Annual Report 2011

30 Years of Quality Service
RIC
Reliance Insurance Company Limited
30
1981 - 2011

Reliance Insurance Company Limited

Theme

Life is a journey, and so is everything in life. From constructing a house to creating a business empire, everything is a process. These processes require planning, and we do plan them. We make sure that everything just goes right. Almost all the possibilities are considered. From prices, to human resources to even weather, are considered. We have been fairly successful at it.

However, we need to be sure, just how safe we are. Even with our excellent planning, there is still a chance of things going wrong - The unseen, the unexpected and unfortunate things, the things that can become the reason of our failure.

This is where we come in, to make your plans, just a little more safe. Covering your losses, ensuring your success and giving you **safer journey**.

This is also the theme of our annual report this year, we would like to share the financials of this year, along with our inspirational light from life itself.

Contents

Company Profile

Reliance Insurance Company Limited, was incorporated in Pakistan in the year 1981 with a Share Capital of Rs.5.0 Million by two Leading Industrial Houses of Pakistan, namely (i) Al-Noor Group and (ii) Amin Bawany Group. Al-Noor Group is headed by renowned industrialist Mr. Ismail H. Zakaria, who is also the Chairman of Reliance Insurance, while Amin Bawany Group is headed by Mr. Mohammed Amin Ahmed Bawany, who is also the Director of Reliance Insurance. Both the groups having successfully implemented a number of projects are currently reputed industrial groups of Pakistan.

The Present Authorised Capital of the Company is Rs.500 Million while Paid-up Capital has increased to 318.939 million.

Reliance is one of the leading General Insurance Company of Pakistan having a network of 25 Branches at all important places throughout Pakistan employing a full time work force of 246 persons. It underwrites all classes of General Insurance and enjoys reputation second to none. Apart from the traditional covers such as Fire, Accident, Motor, Marine (Import & Exports), Loss of Profits, Personal Accident, Group Hospitalization, Workmen's Compensation, Burglary, Cash- in-Safe or in Transit etc., it also transacts non-traditional covers such as Machinery Breakdown, and Loss of Profits following Machinery Breakdown, Terrorisam, Contractors All Risks, Erection All Risks, Bond, Aviation and the like.

Since its establishment Reliance has progressed smoothly and steadily. Its Gross Premium Income has increased from Rs. One Million in 1983 to Rs. 543.397 Million in the year 2011. At the end of 2011 General Reserve stood at Rs. 90.00 Million and Technical Reserves at
Rs. 465.334 Million.

Vision

To be recognized as a professional and dependable business entity committed to play a meaningful role in the development of insurance industry in Pakistan and to safeguard the legitimate interests of all stakeholders, namely policy-holders,share-holders, reinsurers, employees and all other business associates /partners.

Mission

To provide quality service and protection to its clients aiming at achieving a respectable volume of business and become a prominent player through good governance and sound professionalism focusing to become a well-known and respected Corporate entity in the eyes of Society and Government.

Company Information

Ismail H. Zakaria
Chairman

M. Amin Ahmed Bawany
Director

A. Aziz Ayoob
Director

Irfan Zakaria Bawany
Director

M. Omer Bawany
Director

Zohair Zakaria
Director

Ahmed Ali Bawany
Director

Noor M. Zakaria
Director

Ashfaq Patel
Director

Yasin Siddik
Director

A. Razak Ahmed
Chief Executive & M.D.

Haroon A. Shakoor
C.A. & Company Secretary

Company Information

BOARD OF DIRECTORS

CHAIRMAN
ISMAIL H. ZAKARIA

DIRECTORS

MOHAMMED AMIN AHMED BAWANY
A. AZIZ AYOOB
IRFAN ZAKARIA BAWANY
MOHAMMAD OMER BAWANY
ZOHAIR ZAKARIA
AHMED ALI BAWANY
NOOR M. ZAKARIA
ASHFAQ PATEL
YASIN SIDDIK

CHIEF EXECUTIVE & MANAGING DIRECTOR

A. RAZAK AHMED

MANAGEMENT

BASHARAT M. BARLAS	SEVP
SYED RIZWAN AKHTAR	EVP (Operations)

CHIEF ACCOUNTANT AND COMPANY SECRETARY

HAROON A. SHAKOOR

AUDIT COMMITTEE

A. AZIZ AYOOB	CHAIRMAN
IRFAN ZAKARIA BAWANY	MEMBER
ZOHAIR ZAKARIA	MEMBER

INVESTMENT COMMITTEE

IRFAN ZAKARIA BAWANY	CHAIRMAN
ZOHAIR ZAKARIA	MEMBER
AHMED ALI BAWANY	MEMBER
A. RAZAK AHMED	MEMBER

AUDITORS

HYDER BHIMJI & COMPANY
CHARTERED ACCOUNTANTS

LEGAL ADVISOR

ABDUL SATTAR PINGAR

BANKERS

HABIB BANK LIMITED
NATIONAL BANK OF PAKISTAN
MCB BANK LIMITED
ALLIED BANK OF PAKISTAN LIMITED
UNITED BANK LIMITED
THE ROYAL BANK OF SCOTLAND
NIB BANK LIMITED
BANK ALFALAH LIMITED
FAYSAL BANK LIMITED
HABIB METROPOLITAN BANK LIMITED
THE BANK OF PUNJAB
JS BANK LIMITED

REGISTERED OFFICE

96-A, Sindhi Muslim Co-operative
Housing Society, Karachi.

HEAD OFFICE

Reliance Insurance House,
181-A, Sindhi Muslim Co-operative Housing
Society,
P.O. Box No. 13356,
Karachi-74400.
Phone : 34539415-17
Fax : 92-21-34539412
E-mail : reli-ins@cyber.net.pk
ric-re@cyber.net.pk.
Website: www.relianceins.com

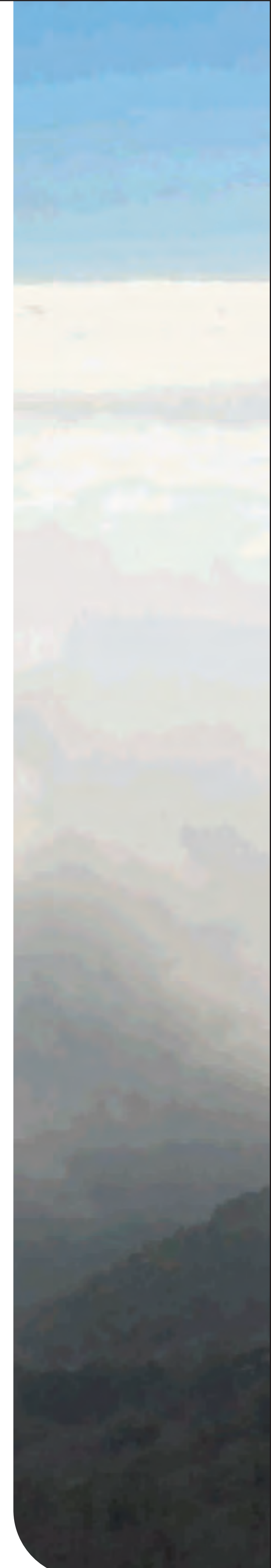
SHARES REGISTRAR

M/s. C&K Management Associates (Pvt.) Ltd.
404-Trade Tower, Abdullah Haroon Road,
Near Hotel Metropole, Karachi-75530.
Tel: (021) 35687839 & 5685930

Our Services

Reliance Insurance Company Limited underwrites all classes of General Insurance and enjoys reputation second to none. Apart from the traditional covers such as Fire and Allied perils, Accident, Motor, Marine (Import and Exports), Loss of Profits, personal Accident, Group Hospitalization, Workmen's Compensation, Burglary, Fidelity Guarantee, Public Liability, Products Liability, Cash-in-Safe or in Transit etc.,

We also transact non-traditional covers such as Machinery Breakdown and Loss of Profits following Machinery Breakdown, Contractors All Risks, Erection All Risks, Bonds, Aviation Hull and Liabilities, Terrorism Insurance and the like.



Fire Insurance

The Standard Fire Policy covers loss and/or damage caused by fire and lightning.

The basic fire policy can be extended to include a number of additional/extraneous risks known as 'special perils' or 'allied perils'. These include: riot and strike damage, malicious damage, atmospheric disturbance (including flood), earthquake fire and shock, explosion, impact damage, aircraft damage.

The property insured normally includes residential/commercial buildings, factory/ warehouse buildings, household goods, stock and stock in process, fixtures and fittings, plant and machinery etc.

Consequential Loss Due to Fire

RICL also provides this coverage in conjunction with Fire Policy. It provides protection against Loss of Profit incurred as a result of business interruption or interference in Business caused by an event indemnifiable under Fire Policy.

Cargo Insurance

Marine cargo insurance provides protection to Imports and Exports of goods by any mode of transport viz by Sea, by Air or by Road/Rail.

Cargo is usually insured on a warehouse (of departure) to warehouse (of arrival) basis and usually covering all risks as per Institute Cargo Clauses “ A” . For lesser risk Institute Cargo Clauses “B” & “C” are available. Even cover on TLO (Total Loss only, due to total loss of the vessel/aircraft) basis is also available.

Marine Inland Transit insurance policy provides adequate cover to protect goods in transit by any mode of transport within the territory of Pakistan.

Motor Insurance

The minimum requirement by law under Motor Vehicles Act 1939 is in respect of legal liability to pay damages arising out of bodily injury caused to any third party person The following policies are available under this section:

Act Liability only : provides cover in respect of liability incurred through death or injury to a third party person. This is minimum legal cover available under Motor Vehicles Act, 1939.

Third Party : provides cover as above plus damage to third party property.

Comprehensive Insurance : provides cover for third party liability plus protection against loss and/or damage to the car/vehicle itself as well as snatching/theft.

The policy can be extended to include accidental personal injuries to and death of the Driver and Passengers.

Engineering Insurance

Engineering policies mainly cover damage to, or breakdown of specific items of plant and machinery, cost of repair of own/surrounding property, legal liability for damage to property of others, caused by the aforesaid damage or breakdown.

Cover for loss of profits and standing charges following machinery breakdown is also available.

Cover against Contractor's All Risks (CAR), Erection All Risks (EAR), Contractor's Plant and Machinery insurance, Boiler & Pressure vessel insurance, Electronic Equipment insurance etc. are also available.

Bond & Surety Insurance

Contractors undertaking the construction of public works like buildings, roads, bridges, dams, civil works etc., are usually required to furnish guarantees/bonds guaranteeing the fulfillment of their contractual obligations to the principals.

Traditionally, Bid Bonds, Advance Payments/Mobilization Bonds, Performance Bonds, Supply Bonds, Maintenance Bonds & Customs and Excise Bonds are available.

Miscellaneous Insurance

The wide range of products available under miscellaneous head includes, but not limited to, Personal Accident Insurance, House-breaking and Burglary Insurance, Travel Insurance, Cash-in-safe/Cash-in-transit Insurance, Public Liability and Products Liability Insurance General Third Party Liability, Fidelity Guarantee, Workmen's Compensation/ Employer's Liability Insurance, Professional Indemnity, Group Hospitalization Insurance, Plate glass Insurance, Baggage Insurance etc.

Aviation Insurance

Reliance Insurance is amongst the few Pakistani insurance companies who offer aviation insurance plans to the commercial as well as private airlines. Our comprehensive aviation insurance plan protects the insured from probable risks. Reliance Insurance provides amongst others following aviation insurance products:

- Aviation Hull All Risks
- Aviation Legal Liabilities
- Aviation Hull War & Allied Perils
- Loss of License of Pilots
- Aircraft's Ferry Flight Insurance
- Crew Legal Liabilities
- Airline's Airport Booth Insurance

Notice of The Thirtieth Annual General Meeting

Notice is hereby given that the 30th Annual General Meeting of the Shareholders of RELIANCE INSURANCE COMPANY LIMITED will be held on Monday the 30th April, 2012 at 12.30 p.m. at the Head Office of the Company at RELIANCE INSURANCE HOUSE 181-A Sindhi Muslim Housing Society Near Mehdi Tower, off: Sharah-e-Faisal, Karachi, to transact the following business:

ORDINARY BUSINESS:

1- To confirm the Minutes of the 29th Annual General Meeting of the company held on 30th April, 2011.

2- To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st December, 2011 together with Directors' and Auditors' Reports thereon.

3- To consider and if thought fit, approve payment of Final cash dividend at the rate of 7.5% (Rs. 0.75 per share) for the year ended December 31, 2011 as recommended by the Board of Directors. This is in addition to the interim distribution of Bonus Shares already paid during the year in proportion of 1 (One) ordinary share for every 8 (Eight) shares i.e. 12.5%.

4- To appoint Auditors and fix their remuneration:

All listed companies in financial sector are required to change their external auditors every five (5) years as per clause xli (a) of the Code of Corporate Governance under listing Regulations of Stock Exchanges.

M/s. Hyder Bhimji & Company, Chartered Accountants, have been auditors of the company for a period of five (5) years. The Board, on the recommendation of the Audit Committee of the Company has proposed the appointment of M/s.BDO Ebrahim & Co., Chartered Accountants, as auditors for the year 2012. A notice under section 253(l) of the Companies Ordinance, 1984 has also been received from a shareholder of the Company to the same effect.

OTHER BUSINESS:

5- To transact any other business with the permission of the Chair.

(Attached to this Notice is a statement of material facts u/s. 160(1)(b) of the Companies Ordinance, 1984)

By order of the Board

HAROON A. SHAKOOR
Chief Accountant & Company Secretary

Karachi : 26 March, 2012

NOTES:

1. The Share Transfer Book of the company shall remain closed from April 21, 2012 to April 30, 2012 (both days inclusive). Transfer received in order at the office of the Registrar, M/s. C & K Management Associates (Pvt.) Ltd., Trade Tower, Abdullah Haroon Road, Karachi-75530 by the close of business on April 20, 2012 will be treated in time for the purpose to determine entitlement of Dividend to the transferees and to attend the meeting.

2. A member of the Company entitled to attend and vote may appoint any member as his/her proxy to attend and vote on his/her behalf. PROXIES MUST BE RECEIVED AT THE HEAD OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.

3. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting:

i) In case of individuals, the account holder or sub-account holder and/or person whose securities are in group account and their registration details are up-loaded as per the Regulations, shall authenticate his identity by showing his Original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing Proxies:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirements.
ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
iii) Attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
iv) The proxy shall produce his original CNIC or Original Passport at the time of the meeting.
v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

4. To enable us to comply with the directives of the regulators, you are requested to please immediately send us a Photo-Copy of your valid Computerized National identity Card (both sides) or NTN (in case of Corporate Entity) alongwith folio number to the Company's Registrar at M/s. C & K Management Associates (Pvt.) Limited 404 - Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi. Reference is also made to the Securities and Exchange Commission of Pakistan (SECP) Notification dated August 18, 2011, SRO 779(i) 2011, which mandates that the dividend warrants should bear CNIC number of the Individual members or the authorized person, except in case of minor(s) and National Tax Number (NTN) of corporate members.

5. Shareholders are requested to inform the Company of any change in their address, if any immediately.

STATEMENT OF MATERIAL FACT UNDER SECTION 160(1) (b) OF THE COMPANIES ORDINANCE, 1984 REGARDING SPECIAL BUSINESS:

Interim Bonus Shares

"FURTHER RESOLVED that the decision of the Board of Directors of the Company to issue 3,543,775 ordinary shares of Rs.10 each by capitalizing Rs.35,437,750 out of the Free Reserve of the Company and allotted as fully paid up bonus shares to the members of the company who were registered in the book of the company on 22nd September, 2011 in the ratio of 1 such new shares for every 8 existing ordinary shares held ranking pari passu with the existing ordinary shares of the Company be and is hereby ratified and confirmed."

None of the Directors of the Company are interested in this business except to the extent of their entitlement to bonus shares as shareholders.

Directors' Report

Your Directors take pleasure in presenting the Thirtieth Annual Report alongwith the Audited Accounts of the Company for the year ended December 31, 2011.

OVERVIEW

Year 2011 was yet another challenging year for the economy of the country. The year under review witnessed tough operating conditions. Escalating prices particularly of food items, upward revision of electricity, gas and fuel tariffs, power shortages, frequent load sheddings of electricity and gas, deteriorating law and order situation - all contributing the sluggish growth and slow down of business and industrial activities.

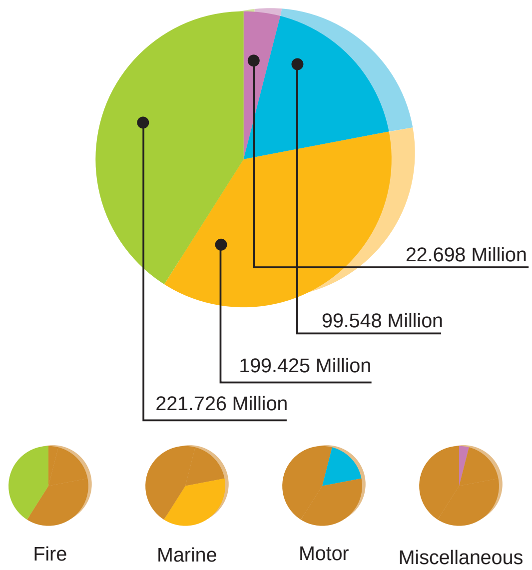
However despite these challenging and adversary environment, your Company managed to increase the Gross Premium by Rs.13.853 million.

OPERATIONAL RESULTS FOR THE YEAR 2011

The comparative financial highlights of your Company for the year ended 31st December, 2011 are as follows:-

	2011	2010
	Rs. in Million	
Gross Premium	543.397	529.544
Net Premium	238.706	267.920
Net Incurred Claims (including IBNR)	86.322	96.430
Management Expenses	99.150	99.462
Profit/Loss from U/W Business	15.243	31.929
Investment Income	94.085	54.861
Profit before Taxation	82.544	56.684
Profit after Taxation	76.044	51.934
Profit per Share (EPS)	2.38	1.63

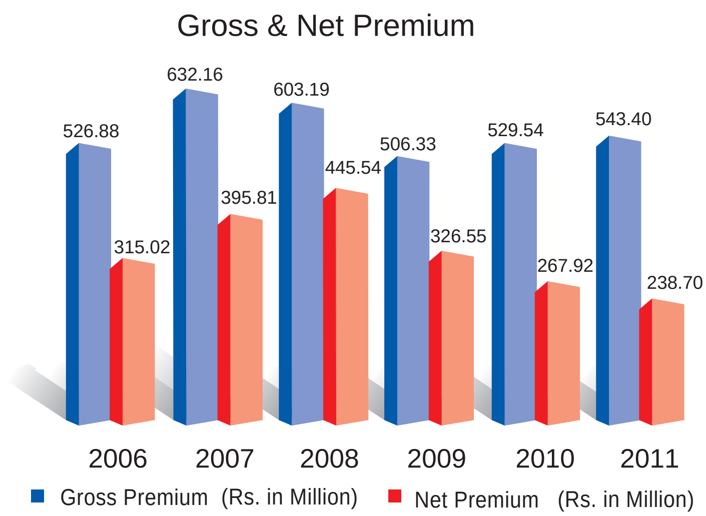
Gross Premium by Class of Business -2011



Your Company underwrote gross premium of Rs.543.397 million against Rs.529.544 million of the last year showing an increase of 2.62%. The net premium has decreased to Rs.238.706 million against Rs.267.920 million.

Claims incurred during the year were Rs.86.322 million against Rs.96.430 million of the previous year, showing decrease of 11.09%. Management Expenses and General & Administration Expenses reduced to Rs.128.896 million against Rs.130.973 million of the previous year.

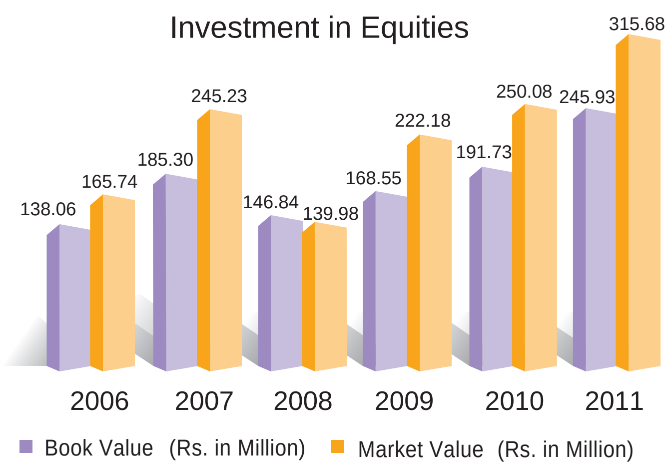
Over the years, we have been constantly highlighting the continued fierce competition culminating pressure on premium rates. This unhealthy trend does not seem to augur well for the future of insurance industry. The industry also continued to be adversely affected by further erosion of margins due to high inflationary pressures. We can only hope and pray that better sense would prevail in the larger interest of the insurance industry. The scenario is further clouded by arbitrarily fixing of the so called 'Bank Limits' and delisting/ non listing by Banks, DFI's and Financial institutions. The Insurance Associations of Pakistan (IAP) is seized with this issue with the relevant quarters emphasizing the importance of providing a level playing field to all the players operating in the market. Regretfully, nothing concrete has transpired till date.



INVESTMENT

The investment strategy of your Company remains unchanged i.e., to invest in high credit debt instruments (TFCs), Government Securities (PIB), Sukuks, COI and shares of selected blue chip companies, with the emphasis to prefer Sariah complaint instruments, where ever possible with a view to maximizing returns. Conscious of the fact that capital market is historically volatile the share portfolio of RICL is well spread and diversified amongst various sectors, primarily focusing on regular cash dividend and bonus shares paying scrips. The book value of your company's investment portfolio is Rs. 341.673 million as at 31st December, 2011, compared to Rs. 284.605 million of the corresponding period of last year.

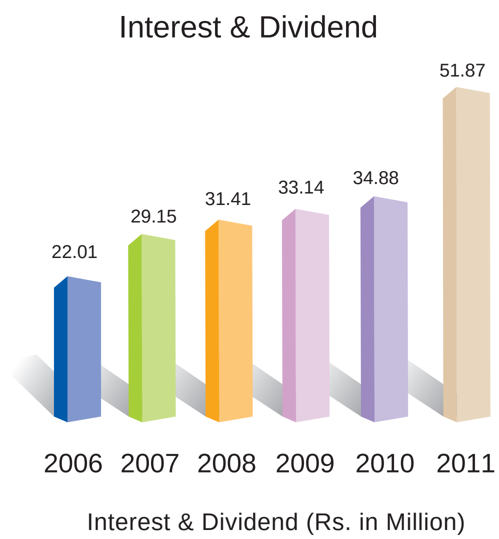
Your company continues to endeavour generating a significant portion of its investment income from sustainable sources such as interest & dividends. The market value of Investment portfolio stood at Rs.408.223 million and Company's investment in Bank Deposits Accounts stood at Rs. 25.043 million.



INVESTMENT INCOME / CAPITAL GAINS

Investment Income depicts handsome growth and is expected to continue to grow satisfactorily in the coming years, supplementing the core business income i.e., underwriting profits which continues to be under constant pressure. Investment Income including Capital gain stood at Rs. 94.085 million against Rs. 54.861 million of corresponding period of last year, registering an improvement of 71.50% due to handsome return on investment.

Interest and Dividend Income stood at Rs. 51.874 million compared to Rs.34.881 million of the last year registering a growth of 48.72% in view of better dividends received from most of the blue chip scrips. The Company has been able to realize capital gain of Rs.41.462 million compared to Rs. 23.335 million of last year. Income from bank and fixed income securities stood at Rs. 5.664 million compared to Rs. 5.313 million of previous year.



Appropriation of Profit :

The profit before tax amounted to Rs.82.544 million (2010 Rs. 56.684 million). Profit after tax stood at Rs.76.044 million - earnings per Share Rs. 2.38 per ordinary shares of Rs.10 each.

Your directors recommended that the above amount be appropriated in the following manner:

Appropriation :

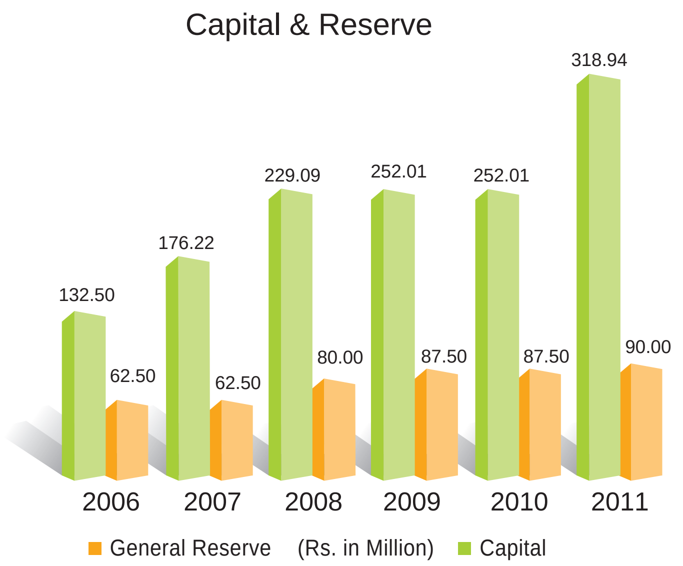
Unappropriate Profit 2011	Rs. 77,059,111
Interim Bonus Shares declared @ 12.5% issued during the year	Rs. (35,437,750)
Available for Appropriation	Rs. 41,621,361

The proposed appropriations are as under :

Proposed Final Cash Dividend for the year 2011 @ 7.50% Rs. 23,920,479, Carry forward to Next Year Rs. 17,700,882

ENHANCED PAID- UP CAPITAL AND GENERAL RESERVES

Your Company believes in strengthening the Capital base and reserves commensurate with the growth of the Company and also to comply with the mandatory minimum capital requirement (MCR). Following this strategy, the Board of Directors approved interim Bonus Shares @ 12.50% thus increasing Paid-up Capital to Rs.318.940 million and General Reserve stood at Rs.90.000 million, while the total Assets stands at Rs.1044.067 million.



INFORMATION TECHNOLOGY (IT)

Computerization work continues to be in progress to meet the ever growing needs of present day requirements and to optimize quality and standard of services to our valued clients. To further enhance the operating capability and efficiency, your company has already implemented Oracle based General Insurance & General Ledger software bringing branches on line through web base system. The new software system would ensure regular reporting and timely MIS report to management, facilitating prompt decision making.

REINSURANCE

Your Company has one of the financially soundest panel of world renowned reinsurers comprising mostly of AA & A rated reputed reinsurers. The prudent underwriting policy has enabled the management to conclude its reinsurance treaty programme for the year 2012 with increased capacity & better terms reinforcing leading reinsurers confidence in your Company's underwriting philosophy and approach.

JCR VIS CREDIT RATING

JCR VIS Credit Rating Company Limited - an affiliate of Japan Credit Rating Agency Limited has reaffirmed your Company's Insurer Financial Strength (IFS) Rating at A- (single A minus) with stable outlook for the year 2011. The rating denotes High Capacity to meet policy holders and contract obligations.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Regulatory Authority and Karachi and Lahore Stock Exchanges in their listing Regulations relevant for the year ended December 31, 2011 have been duly complied with separate statements to these effects are annexed.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Directors confirm compliance with the Corporate and Financial Reporting Framework of the SECP code of Corporate Governance for the following:

a) The Financial statement together with the notes forming integral part of these statements have been prepared by the management of your Company in conformity with the Companies Ordinance, 1984 and the Insurance Ordinance, 2000. The financial statements prepared by the management of the company fairly present its state of affairs, the results of the operations, cash flow and changes in equity.

b) Proper books of account of the Company have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statement and accounting estimates are based on reasonable and prudent judgment.

d) International Accounting standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

e) The system of internal control is sound in design and has been effectively implemented and monitored.

f) Pattern of Shareholding:
The pattern of shareholding as at 31st December, 2011 is annexed to the accounts.

g) There are no significant doubts upon the Company's ability to continue as a going concern.

h) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.

i) Key operating and financial data for the last Ten years in summarized form is annexed.

j) The Value of investments based on the unaudited accounts as at 31st December 2011, in respect of the Provident Fund Stands at Rs.25,598,914/=

CORPORATE GOVERNANCE LEADERSHIP SKILL PROGRAM:

Pakistan Institute of Corporate Governance (PICG), with the technical assistance of International Finance Corporation (IFC), is a recognized body established for improving the quality of Corporate Governance in Pakistan.

In recognition of Program's significance and relevance, Security and Exchange Commission of Pakistan (SECP) directed and accordingly Karachi Stock Exchange (KSE), made an amendment in the Listing Regulations making mandatory for all directors of the listed companies to have certification under "The Board Development Series" of at least one director to require such certification upto June 2012 and thereafter every following year minimum one director on Board shall acquire the said certification under this program.

We are pleased to report that the following three directors have acquired the certification of PICG Programme.

1. Mr. Irfan Zakaria Bawany
2. Mr. Zohair Zakaria
3. Mr. Ahmed Ali Bawany

BOARD OF DIRECTOR'S MEETINGS

During the year Four (4) meetings of the Board of Directors were held and the number of meetings attended by each Director is given hereunder:

NAME OF DIRECTORS	ATTENDANCE
1. Mr. Ismail H. Zakaria	4
2. Mr. Mohammad Amin Ahmed Bawany	1
3. Mr. A. Aziz Ayoob	3
4. Mr. Irfan Zakaria Bawany	4
5. Mr. Mohammad Omer Bawany	3
6. Mr. Zohair Zakaria	4
7. Mr. Ahmed Ali Bawany	4
8. Mr. Noor M. Zakaria	4
9. Mr. Ashfaq Patel	3
10. Mr. Yasin Siddik	1

Leave of absence was granted to the Directors who could not attend some of the Board meetings due to their busy schedules and other prior engagements.

TRADING OF COMPANY'S SHARES

No trading in the shares of the Company was carried-out by the Directors, CEO, CFO/ Company Secretary and their spouses and minor children.

Directors' Report

STATEMENT OF THE ETHICS AND BUSINESS PRACTICES

The Board has adopted the statement of Ethics and Business Practices. All employees are informed and are required to observe these rules of conduct.

COMMITTEES

The Board has constituted Audit and Investment Committees, comprising of the following Non Executive Directors.

AUDIT COMMITTEE

1.	Mr. A. Aziz Ayoob	Chairman
2.	Mr. Irfan Zakaria Bawany	Member
3.	Mr. Zohair Zakaria	Member

INVESTMENT COMMITTEE

1.	Mr. Irfan Zakaria Bawany	Chairman
2.	Mr. Zohair Zakaria	Member
3.	Mr. Ahmed Ali Bawany	Member
4.	Mr. A. Razak Ahmed	Member

The Board has also constituted underwriting, claims and reinsurance and co-insurance committees which met as and when required during the year.

AUDITORS

To appoint Auditors and fix their remuneration.

All listed companies in financial sector are required to change their external auditors every five (5) years as per clause xli (a) of the Code of Corporate Governance under Listing Regulations of Stock Exchanges.

M/s. Hyder Bhimji & Company, Chartered Accountants, have been auditors of the Company for a period of five (5) years. The Board, on the recommendation of the Audit Committee of the Company meeting held on 26th March, 2012 has proposed the appointment of M/s. BDO Ebrahim & Co., Chartered Accountants, as auditors for the year 2012. A notice under section 253(1) of the Companies Ordinance, 1984 has also been received from a shareholder of the Company to the same effect.

FUTURE OUTLOOK

The year 2012 would be yet another crucial year for Pakistan as the economy is under severe stress due to domestic as well as external factors. The challenges being faced by the country can be successfully tackled provided urgent and concrete policy decisions and actions are taken. The Government needs to take urgent action to avert energy crises and to boost Pakistan's sinking economy particularly promoting export oriented industries for bridging the gap in balance of payments. The GDP growth rate for the year 2012 is expected to be 3.5% compared to 2.5% of the previous year. We are however optimistic and hope that the economic scenario would change with government's resolve and commitment for improving the Law and Order situation and judicious tackling of energy crisis. Your Company will focus on long-term profitable growth through consolidation, improvement in systems and quality management information systems facilitating prudent decisions.

ACKNOWLEDGMENT

We would like to thank our valued customers for their continued patronage and support. We also avail this opportunity to thank all our Reinsurers including Pakistan Reinsurance Company Limited for extending their valuable support.

We would also like to record our appreciation for the continued co-operation and assistance extended by the Securities & Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) for their professional guidance, assistance and support over the years.

The Directors wish to place on record their appreciation for the untiring efforts put in by the Officers, Field Force and Staff for their dedication, sincerity and hard work. Your Directors are also grateful to the shareholders for the confidence, support and understanding.

For and on behalf of the
Board of Directors

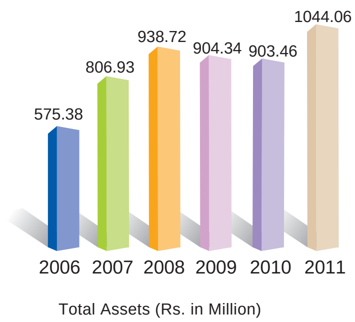
A. Razak Ahmed

Chief Executive &
Managing Director

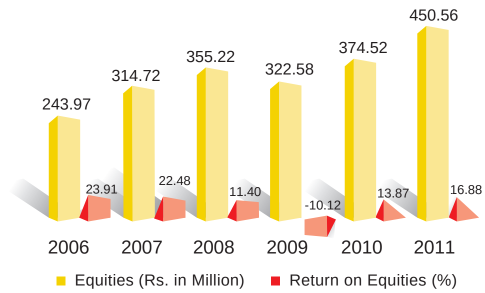
Karachi: 26 March, 2012

Graphical Representation

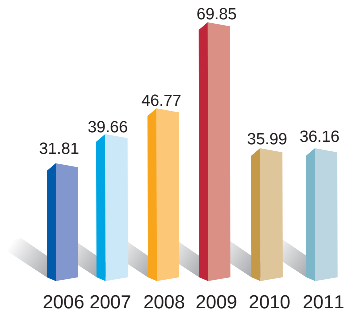
Total Assets (Rs. in Million)



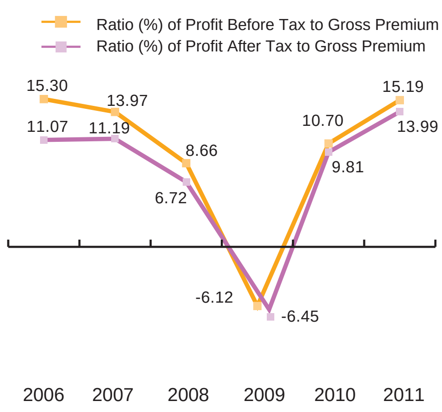
Equities & Return on Equities



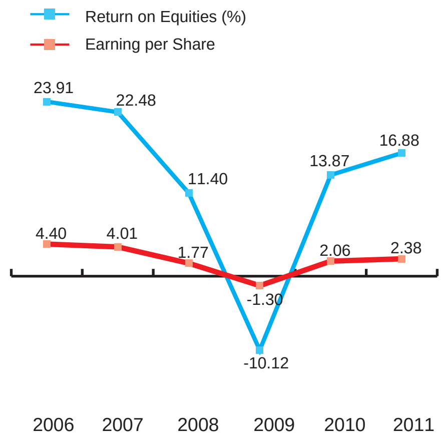
Net Claim Ratio to Net Premium (Loss Ratio)



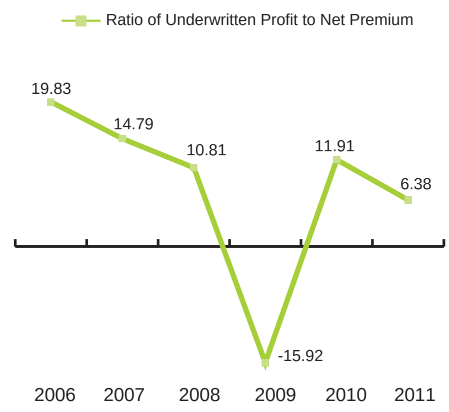
Ratio of Profit Before & After Tax to Gross Premium



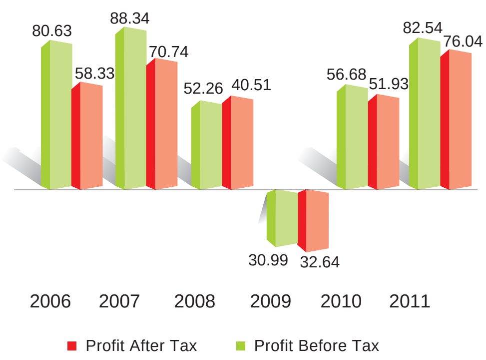
Return on Equity & Earnings per Share



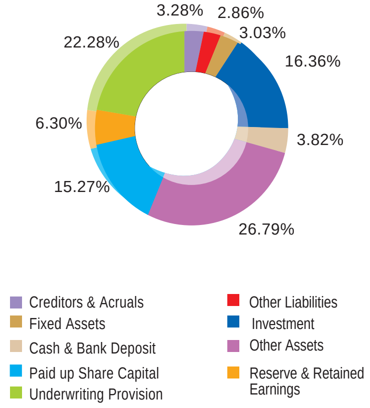
Operating Margin



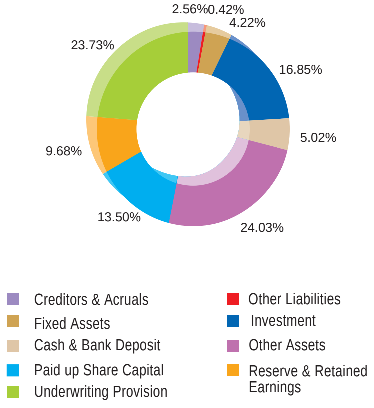
Profit Before Tax & After Tax



Assets, Liabilities & Equity 2011



Assets, Liabilities & Equity 2010



Key Financial Data

10 Years Growth At a Glance

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
PAID-UP CAPITAL	318.93	252.01	252.01	229.09	176.25	132.50	100.00	88.40	80.36	80.36
SHARE HOLDER'S EQUITY	450.56	374.52	322.58	355.23	314.72	243.97	185.64	143.40	124.91	114.53
GENERAL RESERVE	90.00	87.50	87.50	80	62.50	62.50	48.00	38.00	23.00	22.60
INVESTMENT	341.67	284.60	282.68	285.85	298.94	234.97	168.16	95.38	63.37	55.66
UNDERWRITING PROVISIONS	465.33	437.16	493.36	527.08	354.07	273.24	233.83	177.60	135.86	108.88
TOTAL ASSETS BOOK VALUE	1044.07	903.46	904.35	938.72	712.73	575.38	460.90	349.52	286.50	250.35
GROSS PREMIUM	543.40	529.54	506.34	603.19	632.16	526.88	427.08	336.12	237.38	191.31
NET PREMIUM	238.7	267.92	326.55	445.54	395.81	315.02	250.44	183.95	136.20	100.59
RATIO TO GROSS PREMIUM	43.93%	50.59%	64.49%	73.86%	62.61%	59.79%	58.64%	54.73%	57.38%	52.58%
NET CLAIMS INCURRED	86.32	96.43	227.46	208.36	156.97	100.21	82.66	64.75	48.37	39.61
RATIO TO NET PREMIUM	36.16%	35.99%	69.65%	46.77%	39.66%	31.81%	33.01%	35.20%	35.51%	39.38%
EXPENSES	128.95	130.78	140.59	153.65	148.43	128.06	113.21	86.52	66.20	53.62
RATIO TO GROSS PREMIUM	23.73%	24.70%	27.77%	25.47%	23.48%	24.31%	26.51%	25.74%	27.89%	28.03%
RATIO TO NET PREMIUM	54.02%	48.81%	43.05%	34.49%	37.50%	40.65%	45.20%	47.03%	48.60%	53.30%
INVESTMENT INCOME	94.08	54.86	53.86	18.26	43.23	30.41	23.62	9.85	7.93	6.96
U/W PROFIT/(LOSS)	15.24	31.93	(51.98)	48.17	58.53	62.46	44.08	35.82	19.60	10.75
PER TAX PROFIT	82.54	56.68	(30.99)	52.26	88.34	80.63	57.44	36.03	19.46	16.02
EARNINGS PER SHARE	2.38	2.06	(1.30)	1.77	3.09	4.40	4.22	3.00	1.29	1.25
DIVIDEND /BONUS	12.5%(B)7.5%(C)	12.5%(B)	NIL	10%(B)	30%(B)	33%(B)	32.5%(B)	13.13%(B)	10%(C)	8%(C)

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 & 43 of listing regulations of Karachi & Lahore Stock Exchanges Limited for the purpose of establishing a listing framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes 8 non-executive directors and independent 2 executive directors representing minority shareholders.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. 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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy arose in the Board during the year under consideration.

5. The Company has prepared a Statement of Ethics and Business Practices, which has been signed by all the directors and employees of the Company.

6. 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.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8. 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. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board is planning to arrange various orientation courses for its directors to apprise them of their duties and responsibilities.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

11. 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.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

Statement of Compliance with the Code of Corporate Governance

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Company has fully complied with the best practices of Transfer Pricing as contained in the listing Regulations No. 38 of the Karachi Stock Exchange (Guarantee) Limited as chapter XIV of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited.

16. The Board has formed an audit committee. It comprises of (3) three members, of whom all are non-executive directors including the Chairman of the committee.

17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

18. The Board has set-up an effective internal audit function.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme 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 Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. We confirm that all other material principles contained in the Code have been complied with.

ISMAIL H. ZAKARIA
Chairman

A. RAZAK AHMED
Chief Executive & Managing Director

Karachi: 26 March, 2012

Review Report to the Members on Statement of Compliance

with the best practices of code of corporate governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Reliance Insurance Company Limited ("the Company") to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and effectiveness of such internal controls.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (Previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to Company for the year ended 31 December 2011.

Hyder Bhimji & Co.
Chartered Accountants

Karachi: 26 March, 2012

Auditor’s Report to the Members

We have audited the annexed financial statements comprising of:

(i) balance sheet;

(ii) profit and loss account;

(iii) statement of comprehensive income

(iv) statement of changes in equity;

(v) statement of cash flows;

(vi) statement of premiums;

(vii) statement of claims;

(viii) statement of expenses; and

(vix) statement of investment income

of Reliance Insurance Company Limited ("the Company") as at 31 December 2011 together with the notes forming part thereof, for the year then ended. It is the responsibility of the Company's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

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

In our opinion:

a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;

b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;

c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2011 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

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

Hyder Bhimji &
Chartered Accountants
Engagement Partner: Hyder Ali Bhimji

Karachi: 26 March, 2012

Financial Statements

Balance Sheet as at December 31, 2011

	Note	2011 Rs.	2010 Rs.
Share Capital and Reserves			
Authorised share capital		500,000,000	500,000,000
(50,000,000 Ordinary Shares of Rs.10 each)			
Paid-up share capital	5	318,939,720	252,001,750
Retained earnings		41,621,361	35,014,918
Reserves	6	90,000,000	87,500,000
		450,561,081	374,516,668
Underwriting provisions			
Provision for outstanding claims (including IBNR)		188,020,711	148,990,324
Provision for unearned premium		248,462,632	258,879,604
Commission income unearned		28,851,158	29,292,558
Total Underwriting Provisions		465,334,501	437,162,486
Creditors and accruals			
Amounts due to other insurers/reinsurers		57,653,423	49,552,405
Accrued expenses		1,859,270	2,137,978
Other Creditors and Accuruals		68,551,518	39,974,347
		128,064,211	91,664,730
Short Term Borrowings - Secured			
Running Finance	7	-	-
Other liabilities			
Unclaimed dividend		107,491	115,331
TOTAL EQUITY AND LIABILITIES		1,044,067,284	903,459,215
CONTINGENCIES AND COMMITMENTS	8		

The annexed notes from 1 to 28 form an integral part of these financial statements.

FORM GA
(Amount in Rs.)

	Note	2011 Rs.	2010 Rs.
Cash and bank deposits			
Cash and other equivalent	9.1	99,428	147,888
Current and other accounts	9.2	54,681,745	32,318,846
Deposit maturing within 12 months	9.3	25,043,103	25,075,000
		79,824,276	57,541,734
Loans (secured)			
To employees	10	921,589	755,614
Investments	11	341,673,653	284,604,777
Current Assets - others			
Premiums due but unpaid	12	214,582,758	176,919,203
Amounts due from other insurers/reinsurers		4,525,770	4,659,779
Accrued investment income		5,412,912	3,790,906
Reinsurance recoveries against outstanding claims		136,531,530	98,242,108
Deferred commission expense		44,788,637	45,943,667
Prepaid reinsurance premium ceded		150,788,640	159,777,804
Taxation - provision less payments		210,370	5,283,460
Trade deposits and prepayments		975,465	534,069
Sundry receivables		598,432	746,971
		558,414,514	495,897,967
Fixed Assets	13		
Tangible	13.1		
Land and buildings		14,046,021	15,606,690
Furniture, fixtures and office equipment		8,325,947	9,694,181
Motor vehicles		38,542,735	36,412,409
		60,914,703	61,713,280
Intagible			
Computer software	13.2	2,318,549	2,945,843
TOTAL ASSETS		1,044,067,284	903,459,215

Ismail H. Zakaria Chairman	Mohammad Amin Ahmed Bawany Director	A. Aziz Ayoob Director	A. Razak Ahmed Chief Executive & Managing Director

Karachi 26 March, 2012

Profit & Loss Account Financial year ended December 31, 2011

FORM GB
(Amount in Rs.)

	Notes	Fire & Property	Marine Aviation & Transport	Motor	Miscellaneous	2011 Aggregate	2010 Aggregate
Revenue Account							
Net Premium Revenue		81,358,804	58,914,315	94,385,890	4,047,273	238,706,282	267,919,727
Net Claims		(9,501,809)	(15,927,881)	(58,066,123)	(2,826,352)	(86,322,165)	(96,429,748)
Expenses	14.3	(33,793,601)	(24,470,945)	(39,204,597)	(1,681,096)	(99,150,239)	(99,461,615)
Net Commission		(17,222,650)	(8,985,706)	(13,673,620)	1,891,603	(37,990,373)	(40,098,979)
Underwriting result		20,840,744	9,529,783	(16,558,450)	1,431,428	15,243,505	31,929,385
Investment Income						94,084,797	54,860,926
Other Income	15					3,011,999	1,406,516
Financial Charges						(453,492)	(193,498)
General and administration expenses	14.3					(29,342,396)	(31,318,841)
Profit before tax during the year						82,544,413	56,684,488
Provision for Taxation :	16					(6,500,000)	(4,750,000)
Profit after tax during the year						76,044,413	51,934,488
Profit and Loss Appropriation Account							
Balance at Commencement of year						35,014,918	(22,024,570)
Profit after tax during the year						76,044,413	51,934,488
Transfer to reserves (General Reserve)						(2,500,000)	-
Issuance of Bonus Shares for the year 2010 @ 12.5% (2009 NIL)						(31,500,220)	-
Issuance of interim Bonus Shares during the year 2011 @ 12.5%						(35,437,750)	
Transfers from Reserves for Permanent Diminution in value of investment						-	5,105,000
Balance Unappropriated profit at the end of year						41,621,361	35,014,918
Earning per Share - Basic and Diluted	17					2.38	1.63

The annexed notes from 1 to 28 form an integral part of these financial statements.

Ismail H. Zakaria Chairman	Mohammad Amin Ahmed Bawany Director	A. Aziz Ayoob Director	A. Razak Ahmed Chief Executive & Managing Director

Karachi 26 March, 2012

Statement of Comprehensive Income
Financial year ended December 31, 2011

	2011 Rs.	2010 Rs.
Profit after tax	76,044,413	51,934,488
Other comprehensive income	-	-
Total comprehensive income for the year	76,044,413	51,934,488

The annexed notes from 1 to 28 form an integral part of these financial statements.

Ismail H. Zakaria Chairman	Mohammad Amin Ahmed Bawany Director	A. Aziz Ayoob Director	A. Razak Ahmed Chief Executive & Managing Director

Karachi 26 March, 2012

Statement of Changes in Equity
Financial year ended December 31, 2011

(Amount in Rs.)

	Share Capital	General Reserve	Reserve for Bonus Shares	Permanent diminution in value of Investment	Unappropriated profit/(Loss)	Total
Balance as at 01-01-2010	252,001,750	87,500,000	-	5,105,000	(22,024,570)	322,582,180
Total comprehensive income for the year						
Net Profit after tax for the year	-	-	-	-	51,934,488	51,934,488
Other comprehensive income	-	-		-	-	-
Total comprehensive income for the year	-	-	-	-	51,934,488	51,934,488
Transactions with owners recorded directly in equity						
Transfer during the year				(5,105,000)	5,105,000	
Balance as at 31-12-2010	252,001,750	87,500,000	-	-	35,014,918	374,516,668
Total comprehensive income for the year						
Net Profit after tax for the year	-	-	-	-	76,044,413	76,044,413
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	76,044,413	76,044,413
Transactions with owners recorded directly in equity						
Transferred to general reserves	-	2,500,000	-	-	(2,500,000)	-
Transferred to reserves of bonus shares	-	-	66,937,970	-	(66,937,970)	
Issuance of bonus shares	31,500,220	-	(31,500,220)	-	-	-
Interim Issuance of bonus shares	35,437,750		(35,437,750)		-	
Balance as at 31-12-2011	318,939,720	90,000,000	-	-	41,621,361	450,561,081

The annexed notes from 1 to 28 form an integral part of these financial statements.

Ismail H. Zakaria
Chairman

Mohammad Amin Ahmed Bawany
Director

A. Aziz Ayoob
Director

A. Razak Ahmed
Chief Executive & Managing Director

Karachi 26 March, 2012

Statement of Cash Flow Financial year ended December 31, 2011

FORM GC

	January to December 2011 Rs.	2010 Rs.
Operating Cash Flow		
a) Underwriting activities		
Premium received	500,538,307	515,583,004
Reinsurance premium paid	(297,884,062)	(282,215,662)
Claims paid	(185,583,147)	(311,923,241)
Reinsurance and other recoveries received	100,001,947	182,783,835
Commission paid	(94,708,025)	(92,734,069)
Commission received	62,626,983	62,608,708
Net cash inflow from underwriting activities	84,992,003	74,102,575
b) Other operating activities		
Income tax paid	(1,426,910)	(3,938,154)
General management expenses paid	(99,150,239)	(99,461,615)
Other operating payments	(19,116,617)	(21,907,778)
Loans advanced / repayment received	(165,975)	305,445
Other payments on operating assets	28,298,463	(7,646,626)
Other receipts in respect of operating assets	(292,857)	(78,002)
Net cash flow from other operating activities	(91,854,135)	(132,726,730)
Total cash outflow from all operating activities	(6,862,132)	(58,624,155)
Investment activities		
Interest / Dividend received	49,917,710	41,654,660
Payments for Investments	(173,435,094)	(84,388,148)
Proceeds from disposal of investments	158,911,298	102,402,490
Fixed Capital Expenditures	(12,073,034)	(11,312,447)
Proceeds from disposal of fixed assets	6,285,126	4,957,000
Total cash outflow from Investing activities	29,606,006	53,313,555

Statement of Cash Flow Financial year ended December 31, 2011

FORM GC

	January to December 2011 Rs.	2010 Rs.
Financing activities		
Unclaimed Dividend paid	(7,840)	-
Financial Charges	(453,492)	(193,498)
Total cash outflow from financing activities	(461,332)	(193,498)
Net cash Inflow/outflow from all activities	22,282,542	(5,504,098)
Cash & other at the beginning of the year	57,541,734	63,045,832
Cash & other at the end of the year	79,824,276	57,541,734
Reconciliation to profit and loss Account		
Operating cash flow	(6,862,132)	(58,624,155)
Depreciation expense/Amortization Expenses	(10,225,779)	(9,411,063)
Financial Charges	(453,492)	(193,498)
Profit on disposal of fixed assets	3,011,999	1,406,516
Increase in assets other then cash	61,060,516	11,072,087
Increase in liabilities other than running finance	(64,571,496)	52,823,675
Investment Income	94,084,797	54,860,926
Profit after tax as per profit & loss account.	76,044,413	51,934,488

Definition of cash

Cash in hand and at Bank , stamps in hand and short term placements with banks

Cash for the purposes of the Statement of Cash Flow Consists of:

	2011 Rs.	2010 Rs.
Cash and Equivalents	99,428	147,888
Current and Other account	54,681,745	32,318,846
Deposits Maturing Within 12 Months	25,043,103	25,075,000
	79,824,276	57,541,734
	79,824,276	57,541,734

The annexed notes from 1 to 28 form an integral part of these financial statements.

Ismail H. Zakaria	Mohammad Amin Ahmed Bawany	A. Aziz Ayoob	A. Razak Ahmed
Chairman	Director	Director	Chief Executive & Managing Director

Karachi 26 March, 2012

Statement of Premiums
Financial year ended December 31, 2011

Business underwritten inside Pakistan.

FORM GD
(Amount in Rs.)

Class	Premium written	Unearned Premium		Premium earned	Reinsurance ceded	Prepaid Reins Premium		Reinsurance expenses	2011 Net Premium revenue	2010 Net Premium revenue
		Opening	Closing			Opening	Closing			
Direct and facultative										
Fire and Property Damage	221,726,166	124,719,281	121,440,768	225,004,679	142,463,297	80,677,098	79,494,520	143,645,875	81,358,804	101,072,280
Marine, Aviation and Transport	199,425,201	79,757,578	67,472,643	211,710,136	142,947,835	70,780,408	60,932,422	152,795,821	58,914,315	52,778,747
Motor	99,547,957	44,963,907	48,519,105	95,992,759	1,905,122	669,549	967,802	1,606,869	94,385,890	109,767,438
Miscellaneous	22,698,239	9,438,838	11,030,116	21,106,961	18,802,835	7,650,749	9,393,896	17,059,688	4,047,273	4,301,262
Grand Total	543,397,563	258,879,604	248,462,632	553,814,535	306,119,089	159,777,804	150,788,640	315,108,253	238,706,282	267,919,727

The annexed notes from 1 to 28 form an integral part of these financial statements.

Ismail H. Zakaria
Chairman

Mohammad Amin Ahmed Bawany
Director

A. Aziz Ayoob
Director

A. Razak Ahmed
Chief Executive & Managing Director

Karachi 26 March, 2012

Statement of Claims Financial year ended December 31, 2011

Business underwritten inside Pakistan.

FORM GE
(Amount in Rs.)

Class	Claims paid	Outstanding Claims		Claims Expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	2011 Net Claims expense	2010 Net Claims expense
		Opening	Closing			Opening	Closing			
Direct and facultative										
Fire and Property Damage	72,829,222	78,138,053	105,390,785	100,081,954	64,103,853	65,781,380	92,257,672	90,580,145	9,501,809	7,729,966
Marine, Aviation and Transport	41,656,861	36,922,170	47,741,884	52,476,575	27,531,473	27,647,059	36,664,280	36,548,694	15,927,881	19,810,211
Motor	65,238,361	30,159,104	27,606,955	62,686,212	3,101,961	1,419,772	2,937,900	4,620,089	58,066,123	68,197,634
Miscellaneous	5,858,703	3,770,997	7,281,087	9,368,793	5,264,660	3,393,897	4,671,678	6,542,441	2,826,352	691,937
Grand Total	185,583,147	148,990,324	188,020,711	224,613,534	100,001,947	98,242,108	136,531,530	138,291,369	86,322,165	96,429,748

The annexed notes from 1 to 28 form an integral part of these financial statements.

Ismail H. Zakaria
Chairman

Mohammad Amin Ahmed Bawany
Director

A. Aziz Ayoob
Director

A. Razak Ahmed
Chief Executive & Managing Director

Karachi 26 March, 2012

Statement of Expenses Financial year ended December 31, 2011

Business underwritten inside Pakistan.

FORM GF
(Amount in Rs.)

Class	Commissions paid or payable a	Opening Deferred commission b	Closing Deferred commission c	Net commission Expense d = a+b+c	Other Management Expenses e	Underwritting Expenses f = d+e	Commission from reinsures g	2011 Net underwriting expense h = f+g	2010 Net underwriting expense
Direct and facultative									
Fire and Property Damage	58,475,003	33,544,810	32,687,603	59,332,210	33,793,601	93,125,811	42,109,560	51,016,251	57,434,602
Marine, Aviation and Transport	23,395,358	3,955,280	2,837,748	24,512,890	24,470,945	48,983,835	15,527,184	33,456,651	27,678,973
Motor	14,211,529	6,744,586	7,277,865	13,678,250	39,204,597	52,882,847	4,630	52,878,217	56,803,587
Miscellaneous	3,821,836	1,698,991	1,985,421	3,535,406	1,681,096	5,216,502	5,427,009	(210,507)	(2,356,568)
Grand Total	99,903,726	45,943,667	44,788,637	101,058,756	99,150,239	200,208,995	63,068,383	137,140,612	139,560,594

The annexed notes from 1 to 28 form an integral part of these financial statements.

Ismail H. Zakaria Chairman	Mohammad Amin Ahmed Bawany Director	A. Aziz Ayoob Director	A. Razak Ahmed Chief Executive & Managing Director

Karachi 26 March, 2012

Statement of Investment Income

Financial year ended December 31, 2011

Form GG

	2011 Rs.	2010 Rs.
Income from Non-Trading Investments		
Held to maturity		
Return on Government Securities	11,817,192	9,316,458
Return on other fixed income, securities and deposits	5,313,480	5,664,511
Amortization of premium-net	480,924	(322,710)
	17,611,596	14,658,259
Investment Held for Trading		
Dividend Income	32,506,972	19,817,073
Available for sale		
Dividend Income	1,755,898	405,758
Gain on sale of investment		
Available for sale	595,487	5,025,219
Held for trading	40,867,100	18,330,602
Impairment loss/reversal of impairment in the value of investment-net	1,082,494	(3,174,216)
less: Investment related expenses	(334,750)	(201,769)
Net Investment Income transferred to P&L A/c.	94,084,797	54,860,926

The annexed notes from 1 to 28 form an integral part of these financial statements.

Ismail H. Zakaria Chairman	Mohammad Amin Ahmed Bawany Director	A. Aziz Ayoob Director	A. Razak Ahmed Chief Executive & Managing Director

Karachi 26 March, 2012

1. STATUS AND NATURE OF BUSINESS

The Reliance Insurance Company Limited was incorporated in Pakistan as a Public Limited Company on 4th November, 1981 and is engaged in General Insurance Business. The shares of the Company are quoted on Stock Exchanges of Karachi and Lahore.

The Registered Office of the Company is situated at 96-A, Sindhi Muslim Co-Operative Housing Society, Karachi.

2. BASIS OF PREPARATION

These financial Statements have been prepared in accordance with the Insurance Ordinance 2000 and the formats prescribed under Insurance Rules vide SRO 938(1) dated 12th December 2002.

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984, the Insurance Ordinance 2000, and approved accounting standards as applicable to insurance companies in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by IASB as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Insurance Ordinance, 2000, the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Insurance Ordinance, 2000, Companies Ordinance, 1984 or the requirements of the said directives shall take precedence.

2.2 Standards, amendments and interpretations to existing standards effective but not applicable / relevant to Company's operations

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

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

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increased disclosures in certain cases:

Standards, amendments and interpretations to the published standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2012:

Amendments to IAS 12 - deferred tax on investment property (effective for annual periods beginning on or after 01 January 2012). The 2010 amendments provide an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in these limited circumstances, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarification. The amendments may impact the financial statements of the Company which has not yet been determined.

IAS 28 Investments is Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments may impact the financial statements of the Company which has not yet been determined.

IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all change in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

Presentation of items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

Disclosure - Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognized in their entirety; and financial assets that are derecognized in their entirety but for which the entity retains continuing involvement. The amendments have no impact on financial statements of the Company.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of currently has a legally enforceable right off set-off; and that some gross settlement systems may be considered equivalent to net settlement. The amendments may impact the financial statements of the Company which has not yet been determined.

Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendments may affect the disclosures in the financial statements of the Company.

IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production striping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

3. Use of estimates and judgments

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgments / estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The judgments / estimates and assumptions are based on historical experience, current trends and various other factors 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 periodic basis. Revisions to accounting estimates are recognized in the period in which the revision has been made.

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

3.1 Classification of investment

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

In classifying investments as "held-for-trading" the company has determined securities, which are acquired with the intention to trade, taking advantage of short-term market / interest rate movements.

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available for sale. Subsequent to the initial recognition at cost, quoted investments are stated at the lower of cost or market value. (market value in accordance with the requirements of SRO 938 issued by the SECP in December, 2002).

3.2 Income Tax

In making the estimates for income taxes currently payable by the Company, the management looks, at the current income tax laws and the decision of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Company's future taxable profits are taken into account.

3.3 Fixed assets and depreciation

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

3.4 Impairment

Available-for-sale

The Company determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged, requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

3.5 Premium Deficiency reserve

The Company carries out an analysis of loss / combined ratios for the expired period, such ratio being calculated after taking into account the relevant IBNR provision for the determination of premium deficiency reserve for each class of business.

3.6 Outstanding claims including incurred but not reported (IBNR)

The Company estimates the liability for claims, which 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 case estimates. Provision for IBNR is based on the management's best estimate which takes into account the past trends, expected future pattern of reporting of claims and the claims actually reported subsequent to the balance sheet date.

3.7 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain investments, which are stated at their fair values.

3.8 Functional and presentation currency

These financial statements are presented in Pak Rupees which is also the Company's functional currency.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Insurance Contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

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

In addition to direct insurance, at times the company also participates in risks under coinsurance from other companies and also accepts risks through reinsurance inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the company. The nature of the risks undertaken such arrangement is consistent The risks in each class of business as stated above.

The Company neither issues investment contracts nor does it issue insurance contracts with Discretionary Participation Features (DPF).

4.1.1 Premiums

Premium written under a policy is recognized as income over the period of insurance from the date of Issuance of the policy to which it relates to its expiry. Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk.

Provision for unearned premium

The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the Company. This liability is calculated by applying 1/24 method as specified in the SEC (Insurance) Rules, 2002.

Administration surcharge

Premium income includes administrative surcharge that represents documentation and other charges recovered by the Company from policy holders in respect of policies issued, at the rate of 5% of the premium written restricted to a maximum of Rs. 2,000 per policy.

Premiums due but unpaid

Receivables under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognizes that impairment loss in the profit and loss account.

4.1.2 Reinsurance Ceded

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. 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 reinsures 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.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire. The Company assesses its reinsurance assets for impairment on balance sheet date. If there is 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.

4.1.3 Claims Expense

General insurance claims include all claims occurring 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, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

The Company recognizes liability in respect of all claims incurred up to the balance sheet 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 includes 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 case estimates. Provision for IBNR is based on the management's best estimate which takes into account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date.

4.1.4 Reinsurance Recoveries Against Outstanding Claims

Claims recoveries receivable from the reinsurer 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.

4.1.5 Commission

Commission and other acquisition costs incurred in obtaining and recording on direct, facultative and reinsurance cessions has been deferred and recognized as assets and liability as under:-

(a) Commission Income

Commission income is being taken to profit & loss account on a time proportion basis in accordance with the pattern of recognition of reinsurance premium to comply with the requirements of SRO 938 issued by the SECP in 2002.

(b) Deferred Commission Expense

Commission expenses are deferred and recognized as an asset in correlation with unearned premium that will be recognized in the subsequent reporting period to comply with the requirements of SRO 938 issued by the SECP in 2002.

4.1.6 Premium Deficiency Reserve

The Company is required to maintain a provision in respect of premium deficiency for the individual class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date, the movement is the premium deficiency reserve is recognised as an expenses in the profit and loss account. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims.

The management considers that the unearned premium reserve for all classes of business as at the year end is adequate to meet the expected future liability after reinsurance, from claims and other expenses, expected to be incurred after the balance sheet date in respect of policies in those classes of business in force at the balance sheet date. Hence, no reserve for the same has been made in this financial statement.

4.2 Creditors, Accruals and Provision

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 goods and / or services received. Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

4.3 Cash and Cash equivalents

Cash and bank balances are defined as cash in hand and at banks, stamps in hand and short-term placements with banks are carried in the balance sheet at cost.

4.4 Taxation

4.4.1 Current

Provision for taxation is based on taxable income at current rates of taxation, under the relevant provision of the Income Tax Ordinance, 2001, after taking into account rebates and tax credits available, if any. Income Tax assessment of the Company has been finalized up to and including the Tax year 2010.

4.4.2 Deferred

Deferred tax, if any, is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax assets and liabilities, if any, are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted, or subsequently enacted, at the balance sheet date.

Deferred tax assets, if any, are recognized only to the extent that it is probable that future taxable profit will be available against which the assets can be utilized.

Deferred Tax liability being immaterial has not been provided for.

4.5 Staff Retirement Benefits

Company maintains recognized contributory Provident Fund for all permanent employees for which contribution equal to one month's basic pay plus cost of living allowance per annum is charged to Profit & Loss Account.

4.6 Investments

All investments are initially recognized at cost being the fair value of the consideration given and in which case transaction costs are charged to the profit and loss account.

These are recognized and classified into the following categories.

4.6.1 Held to maturity

These are measured at Cost. Investment with fixed maturity where management has both intent and ability to hold to maturity are classified as held to maturity. Investments held to maturity are initially recognized at cost and subsequently measured at amortized cost.

4.6.2 Available for Sale

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available for sale.

Subsequent to initial recognition at cost, quoted investments are stated at the lower of cost or market value. (Market value in accordance with the requirements of SRO 938 issued by the SECP in December 2002).

4.6.3 Held for trading

Quoted investments which are acquired principally for the purpose of selling or purchasing in near future or are part of a portfolio for which there is a recent actual pattern of short term profit taking are classified as held for trading.

4.7 Operating Fixed Assets

Tangible

These are stated at cost less accumulated depreciation computed on the reducing balance method on yearly basis applying the rates as mentioned in note No.13.

Depreciation on addition to fixed assets during the year is provided from the date of purchase while depreciation on assets disposed off during the year is ignored. Gain or Loss on disposal of fixed assets is taken to Profit & Loss Account.

Maintenance and normal repairs are charged to Profit & Loss Accounts as and when incurred, whereas major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

4.7.1 Intangible

Computer software license acquired is capitalized on the basis of cost incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three years using the straight line method. Impairment losses, if any, are deducted from the carrying amount of the intangible assets.

Costs associated with maintaining computer software programs are recognized as an expense when incurred.

The assets' residual values, useful lives and method for amortization are reviewed at each financial year end and adjusted if impact on amortization is significant.

4.7.2 Capital work in Progress

Capital work in progress is stated at cost. Transfers are made to operating assets when the assets are available for use. Intangible assets comprise software license.

4.8 Revenue Recognition

4.8.1 Premium Income is recognized at the time of issuance of policy. Similarly, reinsurance premium is recorded at the time the reinsurance is ceded.

4.8.2 Administrative Surcharge recovered from insured is recognized as part of premium.

4.8.3 Dividend income is recognized when right to receive the same is established.

4.8.4 Entitlement of bonus shares is recognized when the right to receive the same is established by increasing the number of shares to which the company is entitled without given any monetary effect in the financial statement either in terms of cost or value thereof which is in accordance with the requirement of the Institute of Chartered Accountant of Pakistan (ICAP) Technical Release-15.

4.8.5 Profit or Loss on sale of investments is charged to Profit & Loss Account for the year at the time of disposal/sale.

4.8.6 Income on bank deposits is recognized on accrual basis.

4.8.7 Income on Held to Maturity investments is recognized on time proportion basis using effective interest method

4.9 Management Expenses

Management Expenses are allocated to various class of business in proportion of the respective net premium income for the year. Expenses not allocable to the underwriting business are charged as administrative expenses.

4.10 Dividend and Bonus Share

Dividend to shareholders is recognized as liability in the period in which it is declared. Similarly, reserve for issue of bonus share is recognized in the year in which such issue is declared.

4.11 Segment Reporting

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

The Company presents segments reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002.the reported segments are also consistent with the internal reporting provided to Strategy Committee and Board of Directors which are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

The Company has four primary business segment purposes namely fire, marine, motor and miscellaneous.

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

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

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

Miscellaneous insurance provides cover against health, burglary, Loss of cash in safe and in transit, travel, personal accident, money, engineering losses and other covers.

Financing, investment and income taxes are managed on an overall basis and are therefore, not allocated to any segment. The accounting policies of operating segment are the same as those described in the summary of significant accounting policies.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them. Those assets and liabilities, which cannot be allocated to a particular segment on a reasonable basis, are reported as unallocated corporate assets and liabilities.

4.12 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amount and the company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.13 Financial Instruments

All the financial assets and financial liabilities are recognized at the time when company becomes a party to the contractual provisions of the instrument. Any gain or losses on de-recognition of the financial assets and financial liabilities are taken to the profit & loss account.

4.14 Impairment

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

The carrying amount of non-financial assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such an indication exists, the recoverable amount of such assets is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognized in the profit and loss account. Provisions for impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

5 PAID-UP SHARE CAPITAL

Issued, subscribed and paid up share capital:

2011 Number of shares	2010 Number of shares		2011 Rupees	2010 Rupees
1,156,680	1,156,680	Ordinary Shares of Rs.10 each alloted for consideration paid in cash	11,566,800	11,566,800
		Ordinary Shares of Rs.10 each alloted as Bonus Shares		
24,043,495	24,043,495	Opening Balance as at January 01,	240,434,950	240,434,950
3,150,022	-	Bonus shares issued for the year ended December 31, 2010	31,500,220	-
3,543,775	-	Issuance of Interim Bonus shares during the year	35,437,750	-
30,737,292	24,043,495	Closing balance as at December 31	307,372,920	240,434,950
31,893,972	25,200,175		318,939,720	252,001,750

Shares of the Company held by associates amounting to Rs.49,971,030 (4,997,103 Shares of Rs. 10 each). [2010: Rs. 38,790,610 (3,879,061 Shares of Rs. 10 each)]

		2011 Rupees	2010 Rupees
6	RESERVES		
	General Reserve	90,000,000	87,500,000
		90,000,000	87,500,000
6.1	Opening balance as at January 01	87,500,000	92,605,000
	Transfer to profit & loss appropriation account	-	(5,105,000)
	Transfer from profit & loss appropriation account	2,500,000	-
	Closing balance as at December 31	90,000,000	87,500,000
7	SHORT TERM BORROWINGS-SECURED		
	Running Finance		
		-	-

An aggregate running finance facilitiy of Rs. 20 million (2010: 20 Million) has been arranged from the commercial banks at mark up rate of 2% over from the profit rate to be paid on the Advantage account from one bank and 175 bps plus 3 months KIBOR from another bank. This facility is secured against pledge on the Company's Advantage account and lien over PIBs of Rs. 11.2 Million with the respective banks. This facility has been availed and repaid during the year by the Company. The above facility is renewable annually.

8 CONTINGENCIES AND COMMITMENTS

There are no material contingencies and commitments existing as at the year end.

		Note	2011 Rupees	2010 Rupees
9	CASH AND BANK DEPOSITS			
9.1	Stamps in hand		99,428	147,888
9.2	Current and other accounts			
	Cash at banks			
	- in current accounts	9.2.1	22,429,810	31,938,513
	- in saving accounts	9.2.2	32,251,935	380,333
			54,681,745	32,318,846
9.3	Deposits maturing within 12 months period	9.3.1	25,043,103	25,075,000
	TOTAL CASH AND BANK DEPOSITS		79,824,276	57,541,734

9.2.1 The above current account balance include an amount of Rs. 5,000,000 (2010: Nil) placed with State Bank of Pakistan as at the year end.

9.2.2 The above savings account carry markup at the rates ranging from 5 % to 7 % (2010: 5 % to 9 %) per annum.

9.3.1 The above term deposits are placed with commercial banks having maturity within 12 months period and interest bearing. The deposits having profit range from 5.00% to 12.00% per annum (2010: from 5.80% to 12.50% per annum). The above deposits includes an advantage account amounts to Rs.11.10 Million (2010: 11.10 Million) which are pledged against the running finance facility obtained from the commercial banks.

		2011 Rupees	2010 Rupees
10	LOANS TO EMPLOYEES - SECURED - CONSIDERED GOOD		
		921,589	755,614

This represent mark up free loans to employees of the company in accordance with the terms of the employment secured against their retirement benefits. These loans are recoverable in monthly installments.

		Note	2011 Rupees	2010 Rupees
11	INVESTMENTS			
	The investments comprise of the following:			
	Held to maturtiy	11.1	100,528,009	98,747,019
	Available for sale	11.2	26,258,923	22,585,944
	Held for trading	11.3	219,677,907	169,145,493
			346,464,839	290,478,456
	Provision for impairment	11.4	(4,791,186)	(5,873,679)
			341,673,653	284,604,777

11.1 Held to maturity

	Note	2011 Rupees	2010 Rupees
Government Securities	11.1.1	89,717,825	86,796,601
Term Finance Certificates	11.1.2	8,310,184	9,450,418
Certificate of Investment	11.1.3	2,500,000	2,500,000
		100,528,009	98,747,019

11.1.1 Government Securities

Particulars	Note No.	Face Value 2011	Profit Yield %	Maturity Date	2011 Rupees	2010 Rupees
Pakistan Investment Bond	-	3,000,000	8.15%	30/10/2011	-	3,115,038
Pakistan Investment Bond	-	4,000,000	9.40%	14/02/2011	-	4,022,266
Pakistan Investment Bond	-	1,000,000	9.40%	18/04/2011	-	1,021,430
Pakistan Investment Bond	-	5,000,000	9.43%	19/05/2011	-	4,944,455
Pakistan Investment Bond	-	10,000,000	10.00%	19/05/2011	-	9,973,936
Pakistan Investment Bond	-	4,000,000	9.75%	19/05/2011	-	3,992,922
Pakistan Investment Bond	-	5,000,000	9.62%	19/05/2011	-	4,994,013
Pakistan Investment Bond	-	5,000,000	13.88%	30/08/2011	-	4,773,873
Pakistan Investment Bond	-	5,000,000	7.95%	24/12/2011	-	5,187,409
Pakistan Investment Bond	11.1.1 (a) (b)	5,000,000	10.23%	22/08/2012	4,970,091	4,928,165
Pakistan Investment Bond	11.1.1 (b)	10,000,000	14.35%	30/08/2013	9,592,501	9,388,974
Pakistan Investment Bond	11.1.1 (a) (b)	4,000,000	12.29%	03/09/2014	3,928,442	3,907,026
Pakistan Investment Bond	11.1.1 (a) (b)	5,000,000	14.26%	22/07/2015	4,623,545	4,547,094
Pakistan Investment Bond	11.1.1 (a) (b)	11,000,000	14.27%	22/07/2015	10,172,709	-
Pakistan Investment Bond	11.1.1 (a) (b)	1,000,000	14.04%	22/07/2015	930,537	-
					34,217,825	64,796,601

Particulars	Note No.	Ratings 2011	Ratings 2010	2011 Rupees	2010 Rupees
WAPDA First Sukuk Certificates	11.1.1 (c)	Govt. Guaranteed	Govt. Guaranteed	10,000,000	10,000,000
WAPDA Second Sukuk Certificates	11.1.1 (d)	Govt. Guaranteed	Govt. Guaranteed	5,000,000	5,000,000
KSEW Sukuk I Certificates	11.1.1 (e)	-	Govt. Guaranteed	-	2,000,000
KSEW Sukuk II Certificates	11.1.1 (f)	-	Govt. Guaranteed	-	5,000,000
GOP Ijara Sukuk	11.1.1 (a) (g)	Govt. Guaranteed	-	17,500,000	-
GOP Ijara Sukuk	11.1.1 (h)	Govt. Guaranteed	-	15,000,000	-
GOP Ijara Sukuk	11.1.1 (i)	Govt. Guaranteed	-	3,000,000	-
GOP Ijara Sukuk	11.1.1 (j)	Govt. Guaranteed	-	5,000,000	-
				55,500,000	22,000,000
Total Government Securities				89,717,825	86,796,601

11.1.1 (a) The Pakistan Investment Bond of Rs.26.00 million and GOP Ijara sukuk for the face value of Rs.17.50 million are placed as statutory deposit with State Bank of Pakistan in accordance with the requirments of Section 29 (2) (a) of Insurance Ordinance, 2000.

11.1.1 (b) The aggregate Market Value of Pakistan Investment Bond carried at amortized cost amounts to Rs. 35,156,232.00 (2010:64,034,276). The profit on PIB's are received on semi annual basis.

11.1.1 (c) The paid up value of these sukuk is Rs. 5,000 per certificate. The return on these Sukuks - WAPDA is on a six monthly KIBOR plus a fixed credit spread of 35 basis points. The tenor of these sukuks is 7 years. These sukuk certficates are backed by Government of Pakistan's sovereign guarantee.

11.1.1 (d) The paid up value of these sukuks is Rs. 5,000 per certificate. The return on these Sukuks - WAPDA is on a six monthly KIBOR minus a fixed credit spread of 25 basis points. The tenure of these sukuk is 8 years. These sukuks certficates are backed by Government of Pakistan's sovereign guarantee.

11.1.1 (e) The paid up value of these sukuks were Rs. 5,000 per certificate. The return on these Sukuks - KSEW was on a six monthly KIBOR plus a fixed credit spread of 40 basis points. The tenure of these sukuks was 8 years and were sold at “Exercise Price” to KSEW during the year. These sukuk certficates were backed by Government of Pakistan's sovereign guarantee.

11.1.1 (f) The paid up value of these sukuks were Rs. 5,000 per certificate. The return on these Sukuks - KSEW was on a six monthly KIBOR plus a fixed credit spread of 40 basis points. The tenure of these sukuks was 8 years and were sold at “Exercise Price” to KSEW during the year. These sukuk certficates were backed by Government of Pakistan's sovereign guarantee.

11.1.1 (g) The paid up value of these sukuks is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's soverign guarantee. The profit yield on these certificates is 11.79%. The tenure of these certificates is three years.

11.1.1 (h) The paid up value of these sukuks is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's soverign guarantee. The profit yield on these certificates is 11.79%. The tenure of these certificates is three years.

11.1.1 (i) The paid up value of these sukuks is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's soverign guarantee. The profit yield on these certificates is 11.79%. The tenure of these certificates is three years.

11.1.1 (j) The paid up value of these sukuks is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's soverign guarantee. The profit yield on these certificates is 11.94%. The tenure of these certificates is three years.

11.1.2 Term Finance Certificates - Quoted

Company;s Name	Number of Certificates		Face Value Per Certificates	Maturity	Profit Rate	2011	2010
	2011	2010				Rupees	Rupees
Askari Bank Ltd. TFC II	600	600	5,000	8 Years	+ 1.50%	2,992,800	2,994,000
Standard Chartered Bank TFC III	379	379	5,000	7 Years	+ 2.00%	1,324,984	1,797,218
Pakistan Mobile Communication Ltd. TFC I	400	400	5,000	7 Years	+ 2.85%	998,400	1,664,000
Allied Bank Limited TFC I	600	600	5,000	8 Years	+ 1.90%	2,994,000	2,995,200
						8,310,184	9,450,418

11.1.2 (a) The aggregate Market Value of Term Finance Certificates carried at amortized cost amounts to Rs. 8,338,133 (2010:9,353,102). The return on TFC's are on six months KIBOR plus the rates specified above and return is received on semi annual basis .

11.1.3 Certificate of Investments

Company;s Name	Number of Certificates		Face Value Per Certificates	Maturity	Profit Rate	2011	2010
	2011	2010				Rupees	Rupees
Orix Leasing Pak. Ltd.	5	5	500,000	7 Years	17.30%	2,500,000	2,500,000

11.1.3 (a) The profit on COI's will be receivable on maturity

11.2 Available for sale-Quoted

	Note	2011 Rupees	2010 Rupees
Others	11.2.1	19,700,775	16,027,796
Related party	11.2.2	6,558,148	6,558,148
		26,258,923	22,585,944

11.2.1 Others

Name of Investee Company	Number of Shares/Units		Face Value	Book Value	
	2011	2010		2011	2010
MEEZAN BALANCED FUNDS	300,000	300,000	10	3,000,000	3,000,000
PICIC INVESTMENT FUND	40,763	40,763	10	661,469	661,469
PAKISTAN PREMIER FUND	-	265,437	10	-	2,343,571
JS-GROWTH FUND	71,268	67,590	10	1,039,306	1,022,756
MCB DYNAMIC CASH FUND (OPEN)	-	86,451	100	-	9,000,000
ASKARI ISLAMIC INCOME FUND (OPEN)	157,830	-	100	15,000,000	-
				19,700,775	16,027,796

11.2.2 Related party

Name of Investee Company	Number of Shares/Units		Face Value	Book Value	
	2011	2010		2011	2010
AL-NOOR MODARABA	521,220	521,220	10	5,212,200	5,212,200
B.F. MODARABA	115,724	115,724	10	512,566	512,566
FARAN SUGAR MILLS	15,870	15,870	10	369,220	369,220
SHAHMURAD SUGAR MILLS	23,551	23,551	10	464,162	464,162
				6,558,148	6,558,148
The aggregate market value as at 31st December				22,388,289	16,848,419

		2011 Rupees	2010 Rupees
11.3	Held for trading - Quoted	219,677,907	169,145,493
	The aggregate market value of held for tranding securities as at December 31	284,545,013	233,239,536

11.4 Provision for Impairment - net of reversal

	2011	2010
Opening provison	5,873,679	2,699,463
Charge for the year	-	4,075,871
	5,873,679	6,775,334
Reversal during the year	(1,082,494)	(901,655)
Closing provision	4,791,185	5,873,679

12 PREMIUM DUE BUT UNPAID - UNSECURED

Considered good		214,582,758	176,919,203
Considered doubtful		10,000,000	10,000,000
		224,582,758	186,919,203
Provision for doubtful balances	12.1	(10,000,000)	(10,000,000)
		214,582,758	176,919,203

12.1 Reconciliation of provision for doubtful balances

Opening balance as at January 01	(10,000,000)	(10,000,000)
Provision made during the year	-	-
Closing balance as at December 31	(10,000,000)	(10,000,000)

13 FIXED ASSETS

Tangible assets	13.1	60,914,703
Intangible Assets	13.2	2,318,549
		63,233,252

13.1 Tangible assets

Tangible assets	Land & Buildings	Furniture & Fixtures	Motor Vehicles	Office Equipment	Office Computers	Total
Net carrying value basis year ended December 31, 2011						
Opening net book value (NBV)	15,606,690	3,954,226	36,412,409	4,315,600	1,424,356	61,713,281
Addition (At Cost)	-	-	11,205,191	210,463	125,400	11,541,054
Disposal	-	-	(3,273,127)	-	-	(3,273,127)
Depreciation	(1,560,669)	(593,138)	(5,801,738)	(662,811)	(448,149)	(9,066,505)
Closing net book value	14,046,021	3,361,088	38,542,735	3,863,252	1,101,607	60,914,703
Gross carrying value basis as at December 31, 2011						
Cost	30,218,901	11,193,227	69,621,904	11,871,419	5,591,146	128,496,597
Accumulated depreciation	(16,172,880)	(7,832,139)	(31,079,169)	(8,008,167)	(4,489,539)	(67,581,894)
Net book value	14,046,021	3,361,088	38,542,735	3,863,252	1,101,607	60,914,703
Net carrying value basis year ended December 31, 2010						
Opening net book value (NBV)	17,340,766	4,574,003	36,531,963	4,617,451	1,416,196	64,480,379
Addition (At Cost)	-	70,750	9,176,235	422,347	525,115	10,194,447
Disposal	-	-	(3,550,484)	-	-	(3,550,484)
Depreciation	(1,734,076)	(690,528)	(5,745,305)	(724,198)	(516,955)	(9,411,062)
Closing net book value	15,606,690	3,954,225	36,412,409	4,315,600	1,424,356	61,713,280
Gross carrying value basis as at December 31, 2010						
Cost	30,218,901	11,193,227	68,961,664	11,660,956	5,465,746	127,500,494
Accumulated depreciation	(14,612,211)	(7,239,002)	(32,549,255)	(7,345,356)	(4,041,390)	(65,787,214)
Net book value	15,606,690	3,954,225	36,412,409	4,315,600	1,424,356	61,713,280
Depreciation rate per annum	10%	15%	15%	15%	30%	

Intengible Assets	Computer Software	Total

13.2 Intengible Assets

	Computer Software	Total
Net carrying value basis year ended December 31, 2011		
Opening net book value (NBV)	2,945,843	2,945,843
Addition (At Cost)	531,980	531,980
Disposal	-	-
Amortization	(1,159,274)	(1,159,274)
Closing net book value	2,318,549	2,318,549
Gross carrying value basis as at December 31, 2011		
Cost	3,477,823	3,477,823
Accumulated amortization	(1,159,274)	(1,159,274)
Net book value	2,318,549	2,318,549
Amortization rate per annum	33%	
Net carrying value basis year ended December 31, 2010		
Opening net book value (NBV)	-	-
Addition (At Cost)	2,945,843	2,945,843
Disposal	-	-
Amortization	-	-
Closing net book value	2,945,843	2,945,843
Gross carrying value basis as at December 31, 2010		
Cost	2,945,843	2,945,843
Accumulated amortization	-	-
Net book value	2,945,843	2,945,843

13.3 Disposal of Assets - by Negotiation

S. No.	Description of Assets	Original Cost	Accumulated Depreciation	Written Down Value	Sale Proceed	Gain / (Loss)	Sold to
	MOTOR CARS						
1	TOYOTA-COROLLA-RIX-8554	92,280	64,715	27,565	375,000	347,435	MANSOOD ALI SIDDQI, HOUSE NO C-104,BLOCK L, NORTH NAZIMABAD, KARACHI.
2	SUZUKI KHYBER-ACD-13	240,000	61,500	178,500	200,000	21,500	M WASAQ POLANI S/O WAHAB POLANI HOUSE NO D-26/01 DAWOOD PTV STATION KARACHI
3	HONDA VTI -APD-263	1,599,805	781,071	818,734	818,734	-	CLAIM
4	HONDA CITY-LZT-0306	835,000	566,979	268,021	800,000	531,979	NAZRAN (PVT) LTD, 22KM OFF FEROZPUR ROAD NEAR, ROHI NALA KARACHI
5	SUZUKI BALENO LZP-1290	801,310	533,606	267,704	350,000	82,296	IRFAN NAZIR, AHMED STREET, CHEEMA MASJID, SHADMAN COLONY, GUJRAT
6	SUZUKI MEHRAN LXW-7426	47,400	32,495	14,905	139,104	124,199	SAFWAN ZAINUABBID,HOUSE NO G-313, UGOKI MODEL TOWN, SIALKOT
7	TOYOTA COROLLA-LXY-6111	857,700	693,169	164,531	700,000	535,469	SYED ISMAIL SHAH, SHAH HOUSE, MUHAMMAD NAGAR, PINDI KOHAT, KOHAT
8	HONDA CITY-LRR-152	896,220	674,537	221,683	375,000	153,317	ALLAH BHATTI, MAIN STREET, NOOR ISLAM LINE, KAMONKI, KASSOKI ROAD, GUJRAWALA
9	SUZUKI ALTO-LEC-8136	504,000	240,909	263,091	450,000	186,909	M. IFTIKHAR MUGHAL, HOUSE NO. 134/8, STREET NO 35, GILLANI, MUSTAFABAD, LAHORE
10	D-COURE-FDZ-7177	398,000	311,234	86,766	86,766	-	CLAIM
11	SUZUKI KHYBER-LXH-8945	33,300	27,939	5,361	245,000	239,639	MAHAMMAD JAWED IQBAL, HOUSE NO. 698, STREET NO. 3, CHOWK BHATTI, JARANWALA, FAISALABAD
12	SUZUKI KHYBER-FDR-4340	195,000	175,578	19,422	195,000	175,578	TAHIR HABIB S/O HABIBULLAH, HOUSE NO 260/1, NAWAZ COLONY, JARANWALA, FAISALABD
13	SUZUKI BALENO FDW-5680	750,800	674,513	76,287	130,000	53,713	MUSHTAQ AHMED, HOUSE NO. 1364-B, PEOPLE COLONY, FAISALABAD
14	SUZUKI CULTUS-R-1229	641,501	435,591	205,910	325,000	119,090	SOHAIL NIAZI S/O A SALAM NAZI, FLAT NO 77 SECTOR L-2 PHASE 3, HAYATBAD PESHAWAR
15	HONDA CITY -MLA-7549	920,000	700,150	219,850	400,000	180,150	CLAIM
16	SUZUKI KHYBER -RNK-792	371,000	342,969	28,031	100,000	71,969	MUHAMMAD ILYAS, HOUSE NO 35, MUSLIM ROAD, LAHORE
17	TOYOTA COROLLA-LZO-9073	869,500	590,406	279,094	450,000	170,906	MUHAMMAD BASHIR S/O TALIB, CHAK NO. 525/E.B., BUREWALA DISTT., VEHARI
	MOTOR CYCLES						
18	STAR - KBJ-9267	42,000	25,768	16,232	10,000	(6,232)	MUKHTAR AHMED S/O A SATTAR KAHN, HOUSE NO KMC-57, A-H-479, ORANGI TOWN, SECTOR NO. 10, KARACHI.
19	HONDA-125 LZM-7258	71,000	45,420	25,580	45,000	19,420	AHSAN RASHID, HOUSE NO 128, STREET NO. 2, LAREX COLONY, ALLMA IQBAL ROAD, LAHORE
20	HONDA-FDY-6439	68,500	58,391	10,109	10,200	91	MOHAMMAD AYUB S/O HANIF DHEDHI, HOUSE NO 10, PRIME 1 BINDING, SHARIFABAD, BAHADURABAD, KARACHI
21	HONDA FDZ-7139	70,500	57,732	12,768	17,000	4,232	MUHAMMAD SALEEM, HOUSE NO 20/1, JAT LINE, LINES AREA, NEAR GOVT SCHOOL KARACHI
22	YAMAHA FDY-9839	66,835	54,955	11,880	15,000	3,120	SHAHID MEHMOOD S/O MAQBOOL HUSSAIN, HOUSENO 66, SAMANABAD, BLOCK 6, FAISALABAD
23	HONDA FSB-3658	58,500	46,237	12,263	23,000	10,737	ADEEL S/O NOOR MOHAMMAD, HOUSE NO 1151 BLOCK 3, HUUASSINABAD F.B.AREA KARACHI
24	HONDA FSC-6196	58,500	43,171	15,329	23,500	8,171	M SALEEM ANSARI HOUSE NO S/6-3, PAK MODERN COLONY, MANGHOPIR ROAD, KARACHI
25	HONDA STT-7598	56,300	32,789	23,511	1,822	(21,689)	QAISER MEHMOOD, KOT MUNDIAWALA, SIALKOT
	TOTAL 2011	10,544,951	7,271,824	3,273,127	6,285,126	3,011,999	
	TOTAL 2010	7,606,670	4,056,186	3,550,484	4,957,000	1,406,516	

14 EXPENSES

	Note	2011 Rupees	2010 Rupees
Salaries,Wages and Other Benefits	14.1	61,899,346	58,199,971
Rent, Taxes, Electricity, Gas e.t.c.		6,574,217	5,785,636
Communication		3,863,936	4,064,387
Printing & Stationery		2,934,589	1,700,066
Travelling and Entertainment		4,334,792	3,786,921
Repair & Maintenance		2,822,863	2,399,570
Advertisement and Sales promotion		4,259,643	4,655,601
Depreciation		9,066,505	9,411,063
Amortization of Computer Software		1,159,274	-
Auditor's Remuneration	14.2	275,000	225,000
Fees And Subscription		3,635,943	6,958,579
Worker's Welfare Fund		1,630,415	1,156,826
Director's Fee		155,000	180,000
Gift and Donations		83,680	205,120
Bonus to Staff		5,099,575	4,817,513
Vehicle Running and Maintenance		14,656,639	19,140,361
Zakat		-	285,000
Others		5,460,706	7,346,320
Books and Periodicals		184,213	161,462
Legal and Professional		396,299	301,060
Total	14.3	128,492,635	130,780,456

14.1 Included in salaries,wages and benefits are Rs 1,811,988 (2010:1,672,033) in respect of provident fund contribution by the company

14.2 Auditors` remuneration

	2011 Rupees	2010 Rupees
i. Annual audit fees	250,000	200,000
ii. Half yearly review fees	25,000	25,000
	275,000	225,000

14.3 Expenses are allocated as under

	2011 Rupees	2010 Rupees
Mangement expenses	99,150,239	99,461,615
General & administrative expenses	29,342,396	31,318,841
	128,492,635	130,780,456

15 OTHER INCOME

	2011 Rupees	2010 Rupees
Income from non fincancial asset:		
Profit on sale of tangible fixed assets	3,011,999	1,406,516
	3,011,999	1,406,516

16 PROVISION FOR TAXATION

	2011 Rupees	2010 Rupees
Current Year	6,500,000	8,264,529
Prior Year	-	(3,514,529)
	6,500,000	4,750,000

		2011 Rupees	2010 Rupees
16.1	**Reconciliation of Tax charge**		
	Profit for the year before taxation	82,544,413	56,684,488
	Tax at the applicable rate of 35%	28,890,544	19,839,571
	Capital gain exempt from tax	(14,511,905)	(8,174,537)
	Tax effect of dividend income taxed at lower rate	(8,565,717)	(5,055,708)
	Prior year	-	(3,514,529)
	Others	687,078	1,655,203
	Charge for the current year.	6,500,000	4,750,000

The applicable tax rate is 35% (2010: 35%)

17 EARNINGS PER SHARE

		Note	2011 Rupees	2010 Rupees
17.1	**Basic earnings per share**			
	Profit after tax for the year		76,044,413	51,934,488
	Weighted average number of shares	17.1	31,893,972	31,893,972
	Earnings per share		2.38	1.63

17.1.1 The comparative figures of weighted average number of ordinary shares and earnings per share have been restated from 25,200,175 to 31,893,972 and Rs. 2.06 to Rs. 1.63 respectively as a result of bonus shares issued by the Company during the year.

		Number of Shares
17.1	**Weighted Average Number of Ordinary Shares**	
	Opening Balance as at January 01,	25,200,175
	Bonus shares issued for the year ended December 31, 2010	3,150,022
	Issuance of Interim Bonus shares during the year	3,543,775
	Closing balance as at December 31	31,893,972

17.2 Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at December 31, 2011 and December 31, 2010 which would have any effect on the earnings per share if the option to convert is exercised.

18. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees
Fees	-	-	155,000	180,000	-	-
Managerial Remuneration	3,435,600	3,435,600	-	-	3,872,700	3,505,500
Bonus	858,900	639,000	-	-	926,775	789,675
Rent	1,546,020	1,546,020	-	-	1,741,200	1,574,400
Others	171,780	171,780	-	-	2,198,772	1,985,292
T O T A L	6,012,300	5,792,400	155,000	180,000	8,739,447	7,854,867
Number of Persons	1	1	10	10	6	6

18.1 Chief Executive and executives of the Company are provided with Company's maintained Car and residential telephone.

19 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise companies with common directorship, group companies, key management personnel and retirement benefit fund, remuneration to the key personnel are included in note 18 to these financial statements and are determined in accordance with the terms of their appointments.

Associated undertakings and others

	2011 Rupees	2010 Rupees
Premium Underwritten	52,480,932	40,532,890
Premium Collected	60,725,376	30,245,220
Claims Paid	20,484,952	16,820,157
Dividend Received	614,113	351,608

20 SEGMENT REPORTING

Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirement of Insurance Ordinacne, 2000 and the SEC (Insurance) Rules, 2002. The following table presents information regarding segment assets, liablities as at December 31, 2011 unallocated capital expenditure and non-cash expenses during the year:

	Fire & Property		Marine		Motor		Miscellaneous		Unallocated		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
REVENUE												
Premium less re-insurance	81,358,804	101,072,280	58,914,315	52,778,747	94,385,890	109,767,438	4,047,273	4,301,262	-	-	238,706,282	267,919,727
Commission	(17,222,650)	(19,912,870)	(8,985,706)	(8,085,569)	(13,673,620)	(16,053,894)	1,891,603	3,953,354	-		(37,990,373)	(40,098,979)
TOTAL	64,136,154	81,159,410	49,928,609	44,693,178	80,712,270	93,713,544	5,938,876	8,254,616	-	-	200,715,909	227,820,748
Segment result	20,840,744	35,907,712	9,529,783	5,289,563	(16,558,450)	(15,233,783)	1,431,428	5,965,893	-	-	15,243,505	31,929,385
Investment Income									94,084,797	54,860,926	94,084,797	54,860,926
Other Income									3,011,999	1,406,516	3,011,999	1,406,516
Financial Charges									(453,492)	(193,498)	(453,492)	(193,498)
General and administration expenses									(29,342,396)	(31,318,841)	(29,342,396)	(31,318,841)
									67,300,908	24,755,103	67,300,908	24,755,103
Profit before tax											82,544,413	56,684,488
Provision for Taxation									6,500,000	4,750,000	6,500,000	4,750,000
Profit After tax											76,044,413	51,934,488
OTHER INFORMATION												
Segment assets	137,015,456	141,396,189	99,216,942	73,835,415	158,954,227	153,560,377	6,815,967	6,017,298	-	-	402,002,592	327,045,797
Unallocated corprate assets									642,064,692	576,413,418	642,064,692	576,413,418
Consolidated corporate assets											1,044,067,284	903,459,215
Segment liabilities	202,249,430	200,782,357	146,454,791	95,268,404	234,633,396	277,438,513	10,061,095	8,161,617			593,398,712	528,827,216
Unallocated corporate liabilities									107,491	115,331	107,491	115,331
Consolidated corporate liabilities											593,506,203	528,942,547

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, liquidity risk and market risk (including interest/ mark-up rate risk and price risk). The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance. The Company actively monitors the key factors that affect stock market. The Company consistently manages its exposure to financial risk in the manner described in notes below.

21.1 Credit risk

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

21.1.1 Exposure to credit risk

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

	Note	2011 Rupees	2010 Rupees
Financial assets			
Cash & bank deposits	9	79,824,276	57,541,734
Loans to employees	10	921,589	755,614
Investments	11	346,464,839	290,478,456
Premiums due but unpaid	12	224,582,758	186,919,203
Amounts due from other insurers / reinsurers		4,525,770	4,659,779
Accrued investment income		5,412,912	3,790,906
Reinsurance recoveries against outstanding claims		136,531,530	98,242,108
Sundry receivables		598,432	746,971
Gross financial assets		798,862,106	643,134,771
Not past due		690,040,809	597,164,745
Past due but not impaired		108,821,297	45,970,026
Past due and impaired		(14,791,186)	(15,873,679)
Net financial assets		784,070,920	627,261,092

Age analysis of financial assets are follows:

2011	Upto 1 Year	1 - 2 Years	2 - 3 Years	Over 3 Years	Total
	Rupees				
Deposits with Banks	79,824,276	-	-	-	79,824,276
Loans to employees	921,589	-	-	-	921,589
Investments	232,649,712	33,285,518	57,542,809	22,986,800	346,464,839
Premiums due but unpaid	173,124,482	40,451,625	1,006,651	10,000,000	224,582,758
Amounts due from other insurers / reinsurers	3,758,464	89,444	35,576	642,286	4,525,770
Accrued investment income	5,412,912	-	-	-	5,412,912
Reinsurance recovery against outstanding claims	34,203,942	53,230,788	25,572,471	23,524,329	136,531,530
Sundry receivable	101,257			497,175	598,432
	529,996,634	127,057,375	84,157,507	57,650,590	798,862,106

2010	Upto 1 Year	1 - 2 Years	2 - 3 Years	Over 3 Years	Total
			Rupees		
Deposits with Banks	57,541,734	-	-	-	57,541,734
Loans to employees	755,614	-	-	-	755,614
Investments	214,752,921	14,380,112	3,908,480	57,436,943	290,478,456
Premiums due but unpaid	161,661,079	14,612,915	645,209	10,000,000	186,919,203
Amounts due from other insurers / reinsurers	3,503,435	115,555	354,671	686,118	4,659,779
Accrued investment income	3,790,906	-	-	-	3,790,906
Reinsurance recovery against outstanding claims	22,990,847	35,457,932	29,090,465	10,702,864	98,242,108
Sundry receivable	164,752	-	-	582,219	746,971
	465,161,288	64,566,514	33,998,825	79,408,144	643,134,771

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

	Rating Short term	Rating Long term	Rating Agency	2011 Rupees	2010 Rupees
Habib Bank Limited	A-1+	AA+	JCR-VIS	13,951,102	4,968,621
National Bank of Pakistan	A-1+	AAA	JCR-VIS	3,564,214	17,620
MCB Bank Limited	A1+	AA+	PACRA	35,921,679	18,020,867
Allied Bank of Pakistan Limited	A1+	AA	PACRA	6,870,228	4,311,164
United Bank Limited	A1+	AA+	JCR-VIS	310,567	570,834
The Royal Bank of Scotland	A1+	AA	PACRA	150	5,984,913
NIB Bank Limited	A1+	AA-	PACRA	388,632	149,365
Bank Alfalah Limited	A1+	AA	PACRA	401,527	64,431
Habib Metropolitan Bank Islamic Limited	A1+	AA-	PACRA	3,000,000	3,000,000
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	433,643	1,169,924
Bank of Punjab	A1+	AA-	PACRA	823,438	3,660,084
Askari Bank Limited	A1+	AA	PACRA	921	921
Albarka Investment Bank	A2	A	PACRA	16,412	16,412
Industrial Development Bank Of Pakistan	-	-	-	11,657	11,657
Bank Al- Habib	A1+	AA+	PACRA	714	988
Faysal Bank Limited	A-1+	AA	PACRA	3,791,277	5,821,095
The Bank Of Khyber	A2	A-	PACRA	51,923	412,834
Soneri Bank Limited	A1+	AA-	PACRA	3,763,759	2,557,218
Arif Habib Bank	A-2	A	JCR-VIS	1,995	1,995
JS Bank Limited	A1	A	PACRA	2,511	103,583
Barclays Bank	A-1+	AA-	Standard & Poor's	29,574	-
State Bank of Pakistan	-	-	-	5,000,000	-
Standard Chartered Bank	A1+	AAA	PACRA	1,388,925	6,549,320
				79,724,848	57,393,846

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 27 October 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 all reinsurance assets relating to outward treaty cessions recognised by the rating of the entity from which it is due is as follows:

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

	Amount due to other insures / reinsures	Reinsurance recoveries against outstanding claims	Prepaid Reinsurance Premium Ceded	2011	2010
			Rupees		
A or above (including PRCL)	4,142,232	136,531,530	150,788,640	291,462,402	257,460,692
BBB	383,538	-	-	383,538	5,218,999
Total	4,525,770	136,531,530	150,788,640	291,845,940	262,679,691

21.1.2 Concentration of credit risk

Concentration of credit risk occurs 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. Sector-wise analysis of premium due but unpaid at the reporting date was:

	2011 Rupees	2010 Rupees
Sector		
Chemichal & pharmaceutical	16,039,454	13,316,064
Textile composit & garments	35,786,143	20,911,112
Paper & board	17,817,884	31,164,668
Communication & IT	6,195,246	6,758,734
Engineering industry	6,270,487	4,671,422
Sugar Industry	29,418,120	25,626,731
Banks, FI`s & DFI`s	10,975	8,988,170
Cement	2,956,911	2,816,532
Food, oil & edibles	4,625,585	4,476,627
Fertilizer	437,017	82,520
Miscellaneous & others	95,024,936	58,106,623
	214,582,758	176,919,203

21.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due as a result of policyholder benefit payments, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives To guard against the risk, the Company has diversified funding sources and assets are managed with liquidity in mind maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

The following are contractual maturities of financial liabilities:

2011

Financial Liabilities	Carrying amount	Contractual Cash Flows	Less than 1 Year	1 - 2 Years	2 - 5 Years	More than 5 - Years
	(Rupees)					
Provision for outstanding claims	188,020,711	188,020,711	188,020,711	-	-	-
Amounts due to other insurers / reinsurers	57,653,423	57,653,423	57,653,423	-	-	-
Accrued expenses	1,859,270	1,859,270	1,859,270	-	-	-
Unclaimed dividend	107,491	107,491	107,491	-	-	-
Creditors and other accruals	68,551,518	68,551,518	68,551,518	-	-	-
	316,192,413	316,192,413	316,192,413	-	-	-

2010

Financial Liabilities	Carrying amount	Contractual Cash Flows	Less than 1 Year	1 - 2 Years	2 - 5 Years	More than 5 - Years
	(Rupees)					
Provision for outstanding claims	148,990,324	148,990,324	148,990,324	-	-	-
Amounts due to other insurers / reinsurers	49,552,405	49,552,405	49,552,405	-	-	-
Accrued expenses	2,137,978	2,137,978	2,137,978	-	-	-
Unclaimed dividend	115,331	115,331	115,331	-	-	-
Creditors and other accruals	39,974,347	39,974,347	39,974,347		-	-
	240,770,385	240,770,385	240,770,385	-	-	-

21.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect 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. 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.

The Company is exposed to market risk with respect to its investments. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity market. The market risks associated with the Company's business activities are interest rate risk and price risk. The Company is not exposed to material currency risk.

21.3.1 Interest rate risk

Interest rate risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the reporting date, the interest rate profile of Company's interest-bearing financial instruments was:

	Carrying amounts 2011 Rupees	2010 Rupees	2011 Effective interest rates in %	2010
Fixed Rate Instruments				
Government Securities	89,717,825	86,796,601	8.15% - 14.35%	8.15% - 14%
TFC	8,310,184	9,450,418	13%-15%	13%-16%
Term Deposits	25,043,103	25,075,000	6%-12%	12.50%
Variable rate instruments				
Finacial Assets				
TFC	8,310,184	9,450,418	12%-15%	13%-15%
PLS Accounts	32,251,935	380,333	5%-7%	5%-9%

Sensitivity analysis for fixed rate instruments

The Company does not account 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.

Sensitivity analysis for variable rate instruments

If Rate had been 1% higher / lower with all other variables held constant, the impact on the profit before tax for the year would have been Rs.405,621 (2010: Rs 98,308).

21.3.1.1 Maturity profile of financial assets and liabilities

The Company's exposure to interest/mark-up rate risk on its financial assets and liabilities as at December 31, 2011 are summarized as follows:

Description	Interest / Mark-up Bearing				Non-Interest / Non Mark-up Bearing			
	Effective Yield / Mark-up Rate(%)	Maturity upto one year Rs.	Maturity after one year Rs.	Sub Total	Maturity upto one year Rs.	Maturity after one year Rs.	Sub Total Rs.	2011 Total Rs.
Financial Assets								
Investment	8-14%	15,000,000	85,528,009	100,528,009	222,858,526	18,287,118	241,145,644	341,673,653
Premium due but unpaid	-			-	173,124,482	41,458,276	214,582,758	214,582,758
Accrued Invvestment Income	-			-	5,412,912		5,412,912	5,412,912
Amounts Due from other Insurers/ Reinsurers	-			-	3,758,464	767,306	4,525,770	4,525,770
Reinsurance Recovery Against Outstanding Claims					34,203,942	102,327,588	136,531,530	136,531,530
Loans and Sundry Receivables	-			-	1,022,846	497,175	1,520,021	1,520,021
Term deposits	6 - 12.%	25,043,103		25,043,103			-	25,043,103
Balance with banks in transit and in-hand	5-7%	32,251,935		32,251,935	22,529,238		22,529,238	54,781,173
		72,295,038	85,528,009	157,823,047	462,910,410	163,337,463	626,247,873	784,070,920
Financial liabilities								
Provision for Outstanding claims	-	-	-	-	51,591,584	136,429,127	188,020,711	188,020,711
Amounts due to other Insurers/ Reinsurers	-	-	-	-	34,263,989	23,389,434	57,653,423	57,653,423
Creditors and other accruals	-	-	-	-	68,551,518		68,551,518	68,551,518
Unclaimed Dividend	-	-	-	-		107,491	107,491	107,491
		-	-	-	154,407,091	159,926,052	314,333,143	314,333,143

The Company's exposure to interest/mark-up rate risk on its financial assets and liabilities as at December 31, 2010 are summarized as follows:

Description	Interest / Mark-up Bearing				Non-Interest / Non Mark-up Bearing			
	Effective Yield / Mark-up Rate(%)	Maturity upto one year Rs.	Maturity after one year Rs.	Sub Total	Maturity upto one year Rs.	Maturity after one year Rs.	Sub Total Rs.	2010 Total Rs.
Financial Assets								
Investment	7-18%	37,251,469	61,495,552	98,747,021	171,627,773	14,229,983	185,857,756	284,604,777
Premium due but unpaid	-	-	-	-	176,919,203	-	176,919,203	176,919,203
Accrued Invvestment Income	-	-	-	-	3,790,906	-	3,790,906	3,790,906
Amounts Due from other Insurers/ Reinsurers	-	-	-	-	4,659,779	-	4,659,779	4,659,779
Reinsurance Recovery Against Outstanding Claims	-	-	-	-	22,990,847	75,251,261	98,242,108	98,242,108
Loans and Sundry Receivables	-	-	-	-	755,614	746,971	1,502,585	1,502,585
Term deposits	5.12%	25,075,000	-	25,075,000	-	-	-	25,075,000
Balance with banks in transit and in-hand	5-13%	380,333	-	380,333	32,086,401	-	32,086,401	32,466,734
		62,706,802	61,495,552	124,202,354	412,830,523	90,228,215	503,058,738	627,261,092
Financial liabilities								
Provision for Outstanding claims	-	-	-	-	44,345,043	104,645,281	148,990,324	148,990,324
Amounts due to other Insurers/ Reinsurers	-	-	-	-	29,011,822	20,540,583	49,552,405	49,552,405
Creditors and other accruals	-	-	-	-	39,974,347	-	39,974,347	39,974,347
Unclaimed Dividend	-	-	-	-	-	115,331	115,331	115,331
		-	-	-	113,331,212	125,301,195	238,632,407	238,632,407

21.3.2 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 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 securities amounting to Rs. 245,936,830 (2010 Rs.191,731,437) at the balance sheet date.

The Company's strategy is to hold its strategic equity investments for long term. Thus 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 quoted equity securities and implementing strict descipline in internal risk management and investment policies.

The carrying value of investments subject to equity price risk is based on quoted market prices as of the balance sheet date and available for sale equity instruments which are stated at lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirement of the S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan (SECP), in December 2002.

Market prices are subject to fluctuation, consequently, the amount realized by the 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.

Sensitivity analysis

The table below summarizes Company's equity price risk as of 31 December 2010 and 2011 and shows the effects of a hypothetical 10% increase and a 10% 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	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in shareholders equity	Hypothetical increase / (decrease) in profit / (loss) before tax
	(Rupees)				
31-Dec-11	306,933,302	10% increase	337,626,632	19,950,665	30,693,330
		10% decrease	276,239,972	(19,950,665)	(30,693,330)
31-Dec-10	250,087,955	10% increase	275,096,751	16,255,717	25,008,796
		10% decrease	225,079,160	(16,255,717)	(25,008,796)

An increase of 10% in equity prices at the reporting date is restricted to the amount of cost of investment of such securities as per the Company's policy.

21.3.3 Foreign currency risk

Foreign Currency risk is the risk that the fair value of future cash flows of the 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 Pakistani currencies.

21.4 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk that the Company faces under its insurance contracts is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random, and the actual number and amount of claims will vary from year to year from the level established.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

(a) Frequency and severity of claims

Political, environmental, economical and climatic changes give rise to more frequent and severe extreme events (for example, fire, theft, steal, riot and strike, explosion, earthquake, atmospheric damage, hurricanes, typhoons, river flooding, electric fluctuation, terrorism, war risk, damages occurring in inland transit, burglary, loss of cash in safe and cash in transit, travel and personal accident, money losses , engineering losses and other events) and their consequences (for example, subsidence claims). For certain contracts, the Company has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

Insurance contracts which are divided into direct and facultative arrangements are further subdivided into four segments: fire, marine, motor and miscellaneous The insurance risk arising from these contracts is concentrated in the territories in which the Company operates, and there is a balance between commercial and personal properties / assets in the overall portfolio of insured properties / assets. The Company underwrites insurance contracts in Pakistan.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

- The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. The Company has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation). The claims payments are limited to the extent of sum insured on occurrence of the insured event.

- The Company has entered into reinsurance cover / arrangements, with local and foreign reinsurers having good credit rating by reputtable rating agencies, as prescribed by the Securities and Exchange Commission of Pakistan to reduce its exposure to risks and resulting claims. Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional facultative reinsurance arrangements are in place to protect the net account in case of a major catastrophe. The effect of such reinsurance arrangements is that the Company recovers the share of claims from reinsurers thereby reducing its exposure to risk. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional reinsurance arrangements, any loss over and above the said limit would be recovered under non-proportional treaty which is very much in line with the risk management philosophy of the Company.

- In compliance of the regulatory requirement, the reinsurance agreements are duly submitted with Securities and Exchange Commission of Pakistan (SECP) on an annual basis.

- The Company has claims department dealing with the mitigation of risks surrounding claims incurred whether reported or not. This department investigates and settles all claims based on surveyor's report / assessment. The unsettled claims are reviewed individually at least semi-annually and adjusted to reflect the latest information on the underlying facts, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

(b) Sources of uncertainty in the estimation of future claims payment

Claims reported and otherwise are analysed separately. The development of large losses / catastrophes is analysed separately. The shorter settlement period for claims allows the Company to achieve a higher degree of certainty about the estimated cost of claims including IBNR. However, the longer time needed to assess the emergence of a subsidence claim makes the estimation process more uncertain for these claims.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value, reinsurance and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established. The liability comprises amount in relations to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs and a provision for unexpired risks at the end of the reporting period.

Liability in respect of outstanding claims is based on the best estimate of the claims intimated or assessed. In calculating the estimated cost of unpaid claims (both reported and not), the Company estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a prior financial years in relation to such claims) and an estimate based upon actual claims experience using predetermined basis where greater weight is given to actual claims experience as time passes. In estimating the liability for the cost of reported claims not yet paid, the Company considers any information available from surveyor's assessment and information on the cost of settling claims with similar characteristics in previous periods. Claims are assessed on a case-to-case basis separately.

(c) Process used to decide on assumptions

The risks associated with insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. This exposure is geographically concentrated in Pakistan only.

The Company uses assumptions based on a mixture of internal and market data to measure its related claims liabilities. Internal data is derived mostly from the Company's monthly claims reports, surveyor's report for particular claim and screening of the actual insurance contracts carried out to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop related provision for outstanding claims (both reported and non-reported).

The choice of selected results for each accident year in respect of each class of business depends upon the assessment of technique that has been most appropriate to observe historical developments. Through this analysis, the Company determines the need for an IBNR or an unexpired risk liability to be held at each reporting date.

(d) Changes in assumptions

The Company has not changed its assumptions for the insurance contracts as disclosed in above (b) and (c).

(e) Sensitivity analysis

The analysis of exposure described in paragraph (c) above is also used to test the sensitivity of the selected assumptions to changes in the key underlying factors. Assumptions of different levels have been used to assess the relative severity of subsidence claims given past experience. The key material factor in the Company's exposure to subsidence claims is the risk of more permanent changes in geographical location in which Company is exposed.

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

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

	Pre-tax profit		Shareholders equity	
	2011	2010	2011	2010
10% increase in loss				
Fire	(950,181)	(772,997)	(617,618)	(502,448)
Marine	(1,592,788)	(1,981,021)	(1,035,312)	(1,287,664)
Motor	(5,806,612)	(6,819,763)	(3,774,298)	(4,432,846)
Miscellaneous	(282,635)	(69,194)	(183,713)	(44,976)
	(8,632,216)	(9,642,975)	(5,610,940)	(6,267,934)
10% decrease in loss				
Fire	950,181	772,997	617,618	502,448
Marine	1,592,788	1,981,021	1,035,312	1,287,664
Motor	5,806,612	6,819,763	3,774,298	4,432,846
Miscellaneous	282,635	69,194	183,713	44,976
	8,632,216	9,642,975	5,610,940	6,267,934

Concentration of insurance risk

A concentration of risk may also arise from a single insurance contract issued to a particular type of policyholder, within a geographical location or to types of commercial business. The Company minimizes its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

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

The concentration of risk by type of contracts is summarised below by reference to liabilities.

	Gross sum insured		Reinsurance		Net	Net
	2011	2010	2011	2010	2011	2010
	(Rupees '000)					
Fire & Propery	134,534,879	202,783,919	107,773,212	140,475,644	26,761,667	62,308,275
Marine & Aviation	122,998,779	174,308,308	80,508,125	135,689,169	42,490,654	38,619,139
Motor	3,953,129	3,100,771	3,469	-	3,949,660	3,100,771
Miscellaneous.	3,697,642	6,410,008	3,213,222	5,754,486	484,420	655,522
	265,184,429	386,603,006	191,498,028	281,919,299	73,686,401	104,683,707

Claims developments tables

The following table shows the development of claims over the period. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For each class of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at 31 December 2011.

Analysis on gross basis
Accident year

	2007	2008	2009	2010	2011	Total
	(Rupees '000)					
Estimate of ultimate claims cost:						
At the end of accident year	13,318	184,500	113,966	207,095	217,935	736,814
One year later	13,270	136,422	83,337	96,689	-	329,718
Two years later	8,839	151,575	24,878	-	-	185,292
Three years later	8,582	23,806	-	-	-	32,388
Four years later	5,136	-	-	-	-	5,136
Current estimate of cumulative claims	5,136	23,806	24,878	96,689	217,935	368,444
Cumulative payments to date	(1,100)	(7,471)	(4,686)	(64,062)	(110,695)	(188,014)
Liability recognised in the balance sheet	4,036	16,335	20,192	32,627	107,240	180,430
Liability in respect of prior years						7,590
Total liability recognised in balance sheet						188,020

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The fair values of all the financial instruments are estimated to be not significantly different from their carrying values except for quoted investments, fair value of which have been stated in note 11.

23 CAPITAL RISK 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.

In accordance with SECP Circular no. 03 of 2007 of Securities and Exchange Commission of Pakistan (SECP), minimum paid-up capital requirement to be complied with by Insurance Companies at the end of each year are as follows:

	2011 Rupees
Minimum paid up capital	300,000,000

The Company currently meets the paid up capital requirement as required by Securities and Exchange Commission of Pakistan.

24 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on 26th March 2012, have announced Cash Dividiend in respect of the year ended 31st December, 2011, of Rs. 0.75 per share i.e. 7.5% (31 December 2010 NIL) from unappropriated profits. These Financial Statements for year ended 31st December 2011 do not include the effect of appropriations which, will be accounted for subsequent to the year end.

25 NUMBER OF EMPLOYEES

	2011	2010
Number of employees as at year end	246	259

26 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 26th March 2012, by the Board of Directors of the company.

27 CORRESPONDING FIGURES

Corresponding figures have been rearranged and regrouped, wherever necessary for the purpose of comparison and better presentation..

28 GENERAL

Figures have been rounded off to the nearest rupee and thousands of rupee, where specified.

Ismail H. Zakaria Chairman	Mohammad Amin Ahmed Bawany Director	A. Aziz Ayoob Director	A. Razak Ahmed Chief Executive & Managing Director

Karachi 26 March, 2012

Pattern of shareholding form "34" shareholders statistics as at December 31, 2011

No. of Sharehold	From	Share Holding	To	Total Shares Hold
285	1	-	100	6,114
172	101	-	500	47,836
114	501	-	1000	83,540
220	1001	-	5000	532,335
60	5001	-	10000	416,400
39	10001	-	15000	477,836
16	15001	-	20000	287,992
10	20001	-	25000	219,369
9	25001	-	30000	244,456
7	30001	-	35000	224,626
7	35001	-	40000	260,721
3	40001	-	45000	129,837
3	45001	-	50000	141,418
2	50001	-	55000	104,551
4	60001	-	65000	252,539
5	65001	-	70000	334,656
3	70001	-	75000	217,983
1	75001	-	80000	78,750
1	80001	-	85000	84,358
2	85001	-	90000	177,865
3	90001	-	95000	277,097
4	115001	-	120000	460,850
2	125001	-	130000	253,748
2	130001	-	135000	264,735
6	135001	-	140000	827,290
2	145001	-	150000	293,256
1	150001	-	155000	151,528
1	155001	-	160000	155,142
1	160001	-	165000	163,753
1	170001	-	175000	170,826
2	190001	-	195000	386,745
2	200001	-	205000	402,278
1	215001	-	220000	216,004
2	235001	-	240000	479,385
1	240001	-	245000	240,783
1	265001	-	270000	268,666
1	295001	-	300000	297,671
1	315001	-	320000	318,841
1	320001	-	325000	323,271
1	325001	-	330000	325,029
3	335001	-	340000	1,011,826
1	350001	-	355000	352,119
1	390001	-	395000	393,849
1	425001	-	430000	429,331
2	455001	-	460000	913,706
1	485001	-	490000	486,955
1	505001	-	510000	507,092
1	575001	-	580000	575,229
1	595001	-	600000	599,637
1	600001	-	605000	603,609
1	650001	-	655000	652,943
1	730001	-	735000	731,932
1	890001	-	895000	890,862
1	930001	-	935000	931,178
1	960001	-	965000	962,861
1	1020001	-	1025000	1,022,199
1	1180001	-	1185000	1,181,378
1	1245001	-	1250000	1,247,587
1	1345001	-	1350000	1,347,472
1	1915001	-	1920000	1,919,469
1	4530001	-	4535000	4,532,658
1023				31,893,972

S/R No.	Categories of Shareholders	Number of Shareholders	Total Shares Held	Percentage %
1	INDIVIDUALS	987	24,846,262	77.90
2	INVESTMENT COMPANIES	6	516	0.00
3	INSURANCE COMPANIES	1	375	0.00
4	JOINT STOCK COMPANIES	19	5,658,720	17.74
5	FINANCIAL INSTITUTIONS	2	603,876	1.89
6	MODARABAS	1	325,029	1.02
7	OTHERS	4	358,364	1.12
8	COOPERATIVE SOCIETIES	1	10,155	0.03
9	CHARITABLE TRUSTS	1	90,674	0.28
10	MODARABA MANAGEMENT COMPANIES	1	1	0.00
		1023	31,893,972	100.00

Categories of shareholding as at December 31, 2011

Categories of Shareholders	Numbers	Share Held	Percentage %
ASSOCIATE COMPANIES UNDERTAKINGS AND RELATED PARTIES			
First Al-Noor Modaraba	1	325,029	1.02
Anam Fabrics	1	139,416	0.43
Irfan Ashfaq & Co. (Pvt.) Ltd.	1	4,532,658	14.21
NIT / ICP/ IDBP			
Investment Corporation of Pakistan	6	605	0
DIRECTORS, CEO & OTHER SPOUSES AND MINOR CHILDREN	22	9,910,899	31.07
The details are as under:			
MR. ISMAIL H. ZAKARIA	1	323,271	
MR. MOHD. AMIN AHMED BAWANY	1	37,294	
MR. A. AZIZ AYOOB	1	136,445	
MR. IRFAN ZAKARIA BAWANY	1	1,985,060	
MR. MOHD. OMER BAWANY	1	192,079	
MR. ZOHAIR ZAKARIA	1	145,652	
MR. AHMED ALI BAWANY	1	51,323	
MR. NOOR M. ZAKARIA	1	128,471	
MR. ASHFAQ PATEL	1	575,229	
MR. YASIN SIDDIK	1	4,047	
MRS. ZARINA BAI ISMAIL	1	297,671	
MRS. ROSHANARA AMIN	1	599,637	
MRS. MEHRUNNISA A. AZIZ	1	151,528	
MRS. SHEHLA IRFAN	1	1,920,472	
MRS. RUKHSANA BAI OMER	1	652,943	
MRS. AMBREEN AHMED ALI	1	1,247,587	
MRS. SHAHNAZ NOOR MOHAMMAD	1	201,211	
ANAM IRFAN ZAKARIA	1	170,826	
BILAL OMER	1	47,370	
RABEEHA OMER	1	36,676	
ALTAMASH AHMED ALI	1	74,929	
MOIN NOOR MOHAMMAD	1	931,178	
EXECUTIVE	-	-	
PUBLIC SECTOR COMPANIES AND CORP.	-	-	
BANK,DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTION, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS	4	604,163	1.90
JOINT STOCK COMPANIES	17	986,646	3.09
INDIVIDUALS	965	14,935,363	46.83
CHARITABLE TRUST & CO-OPERATIVE SOCIETY	2	100,829	0.32
OTHERS	4	358,364	1.13
TOTAL :-	1,023	31,893,972	100

SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST			
M/s. Irfan Ashfaq & Co. (Pvt.) Ltd.	-	4,532,658	-

Offices

Head Office

"Reliance Insurance House" 181-A, Sindhi Muslim Co-operative Housing Society, Karachi.	PABX Fax E-mail Web	: 34539415-17 : 34539412 : reli-ins@cyber.net.pk. ric-re@cyber.net.pk. : www.relianceins.com
Mr. A. Razak Ahmed Chief Executive & Managing Director	Direct Extension	: 34539413, 34539414 : 204
Mr. Haroon A. Shakoor Chief Accountant & Company Secretary	Direct Extension	: 34539409 : 203
Mr. Syed Rizwan Akhtar Executive Vice President (Operations)		
Mr. M. Amin Bawany Vice President (Marine & Accident)	Direct Extension	: 34557079 : 201
Mr. Muhammad Ishaque Azim Vice President (Fire)	Direct Extension	: 34304068 : 212
Mr. Sadruddin Hussain Vice President (Claims)	Direct Extension	: 34550403 : 208
Mr. Ghulam Mujaddid Chief Manager (Accounts)	Extension	: 205
Mr. Abdul Rahim Patni Deputy Chief Manager (Reinsurance)	Direct Extension	: 34539411 : 215
Mr. Muhammad Saleem Memon Deputy Chief Manager (Investment/shares)	Extension	: 214
Mr. Muhammad Masood Ali Deputy Chief Manager (I.T. Deptt.)	Extension	: 202
Mr. Muhammad Masood Alam Manager (Administration)	Direct Extension	: 34539411 : 206
Mr. Muhammad Shuza Baig Internal Auditor	Extension	: 209

South Zone Offices & Branches

Business Plaza Branch 407, 4th floor, Business Plaza, Off. I.I.Chundrigar Road, Karachi.	Mr. Muhammad Iqbal Dhedhi Executive Vice President	Ph Fax	(021) (021)	32419581, 32419582 32421314, 32421317
Tariq Road Branch Room No. A-2 & A-3, 1st Floor, Rahat Jo Daro, Plot No.172/L, Block-2, PECHS, Main Tariq Road, Karachi.	Mr. Zafar A. Pasha Executive Vice President	Ph Fax	(021) (021)	34527806, 34532427 34525376, 34322642 34522829

Offices

Namco Centre Branch 1-A, 5th Floor, Campbell Street, Karachi.	Mr. Iqbal Umer Bawany Vice President	Ph Fax	(021) (021)	32625716, 32624427 32624783
Land Mark Plaza Branch 405, 4th Floor, Land Mark Plaza, Off. I. I. Chundrigar Road, Karachi.	Mr. Muhammad Reza Rajani Assistant Vice President	Ph Fax	(021) (021)	32628777, 32628778 32628779
M. A. Jinnah Road Branch 101, Japan Plaza, M. A. Jinnah Road, Karachi.	_	Ph Fax	(021) (021)	32727076, 32729961 32722601
Hyderabad Branch 1st Floor, Al-Falah Chamber, Tilak Road, Hyderabad.	Mr. Abdullah Ahmed Regional Manager	Ph Fax	(022) (022)	2615774 2623029

North Zone Offices & Branches

Zonal Office, Lahore (North Zone) 4th Floor, Gardee Trust Building. No.2, Napier Road, Lahore.	Mr. Sh. Khushnood Ashraf Executive Vice President	PABX Direct Fax	(042) (042) (042)	37239063, 37353292 37234255, 37351353 37354689 37312526
Regional Office, Lahore 90-A/3, 1st Floor, Canal Park, Gulberg-II, Lahore.	Mr. Basharat M. Barlas Senior Executive Vice President	Ph Fax	(042) (042)	35761077, 35761078 35763446, 35763447 35761235
Gulberg Branch House No.17-A, Block-E/1, Gulberg-III, Lahore.	Mr. Tehseen Ahmed Khan Executive Vice President	Ph Fax	(042) (042)	35752245, 35752989 35751971, 35756557 35756217
Al-Rehman Branch 2nd Floor, Al-Rehman Building, Regal Cinema Lane, 65, The Mall, Lahore	Mr. Nisar Ahmed Chughtai Senior Vice President	Ph Fax	(042) (042)	37323113, 37322473 37354848 37247925
Eden Centre Branch 321, Eden Centre, 43 Ghausal Azam Road, (Jail Road) Lahore.	Mr. Ch. H.S. Asghar Vice President	Ph Fax	(042) (042)	37599277, 37599377 37589669 37576032
Garden Town Branch Suit No.17, 1st Floor, Shan Arcade, New Garden Town, Lahore.	Mr. Basit Anwar Butt Executive Vice President	Ph Fax	(042) (042)	35889258, 35889259 35889260
Khan Plaza Branch 4th Floor, Khan Plaza, G. T. Road, Gujranwala.	Mr. Sohailuddin Zafar Assistant Vice President	Ph Fax	(055) (055)	4215422, 4216422 4448139
Model Town Branch 438/1-B, Mini Market, Model Town, Gujranwala.	Mr. Amjad Rafique Dhillo Branch Manager	Ph Fax	(055) (055)	3254415, 3840750 3253086

Offices

Gujrat Branch Marhaba Tower (Top Floor) Opp. Ram Piary Mahal Near Fawara Chawk,. Gujrat.	Mr. Muhammad Nawaz	Ph	(053)	3522127
Faisal Complex Branch 3rd Floor, Faisal Complex, Bilal Road, Civil Lines, Faisalabad.	Mr. A. Majeed Abid Vice President	Ph Fax	(041) (041)	2611938, 2611939 2626480 2621033
Taj Plaza Branch Room No.16, 2nd Floor, Taj Plaza, Kotwali Road, Faisalabad.	Mr. Muhammad Akhlaq Vice President	Ph Fax	(041) (041)	2617277, 2622182 2615922 2412010
Rawalpindi Branch 3,3rd Floor, United Plaza, Shamsabad, Murree Rd. Rawalpindi.	Mr. Abdul Karim Siddiqi Vice President	Ph Fax	(051) (051)	5700223, 5523260 5514384
Peshawar Branch T-3 & 4, Bilour Shopping Plaza, 3rd Floor, Saddar Road, . Peshawar Cantt.	Mr. Abdul Salam Niazi Vice President	Ph Fax	(091) (091)	5274617, 5277328 5250830 5284683
Regional Office Multan 1st Floor, 5-Commercial Plaza, Opp. Civil Hospital, Abdali Road, Multan.	Mr. Syed Mohsin Bukhari Assistant Manager	Ph Fax	(061) (061)	4517349 4510049
Khanpur Branch Old Ghalla Mandi, Khanpur, Distt. Rahimyar Khan.	Mr. Abdul Razzak Choudhry Vice President	Ph Fax	(068) (068)	5572772 5572772
Hasilpur Branch 27-B, 1st Floor, Main Bazar, Hasilpur.	Mr. Muhammad Shafi Anjum Vice President	Ph Fax	(062) (062)	2442473 2448073
Sialkot Branch Room No.4 & 5, 1st Floor, Mughal Plaza, Kutchery Road, Sialkot.	Mr. Ghulam Rasool Farrukh Zahidi Branch Manager	Ph Fax	(052) (052)	4296075, 4296076 4296077
Gojra Branch P-132, Post Office Road, Gojra.	Mrs. Shahnaz Akhtar Branch Manager	Ph Fax	(046) (046)	3511917 3513111
Rahimyar Khan Gulshan-e-Iqbal	Mr. Shamsul Haq Chaudhry Resident Representative	Ph Cell	(068)	5887770 0300-8717172
Sukkur Minara Road, Sukkur	Mr. Anees Memon Resident Representative Sukkur	Ph Cell	(071)	5622619 0300-3138090

Proxy Form

I/We ____

Of ______________________ being a Member of Reliance Insurance Company Limited

and holder of ______________ Ordinary Shares as per Share Register Folio No. ______________

(Number of Shares)

And/ or CDC Participant I.D. No. __________ and investor Account/ Sub Account No. __________

hereby appoint ____

of ____

or falling him ____

of ____

as my proxy to vote for me on my behalf at the annual general meeting of the Company to be held on Monday, the 30th April, 2012 and at any adjournment thereof.

Signed this ______________ day of ______________ 2012.

Witnesses:

1. Signature: ______________
   Name: ______________
   Address: ______________
   CNIC No. Or Passport No. ______________

2. Signature: ______________
   Name: ______________
   Address: ______________
   CNIC No. Or Passport No. ______________

____
Signature

Please
Affix
Rs. 5/-
Revenue
Stamp

(Signature should agree with the Specimen signature registered with the company)

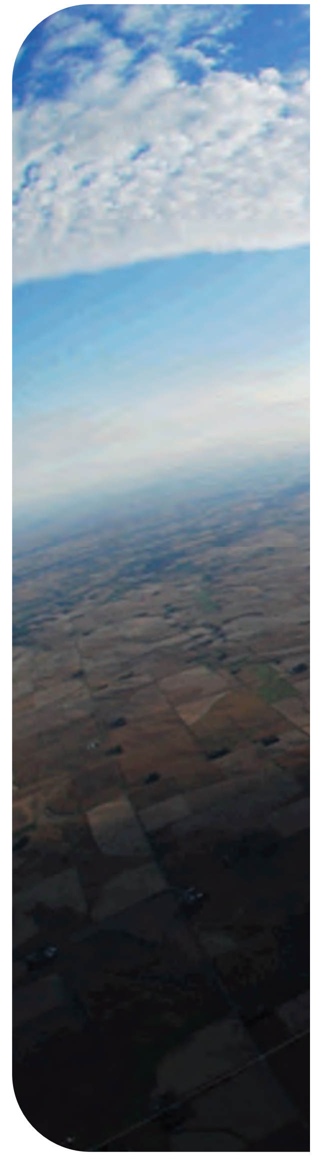
Note:

1. This form of Proxy, duly completed, must be deposited at the company's Head Office at Reliance Insurance House, 181-A, Sindhi Muslim Co-Operative Housing Society, Karachi, not later than 48 hours before the time appointed for the meeting.

2. CDC shareholders and their Proxies are each requested to attach attested photocopy of their computerized National Identity Card or Passport with this proxy form before submission to the company.

3. No Person shall act as proxy unless he/she is a member of the Company.

4. CDC Shareholders or their Proxies are requested to bring with them their Original Computerized National Identity Card or Passport along with the Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.



Reliance Insurance Company Limited

181-A, Sindhi Muslim Co-operative Housing Society,
Karachi-74000.