has been managed by having in place underwriting strategy, retakaful arrangements and proactive claim handling procedures.

The retakaful arrangements against major risk exposure include excess of loss, quota share, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on PTF's net retentions.

26.1.3 Uncertainty in the estimation of future claim payments

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

An estimated amount of the claim is recorded immediately on the intimation to the Operator. The estimation of the amount is based on management judgement or preliminary assessment by the independence surveyor appointed for the purpose. The initial estimates include expected settlement cost of the claims. Provision for IBNR claims is determined based on actuary advice and is estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level.

There are several variable factors which affect the amount and timing of recognised claim liabilities. The Operator takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognised amount. Outstanding claims are reviewed on a periodic basis.

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26.1.4 Key assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected income. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate case to case basis with due regard to the claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Core estimates are reviewed regularly and are updated as and when new information is available.

The principal assumption underlying the liability estimation of IBNR and Contribution Deficiency Reserves is that the PTF's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgement to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgement includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Operator, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

26.1.5 Sensitivity analysis

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

The claim liabilities are sensitive to the incidence of covered events and severity / size of claims. As the Operator enters into short term takaful contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit before tax net of retakaful. The impact of 10 % increase / decrease in incidence of covered events on gross claim liabilities, underwriting results, net claim liabilities, profit before tax and shareholder's equity is as follows:

	Participant Takaful Fund	
	December 31, 2023	December 31, 2022
	Underwriting results and Fund balance	Underwriting results and Fund balance
	(Rupees in '000)	
Average claim cost		
Fire and property	2,775	6,503
Marine and transport	299	1,718
Motor	22,899	12,147
Other classes	874	90
	<u>26,847</u>	<u>20,458</u>

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26.1.6 Concentration of risk

To optimise benefits from the principle of average and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risk with reference to the geographical location, the most important of which is risk survey. Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the insured property.

The adequate event limit is a multiple of the treaty capacity or the primary recovery from excess of loss treaty, which is very much in line with the risk management philosophy of the Operator. Retakaful ceded does not relieve the Operator from its obligation towards participants and, as a result the Operator remains liable for the portion of outstanding claims retakaful to the extent that retakaful operator fails to meet the obligation under the retakaful agreements. The Operator minimises its exposure to significant losses by obtaining retakaful from a number of retakaful, who are dispersed over several geographical regions.

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

	2023		
	Gross sum covered	Retakaful	Net
	(Rupees in '000)		
Fire and property	2,900,000	2,882,500	17,500
Marine and transport	475,393	458,489	16,904
Motor	102,000	98,000	4,000
Other classes	493,674	444,307	49,367
	<u>3,971,067</u>	<u>3,883,296</u>	<u>87,771</u>
	2022		
	Gross sum covered	Retakaful	Net
	(Rupees in '000)		
Fire and property	2,400,000	2,385,000	15,000
Marine and transport	457,235	450,376	6,859
Motor	36,500	33,000	3,500
Other classes	279,072	270,107	8,965
	<u>3,172,807</u>	<u>3,138,483</u>	<u>34,324</u>

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27. SEGMENT INFORMATION

27.1 Participants' Takaful Fund

	December 31, 2023				
	Fire and property	Marine and transport	Motor	Other classes	Aggregate
	(Rupees in '000)				
Contribution receivable (inclusive of federal excise duty and administrative surcharge)	221,372	61,490	373,166	13,170	669,198
Less: Federal Excise Duty	(28,024)	(7,020)	(44,892)	(1,592)	(81,528)
Federal Insurance Fee	(1,909)	(540)	(3,256)	(115)	(5,820)
Gross written contribution (inclusive of administrative surcharge)	191,439	53,930	325,018	11,463	581,850
Wakala fees	(46,459)	(13,088)	(78,876)	(2,781)	(141,204)
Takaful contribution earned	150,311	53,153	300,619	8,377	512,460
Takaful contribution ceded to retakaful operators	(138,062)	(37,749)	(31,983)	(6,842)	(214,636)
Net takaful contribution	(34,210)	2,316	189,760	(1,246)	156,620
Retakaful rebate	26,044	8,130	262	1,117	35,553
Net underwriting income	(8,166)	10,446	190,022	(129)	192,173
Takaful claims	(27,752)	(2,988)	(228,989)	(8,741)	(268,470)
Takaful claims recovered from retakaful	23,676	2,373	23,919	5,843	55,811
Net claims	(4,076)	(615)	(205,070)	(2,898)	(212,659)
Surplus before investment income	(12,242)	9,831	(15,048)	(3,027)	(20,486)
Other expenses					(3,267)
Net investment income	15,497	(12,445)	19,050	3,832	25,934
Surplus transferred to balance of PTF	3,255	(2,614)	4,002	805	2,181
Allocated Assets					
Premium due but unpaid	18,355	9,568	29,549	363	57,835
Prepaid reinsurance premium ceded	84,275	4,259	3,060	4,250	95,844
Reinsurance recoveries against outstanding claims	9,115	7,709	4,302	2,764	23,890
Deferred Wakala expense	29,742	1,306	43,038	1,550	75,636
Salvage recoveries outstanding	—	30	3,300	—	3,330
	141,487	22,872	83,249	8,927	256,535
Unallocated Assets					
Amount due from other insurers/ reinsurers					133,152
Cash and Cash equivalents					284,219
Loan - secured, considered good					3,398
Other					220
Taxation - provision less payment					6,954
					427,943
Total assets					684,478
Allocated Liabilities					
Outstanding Claims	10,486	9,078	102,271	4,790	126,625
Unearned Premium	99,138	4,355	143,460	5,168	252,121
Reserve for unearned retakaful rebate	16,645	903	394	619	18,561
	126,269	14,336	246,125	10,577	397,307
Unallocated Liabilities					
Contribution received in advance					19,026
Amount due to other insurer/ reinsurers					135,162
Other creditors and accruals					12,047
Payable to OPF					18,063
					184,298
Total liabilities					581,605

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December 31, 2023

	Fire and property	Marine and transport	Motor	Other classes	Aggregate
	(Rupees in '000)				
27.2 Operator's Fund					
Wakala fee					141,204
Commission expense					(58,901)
Management expenses					(39,616)
					<u>42,687</u>
Investment income					29,315
Other expenses					(2,094)
Profit before taxation					<u>69,908</u>
Taxation					(20,273)
Profit after tax for the period					<u><u>49,635</u></u>
Segment assets					<u><u>241,241</u></u>
Segment liabilities					<u><u>153,611</u></u>

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SEGMENT INFORMATION

Participants' Takaful Fund

	December 31, 2022				
	Fire and property	Marine and transport	Motor	Other classes	Aggregate
	(Rupees in '000)				
Contribution receivable (inclusive of federal excise duty and administrative surcharge)	129,125	42,003	264,333	5,907	441,368
Less: Federal Excise Duty	(16,597)	(4,575)	(30,635)	(658)	(52,465)
Federal Insurance Fee	(1,111)	(368)	(2,238)	(47)	(3,764)
Gross written contribution (inclusive of administrative surcharge)	111,417	37,060	231,460	5,202	385,139
Wakala fees	(16,708)	(5,558)	(34,711)	(780)	(57,757)
Takaful contribution earned	94,083	38,186	194,055	6,268	332,592
Takaful contribution ceded to retakaful operators	(85,100)	(31,602)	(24,756)	(5,087)	(146,545)
Net takaful contribution	(7,725)	1,026	134,588	401	128,290
Retakaful rebate	16,492	6,798	114	1,054	24,458
Net underwriting income	8,767	7,824	134,702	1,455	152,748
Takaful claims	(65,025)	(17,175)	(121,465)	(904)	(204,569)
Takaful claims recovered from retakaful	59,428	14,974	7,418	658	82,478
Net claims	(5,597)	(2,201)	(114,047)	(246)	(122,091)
Surplus before investment income	3,170	5,623	20,655	1,209	30,657
Other expenses	—	—	—	—	(1,427)
Provision for impairment	—	—	—	—	(24,304)
Other income	—	—	—	—	2,442
Net investment income	1,773	3,147	11,558	677	17,155
Surplus transferred to balance of PTF	4,943	8,770	32,213	1,886	24,523
Allocated Assets					
Premium due but unpaid	11,202	11,927	55,886	208	79,223
Prepaid reinsurance premium ceded	51,002	2,948	480	1,568	55,998
Reinsurance recoveries against outstanding claims	47,438	11,650	256	2,474	61,818
Deferred Wakala expense	14,263	854	28,595	509	44,221
Salvage recoveries outstanding	—	25	—	—	25
	123,905	27,404	85,217	4,759	241,285
Unallocated Assets					
Amount due from other insurers/ reinsurers					51,362
Cash and Cash equivalents					211,907
Loan - secured, considered good					2,823
Taxation - provision less payment					5,640
					271,732
Total assets					513,017
Allocated Liabilities					
Outstanding Claims	52,504	13,500	48,662	3,408	118,074
Unearned Premium	58,010	3,577	119,062	2,082	182,731
Reserve for unearned retakaful rebate	10,235	645	42	332	11,254
	120,749	17,722	167,766	5,822	312,059
Unallocated Liabilities					
Contribution received in advance					19,697
Amount due to other insurer/ reinsurers					65,713
Other creditors and accruals					7,387
Payable to OPF					7,469
					100,266
Total liabilities					412,325

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	December 31, 2022			
	Fire and property	Marine and transport	Motor	Other classes
	(Rupees in '000)			
Operator's Fund				
Wakala fee				57,757
Commission expense				(40,566)
Management expenses				(12,207)
				4,984
Investment income				9,300
Other expenses				(1,665)
Profit before taxation				12,619
Taxation				(3,660)
Profit after tax for the period				8,959
Segment assets				120,967
Segment liabilities				82,965

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28 MANAGEMENT OF TAKAFUL AND FINANCIAL RISK

Insurance and financial risk management objectives and policies are consistent with those disclosed in financial statements for the year ended December 31, 2023.

28.1 Credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Operator attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

28.1.1 Management of credit risk

The Operator's policy is to enter into financial contracts in accordance with the guidelines set by the Board of Directors. Credit risk is managed and controlled by the management of the Operator in the following manner:

- Credit rating and / or credit worthiness of the counter party is taken into account along with the financial background so as to minimize the risk of default. Collaterals are obtained wherever appropriate / relevant.
- The risk of counterparty exposure due to failed agreements causing a loss to the Operator is mitigated by a periodic review of the credit ratings, financial statements, credit worthiness, etc. on a regular basis and makes provision against those balances considered doubtful of recovery.
- Loans given to employees are deductible from the salary of the employees.
- Cash is held with reputable banks only.

To reduce the credit risk the management continuously reviews and monitors the credit exposure towards the policyholders and other insurers/reinsurers and makes provision against those balances considered doubtful of recovery..

28.1.2 Exposure to credit risk

In summary, compared to the amount included in statement of assets and liabilities, the maximum exposure to credit risk as at December 31, 2023 is as follows:

	December 31, 2023			
	Operator's Fund		Participant Takaful Fund	
	Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
	(Rupees in '000)			
Loan and other receivables	—	—	3,398	3,398
Takaful / retakaful receivable	—	—	190,987	190,987
Retakaful recoveries against outstanding claims	—	—	23,890	23,890
Salvage recoveries accrued	—	—	3,330	3,330
Receivable from PTF	18,063	18,063	—	—
Balance with banks	190,492	190,492	284,181	284,181
	<u>208,555</u>	<u>208,555</u>	<u>505,786</u>	<u>505,786</u>
	December 31, 2022			
	Operator's Fund		Participant Takaful Fund	
	Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
	(Rupees in '000)			
Loans and other receivables	—	—	2,823	2,823
Takaful / retakaful receivable	—	—	130,585	130,585
Retakaful recoveries against outstanding claims	—	—	61,818	61,818
Salvage recoveries accrued	—	—	25	25
Receivable from PTF	7,469	7,469	—	—
Balances with banks	89,535	89,535	211,901	211,901
	<u>97,004</u>	<u>97,004</u>	<u>407,152</u>	<u>407,152</u>

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28.1.3 Past due / impaired assets

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

	December 31, 2023		December 31, 2022	
	Gross (Rupees in '000)	Impairment	Gross (Rupees in '000)	Impairment
Upto 1 year	74,438	16,603	82,875	3,652
1-2 year	3,797	3,797	13,510	13,510
Over 2 years	202	202	3,440	3,440
Total	<u>78,437</u>	<u>20,602</u>	<u>99,825</u>	<u>20,602</u>

Age analysis of amount due from other takaful / retakaful Operators at the reporting date was:

	December 31, 2023		December 31, 2022	
	Gross (Rupees in '000)	Impairment	Gross (Rupees in '000)	Impairment
Upto 1 year	2,994	—	45,187	—
1-2 year	4,064	—	16,246	—
Over 2 years	(2,418)	—	4,680	—
Total	<u>4,640</u>	<u>—</u>	<u>66,113</u>	<u>—</u>

Age analysis of retakaful and other recoveries against outstanding claims at the reporting date was:

	December 31, 2023		December 31, 2022	
	Gross (Rupees in '000)	Impairment	Gross (Rupees in '000)	Impairment
Upto 1 year	(29,691)	—	49,060	—
1-2 year	44,127	—	(3,920)	—
Over 2 years	12,784	—	16,703	—
Total	<u>27,220</u>	<u>—</u>	<u>61,843</u>	<u>—</u>

In respect of the aforementioned takaful and retakaful assets, the Company takes into account its past history / track record of recoveries and financial position of the counterparties while creating provision for impairment. Further, retakaful recoveries are made when corresponding liabilities are settled.

28.1.4 Credit Rating and Collateral

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

	Short/ Long term Rating	Rating Agency	December 31, 2023		December 31, 2022	
			Operator's Fund (Rupees in '000)	Participant Takaful Fund	Operator's Fund (Rupees in '000)	Participant Takaful Fund
Bank AL Habib Limited	A1+ / AAA	PACRA	184,707	271,743	84,830	186,557
Habib Bank Limited	A1+ / AAA	JCR-VIS	5,785	7,074	4,705	7,429
Meezan Bank Limited	A1+ / AAA	JCR-VIS	—	5,364	—	17,915
			<u>190,492</u>	<u>284,181</u>	<u>89,535</u>	<u>211,901</u>

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The Operator enters into re-takaful / co-takaful arrangements with re-takaful / other takaful operators having sound credit ratings accorded by reputed credit rating agencies. The Operator is required to comply with the requirements of circular no. 32 / 2009 dated October 27, 2009 issued by SECP which requires an insurance company to place at least 80% of their outward treaty cessions with reinsurers rated 'A' or above by Standard & Poors with the balance being placed with entities rated at least 'BBB' by reputable ratings agency. An analysis of re-takaful assets relating to outward treaty cessions recognised by the rating of the entity from which it relates is as follows:

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded (Rupees in '000)	2023	2022
A or above (including PRCL)	133,152	27,220	95,844	256,216	169,203

28.1.5 Concentration of credit risk

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The company manages concentration of credit risk through diversification of activities among individuals, groups and industry segments.

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

	Participant Takaful Fund December 31, 2023 (Rupees in '000)		Participant Takaful Fund December 31, 2022 (Rupees in '000)	
		%		%
Automobiles	30,757	53.18	22,015	27.79
Banks, modaraba and leasing	79	0.14	1,049	1.32
Textile and composite	4,690	8.11	38,317	48.37
Chemicals and allied industries	478	0.83	2,953	3.73
Cable, engineering and steel	3,017	5.22	1,684	2.13
Food and confectionary	248	0.43	3,535	4.46
Sugar	1,059	1.83	671	0.85
Pharmaceuticals	603	1.04	126	0.16
Others	16,904	29.23	8,873	11.20
	57,835	100.00	79,223	100.00

28.1.6 Settlement risk

The Operator's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed on sale.

This risk is addressed more or less in accordance with the parameters set out in the credit risk management above.

28.2 Liquidity risk

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

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28.2.1 Management of liquidity risk

The Operator's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Operator's reputation. Due to nature of the business, the Operator maintains flexibility in funding by maintaining committed credit lines available. The Operator's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfil its obligation; monitoring balance sheet liquidity ratios against internal and external requirements and maintaining debt financing plans.

28.2.2 Maturity analysis of financial assets and liabilities

The table below analyses the Operator's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows (including interest payments): The information given below is based on contractual repricing on maturity dates, which ever is earlier.

December 31, 2023			
	Interest/ Markup bearing	Non-Interest/ Non-markup bearing	
	Maturity upto one year	Maturity upto one year (Rupees in '000)	Total
Operator's Fund			
FINANCIAL ASSETS			
Receivable from PTF	–	18,063	18,063
Cash and bank balances	190,492	–	190,492
	<u>190,492</u>	<u>18,063</u>	<u>208,555</u>
FINANCIAL LIABILITIES			
Other creditors and accrual	–	45,820	45,820
	<u>–</u>	<u>45,820</u>	<u>45,820</u>
Net	<u>190,492</u>	<u>(27,757)</u>	<u>162,735</u>
December 31, 2022			
	Interest/ Markup bearing	Non-Interest/ Non-markup bearing	
	Maturity upto one year	Maturity upto one year (Rupees in '000)	Total
Operator's Fund			
FINANCIAL ASSETS			
Receivable from PTF	–	7,469	7,469
Cash and bank balances	89,535	–	89,535
	<u>89,535</u>	<u>7,469</u>	<u>97,004</u>
FINANCIAL LIABILITIES			
Other creditors and accrual	–	34,760	34,760
	<u>–</u>	<u>34,760</u>	<u>34,760</u>
Net	<u>89,535</u>	<u>(27,291)</u>	<u>62,244</u>

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	December 31, 2023		
	Interest/ Markup bearing	Non-Interest/ Non-markup bearing	Total
Participant Takaful Fund	Maturity upto one year	Maturity upto one year (Rupees in '000)	
FINANCIAL ASSETS			
Loans and other receivables	–	3,398	3,398
Takaful/ retakaful receivables	–	190,987	190,987
Balance with banks	284,181	–	284,181
Retakaful recoveries against outstanding claims	–	23,890	23,890
Salvage recoveries accrued	–	3,330	3,330
	<u>284,181</u>	<u>221,605</u>	<u>505,786</u>
FINANCIAL LIABILITIES			
Outstanding claims including IBNR	–	126,625	126,625
Takaful/ retakaful payables	–	135,162	135,162
	<u>–</u>	<u>261,787</u>	<u>261,787</u>
Net	<u>284,181</u>	<u>(40,182)</u>	<u>243,999</u>

	December 31, 2022		
	Interest/ Markup bearing	Non-Interest/ Non-markup bearing	Total
Participant Takaful Fund	Maturity upto one year	Maturity upto one year (Rupees in '000)	
FINANCIAL ASSETS			
Loans and other receivables	–	2,823	2,823
Takaful/ retakaful receivables	–	130,585	130,585
Balance with banks	211,901	–	211,901
Retakaful recoveries against outstanding claims	–	61,818	61,818
Salvage recoveries accrued	–	25	25
	<u>211,901</u>	<u>195,251</u>	<u>407,152</u>
FINANCIAL LIABILITIES			
Outstanding claims including IBNR	–	118,074	118,074
Takaful/ retakaful payables	–	65,713	65,713
Payable to OPF	–	7,469	7,469
Other creditors and accruals	–	255	255
	<u>–</u>	<u>191,511</u>	<u>191,511</u>
Net	<u>211,901</u>	<u>3,740</u>	<u>215,641</u>

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28.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will effect the Operator's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

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

28.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate exposure arises from balances held in profit and loss sharing accounts with reputable banks and government securities. The Operator limits interest rate risk by monitoring changes in interest rates. Other risk management procedures are the same as those mentioned in the credit risk management.

Refer note 28.2.2 for the details of maturity analysis of financial instruments.

28.3.1.1 Sensitivity analysis

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

	Operator's Takaful Fund		Operator's Takaful Fund	
	December 31, 2023		December 31, 2022	
	Effective interest rate (in %)	(Rupees in '000)	Effective interest rate (in %)	(Rupees in '000)
Financial assets				
Assets subject to variable rate				
- Balances with banks	9.0% - 10.75%	190,492	9.25% - 14.75%	89,535

	Participants Takaful Fund		Participants Takaful Fund	
	December 31, 2023		December 31, 2022	
	Effective interest rate (in %)	(Rupees in '000)	Effective interest rate (in %)	(Rupees in '000)
Financial assets				
Assets subject to variable rate				
- Balances with banks	6.50% - 8.25%	284,181	6.50% - 8.25%	211,901

Fair value sensitivity analysis for fixed rate instruments

The Operator does not account for any fixed rate financial assets at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account and Fund of the Operator.

Cash flow sensitivity analysis for variable rate instruments

The Operator is exposed to cash flow interest rate risk in respect of its balances with profit and loss sharing account with banks. A hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

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	December 31, 2023		December 31, 2022	
	Mark-up 100 bps		Mark-up 100 bps	
	Operator's Takaful Fund		Operator's Takaful Fund	
	Increase	Decrease	Increase	Decrease
	(Rupees in '000)			
Cash flow sensitivity	19,049	(19,049)	8,954	(8,954)

	December 31, 2023		December 31, 2022	
	Mark-up 100 bps		Mark-up 100 bps	
	Participant Takaful Fund		Participant Takaful Fund	
	Increase	Decrease	Increase	Decrease
	(Rupees in '000)			
Cash flow sensitivity	28,418	(28,418)	21,190	(21,190)

28.3.2 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market.

The WTO's strategy is to hold its strategic investments for long period of time. Thus, WTO's management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favorable. WTO strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. WTO manages price risk by monitoring exposure in these securities and implementing the strict discipline in internal risk management and investment policies.

Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

The WTO has no significant concentration of price risk.

28.3.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The WTO, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pak Rupees.

28.4 Fund management

The Operator's objective when managing capital is to safe guard the WTO's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Operator manages its fund structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

The statement of solvency is presented in note 30 to the financial statements.

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28.5 Reconciliation of movement of liabilities to cash flows arising from financing activities

	December 31, 2023			December 31, 2022		
		Equity			Equity	
	Liabilities	Share Capital	Reserves (including unappropriated)	Liabilities	Share Capital	Reserves (including unappropriated)
	(Rupees in '000)					
Operator's Takaful Fund						
Balance as at January 01,	82,965	50,000	(11,998)	37,497	50,000	(20,957)
Liability related changes during the year	70,646	–	–	45,468	–	–
Equity related changes during the year	–	–	49,635	–	–	8,959
Balance as at December 31,	153,611	50,000	37,637	82,965	50,000	(11,998)

	December 31, 2023			December 31, 2022		
		Equity			Equity	
	Liabilities	Share Capital	Reserves (including unappropriated)	Liabilities	Share Capital	Reserves (including unappropriated)
	(Rupees in '000)					
Participants' Takaful Fund						
Balance as at January 01,	412,325	500	100,192	270,026	500	75,669
Liability related changes during the year	169,280	–	–	142,299	–	–
Equity related changes during the year	–	–	2,181	–	–	24,523
Balance as at December 31,	581,605	500	102,373	412,325	500	100,192

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

The following table shows financial instruments recognized at fair value, analysed between those whose fair value is based on:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

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

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Participants' Takaful Fund

December 31, 2023								
	Held to maturity	Loans & receivable	Other financial assets	financial liabilities	Total	Fair value measurement using		
						Level 1	Level 2	Level 3
	(Rupees in '000)							
Financial assets measured at fair value								
Loans and other receivables	–	3,423	–	–	3,423	–	–	–
Takaful/ retakaful recoveries	–	190,987	–	–	190,987	–	–	–
Retakaful recoveries against outstanding claims	–	23,890	–	–	23,890	–	–	–
Salvage Recoveries Accrued	–	3,330	–	–	3,330	–	–	–
Balance with banks	–	–	284,181	–	284,181	–	–	–
	–	221,630	284,181	–	505,811	–	–	–
Financial liabilities not measured at fair value								
Payable to OPF	–	–	–	18,063	18,063	–	–	–
Outstanding claims including IBNR	–	–	–	126,625	126,625	–	–	–
Takaful / retakaful payables	–	–	–	135,162	135,162	–	–	–
	–	–	–	279,850	279,850	–	–	–

December 31, 2022								
	Held to maturity	Loans & receivable	Other financial assets	Financial liabilities	Total	Fair value measurement using		
						Level 1	Level 2	Level 3
	(Rupees in '000)							
Financial assets measured at fair value								
Loans and other receivables	–	2,823	–	–	2,823	–	–	–
Takaful/ retakaful recoveries	–	130,585	–	–	130,585	–	–	–
Retakaful recoveries receivable against outstanding claims	–	61,818	–	–	61,818	–	–	–
Salvage Recoveries Accrued	–	25	–	–	25	–	–	–
Balance with banks	–	–	211,901	–	211,901	–	–	–
	–	195,251	211,901	–	407,152	–	–	–
Financial liabilities not measured at fair value								
Payable to OPF	–	–	–	7,469	7,469	–	–	–
Outstanding claims including IBNR	–	–	–	118,074	118,074	–	–	–
Takaful / retakaful payables	–	–	–	65,713	65,713	–	–	–
Other creditors and accruals	–	–	–	255	255	–	–	–
	–	–	–	191,511	191,511	–	–	–

The carrying values of remaining financial assets and liabilities reflected in these financial statements approximate to their fair value, as there are mostly short term in mature or repriced frequently.

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Operator's Takaful Fund

December 31, 2023							
Held to	Loans & maturity	Other receivable assets	financial financial	Total liabilities	Fair value measurement using		
					Level 1	Level 2	Level 3
(Rupees in '000)							
–	18,063	–	–	18,063	–	–	–
–	–	190,492	–	190,492	–	–	–
–	18,063	190,492	–	208,555	–	–	–
–	–	–	45,820	45,820	–	–	–
–	–	–	45,820	45,820	–	–	–

Operator's Takaful Fund

December 31, 2022							
Held to maturity	Loans & receivable	Other financial assets	financial liabilities	Total	Fair value measurement using		
					Level 1	Level 2	Level 3
(Rupees in '000)							
–	7,469	–	–	7,469	–	–	–
–	–	89,535	–	89,535	–	–	–
–	7,469	89,535	–	97,004	–	–	–
–	–	–	34,760	34,760	–	–	–
–	–	–	34,760	34,760	–	–	–

The carrying values of remaining financial assets and liabilities reflected in these financial statements approximate to their fair value, as there are mostly short term in mature or repriced frequently.

Habib Insurance Company Limited

30. STATEMENT OF SOLVENCY

December 31, 2023 December 31, 2022
(Rupees in '000)

Loans and other receivables	3,398	2,823
Takaful / retakaful receivable	190,987	130,585
Retakaful recoveries against outstanding claims	23,890	61,818
Salvage recoveries accrued	3,330	25
Deferred Wakala expense	75,636	44,221
Taxation - payments less provision	6,954	5,640
Prepayments	96,064	55,998
Cash and bank	284,219	211,907
Total Assets (A)	684,478	513,017

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

Contribution due since more than three months	(24,138)	(58,470)
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Total In-admissible assets (B)	(24,138)	(58,470)
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Total Admissible Assets C= A-B	660,340	454,547
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Liabilities

PTF underwriting provisions

Outstanding claims including IBNR	126,625	118,074
Unearned contribution reserve	252,121	182,731
Reserve for unearned retakaful rebate	18,561	11,254
Contribution received in advance	19,026	19,697
Takaful / retakaful payable	135,162	65,713
Other creditors and accrual	12,047	7,387
Payable to OTF	18,063	7,469

Total Liabilities (D)	581,605	412,325
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Net Surplus as at December 31 (E=C-D)	78,735	42,222
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31. NUMBER OF EMPLOYEES

At year end	28	2
Average during the year	15	2

32. CORRESPONDING FIGURES

Previous year figures have been rearranged and/or reclassified, wherever necessary, for the purpose of comparison in the financial statements. However, no material rearrangement / reclassification made during the year.

33. GENERAL

Figures have been rounded off to the nearest Thousand Rupees.

34. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorised for issue on March 28, 2024 by the Board of Directors.

RAFIQ M. HABIB Chairman	MANSOOR G. HABIB Director	AUN MOHAMMAD A. HABIB Director	SYED ATHER ABBAS Chief Executive	MURTAZA HUSSAIN Chief Financial Officer
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Habib Insurance Company Limited

Pattern of Shareholding as at December 31, 2023

Number of Shareholders	Shareholdings' Slab			Total Shares Held
875	1	to	100	12,308
258	101	to	500	77,830
170	501	to	1000	134,111
419	1001	to	5000	1,157,361
128	5001	to	10000	947,868
97	10001	to	15000	1,202,159
45	15001	to	20000	809,402
35	20001	to	25000	822,750
25	25001	to	30000	698,427
14	30001	to	35000	458,390
11	35001	to	40000	417,040
13	40001	to	45000	555,259
19	45001	to	50000	918,344
6	50001	to	55000	309,652
5	55001	to	60000	293,269
17	60001	to	65000	1,063,523
4	65001	to	70000	270,451
4	70001	to	75000	289,242
4	75001	to	80000	314,530
2	80001	to	85000	161,326
7	85001	to	90000	608,286
2	90001	to	95000	184,547
11	95001	to	100000	1,094,004
1	100001	to	105000	103,741
1	105001	to	110000	107,888
1	115001	to	120000	119,500
7	120001	to	125000	867,256
1	125001	to	130000	129,132
7	130001	to	135000	928,010
2	135001	to	140000	277,203
2	140001	to	145000	286,542
2	145001	to	150000	295,489
1	150001	to	155000	152,560
2	155001	to	160000	317,400
1	165001	to	170000	166,856
5	170001	to	175000	856,108
2	185001	to	190000	371,348
3	190001	to	195000	579,938
2	195001	to	200000	396,326
3	205001	to	210000	627,078
1	210001	to	215000	210,037
4	220001	to	225000	889,778
3	225001	to	230000	681,296
1	240001	to	245000	240,818
8	245001	to	250000	1,986,553
1	250001	to	255000	250,058
1	255001	to	260000	256,504
1	270001	to	275000	270,885
1	275001	to	280000	275,863
3	280001	to	285000	844,493
1	300001	to	305000	300,183
2	305001	to	310000	615,670
1	310001	to	315000	312,540
1	315001	to	320000	319,988
1	320001	to	325000	321,696
4	330001	to	335000	1,328,270
2	340001	to	345000	685,604
1	355001	to	360000	357,992
1	385001	to	390000	387,848
2	390001	to	395000	788,152
1	410001	to	415000	410,721
2	420001	to	425000	843,800
1	430001	to	435000	432,318
2	445001	to	450000	894,016
1	480001	to	485000	481,010
1	490001	to	495000	493,416
1	495001	to	500000	500,000
1	510001	to	515000	513,007
1	520001	to	525000	524,175
1	525001	to	530000	526,915

Habib Insurance Company Limited

Pattern of Shareholding as at December 31, 2023

Number of Shareholders	Shareholdings' Slab			Total Shares Held
3	540001	to	545000	1,627,944
1	580001	to	585000	584,046
1	590001	to	595000	591,650
3	600001	to	605000	1,807,793
1	615001	to	620000	619,338
1	620001	to	625000	620,360
1	625001	to	630000	625,654
1	630001	to	635000	633,270
1	665001	to	670000	666,091
1	690001	to	695000	693,695
1	705001	to	710000	707,263
1	710001	to	715000	712,500
1	735001	to	740000	736,117
1	755001	to	760000	757,323
1	765001	to	770000	769,511
2	770001	to	775000	1,549,633
1	800001	to	805000	800,219
1	805001	to	810000	809,452
1	810001	to	815000	813,114
1	830001	to	835000	835,000
3	880001	to	885000	2,648,592
1	925001	to	930000	927,692
1	930001	to	935000	930,194
1	990001	to	995000	990,198
1	995001	to	1000000	1,000,000
1	1085001	to	1090000	1,088,937
1	1090001	to	1095000	1,092,797
1	1115001	to	1120000	1,116,797
1	1195001	to	1200000	1,200,000
1	1205001	to	1210000	1,208,386
1	1215001	to	1220000	1,219,590
1	1225001	to	1230000	1,227,082
1	1245001	to	1250000	1,248,800
3	1265001	to	1270000	3,807,065
1	1395001	to	1400000	1,399,918
1	1405001	to	1410000	1,407,497
1	1435001	to	1440000	1,436,621
1	1475001	to	1480000	1,475,052
1	1610001	to	1615000	1,610,364
1	1630001	to	1635000	1,630,317
1	1810001	to	1815000	1,813,828
1	1875001	to	1880000	1,877,462
1	2350001	to	2355000	2,353,618
1	2440001	to	2445000	2,440,507
1	2720001	to	2725000	2,721,386
1	2990001	to	2995000	2,994,651
1	4975001	to	4980000	4,979,761
1	5360001	to	5365000	5,363,772
1	5415001	to	5420000	5,419,516
1	5735001	to	5740000	5,735,396
1	6220001	to	6225000	6,222,926
2,326				123,874,755

Habib Insurance Company Limited

Pattern of Shareholding as at December 31, 2023

Additional Information

Shareholders' Category	Number of shareholders / folios	Number of shares held
Assoociated Companies		
Thal Limited	1	5,735,396
Directors		
Mr. Rafiq M. Habib	1	166,856
Mr. Mansoor G. Habib	1	100,000
Mr. Muhmmad Hyder Habib	1	774,803
Mr. Qumail R. Habib	2	603,611
Mr. Aun Mohammad A. Habib	2	1,242,734
Mr. Shahid Ghaffar	1	2,000
Mr. Ali Fadoo	1	2,000
Ms. Maleeha Humayun Bangash	1	2,000
Mr. Shabbir Gulamali	1	2,107
Directors and their spouse(s) and minor children		
Mrs. Jamila Rafiq w/o Mr. Rafiq M. Habib	1	1,116,797
Mrs. Farah Fatima Habib w/o Mr. Muhammad Hyder Habib	1	1,475,052
Individuals/ Others	2,262	69,356,035
Charitable Trusts, Socities and Government Institutions	39	27,804,956
Foreign Investors	10	9,267,482
Shareholders holding 5% or more	1	6,222,926
	<hr/> 2,326 <hr/>	<hr/> 123,874,755 <hr/>

Habib Insurance Company Limited

Notice of Annual General Meeting

NOTICE is hereby given that the 81st Annual General Meeting of the Shareholders of the Company will be held at Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Block 8, Clifton, Karachi on Thursday, April 25, 2024 at 11:00 am to transact the following business. The shareholders may also attend the meeting through electronic means as advised by Securities and Exchange Commission of Pakistan (SECP).

1. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended December 31, 2023 together with the Reports of Chairman, Directors and Auditors.
2. To consider and approve payment of cash dividend @ 12.5% i.e., Rs. 0.625 per share of Rs. 5/- each for the year ended December 31, 2023.
3. To appoint Auditors for the year ending December 31, 2024 and to fix their remuneration. M/s. Grant Thornton Anjum Rahman, Chartered Accountants, being eligible, offered themselves for re-appointment.
4. To consider any other business of the Company with the permission of the Chair.

By order of the Board

Karachi: March 28, 2024

Muhammad Asif
Company Secretary

Notes:

1. **Participation in the Annual General Meeting (AGM) through Electronic Means:**
The entitled shareholders who are interested to attend AGM through online platform and whose names appeared in the Books of the Company by the close of business on April 15, 2024 are hereby requested to get themselves registered with the Company Secretary Office by providing the following details at the earliest but not later than 48 hours before the time of AGM (no account shall be taken of any part of the day that is not a working day) at investor.relations@habibinsurance.net

Name of shareholder	CNIC No.	Folio No. / CDS No.	Cell Number	Email address

Upon receipt of the above information from interested shareholders, the Company will send the login details at their email addresses. On the AGM day, shareholders will be able to login and participate in the AGM proceedings through their smartphones or computer devices from any convenient location.

The login facility will be opened 30 minutes before the meeting time to enable the participants to join the meeting after identification and verification process.

The entitled shareholders (whose names appeared in the Books of the Company by the close of business on April 15, 2024) along with the details mentioned above may send their comments/suggestions for the proposed Agenda items at the above email address at least 48 hours before the time of AGM (no account shall be taken of any part of the day that is not a working day).

2. The share transfer books of the Company will remain closed from Tuesday, April 16, 2024 to Thursday, April 25, 2024 (both days inclusive). Transfers received in order at the office of our Share Registrar, CDC Share Registrar Services Limited, located at the CDC House, 99-B, Block B, SMCHS, Main Shahrah-e-Faisal, Karachi-74400 by the close of business on April 15, 2024 will be treated in time for payment of cash dividend (subject to approval of the Members). Members are requested to promptly communicate any change in their addresses to our above mentioned Share Registrar.

Habib Insurance Company Limited

3. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend, speak and vote on his/her behalf. A Proxy (except for a corporation) must be a Member of the Company. Proxy form, in order to be effective, must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the time of the meeting (no account shall be taken of any part of the day that is not a working day).
4. The entitled shareholders are requested to keep with them their original Computerized National Identity Cards (CNICs) / Passport along with their folio numbers / participant(s) ID numbers and CDC account numbers at the time of attending the AGM in order to facilitate identification of the respective shareholders. The proxy shall also produce his/her original CNIC or Passport at the time of the meeting. In case of a corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signatures shall be submitted along with Proxy Form.
5. As per Section 150 of the Income Tax Ordinance, 2001, different rates are prescribed for deduction of withholding tax on the amount of cash dividend paid by the companies. These tax rates are as under:
 - (i) For filers of income tax returns 15%
 - (ii) For non-filers of income tax returns 30%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30% all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of cash dividend i.e., April 25, 2024; otherwise, tax on their cash dividend will be deducted @ 30% instead of 15%.

According to FBR, withholding tax will be determined separately on 'Filer/Non-Filer' status of principal shareholder as well as joint-shareholder(s) based on their shareholding proportions, in case of joint accounts. Members that hold shares with joint-shareholder(s) are requested to provide shareholding proportions of principal shareholder and joint-shareholder(s) in respect of shares held by them to the Company's Share Registrar in writing in the following format.

Company Name	Folio/CDC Account No.	Total shares	Principal Shareholder		Joint Shareholder	
			Name and CNIC#	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (No. of Shares)

In case the required information is not provided to our Share Registrar latest by April 15, 2024, it will be assumed that the shares are equally held by them.

In case of corporate entity, withholding tax exemption from dividend income shall only be allowed if copy of valid tax exemption certificate is made available to our Share Registrar latest by April 15, 2024.

As per instructions of SECP and Central Depository Company of Pakistan (CDC) circular No. 6 of 2018, the shareholders are hereby informed that the CDC has developed Centralized Cash Dividend Register (CCDR) on eServices Web Portal which contains details of cash dividend such as either paid or unpaid, withheld by the Company, total amount of cash dividend, tax and zakat deductions and net amount credited into designated bank account of shareholders. The shareholders are requested to register themselves to CDC's eServices Portal link, <https://eservices.cdcaccess.com.pk> to obtain the aforesaid information.

6. Payment of cash dividend through Electronic Mode

Under the provision of Section 242 of Companies Act, 2017 and Companies (Distribution of Dividends) Regulations, 2017, it is mandatory for a listed company to pay cash dividend to their shareholders only through electronic mode directly into the bank account designated by the entitled shareholders instead of issuing physical dividend warrants.

In order to receive cash dividend directly into the designated bank account, Members who have not yet provided the bank account details are requested to fill and sign the "E-Dividend Mandate Form" available on the Company's website www.habibinsurance.net and send to the relevant Participants/Investor Account Services of the CDC/Share Registrar of the Company (as the case may be) latest by April 15, 2024 along with a copy of their valid CNICs.

In case of non-receipt or incorrect International Bank Account Number (IBAN) with other related details or non-availability of valid CNICs, the Company will withhold cash dividend of such Members.

Habib Insurance Company Limited

7. Deposit/Conversion of Physical Shares into Book Entry Form

The shareholders having physical share certificates of the Company are advised to place / convert their physical shares into Book-Entry form in CDC as required under the provisions of Section 72 of the Companies Act, 2017.

8. Unclaimed/Unpaid Cash Dividend and Share Certificates

In compliance of Section 244 of the Act, the Company has already requested through individual letters to shareholders and also through newspaper to collect their unclaimed shares / unpaid cash dividend, if any. Shareholders are once again requested to lodge a claim for unclaimed shares / unpaid cash dividends with the Company's Share Registrar i.e. CDC Share Registrar Services Limited

9. Audited Financial Statements through email

In pursuant to Section 223 of the Companies Act 2017, Annual Report 2023 which includes Auditors' Report along with Audited Financial Statements, Directors' Report, Chairman's Review Report and Notice of Annual General Meeting are being e-mailed to the Members who have provided their e-mail addresses for the said purpose. Members are also requested to intimate change (if any) in their registered e-mail addresses to our Share Registrar for the aforesaid purpose. Members of the Company who wish to receive soft copy of Annual Report are requested to send their e-mail addresses to our Share Registrar through consent form, available on the Company's website. The Annual Report 2023 of the Company is also available on Company's website and can be downloaded through the web link <https://www.habibinsurance.net/investor-information>

10. Postal Ballot / E-Voting

In accordance with the Companies (Postal Ballot) Regulations, 2018 and in compliance of Sections 143 and 144 of the Companies Act, 2017, the shareholders will be allowed to exercise right of vote through postal ballot i.e., by post or through electronic mode in accordance with requirements and procedures mentioned in the aforesaid regulations.

For any query / clarification / information, the shareholder may contact the Share Registrar at the following address:

M/s. CDC Share Registrar Services Limited

CDC House, 99-B, Block-B
SMCHS, Main Shahrah-e-Faisal
Karachi-74400

Habib Insurance Company Limited

Status of approvals for investments in associated companies

Bank AL Habib Limited

Sr. No.	Description	Information Required
1	<p>Information to be disclosed to the members:-</p> <p>If the Associate Company or associated undertaking in which the investment is being made or any of its sponsors or directors is also a member of the investing company, the information about interest of the associated company or associated undertaking and its sponsors and directors in the investing company shall be disclosed in the notice of general meeting called for seeking members' approval pursuant to section 208 of the Ordinance</p>	Bank AL Habib Limited being the associated company on the basis of common directorship of Mr. Qumail R. Habib, Director of the Company is also Director of Bank AL Habib Limited
2	<p>In case any decision to make investment under the authority of a resolution passed pursuant to provisions of section 208 of the Ordinance is not implemented either fully or partially till the holding of subsequent general meeting(s), the status of the decision must be explained to the members through a statement having the following details namely:</p> <p>a) total investment approved:</p>	Rs. 200 million approved by the shareholders at Annual General Meeting held on May 29, 2023
b)	amount of investment made to date:	Nil
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time:	Remaining amount may be invested on availability of shares at reasonable price within the period specified in the earlier resolution
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company	Various

Habib Insurance Company Limited

Status of approvals for investments in associated companies

Habib Metropolitan Bank Limited

Sr. No.	Description	Information Required
1	<p>Information to be disclosed to the members:-</p> <p>If the Associate Company or associated undertaking in which the investment is being made or any of its sponsors or directors is also a member of the investing company, the information about interest of the associated company or associated undertaking and its sponsors and directors in the investing company shall be disclosed in the notice of general meeting called for seeking members' approval pursuant to section 208 of the Ordinance</p>	Habib Metropolitan Bank Limited being associated company on the basis of common directorship of Mr. Muhammad Hyder Habib, Director of the company is also Director of Habib Metropolitan Bank Limited.
2	<p>In case any decision to make investment under the authority of a resolution passed pursuant to provisions of section 208 of the Ordinance is not implemented either fully or partially till the holding of subsequent general meeting(s), the status of the decision must be explained to the members through a statement having the following details namely:</p>	Rs. 200 million approved by the shareholders at Annual General Meeting held on May 29, 2023
a)	total investment approved:	
b)	amount of investment made to date:	Nil
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time:	Remaining amount may be invested on availability of shares at reasonable price within the period specified in the earlier resolution
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company	Various

Habib Insurance Company Limited

Status of approvals for investments in associated companies

Indus Motor Company Limited

Sr. No.	Description	Information Required
1	<p>Information to be disclosed to the members:-</p> <p>If the Associate Company or associated undertaking in which the investment is being made or any of its sponsors or directors is also a member of the investing company, the information about interest of the associated company or associated undertaking and its sponsors and directors in the investing company shall be disclosed in the notice of general meeting called for seeking members' approval pursuant to section 208 of the Ordinance</p>	Indus Motor Company Limited being the associated company on the basis of common directorship of Mr. Muhammad Hyder Habib, Director of the Company is also a Director of Indus Motor Company Limited.
2	<p>In case any decision to make investment under the authority of a resolution passed pursuant to provisions of section 208 of the Ordinance is not implemented either fully or partially till the holding of subsequent general meeting(s), the status of the decision must be explained to the members through a statement having the following details namely:</p> <p>a) total investment approved:</p>	Rs. 200 million approved by the shareholders at Annual General Meeting held on May 29, 2023
b)	amount of investment made to date:	Nil
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time:	Remaining amount may be invested on availability of shares at reasonable price within the period specified in the earlier resolution
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company	Various

Habib Insurance Company Limited

Status of approvals for investments in associated companies

Shabbir Tiles & Ceramics Limited

Sr. No.	Description	Information Required
1	<p>Information to be disclosed to the members:-</p> <p>If the Associate Company or associated undertaking in which the investment is being made or any of its sponsors or directors is also a member of the investing company, the information about interest of the associated company or associated undertaking and its sponsors and directors in the investing company shall be disclosed in the notice of general meeting called for seeking members' approval pursuant to section 208 of the Ordinance</p>	Shabbir Tiles & Ceramics Limited being associated company on the basis of common directorship of Mr. Rafiq M. Habib, Chairman of the company is also Chairman of Shabbir Tiles & Ceramics Limited
2	<p>In case any decision to make investment under the authority of a resolution passed pursuant to provisions of section 208 of the Ordinance is not implemented either fully or partially till the holding of subsequent general meeting(s), the status of the decision must be explained to the members through a statement having the following details namely:</p>	Rs. 200 million approved by the shareholders at Annual General Meeting held on May 29, 2023
a)	total investment approved:	
b)	amount of investment made to date:	Nil
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time:	Remaining amount may be invested on availability of shares at reasonable price within the period specified in the earlier resolution
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company	Various

Habib Insurance Company Limited

Status of approvals for investments in associated companies

Thal Limited

Sr. No.	Description	Information Required
1	Information to be disclosed to the members:- If the Associate Company or associated undertaking in which the investment is being made or any of its sponsors or directors is also a member of the investing company, the information about interest of the associated company or associated undertaking and its sponsors and directors in the investing company shall be disclosed in the notice of general meeting called for seeking members' approval pursuant to section 208 of the Ordinance	Thal Limited being associated company on the basis of common directorship of Mr. Rafiq M. Habib, Chairman of the company is also Chairman of Thal Limited
2	In case any decision to make investment under the authority of a resolution passed pursuant to provisions of section 208 of the Ordinance is not implemented either fully or partially till the holding of subsequent general meeting(s), the status of the decision must be explained to the members through a statement having the following details namely:	Rs. 200 million approved by the shareholders at Annual General Meeting held on May 29, 2023
a)	total investment approved:	
b)	amount of investment made to date:	Nil
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time:	Remaining amount may be invested on availability of units at reasonable price within the period specified in the earlier resolution
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company	Various

Habib Insurance Company Limited

۱۳۔ درج بالا کے علاوہ ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکریٹری اور ان کے شریک حیات و نابالغ بچوں کی جانب سے کمپنی کے شیئرز کی کوئی خرید و فروخت نہیں کی گئی۔

شیئرز کی تعداد

74,500

خریدار

جناب منصور جی۔ حبیب

منجانب بورڈ آف ڈائریکٹرز

شبیر غلام علی
چیف ایگزیکٹو

عون محمد اے۔ حبیب
ڈائریکٹر

کراچی: ۳۱ مارچ ۲۰۲۲ء

Habib Insurance Company Limited

۲۹ اپریل ۲۰۲۱ء

جناب رفیق ایم۔ حبیب

جناب عباس ڈی۔ حبیب

جناب منصور جی۔ حبیب

جناب محمد حیدر حبیب

جناب گمیل آر۔ حبیب

جناب عون محمد اے۔ حبیب

جناب علی فدو

محترمہ ملیحہ ہمایوں بگلش

جناب شبیر غلام علی

چیف ایگزیکٹو

۲۶ اگست ۲۰۲۱ء

جناب عباس ڈی۔ حبیب

جناب منصور جی۔ حبیب

جناب محمد حیدر حبیب

جناب گمیل آر۔ حبیب

جناب عون محمد اے۔ حبیب

محترمہ ملیحہ ہمایوں بگلش

جناب شبیر غلام علی

چیف ایگزیکٹو

۲۸ اکتوبر ۲۰۲۱ء

جناب رفیق ایم۔ حبیب

جناب منصور جی۔ حبیب

جناب محمد حیدر حبیب

جناب گمیل آر۔ حبیب

جناب عون محمد اے۔ حبیب

جناب علی فدو

محترمہ ملیحہ ہمایوں بگلش

جناب شبیر غلام علی

چیف ایگزیکٹو

۱۲۔ شیئر ہولڈنگ کا طرز اور شیئر ہولڈنگ کے طرز سے متعلق اضافی معلومات منسلک شدہ ہے۔

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کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کا بیان

- ۱۔ کمپنی کی جانب سے تیار کردہ مالیاتی حسابات شفاف انداز میں اس کے کاروباری امور، اس کے آپریشنز کے نتائج، کیش فلو ز اور ایکویٹی میں تبدیلیوں کو واضح کرتے ہیں۔
- ۲۔ کمپنی کے کھاتوں کی باقاعدہ کتب تیار کی گئی ہیں۔
- ۳۔ درست اکاؤنٹنگ پالیسیاں مالیاتی حسابات کی تیاری میں مستقل طور پر لاگو کی جاتی ہیں۔ اگر ان میں کوئی تبدیلی کی جاتی ہے تو مناسب طور پر اسے واضح کر دیا جاتا ہے جبکہ اکاؤنٹنگ کے تخمینہ جات مناسب اور محتاط فیصلوں پر مبنی ہوتے ہیں۔
- ۴۔ بین الاقوامی مالیاتی رپورٹنگ اسٹینڈرڈز اور اسلامک فنانشل اکاؤنٹنگ اسٹینڈرڈز، جیسا کہ پاکستان میں نافذ العمل ہیں، ان پر مالیاتی حسابات کی تیاری میں عمل درآمد کیا جاتا ہے اور ان سے کسی بھی قسم کی روگردانی کو باقاعدہ واضح کر دیا جاتا ہے۔
- ۵۔ انٹرنل کنٹرول کا نظام مستحکم طور پر تیار کیا گیا ہے اور موثر طور پر نافذ العمل اور زیر نگرانی رہتا ہے۔
- ۶۔ اس امر میں کوئی شبہ نہیں کہ کمپنی میں آگے بڑھنے کی صلاحیت موجود ہے۔
- ۷۔ کارپوریٹ گورننس کے بہترین طریقہ کار سے کوئی روگردانی نہیں کا جاتی جیسا کہ لسٹنگ ریگولیشنز میں مفصل طور پر درج ہے۔
- ۸۔ گزشتہ ۶ سال کیلئے کلیدی آپرٹنگ اور مالیاتی تفصیل منسلک ہے۔
- ۹۔ مٹیکسز اور لیویز کے بارے میں معلومات مالیاتی حسابات کیلئے نوٹس میں درج ہیں۔
- ۱۰۔ ۳۱ دسمبر ۲۰۲۱ء کے مطابق پراویڈنٹ فنڈ کے ڈپازٹ اکاؤنٹس میں سرمایہ کاریاں اور بیلنس کی مالیت ۹۵۷ ملین روپے ہے۔
- ۱۱۔ سال کے دوران بورڈ کے ۱۲ اجلاس منعقد ہوئے اور اس میں ڈائریکٹرز کی شرکت درج ذیل کے مطابق رہی:

شرکت کردہ مناجب

اجلاس کی تاریخ

جناب رفیق ایم۔ حبیب

۳۱ مارچ ۲۰۲۱ء

جناب عباس ڈی۔ حبیب

جناب منصور جی۔ حبیب

جناب محمد حیدر حبیب

جناب گمیل آر۔ حبیب

جناب عون محمد اے۔ حبیب

جناب شاہد غفار

جناب علی فدو

محترمہ ملیحہ ہمایوں بگٹش

جناب شبیر غلام علی

چیف ایگزیکٹو

Habib Insurance Company Limited

انویسٹمنٹ کمیٹی

انویسٹمنٹ کمیٹی کے ممبران پر مشتمل ہے جس کی نمائندگی ۲ انڈیپنڈنٹ ڈائریکٹرز، ۲ نان-ایگزیکٹو ڈائریکٹرز، ایک ایگزیکٹو ڈائریکٹر، چیف ایگزیکٹو اور چیف فنانشل آفیسر کرتے ہیں۔ انویسٹمنٹ کمیٹی نے سال کے دوران ۴ اجلاس طلب کئے اور اس میں شرکت درج ذیل کے مطابق تھی:

شرکت کردہ اجلاسوں کی تعداد

جناب شاہد غفار	چیئر مین	3
جناب منصور جی۔ حبیب	ممبر	4
جناب گمیل آر۔ حبیب	ممبر	3
جناب عون محمد اے۔ حبیب	ممبر	4
محترمہ ماجدہ ہمایوں بگلش	ممبر	2
جناب شبیر غلام علی	ممبر	4
جناب مرتضیٰ حسین	ممبر	4

ڈائریکٹرز کا تربیتی پروگرام

کمپنی کے ۹ ڈائریکٹرز میں سے ۵ پہلے ہی ڈائریکٹرز کے ٹریننگ پروگرام میں شرکت کر چکے ہیں۔ ۲ ڈائریکٹرز اپنی قابلیت اور تجربے کی بنیاد پر اس شرط سے مستثنیٰ ہیں۔

ڈائریکٹرز کی ری میونریشن پالیسی

بورڈ آف ڈائریکٹرز نے ”ڈائریکٹرز کے معاوضوں کے تعین کے لئے ایک پالیسی اور طریقہ کار“ کی منظوری دی ہے جس میں واضح کیا گیا ہے:

- کوئی بھی ڈائریکٹر ذاتی معاوضے کا تعین نہیں کرے گا۔ یہ معاوضہ بورڈ آف ڈائریکٹرز کی منظوری سے ہوگا۔
- معاوضوں کی ادائیگی ذمہ دار یوں اور صلاحیتوں کے پیمانے کے مطابق موزوں اور مناسب سطح پر کی جاتی ہے تاکہ ڈائریکٹرز کی حوصلہ افزائی ہو اور وہ کمپنی سے منسلک رہتے ہوئے کمپنی کو کامیابی سے چلائیں اور اس کی قدر میں اضافہ کریں تاہم یہ اس سطح پر نہیں جس سے ان کی آزادی پر کسی سمجھوتے یا مفاہمت کا تصور اُجاگر ہو۔

ڈائریکٹرز کے معاوضے کی تفصیلات نوٹ ۳۲ میں واضح کی گئی ہیں۔

آڈیٹرز

موجودہ آڈیٹرز میسرز کے پی ایم جی تاثیر بادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس سکدوش ہو رہے ہیں اور انہوں نے خود کو دوبارہ تقرری کیلئے پیش کیا ہے۔ جیسا کہ آڈٹ کمیٹی کی جانب سے تجویز کیا گیا ہے، بورڈ آف ڈائریکٹرز نے ۳۱ دسمبر ۲۰۲۲ کو ختم ہونے والے سال کیلئے باہمی طے کردہ معاوضے پر بطور آڈیٹرز ان کی تقرری کی سفارش کی ہے۔

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- عملے کے ساتھ خوشگوار تعلقات، میرٹ اور کارکردگی کو تسلیم کرنا اور اسٹاف کیلئے سیکھنے اور ترقی کے جاری مواقع، دونوں جانب کے دوران اور باقاعدہ تربیتی پروگراموں کے ذریعے فراہم کرنا۔
- شفاف طریقہ کار کے ذریعے بلا کسی مذہبی، ذات پات اور لسانی بنیاد پر امتیاز کے بغیر روزگار کی فراہمی۔
- کمپنی کی جانب سے سال کے دوران ۲۶،۹ ملین روپے سے زائد کے براہ راست بینکوں کے ذریعے قومی خزانے میں شراکت۔ مزید برآں ۳۸۲،۱ ملین روپے کی ایک اضافی رقم کمپنی کے ذریعے حکومت پاکستان کو وود ہولڈنگ ٹیکس، سروسز پریسز ٹیکس اور فیڈرل ایکسائز ڈیوٹیز کی مد میں منہا/ وصول کی گئی۔

رسک مینجمنٹ فریم ورک

کمپنی کا رو بار کی نوعیت اور حجم کے مطابق رسک مینجمنٹ فریم ورک کی حامل ہے۔ یہ فریم ورک کئی سال قبل تشکیل دیا گیا تھا اور وقتاً فوقتاً بہتری کے ساتھ جاری ہے اور تمام امور کی نگرانی رسک مینجمنٹ کمیٹی کی جانب سے کی جاتی ہے۔ کمپنی اپنے کاروباری خطرات کو ایک محتاط طریقے سے قدامت پسند نظریے کی رہنمائی سے نمٹانے پر یقین رکھتی ہے۔ کاروباری خطرات اور ان سے نمٹنے کے عناصر کی وضاحت تفصیل کے ساتھ کنوشل فنانشل اسٹیٹمنٹ کیلئے نوٹس ۳۶ اور ۳۷ اور ونڈ وٹکافل آپریشنز فنانشل اسٹیٹمنٹس کے نوٹس ۲۸، ۲۹ اور ۳۱ میں واضح کردی گئی ہے۔

بورڈ کی کمیٹیاں

آڈٹ کمیٹی

کمپنی کی آڈٹ کمیٹی ایک انڈیپنڈنٹ ڈائریکٹر بطور چیئرمین کی نمائندگی کے ساتھ ۳ ممبران پر مشتمل ہے جو کہ مالیاتی امور سے بھی واقف ہیں اور ۲ نان۔ ایگزیکٹو ڈائریکٹرز ہیں۔ آڈٹ کمیٹی نے سال میں ۴ مرتبہ اجلاس منعقد کئے۔ اجلاسوں میں شرکت درج ذیل کے مطابق رہی:

شرکت کردہ اجلاسوں کی تعداد

جناب شاہد غفار	چیئرمین	1
جناب منصور جی۔ حبیب	ممبر	4
جناب گمیل آر۔ حبیب	ممبر	3

ضابطہ اخلاق، نامزدگی، ہیومن ریسورس اور ری میونریشن کمیٹی

ضابطہ اخلاق، نامزدگی، ہیومن ریسورس اور ری میونریشن کمیٹی ۴ ممبران پر مشتمل ہے جس کی نمائندگی ایک انڈیپنڈنٹ ڈائریکٹر بطور چیئرمین، ۲ نان۔ ایگزیکٹو ڈائریکٹرز، ایگزیکٹو ڈائریکٹر اور چیف ایگزیکٹو کرتے ہیں۔

شرکت کردہ اجلاسوں کی تعداد

جناب علی فدو	چیئرمین	1
جناب رفیق ایم۔ حبیب	ممبر	1
جناب عباس ڈی۔ حبیب	ممبر	1
جناب عون محمد اے۔ حبیب	ممبر	1
جناب شبیر غلام علی	ممبر	1

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ہمیشہ کی طرح ہم دل کی گہرائیوں سے اپنے تمام تر کلائنٹس اور صارفین کا شکریہ ادا کرتے ہیں جنہوں نے کمپنی پر اپنا اعتماد برقرار رکھا۔ ہم اپنے ری انشوررز کی رہنمائی اور سرپرستی و معاونت کیلئے خصوصی طور پر ان کے شکرگزار ہیں۔ بورڈ آف ڈائریکٹرز کمپنی کے تمام اسٹاف ممبران کو بھی خراج تحسین پیش کرنا چاہتے ہیں جنہوں نے سال بھر انتہائی خلوص اور جانفشانی سے اپنے فرائض انجام دیئے۔

ہم اللہ تعالیٰ سے اپنی قوم اور ملک کے امن و استحکام کے لئے دعا گو ہیں، آمین!

بورڈ کی تشکیل

کمپنی کا بورڈ آف ڈائریکٹرز نو (9) ڈائریکٹرز (ایک خاتون اور 8 مرد ڈائریکٹرز) پر مشتمل ہے۔ بورڈ کی تشکیل درج ذیل کے مطابق ہے:

کمیٹری	نام
انڈیپنڈنٹ ڈائریکٹرز - مرد	جناب شاہد غفار جناب علی فندو
انڈیپنڈنٹ ڈائریکٹر - خاتون	محترمہ ملیحہ ہمایوں بگلش
نان۔ ایگزیکٹو ڈائریکٹرز	جناب رفیق ایم۔ حبیب جناب عباس ڈی۔ حبیب جناب منصور جی۔ حبیب جناب محمد حیدر حبیب جناب عمیل آر۔ حبیب
ایگزیکٹو ڈائریکٹر	جناب عون محمد اے۔ حبیب

کارپوریٹ سوشل ریسپانسیبلیٹی (CSR)

کمپنی کا کارپوریٹ سوشل ریسپانسیبلیٹی کے تصور پر مکمل کاربند ہے اور مختلف نوعیت کی وسیع تر سرگرمیوں کے ذریعے اپنی یہ ذمہ داری بخوبی پوری کر رہی ہے۔ ان اقدامات میں شامل ہیں:

- سماج کے پسماندہ طبقات کی ترقی اور غلامی و بے ہود کے لئے سماجی اور تعلیمی سرگرمیوں کے سلسلے میں سال کے دوران عطیات کے ذریعے ۳۲ ملین روپے مالیت کے کام انجام دیئے گئے۔
- غیر ضروری بجلی کے استعمال سے گریز کرتے ہوئے توانائی کی بچت، ماحولیاتی تحفظ اور پیشہ ورانہ سیفٹی اور صحت کے ساتھ تباہ کنوشی سے گریز کے قانون کے نفاذ اور ”نواسونگ زون“ کے قیام اور کام کرنے کیلئے ایک محفوظ اور صحت مند ماحول فراہم کیا گیا۔
- کاروباری اقدار پر عملدرآمد کمپنی کے ”ضابطہ اخلاق“ کے مطابق تمام ممبران کیلئے لازم ہے تاکہ کاروبار اور ذاتی اقدار کے بلند تر درجات کو یقینی بنایا جاسکے۔

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سال مختتمہ ۳۱ دسمبر ۲۰۲۱ء کیلئے ڈائریکٹرز کی ۷۹ ویں رپورٹ برائے شیئر ہولڈرز

شیئر ہولڈرز،

بورڈ آف ڈائریکٹرز بمسرت سال مختتمہ ۳۱ دسمبر ۲۰۲۱ء کے لئے کمپنی کے سالانہ آڈٹ شدہ اکاؤنٹس بشمول ۷۹ ویں سالانہ رپورٹ پیش کر رہے ہیں۔

(000 روپے میں)

107,024

39,425

146,449

سال ۲۰۲۱ء کیلئے منافع بعد از ٹیکس

سال ۲۰۲۰ء کیلئے مختص کے بعد دستیاب رقم

بورڈ آف ڈائریکٹرز نے تجویز کیا:

۲۲۵ روپے فی شیئر کے منافع منقسمہ کی ادائیگی بابت ۵ روپے فی شیئر یعنی ۱۲.۵ فیصد

ریزرو کی منتقلی

غیر مختص کردہ منافع آگے لے جانے والا

77,422

50,000

19,027

146,449

0.86

فی شیئر بنیادی آمدنی

ڈائریکٹرز نے بمسرت شیئر ہولڈرز کو ۱۲.۵ فیصد کی ادائیگی کے لئے سفارش کی ہے جیسا کہ اوپر بیان کیا گیا ہے۔

اللہ تعالیٰ کے فضل و کرم سے مجموعی زیر تحریر پرییمیم ۲۷ فیصد بڑھ کر ۳.۳ بلین روپے ہو گیا، خالص پرییمیم کی آمدنی ۸۰۶.۲ بلین روپے تھی جو اس کے مقابلے میں گزشتہ سال ریزرو میں رکھی گئی رقم میں مناسب اضافے کے باوجود ۳۸.۷ بلین روپے بھی جس کا فائدہ باقی ماندہ مدت میں حاصل ہوگا۔ اس سال دیگر اخراجات سے انتظامی اخراجات کی حد تک اخراجات کی نئی درجہ بندی کی گئی۔ انڈر رائٹنگ خسارہ ۲۸ بلین روپے تھا۔

اس سال کے لئے سرمایہ کاری کی آمدنی ۱۴.۳ بلین روپے تھی جو اس کے برعکس ۱۴.۱ بلین روپے تھا اور اس طرح ۵۰ فیصد کا اضافہ ہوا۔ منافع منقسمہ کی آمدنی ڈیڑھ سے زیادہ بڑھ کر ۹۹.۵ بلین روپے ہو گئی اور کپٹل فوائند میں بھی نمایاں اضافہ ہوا۔ اس کے نتیجے میں ۲۰۲۱ء کے لئے کمپنی کا منافع بعد از ٹیکس ۱۰.۷ بلین روپے رہا۔

پاکستان کریڈٹ ریٹنگ ایجنسی نے کمپنی کے لئے A++ (ای پلس پلس) انشورر فنانشل اسٹریٹج (IFS) ریٹنگ تفویض کی۔ اس کا مقصد پالیسی ہولڈرز اور معاہدے کی مالیاتی ذمہ داریوں کو پورا کرنے کی مستحکم گنجائش کا حامل ہونا ہے۔

۲۰۲۰ء۔ ۲۰۲۱ء کیلئے معیشت کی مجموعی کارکردگی کے لحاظ سے جی ڈی پی گروتھ ۵.۶ فیصد رہی اس کے کزنٹ اکاؤنٹ خسارہ نمایاں حد تک کم ہو کر ۵.۹۵ بلین امریکی ڈالر سے ۹.۲ بلین امریکی ڈالر رہ گیا جبکہ غیر ملکی زرمبادلہ کے ذخائر ۲۴.۴۰ بلین امریکی ڈالر تک بڑھ گئے۔ افراط زر بھی ۵.۷۵ فیصد سے کم ہو کر ۹.۱۰ فیصد رہ گیا جبکہ دسمبر ۲۰۲۱ء میں ڈسکاؤنٹ ریٹ بڑھ کر ۵.۷۵ فیصد ہو گیا۔ ۳۱ دسمبر ۲۰۲۱ء کے مطابق کے ایس ای ۱۰۰ انڈیکس ۴۴۵۹۶ پر بند ہوا اور اس طرح گزشتہ سال کے مقابلے میں ۹ فیصد کا اضافہ دیکھنے میں آیا اور یہ ۳۱ مارچ ۲۰۲۲ء کے مطابق موجودہ طور پر لگ بھگ ۴۴۹۲۹ پوائنٹس کی سطح پر ہے۔

سال ۲۰۲۲ء میں آگے بڑھتے ہوئے کمپنی ترقی اور فروغ کے ضمن میں اپنی کوششیں جاری رکھے گی، اور کسی سمجھوتے کے بغیر انشاء اللہ اپنی محتاط انڈر رائٹنگ کے ذریعے کاروبار کی توسیع پر توجہ دیکر بہترین انڈر رائٹنگ نتائج حاصل کرے گی، سرمایہ کاری سے آمدنی کو برقرار رکھنے کی بھی کوشش کی جائے گی۔

Form of Proxy

I/We _____ of _____

being a member(s) of Habib Insurance Company Limited and holding _____

ordinary shares, as per Register Folio No./CDC Account and Participant's I.D. No. _____

do hereby appoint _____ Folio No./CDC Account and Participant's I.D.

No. _____ of _____

or failing him/her _____ Folio No./CDC Account and Participant's I.D.

No. _____ of _____

another member of the Habib Insurance Company Limited as my/our proxy to vote for me/us and on my/our behalf at the Eighty First Annual General Meeting of the Company to be held on Thursday, April 25, 2024 and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2024.

REVENUE
STAMP
RS. 5

SIGNATURE OF MEMBER (S)

(The signature of the shareholder should agree with the specimen signature registered with the Company or as per CNIC/ Passport in case the share(s) is/ are registered in CDC account).

Witnesses:

1. Signature _____
Name _____
Address _____
CNIC/Passport No. _____

2. Signature _____
Name _____
Address _____
CNIC/Passport No. _____

A member entitled to attend the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/ her. No person shall act as proxy (except for a corporation) unless he/ she is entitled to be present and vote in his/ her own right.

CDC account holder or sub-account holder appointing a proxy should furnish attested copies of his/ her own as well as the proxy's CNIC/ Passport with the proxy form. The proxy shall also produce his/ her original CNIC/ Passport at the time of the meeting. In case of corporate entity, the Board of Directors resolution/ power of attorney with specimen signature shall be submitted along with proxy form.

The instrument appointing a proxy should be signed by the member or by his/ her attorney duly authorised in writing. If the member is a corporation, its common seal (if any) should be affixed to the instrument.

The proxy forms, together with the power of attorney (if any), under which it is signed or a notarially certified copy thereof, shall be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.

مختارنامہ (پراکسی فارم)

میں/ہم _____ ساکن _____ بحیثیت ممبر (رکن) حبیب انشورنس کمپنی لمیٹڈ اور حامل _____
 عام حصص، بمطابق شیئر رجسٹرڈ فولیو نمبر/سی ڈی سی اکاؤنٹ اور پارٹسپینٹ آئی ڈی نمبر _____
 ممبر (رکن) محترم/محترمہ _____ فولیو نمبر/سی ڈی سی اکاؤنٹ اور پارٹسپینٹ آئی ڈی نمبر _____ کو
 یا اُن کی غیر حاضری میں ممبر (رکن) محترم/محترمہ _____ فولیو نمبر/سی ڈی سی اکاؤنٹ اور پارٹسپینٹ آئی ڈی نمبر _____
 کو اپنے/ہمارے ایماء پر بروز جمعرات ۲۵ اپریل ۲۰۲۳ء کو حبیب انشورنس کمپنی لمیٹڈ کے رجسٹرڈ آفس میں منعقد ہونے والے ۸۱ ویں سالانہ اجلاس عام میں حق
 رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور مختار (پراکسی) مقرر کرتا/کرتی ہوں/کرتے ہیں۔
 آج بروز _____ بتاریخ _____ ۲۰۲۳ء کو دستخط کئے گئے۔

پانچ روپے مالیت کا
 رسیدی ٹکٹ پر دستخط
 دستخط ممبر (رکن)

ممبر (رکن) کے دستخط بینک میں رجسٹرڈ شدہ دستخط سے مماثلت رکھتے ہوں اور سی ڈی سی اکاؤنٹ ہولڈرز کے دستخط اُن کے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ
 کے نمونہ دستخط سے مماثل ہونا ضروری ہے۔

گواہان:

۱۔ دستخط _____	۲۔ دستخط _____
نام _____	نام _____
پتہ _____	پتہ _____
کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر _____	کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر _____

ممبر (رکن) جو اجلاس میں شرکت اور ووٹ دینے کا مجاز ہوا اپنی جگہ کسی اور ممبر (رکن) کو بطور مختار (پراکسی) شرکت کرنے اور ووٹ دینے کا حق تفویض کر سکتا ہے۔
 سی ڈی سی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کو مختارنامہ (پراکسی فارم) کے ہمراہ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول بھی منسلک کرنی ہوں گی۔
 مختار (پراکسی) کو اجلاس کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔ کارپوریٹ ادارہ ہونے کی صورت میں بحیثیت ممبر (رکن)،
 بورڈ آف ڈائریکٹرز کی منظور شدہ قرارداد/پاور آف اٹارنی بمعہ نمونہ دستخط ہمراہ مختارنامہ (پراکسی فارم) جمع کرانا ہونگے۔
 مختارنامہ (پراکسی فارم) پر ممبر (رکن) یا اُن کے اٹارنی کے دستخط ہونا لازمی ہے۔ کارپوریٹ ادارہ ہونے کی صورت میں مختارنامہ (پراکسی فارم) پر کمپنی کی مہر ہونا
 بھی ضروری ہے۔

مختارنامے (پراکسی فارمز) بعد نامزد کرنے والے شخص کی تصدیق شدہ پاور آف اٹارنی (حسب ضرورت) کمپنی کے رجسٹرڈ آفس میں اجلاس کے مقررہ وقت سے
 کم از کم ۴۸ گھنٹے قبل جمع کرانا ضروری ہے۔

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