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Quarterly

Insurance Journal

July, August, September 2011



Prof. Dr. Muhammad Mansoor Ahmed

Executive Vice President
Mohammad Ali Jinnah University

SPEAKS

**New Insurance
Commissioner**



M. Asif Arif

Student's Corner



- How Insurance Policy Works
- Become an Opportunity Attractor



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Creative Accounting

Insurance Industry Analysis 2010

Health Microinsurance Bangladesh

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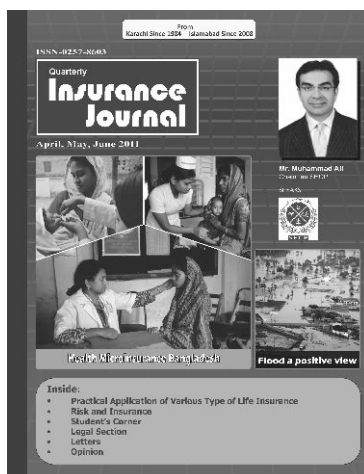
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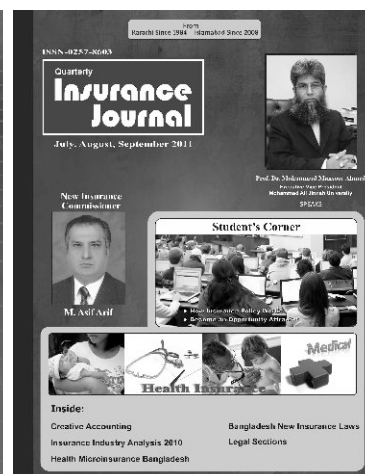
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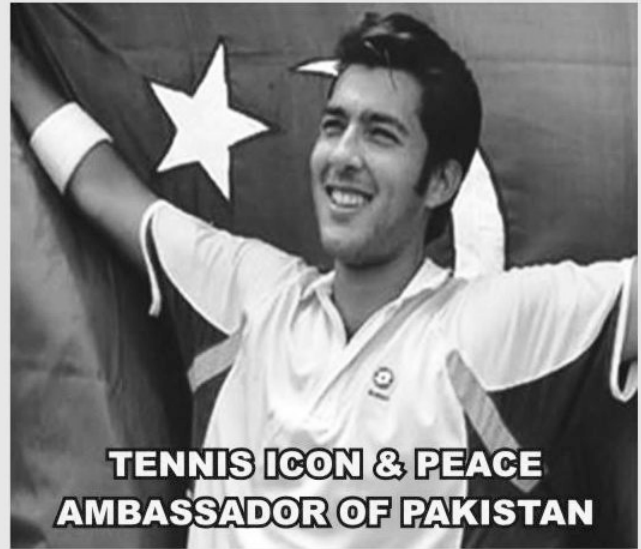
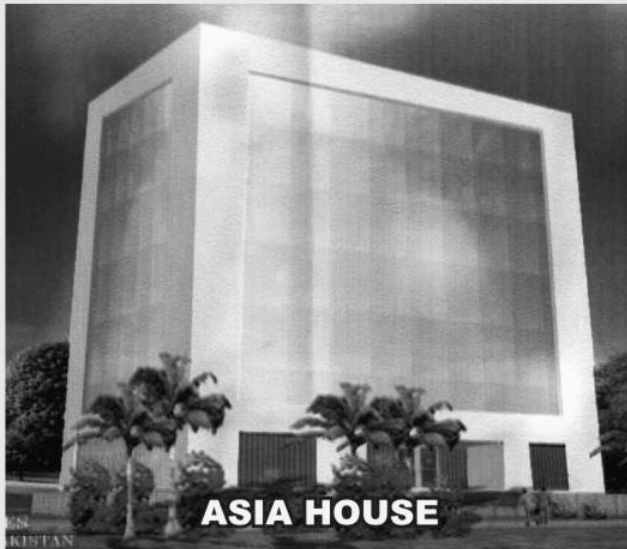
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INSURANCE SECTOR ON KARACHI STOCK EXCHANGE

(Quarter: July, August, September 2011)

Company	Paid up Capital (Rs. In Million)	Face Value Rs	Highest Rate Rs	Lowest Rate Rs	Turnover of Share	Announcement During the Quarter
Adamjee Ins. Co. Ltd.	1,237	10.00	75.00	62.00	11,862,370	
American Life Ins. Co. Ltd.	500	10.00	18.00	15.00	229,808	
Asia Ins. Co. Ltd.	250	10.00	15.00	13.00	792	Right Issue = 20%
Askari General Ins. Co. Ltd.	280	10.00	12.49	8.11	150,599	
Atlas Ins.	443	10.00	29.25	26.00	391,134	
Beema Pakistan Co. Ltd.	417	10.00	-	-	-	
Business & Industrial Ins. Co.	86	10.00	-	-	-	
Central Insurance Co. Ltd.	391	10.00	115.00	63.06	260,399	
Century Ins. Co. Ltd.	457	10.00	10.85	8.00	632,893	
Crescent Star Ins. Co. Ltd.	121	10.00	4.68	2.02	14,599	
Dadabhoj Ins.Co.Ltd.	50	10.00	-	-	-	
Delta Ins. Co. Ltd.	40	10.00	-	-	-	
EFU General Ins. Co.	1,250	10.00	39.65	29.01	1,362,174	
East West Ins. Co. Ltd.	251	10.00	-	-	-	
East West Life Assurance Co. Ltd.	500	10.00	2.49	1.11	25,088	
EFU Life Assurance Ltd.	850	10.00	73.25	50.70	679,012	
Habib Ins. Co. Ltd.	450	10.00	16.05	10.95	1,003,517	
Hallmark Ins.	5	10.00	-	-	-	
IGI Ins. Ltd.	970	10.00	103.00	65.10	1,619,457	Dividend = 10%
Ittefaq General Ins. Co. Ltd.	10	10.00	-	-	-	
New Jubilee Life Ins. Co. Ltd.	627	10.00	58.75	44.00	654,090	
New Jubilee Ins. Co. Ltd.	989	5.00	74.90	51.16	166,489	
Pakistan General Ins. Co. Ltd.	275	10.00	8.77	5.05	60,733	Bonus Issue = 10%
Pakistan Guarantee Ins. Co. Ltd.	25	10.00	-	-	-	
Pakistan Northern Ins. Co. Ltd.	8	10.00	-	-	-	
Pakistan Re Ins. Co. Ltd.	3,000	10.00	20.80	12.43	72,171,583	Dividend = 30%
PICIC Ins.	350	10.00	15.25	7.08	177,953	
Platinum Ins. Co. Ltd.	120	10.00	-	-	-	
Premier Ins. Co. Ltd.	303	5.00	12.72	8.00	889,751	Dividend = 25%
Progressive Ins. Co. Ltd.	85	10.00	-	-	-	
Reliance Ins. Co. Ltd.	284	10.00	7.70	5.76	250,879	
Shaheen Ins. Co. Ltd.	250	10.00	14.49	11.50	39,209	
Silver Star Ins. Co. Ltd.	291	10.00	7.00	4.21	242,463	
Standrad Ins. Co. Ltd.	8	10.00	-	-	-	
Sterling Ins. Co. Ltd.	5	10.00	-	-	-	
Union Ins. Co. Ltd.	82	10.00	-	-	-	
United Ins. Co. Ltd.	496	10.00	8.49	4.23	524,836	
Universal Ins. Co. Ltd.	263	10.00	3.42	1.32	98,050	



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Prof. Dr. Muhammad Mansoor Ahmed

**Executive Vice President
Mohammad Ali Jinnah University**

SPEAKS

Prof. Dr. M M Ahmed received the MS degree in electronics from Quaid-e-Azam University, Islamabad, Pakistan, in 1987, the M. Phil. degree in microelectronics from Punjab University, Lahore, Pakistan, in 1990, and the PhD degree in microelectronics from Cambridge University, U.K., in 1995. From 1987 to 1988, he worked with the Pakistan Atomic Energy Commission, Islamabad as a Scientific Officer where he was involved in instrumentation and design. From 1991 to 1992, he worked as a Research Assistant in Cavendish Laboratory, Cambridge on MMICs.

In 1996, Dr. Ahmed joined Ghulam Ishaq Khan (GIK) Institute of Engineering Sciences and Technology, Topi, Pakistan, as an Assistant Professor in the Faculty of Electronic Engineering, and remained involved actively in teaching and research. From 1996 to 2004, he was rated consistently as an outstanding professor of GIK Institute. In 1999, he was promoted to the rank of Associate Professor in the Faculty of Electronic Engineering and was also assigned the additional responsibility of Dean of the Faculty. In 2004 he joined Mohammad Ali Jinnah University as Dean Faculty of Engineering and Applied Sciences where he is currently working as Executive Vice President of the University.

Dr. Ahmed was a member of organizing committees for the 2nd and 4th IEEE International Multitopic Conferences (INMICs) held in Islamabad in 1997 and 2000, respectively. He was conference chair for INMIC 2003 and 2006. He was chair technical committee for International Conference on Machine Vision, 2007, and International Conference on Emerging trend in Engineering Education, 2007. He has been an invited speaker and session chair in many conferences and symposia.

Dr. Ahmed has authored more than 70 research papers in the field of high frequency device fabrication, characterization, organic semiconductor and control. His current research interests include modeling and simulation of high-frequency GaAs devices, MMIC's and high conducting polymers.

Dr. Ahmed is a chartered engineer from UK and fellow of Institution of Electrical Engineer, UK. He was awarded title of European Engineer (Euro Ing) in 2002 by European Federation. He is life member of IEEE electron devices, USA and IEEE microwave theory and technique society, USA. He is member of IEEE Communication and Computer Societies.

Insurance Journal provided questions to Executive Vice President M.A.Jinnah University Prof Dr. Muhammad Mansoor Ahmed. Reproduced below are the questions of the IJ and the answers of Prof Dr. Muhammad Mansoor Ahmed.

Insurance Journal: *When was Mohammad Ali Jinnah University chartered? It has two campuses one in Islamabad and one in Karachi. Are they both under one charter or separate?*

E.V.P

M.A.Jinnah University Mohammad Ali Jinnah University was established in 1998 by the Government of Sind as a comprehensive institution with an authority to award earned and honorary degrees at all levels. The institution was named Mohammad Ali Jinnah University to pay tribute to the Father of the Nation and to realize his dream of providing quality education to the youth of Pakistan. It has twin campuses. Both campuses of the University are operating under one

charter. The Islamabad Campus was started in capital territory with the permission from Higher Education Commission which was then University Grant Commission.

Insurance Journal: *Where do you see the University in next say 10 years? What are its future plans?*

E.V.P

M.A.Jinnah University The University is currently contributing effectively in human resource development imperative for the growth of a country. We believe that in future only those nations of the world will have a decent position in the arena of globe that have sufficient trained human resource to meet the challenges of 21st century. With this vision we are making a conscientious effort in training our students so that they can meet future challenges of the country in particular and the humanity in general. The University is currently engaged in imparting Undergraduate and Graduate Education to a student population of over 6000.

The University Graduate program enrolment is over 800 which speaks by itself that the University is not only engaged in classroom activities but it also puts its due share in R&D activities required for the growth of a country. We are planning to introduce more academic disciplines in the University which can have direct impact on socio-economic growth of the country. In near future we shall, Insh'Allah, be adding the following new programs in the University, i.e.,:

- Finance and Economics
- Engineering Management
- Mechatronics
- Civil Engineering
- Electrical Engineering
- Mathematics

We are very pleased to mention here that the University within such a short span managed to established a very credible graduate program and till to date it has produced over 30 PhDs in the field of Engineering, Computing and Management Sciences in full compliance with HEC requirements.

Insurance Journal: *At present what is the strength of students and what are the subjects it offers and the faculty it has.*

E.V.P

M.A.Jinnah University The University has three Faculties namely:

- (a) Faculty of Computing
- (b) Faculty of Engineering
- (c) Faculty of Management and Social Sciences

We offer BS, MS and PhD degrees in Computer Sciences, Bioinformatics, Electronic Engineering, Mechanical Engineering and Management Sciences.

The total No. of Students at Islamabad Campus is about 3000 and a similar strength is there at Karachi Campus.

Insurance Journal: *Since the establishment of Mohammad Ali Jinnah University what qualitative change this institution has brought in the educational scenario of Pakistan.*

E.V.P

M.A.Jinnah University By the mid-1980s, private educational institutions were allowed to operate on the condition that they comply with government-recognized standards. Until 1991, there were only two recognized private universities in Pakistan whereas in 1997, there were 10 private universities operating in different parts of the country. This number was doubled in 2002. And today there are over 60 private degree granting institutions, which are meeting the ever increasing demand of the masses in the field of higher education. This created a new trend of a healthy competition between the emerging universities, both in public and private sectors. Each one of these seats of higher learning is keenly contesting for a place of higher academic

achievements. There is an all-consuming desire to gain a competitive edge over others.

A prime identify of a university is its faculty and we are proud to claim that Mohammad Ali Jinnah University has premium faculty which holds vast experience, excellent reputation and true dedication. Our highly qualified and committed faculty is duly supported by the best teaching aid and lab facilities and our students are allowed to reach their fullest potential in the finest possible learning environment. Today we have over 3000 Alumni which are contributing in different disciplines and department which is a matter of proud and content for MAJU.

Insurance Journal: *What generally is the response of the job market for the degree holders of M.A. Jinnah University? How many are absorbed in terms of percentage in the national and international markets.*

E.V.P

M.A.Jinnah University The absorption rate of MAJU graduates, in general, in local as well as in foreign markets is very encouraging and it is consistently growing with the passage of time. A good number of our graduate students are perusing their Graduate Studies abroad after attaining their bachelor from here. This shows that our academic norms and standards are compatible and in par with international standards.

In MAJU, the students during their final years of the degree are attached with relevant industry as an internee in order to facilitate their absorption after graduation. This allows approximately a 10% of the graduate to secure job prior to their graduation. Another 10% graduates are absorbed in multinational companies; a small percentage would prefer to start their own SME whereas the reaming bulk would compete to secure a position in public or private which on the average requires 4-6 months.

Insurance Journal: *What are the main sources of M.A. Jinnah University income. Does it meet all its expenses by its own resources?*

E.V.P

M.A.Jinnah University MAJU is managed and organized by a trust called *Muhammad Ali Jinnah University Trust*. MAJU is a non business venture with a motive to provide quality education in an ethical environment to youth of the country. To accomplish its mission the Trust has provided all necessary infrastructure and academic facilities to the University by spending approximately Rs. 900 Million on the project whereas, the University is managing its current recurring budgetary needs through its own resources.

Insurance Journal: *Research and Development (R and D) is something our society in general seems to averse. There has never been any serious efforts on R and D. The result today is too obvious to comment upon. Your University gives some emphases on R and D. Please comment in terms of obtaining practical and result oriented achievements.*

E.V.P

M.A.Jinnah University At MAJU, we believe that a University is not meant to consume the knowledge only but a prime responsibility of a University should be to enhance and create the knowledge as well. A University should therefore devote reasonably its human and financial resources to R&D activities. We feel satisfied in reporting that at MAJU we have about 10 research groups working in the field of Computing, Engineering, Management and Finance, supervised by the Faculty members. Under these research groups numerous industrial projects are either completed or in active progress. Our Faculty is also actively involved in technological and scientific research. The outcome of which could be assessed in the form of international publications MAJU faculty and research students are producing routinely.

Insurance Journal: *The subject of insurance seems not getting importance at M.A. Jinnah University as is the general perception that no government ever gave insurance the importance and priority it*

should be given. You will agree that insurance is a very serious business, without insurance economy of any size and robust will recoil and weaken. There is yet to be any MBA in Insurance from M.A. Jinnah University.

E.V.P

M.A.Jinnah University There is no doubt in our mind that insurance is a very important aspect of economy and cannot be ignored especially when the uncertainty is high and the business environment is not fully predictable. MAJU as an organization is very cautious to this effect and owing to that our employees, building and equipment have been properly insured in order to meet any eventuality. Knowing its importance the insurance mechanisms available in the country, their policies and salient features are covered in our finance related courses. However, to start a full-fledged MBA degree with the title 'MBA in Insurance' will require a through home work. Because, biasing a degree to a specific subject may reduce the employability of a graduate. But if a reasonable market is there than MAJU will have no hesitation to introduce such a specialty at MBA level.

Insurance Journal: No nation or country can honorably survive without quality education. In Pakistan seriousness on this subject can be gauged by the abysmal amount per capita budgeted on education. There are a very few institutions of excellence which are generally beyond the reach of the middle and poor class of people. We need a complete and total overall of our education system. Please comment.

E.V.P

M.A.Jinnah University In the building of a nation, education plays a pivotal role. Recently, because of private sector education there is a tangible growth in the country academics especially at tertiary level. But keeping in view the total country population only 4% percent people have access to University education. This speaks that with this rate it would be very hard for the country to compete with the developed nations. Recently, the government has improved the status of public sector Universities and its Faculty by providing funds through higher education commission. However, these universities can accommodate very limited number of students and under such scenario the role of private sector universities cannot be overlooked. To boost the education at all levels, i.e., primary, secondary and tertiary levels we would like to urge upon Govt. to allocate at least 5% of gross domestic product to the education sector as is being done in other emerging economies of the world.

Insurance Journal: Is there any government policy on education keeping your scholastic background. What would you recommend to the government.

E.V.P

M.A.Jinnah University It would be unfair if I will not mention here the contribution made by HEC for the promotion of higher education in the country. HEC did a marvelous job in higher education under its different schemes geared towards public sector Universities: like Faculty Development, Infra Structure Development, Labs Development, Foreign Collaborations, PhD Scholarship Programs, and Quality Assurance etc. This is a very encouraging feature for the growth of Higher Education in Pakistan. There is one snag, however, in so far as the treatment to private sector universities is concerned. We urge upon the Government and the HEC to provide incentives and privileges to the private universities in line with those being given to the public sector universities. This will provide a level playing field to the budding private sector universities

Insurance Journal: You are a highly qualified engineer of repute and one who has contributed to the engineering field of Pakistan. What role can your profession contribute towards the upliftment of our country from the present depression?

E.V.P

M.A.Jinnah University The growth of country is highly dependent on technical men power it has. Engineers are known as builder of a nation. Pakistan Engineering education is reasonably sound and accepted globally. The need is that a due emphasis should be provided in our engineering

education to solve our domestic problems and such projects and training should be preferred.

Insurance Journal: *Where did we go wrong as a nation despite tremendous potential and abundant national resource available.*

E.V.P

M.A.Jinnah University There is no doubt that our young fellows have got tremendous potential and the country has got abundant natural resources but still we are far behind than developed countries which as per our assessment could be mainly associated with:

- (a) Lack of vision and policy
- (b) Poor academic system
- (c) Mismanagements
- (d) Lack of integrity and professionalism
- (e) Individualism rather than Nationalism

Insurance Journal: *Today with some exceptions, majority of young people are not serious in attaining knowledge and meaningful learning. Where did and why have they gone astray. How much responsible you feel is because of system, teachers or over exposures of modern technology with negative fallouts. Today no role model for youth is from the field of education. Please comment.*

E.V.P

M.A.Jinnah University I have a firm conviction that education is a life-long pursuit of excellence. One should keep striving toward achieving that goal. As for the students, their goal should not be confined to just earning a degree, nor for attaining a short-term success in career. They should nurture an abiding, all-purpose vision of attaining education for life. We should teach our students not just to target a job market, but to prove as building blocks for national development. More importantly, we should motivate students to become role models for the present and future generations.

An important issue which is either altogether missing or is diminishing from our education system, the ethical and moral dimension of education. As a result, we are producing graduates which may be very sound in their respective fields but morally they are lacking and causing negativity in the society. It is therefore; very important that our academic system should have a balanced approach and equal emphasis should be given to ethical side of our education keeping in mind our cultural social and religious values.

Insurance Journal: *As an educationalist where you want our youth should be among the comity of nation ten years hence. Potential apart please comment on their desire as of today to acquire the skill, knowledge and the guts to deliver san present day chaos, negativism and corruptions of all sorts.*

E.V.P

M.A.Jinnah University Education is not mere a degree one would have on the completion of his/her studies. It is rather a training which should inculcate in an individual:

- (a) morality
- (b) integrity
- (c) professionalism
- (d) social & ethical values

If a graduate does not own these values we feel that he/she is not an educated person. Today most of our graduates are lacking in these values because they consider education as tool to get a degree which would lead to a decent job. But they are forgetting that they can only have a decent status in a society of civilized individuals if they possess decent social values which is ultimate aim of education.



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Creative Accounting:

The Financial Numbers Game

YASIR BIN TARIQ and Dr. SAFDAR A. BUTT

Yasir Bin Tariq is a Ph D scholar at Mohammad Ali Jinnah University, while Dr Safdar A Butt is a professor of Finance and Corporate Governance at the same university.

The purpose of keeping a set of accounting records, and preparing financial statements based on such records, is to give a true and fair view of the affairs of the company to all concerned. The accounting world is full of rules, regulations, codes of ethics, compliance requirements, etc that regulate both the maintenance of accounting records as well as construction of periodical financial statements based on such accounts. However, this does not prevent business people, and the accountants working for them, from producing a set of published accounts that depicts a financial picture of the company which may be legally correct, but fails to convey a true and fair view of the firm's profitability or financial position. Why do they do so, or how do they manage to get away with it in the presence of all the stringent accounting standards, codes,

regulations, compliance requirements in the accounting profession and multiple layers of governance check and balances, has been a subject of considerable debate and research in both academic and financial professional circles for quite a while now. The term Creative Accounting was coined almost half a century ago to refer to the practice of misrepresenting the financial picture of a firm.

Definition of Creative Accounting:

In a book "Corporate Governance (2010)" by one of the co-authors of this article, Creative Accounting has been defined as "a systematic and intentional misrepresentation of the true income and financial position of a business entity to achieve certain objectives". This definition in itself does not suggest that these objectives may always be dishonest, or that the motives of the exercise may always

be deception. However, it does imply that the misrepresentation is carried out while staying within the limits of applicable accounting standards and other pertinent regulations, i.e. by following the letter of the law without observing its true spirit.

There are a number of other terms used to describe the practice of diverging from presenting the true and fair view, e.g. cooking the books, aggressive accounting, massaging the numbers, window dressing, earnings management, etc. Some of these terms were used more commonly and became part of economics literature, while others found only limited acceptance and were confined to only a handful of textbooks or academic papers. The following chart gives an overview of the more commonly used terminology in this regard:

Common Labels for Financial Numbers Game

<i>Term</i>	<i>Definition</i>
<i>Aggressive Accounting</i>	A forceful and intentional choice and application of accounting principles done in an effort to achieve desired results, typically higher current earnings, whether or not the practices followed are in accordance with GAAP.
<i>Earnings management</i>	The active manipulation of earnings toward a predetermined target, which may be set by management, a forecast made by analysts, or an amount that is consistent with a smoother, more sustainable earnings stream
<i>Income Smoothing</i>	A form of earnings management designed to remove peaks and valleys from a normal earnings series, including steps to reduce and "store" profits during good years for use during slower years
<i>Fraudulent financial reporting</i>	Intentional misstatements or omissions of amounts or disclosures in financial statements, done to deceive financial statement users, that are determined to be fraudulent by an administrative, civil, or criminal proceeding.
<i>Creative accounting practices</i>	Any and all steps used to play the financial numbers game, including the aggressive choice and application of accounting principles, fraudulent financial reporting, and any steps taken toward earnings management or income smoothing.

Source: *The Financial Number Game* by Charles W. Mulford & Eugene E. Comiskey, 2002 (John Wiley & Sons)

The room for misrepresentation

The prime reason that permits companies to prepare and publish misleading financial statements without fear of any reprisal is inability of relevant regulatory regimes to cover all possible loopholes. Laws, accounting standards, governmental or professional codes as well as internal policies are all essentially written statements of directions and guidelines on how to record different aspects of the business transactions and how to present them in appropriate published statements. The companies always have the choice to follow only the letter of these accounting policies, without following them in their true spirit. No law, accounting standard or code can possibly cover everything. There is always more than one correct way of doing things. For example, there are several methods available for valuation of inventory, or computation of depreciation. Companies are free to choose their accounting policies, allowing them a degree of latitude in accounting treatment of a host of transactions and events. The real question is: what is the intent behind adoption (or non-adoption) of any particular manner of handling accounting matters? The intent truly defines the legitimacy or otherwise of the means used. As we will endeavor to explain later in this paper, creative accounting can be used as effectively for “good” reasons as for “nefarious” ones.

Financial Statements

Besides the internal use of the financial statement produced by the company, there are a number of external stakeholders who make a variety of decisions on the basis of facts and figures given in the financial statements. The four commonly published and used financial statements to access the profitability and financial position of the companies are Income Statement, Cash Flow Statement, Statement of

changes in equity and Statement of Financial Position (Balance Sheet). The accompanying notes to the accounts are an integral part of these financial statements. These notes list the accounting methods and policies that were used in preparing these financial statements. They also offer a greater detail of the summarized figures given in the financial statements. Where applicable, they indicate if the company has changed its accounting policy during the period under-report and the impact of such a change on the income and financial position. If a company is maintaining off balance sheet items (e.g. contingent liabilities, operating leases, etc.), the details of those items can also be found in these notes to the accounts. If these financial statements fail to convey the correct position of the company, any user making an investment (or divestment) decision on the basis of these is likely to be misled.

Qualities & Functions of Financial Statements

Before we explain and give few examples of creative accounting, it is imperative to understand the qualities & functions of financial statements. A good financial statement provides a clear and understandable picture of the financial affairs of the company. It contains reliable and honest financial information without any dressing up or embellishment. The fact that a financial statement is properly audited and certified to be compliant with the accounting laws & standards serves as an assurance to the users.

The financial statements offer following three main functions: information, control and planning.

Firstly, they provide important information on the conduct, profitability and financial health of the company. This information provides a basis for making financial decisions to internal and external stakeholders. Secondly, given the hierarchy of any company, the board of directors uses these financial

statements to evaluate the performance of management, and shareholders use them to evaluate the performance of board of directors. Finally, financial statements serve as templates for preparing future plans and projections.

Having outlined the functions of financial statements, we can now make an effort to examine the how and why of creative accounting. It is evident that whatever consequences are brought about by creative accounting (in the form and contents of published accounts) must necessarily impact upon one or more of the above three functions – as indeed they are intended to do.

What makes Creative Accounting possible?

As any accountant will readily confess, the entire edifice of accounting stands on two basic pillars, namely debits and credits. Debits are used to record assets and expenses while credits are used to record incomes and liabilities. The entire game of creative accounting depends on the how an accountant decides to classify any particular transaction. For example, a payment made by a company may be classified as an asset and therefore sent to the balance sheet, increasing its total asset value. Alternatively, the same payment may be classified as an expense and therefore placed in the Income Statement, thereby reducing the year's profit. Let us take two examples to understand the implications of this classification game.

The wall of the factory of a company was damaged by rains. Total expenditure on repair of this wall was, say, Rs 300,000. Now, strictly speaking this payment of Rs 300,000 has not increased the value of company's assets; it is merely restored the value of the buildings to where it stood before the rains. Hence, this is a normal (revenue) expense and should therefore be debited to company's Income

Statement. However, should the company so decide they can easily debit it to Buildings Account (claiming that an addition to buildings was made during the year). If this is done, this amount will not be reflected in Income Statement (thereby inflating net profit of the year); instead it will be shown in the Balance Sheet as an increase in assets.

Now let us assume that while repairing the wall, the company also decided to build a new shed at the expense of Rs 4, 000, 0000. This new shed is obviously a capital expenditure and increases the value of company's buildings. However, should the company wish to show reduced profits (for tax, or other reasons), it can easily debit this payment to Repairs and Maintenance Account, thereby taking it to Income Statement.

Thus treating an expense as an asset can lead to overstatement of profits, and treating an asset as an expense can lead to understatement of profits. This is one of the commonest tricks used by companies to "manage earnings".

Now let us look at the credits. A receipt of funds by a company may be a revenue or a liability. If a revenue receipt is treated as a liability, it can lead to understatement of profits while treating a liability as a revenue can lead to overstatement of profits. Let us take two examples to understand this point.

A company is paid an advance for goods to be delivered in the next year. Strictly speaking, till the goods are made and delivered this amount represents a liability to the company. However, a company that wishes to show inflated profits may easily show it as revenue (sales), without booking any of the associated costs. This will lead to Income Statement showing a higher profit. Now let us assume that the company has made the goods, delivered them but not yet issued an invoice for these goods. In such a

case, if the company continues to treat this advance as a liability (even if the costs associated to the order have already been incurred and booked), this will lead to Income Statement showing a lower profit.

It is therefore believed that the roots of creative accounting lie in classification of transactions. If an expense is treated as an asset, or if a liability is treated as an income, the result will be higher profits. Likewise, if an asset is treated as an expense, or if a revenue is treated as a liability, the result will be lower profits. This is the basic technique. However, there are a very large number of applications of this technique, not all of which can be listed in a short article like this. However, two common applications are outlined below:

- a. If a company does not make adequate provisions for foreseen losses, it effectively overstates its assets and understates its expenses. For example, not accruing various utility bills, not making provisions for bad debts, etc. This leads to showing a higher than actual profit. Likewise, if a company makes unduly large provisions for expected losses, it effectively understates its assets and overstates its expenses, leading to Income Statement showing a less than actual profit. For example, some companies (like computer software makers and motor vehicle manufacturers) are known to make huge provisions for "returns of goods, or fixing the bugs". Such provisions effectively convert a part of their current year's sales (revenue) into a liability (provisions).
- b. The above rule concerning provisions for foreseen losses can also be applied to provisions regarding foreseen gains. Companies like financial institutions, or real estate firms, can easily under- or over-state

their provisions for accrued incomes to manage their current year's net profit. When an under-provision of an income is made, it effectively means an amount that should have been booked as an asset (a receivable) is not being shown as an asset, and at the same time the revenue is being under-shown in the Income Statement.

In a subsequent article, we will endeavor to provide more detailed discussion on various applications of different creative accounting techniques.

Another common technique used to misrepresent accounting statements is change of accounting policy and failure to clearly state its impact on a particular year's earnings. For example, changing the basis of valuing closing stock from say LIFO to FIFO may make a huge difference to a particular year's earnings. Not providing adequate information in this regard to the users of financial statements also falls within the realm of creative accounting. This however enters into the realm of willful misinformation, going against both the words and the spirit of the law.

Why Companies Practice Creative Accounting?

The two main objectives of fixing financial statements are (1) Managing Position and (2) Managing Profits. Now let's take a look on them one by one.

Managing Position

Companies manipulate the accounting outcomes to meet rules and regulations, to meet lender's covenants, to keep showing better financial position of the company by keeping liabilities or assets off the balance sheet on one hand. On the other hand by window dressing the accounts and misclassification of items, owners/managers may be preparing the company or its subsidiary for sell off.

Managing Profits or Earning Management

Most investors and many boards of directors do not (apparently) like fluctuating income streams. Therefore management uses creative accounting tactics to show a steady income stream. A smoothly increasing income pattern helps to

keep share price stable or steadily rising. Meeting market expectation & dividend payout pattern is one of the top priorities of management. If real results are not consistent with the market expectation, a bit of creativity is used to polish up the statement.

We give below a table stating the

objectives of mis-stating the income. In almost all cases, the company may be staying well within the applicable accounting standards and yet be less than ethical in effect, because it is failing to show the true income or financial position of the company:

Rewards of the managing Profits (Earnings Management) & Financial Position

<i>Category</i>	<i>The Objectives & Benefits Companies Trying To Achieve</i>
Share-Price Effect	Higher Share Price Reduce Share Price Volatility Increase Firm Value Lower Cost of Equity Capital Increased Value of Stock Options
Borrowing Cost Effects	Improve Credit Rating Lower Borrowing Costs Relaxed or Less Stringent Financial Covenants
Management Performance Evaluation Effects	Increased Bonuses based on Profits/ Share Price
Political Cost Effects	Decreased Regulations Avoidance of Higher Taxes

Source: The Financial Number Game by Charles W. Mulford & Eugene E. Comiskey, 2002 (John Wiley & Sons)

Is Creative Accounting necessarily Evil?

It is our contention that creative accounting, like most other financial and business techniques, is not evil in itself. It is something like a firearm. What makes it good or bad is the intention and manner in which it is used. A rifle is as much a means of defense as it is of killing an innocent person. What matters is the intention of the user. There are situations in a company's life where "smoothing the income stream over years" is a necessity, not an evil design. Change of accounting policy may be made for honest reasons, or for the purpose of deliberately misleading the investors. The technique in itself is not an evil practice. For example, during the time that the cement industry in Pakistan was going through extreme crises, many cement factories starting

treating depreciation on cement plant as a variable item rather than a fixed time related cost. Total cost of the plant was divided over the total estimated production to be obtained over the entire life of the plant, thereby arriving at depreciation per ton of production. Hence, if the plant worked at only 32% capacity in any particular financial period, depreciation was provided according to the production received rather than as a fixed annual charge. This enabled the companies to keep their Income Statement reasonably rosy, without seriously damaging any ethical principle.

The tragedy of the corporate world is that techniques available for ethical use are often, in fact all too frequently, used for unethical reasons. However, just as it would be impractical or silly

to place a ban on use of "fire" because it burns down property if not handled properly, it would be equally unrealistic to treat all creative accounting techniques as unethical, incorrect or worthy of legal banishment. Regulators, framers of accounting standards and the legislators continue to come up with rules, regulations, codes, standards and laws to minimize the impact of wrongful use of creative accounting. But, just as the law to hang the murderers has not succeeded in eliminating murders, the use and misuse of creative accounting is unlikely to abate. What is needed is to educate the boards of directors on the ethical aspects of choosing and implementing the right accounting policies and judicious use of creative accounting techniques only for the positive reasons.



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Health Insurance

Need, Mechanism and Future Challenges in Pakistan

It's the prime responsibility of the Government to provide Health facility to its public by allocating a special budget. Improvement in the health sector improves the health of the public at large, which results in better economic development and poverty alleviation. A healthy nation guarantees the overall economic, social, and moral uplift of the country. Unfortunately, Pakistan ranks very poor amongst the other nations

resulting in lower life expectancy and higher infant and maternal mortality rates. The priority area for Pakistan is timely execution and achievement of Millennium Development Goals (MDGs)*, particularly in Health sector by launching new health policy initiatives. Pakistan aims to reduce the under-five mortality rate to 5.2%, infant mortality rate to 4% and maternal mortality ratio to 140 by 2015. Whereas the proportion of 1

year-old children immunized against measles is targeted to be increased to 85% and the proportion of births attended by trained health personnel to 90% by 2015. In addition, plans have been formulated to combat TB, Malaria, HIV/AIDS and Hepatitis along with other infectious diseases. Some details of Health Expenditures in Pakistan are as follows:

Total Health Expenditure of % of GDP	2.6 %
Government Expenditure on Health as a % of Total Health Expenditure	32.8%
Private Expenditure on Health as a % of Total Health Expenditure	67.2%
Out-of-Pocket Expenditure as a % of Private Expenditure on Health	84.5%
Others (Insurance/Philanthropic Grants etc) as a % of Private Expenditure on Health	15.5%

Sources: (WHO Statistics 2009 and Ministry of Health 2010)

*The Millennium Development Goals (MDGs) of Pakistan 2010

- Goal – 1 - Eradicate Extreme Poverty and Hunger
- Goal – 2 - Achieve Universal Primary Education
- Goal – 3 - Promote Gender Equality and Women Empowerment
- Goal – 4 - Reduce child mortality
- Goal – 5 - Improve maternal health
- Goal – 6 - Combat HIV & AIDS, Malaria and other diseases
- Goal – 7 - Ensure environment sustainability
- Goal – 8 - Develop a Global Partnership for Development



Non-Governmental Organizations (NGOs) and private sector are actively playing their role by raising the level of awareness of positive health behavior among people. The human resource available for health care registered till December 2009 in the country included 139,555 doctors,

9,822 dentists and 69,313 nurses. The current population-doctor ratio is 1,183 persons per doctor and 16,914 persons per dentist. Health care is also provided to the public through a vast health infrastructure facilities now consisting of 968 hospitals, 4,813 dispensaries, 5,345 Basic

Health Units, 572 Rural Health Centres and 293 TB Centres etc. However, the health care system as a whole needs to be strengthened further at all levels as it is falling behind in fulfilling the requirements of the public. Some statistics are given below:

Per 100,000 Lives	
Hospital Beds	60
Primary Health Care Centres	10
Physicians	80
Nurses & Midwives	60
Lady Health Workers	15
Dentists	10
Pharmacists	09

Sources: (WHO Statistics 2009 & Ministry of Health 2010)



Health of any individual plays a crucial role in the economy. Healthy individuals are valuable assets of any employer or organization that ultimately leads to a prosperous economy. If the individuals working in an organization are enjoying good health, they can perform their duties and tasks more efficiently and effectively that helps the organization in achieving the goals and earns maximum profit. To retain and maintain good health of key individuals, an organization needs to make health or medical budget, which should be a mandatory part of their organization's annual financial budget. Previously, this type of provision in the budget was exercised well but by the passage of time, due to complicated or advanced diseases and rapid increase in medical expenses, the medical budgeting practice became complicated for organizations. Let's say an organization set aside an amount of

Rs. 1 Million to meet the medical expenditure of their employees and their families but due to massive increase in medical rates i.e. Consultation / Doctor's fee, Hospital charges, Investigations / Lab. Tests and prices of medicines etc., the medical expenditure amount doubles the actual budgeted amount. This increase of medical expenditure reduces the profit of the organization. To overcome these types of situations, the Insurance Companies introduced a research-based product called "Health Insurance".

Health insurance can be defined in very narrow sense where individual or group purchases in advance health coverage by paying a nominal fee called "Premium". It can be also defined broadly by including all financing arrangements where consumers can avoid or reduce their expenditures at time of use of services. The health insurance

existing in Pakistan covers a very wide spectrum of arrangements, but it is a new concept except for the organized sector employees.

Health Insurance covers a reasonable and customary medical expense of employees and their families, if they fall ill, by charging a nominal premium. Health insurance companies provide comprehensive health care services through reputable and renowned panel hospitals across the country by providing credit facility. This credit facility system eliminates the immediate financial burden on the insured person. By the introduction of Health Insurance product in the market, most of the organizations have moved to health insurance and are providing health care facility to their employees and their families and at the same time not affecting their annual financial budget.

When an organization gets health insurance cover for their employees and their families, it actually transfers its medical risks to the insurance company by paying a certain fixed amount of premium for the whole year coverage. The mechanism used for health insurance is the pooling of risk. For this purpose the Insurance companies create pool money by collecting premium from different organizations by insuring their employees and families and from this pool money all the claims are settled. Now-a-days, the concept of Group Health Insurance is in practice, although some insurance companies are also offering Individual Health Insurance Plans which is more

difficult to manage and contains high risk. In Group Health Insurance, mainly five covers are offered by most of the insurance companies i.e. Hospitalization cover, Maternity cover, Dread Disease / Critical illness or Major Medical Care cover, Out-Patient (OPD) cover and Specialized Investigation cover. These covers collectively form a Comprehensive Group Health Insurance Policy issued to different organizations to facilitate their employees and families.

The system of health insurance facility is quite simple and easy to avail. After the issuance of Group Health Insurance Policy, every

employee receives a Health Card on which coverage / benefit limits and family details of employee are mentioned. When anyone possessing a Health Card, falls ill and has to be hospitalized, he / she only needs to go to a nearest panel hospital and show his / her Health Card and gets himself / herself treated on credit as per limits mentioned on Health Card. His / her expense will be settled between hospital and the insurance company. In case of Non-Panel utilization, the insured person has to pay the medical expenses, which will be reimbursed to him on submission of claim. Following are the major players in the health insurance sector:

Sr. #	Name of Insurance Company
1	Allianz EFU
2	Adamjee Insurance Co. Ltd
3	New Jubilee Insurance Co. Ltd
4	New Jubilee Life Insurance Co. Ltd
5	Askari General Insurance Co. Ltd
6	East West Life Assurance Co. Ltd
7	East West Insurance Co. Ltd
8	IGI Insurance Co. Ltd
9	United Insurance Co. Ltd
10	Habib Insurance Co. Ltd
11	Asia Care Health & Life Insurance Co. Ltd
12	Shaheen Insurance Co. Ltd
13	Asia Insurance Co. Ltd
14	Universal Insurance Co. Ltd
15	American Life Insurance Co. Ltd



Various developed countries have different insurance system to cover health risks. It is useful to

compare the American Private Health Insurance System to German Social Health Insurance

System. Below Table gives this comparison.

Key Features	American System	German System
Owners of Health Insurance	Private Companies	Sickness Funds composed of Members who are workers of one type - as in a cooperative
Coverage and Access to Health Care	70 % of Population covered, access to health care unequal	99.5% of Population covered and access to every one is equal

Premium based on	Actuarial risk (Age, Sex, Disease)	Income - % of pay roll. Shared equally by employer and employees
Selection and Refusals	Do occur	Not allowed by Law
Reimbursement to Providers	Based on costs and per cases/procedure basis	Outpatient is on prospective per capita basis, in-patient per day, per case basis.
Nature of Subsidy (Risk Pooling)	From healthy to sick	Healthy to sick, high income to low income, young to old, small families to big families
Choice of Providers	Yes - but being restricted in HMO System	Yes - wide choice
Coverage & co-payments	Limited to medical care and Co-payments high	Coverage very wide and Co-payment low
Nature of Competition	Between Companies	Not much - recently between sickness funds.
Nature of Regulation	Minimal by Government, mostly by market forces	Self-regulation by autonomous bodies under overall framework of social legislation
Effect of Medical Costs	Highly inflationary - recently this effect is reduced due to various controls	Inflationary effect limited due to

It is clear from the above that the German System is clearly superior to the American System. German System is social health insurance based on some key principles of solidarity, delegation and free choice, while American system is based on private market philosophy (Reinhard and Stierle). Thus the German System is much more suited to the needs of the developing countries. But some of the prerequisites of the German system are not present in Pakistan. For example, for social health insurance to work, the workforce has to be organized, and working, in formal sector so that their incomes are clear and there is a mechanism for payroll deduction of

the contribution. It also needs a well-developed regulatory framework and culture of solidarity and self-regulation so that well off section of the community is willing to pay for the costs of sickness. Universal compulsory social health insurance is not possible in Pakistan at this stage but NGOs and workers in the formal sector can, for organizations, try out such social health insurance in Pakistan. Experiences from other countries such as India, Gulf Countries, Malaysia and Philippines need to be studied, so that we can develop a model based on good innovations from various countries while keeping the realities of Pakistan's health system. Pakistan's

health Insurance System is very close to American Health Insurance System.

As the business portfolio of the health insurance raises it has become a significant entity for the insurance companies in terms of premiums. Most of insurance companies use health insurance as a tool to capture other classes of business rather than to earn profit because according to current business portfolio, the health insurance business is not considered as profitable entity. According to current market situation, a lot of challenges have to be faced by insurance companies in Pakistan. Following are the major challenges:

- | | | |
|---|--|---|
| <ul style="list-style-type: none"> • Differences from other Insurance Products / Services • No Centralized Health Insurance Claims Database • Claim Intensive • Required Prompt Payment of Claims • Two way claim cycle (Insured & Hospital) | <ul style="list-style-type: none"> • Intense Competition • Lack of Expertise • Lack of relevant health data • Service Pressures • Non-Tariff Product • Lack of Awareness • Consumer Behavior • Fraudulent Claims • Improper Claim Documentation | <ul style="list-style-type: none"> • Rapidly Increasing Medical Cost • Inflation • Environmental Issues • Lack of Tax Incentives • 1% Tax (Federal Insurance Fee) • No Governmental Sponsored Program |
|---|--|---|

To overcome the above challenges and making health insurance a profitable entity, the insurance companies and the Government or Regulator (SECP) have come up with a strategy, which is necessary for the future growth of health insurance business in Pakistan. Following are some main options for consideration:

- | | | |
|---|---|--|
| <ul style="list-style-type: none"> • Increase Governmental Focus • Remove Tax Disincentives • Provide Tax Incentives | <ul style="list-style-type: none"> • Educate Consumers • Product Innovations • Use of Technology • Improve Service Efficiency | <ul style="list-style-type: none"> • Tap the un-insured population • Alternate Distribution Channels |
|---|---|--|

To secure the future of health insurance in Pakistan, the health insurance should be compulsory for Government and Private Institutions. The Government should support poor public by getting them medically insured. For this purpose the government should initiate District Health Insurance Program with the support of Insurance Providers.

Secondly, the health insurance providers should start awareness programs about the benefits of health insurance to the general public so that individual health insurance can be made successful.

Thirdly, the regulator (SECP) should create a Centralized Health Claim Database with the support of Insurance Companies, which will help underwriters to forecast the risk and health insurance rating. This practice will be beneficial for insurance companies to accept risk on reasonable premiums so that the future of health insurance can be secured.

Fourthly, the Government should increase the percentage of Government Expenditure on Health by increasing the Health budget amount in the Annual Financial

Budget.

Finally, the Government should concentrate on achievement of Millennium Development Goals (MDGs) for the health sector. The new policy initiative in the health sector should be taken timely so that these goals will be achieved before 2015 and health status of the citizen of Pakistan can be improved by building new hospitals, health care centers and providing proper training of doctors, nurses and paramedical staff etc.

Reference: Development Amidst Crisis – Pakistan Millennium Development Goals (Report 2010)

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In FY2010, the performance of insurance industry is generally satisfactory. The overall Growth Rate has been recorded at 10% in FY2010 as compared to 3% in FY2009 and 7% in FY2008. Industry is still getting lower Investment Returns which directly influence on Profit After Tax (PAT). However, the PAT of industry amounting to Rs.3.12 billion is totally dependent on the Investment Income which is Rs.3.5 billion, and hence, no contribution arrived from the operational activities, which is indeed a negative sign. That is why the Combined Operating Ratio (COR) of the industry is 94% which is alarming.

ANALYSIS ON INSURANCE INDUSTRY OF PAKISTAN (PRIVATE SECTOR) FOR 2010 Alphabetic Order

Sr.	Name of Insurer	Credit Rating	Paid-up Capital	Market Share		Inc/Dec in MS	Premium Written		Growth Rate	Net Premium Revenue		Inc/Dec in NP	NP Ratio to GP *	Net Claims Expenses		Inc/Dec in Claims	Claims Ratio	
				2010	2009		2010	2009		2010	2009			2010	2009		2010	2008
			Rs.	%	%	%	Rs.	Rs.	%	Rs.	Rs.	%	%	Rs.	Rs.	%	%	%
1	Adani Insurance	AA	1,237.05	25.83	25.35	2	9,824.75	8,802.57	12	5,578.11	5,801.10	(4)	57	4,122.95	3,890.28	6	74	67
2	Alfaiah Insurance	A-	250.00	1.74	1.88	(7)	662.97	651.46	2	359.94	331.79	8	54	259.44	231.34	12	72	70
3	Alpha Insurance	A	303.60	0.37	0.31	17	139.77	109.25	28	59.10	61.51	(4)	42	45.21	53.16	(15)	76	86
4	Asia Insurance	BBB	250.00	0.12	0.11	15	46.06	36.70	25	29.45	31.09	(5)	64	7.47	10.95	(32)	25	35
5	Askari General Insurance	A	203.78	3.55	3.19	11	1,350.02	1,107.66	22	639.90	805.18	(21)	47	385.89	522.43	(26)	60	65
6	Atlas Insurance	A+	369.12	2.69	2.62	3	1,024.86	910.74	13	530.27	443.53	20	52	176.50	192.36	(8)	33	43
7	Capital Insurance	BB+	250.20	0.12	0.20	(41)	45.98	71.01	(35)	12.62	10.68	18	27	2.88	1.59	81	23	15
8	Central Insurance	A	279.18	0.30	0.28	5	113.52	98.61	15	10.51	13.40	(22)	9	4.70	7.70	(39)	45	57
9	Century Insurance	A	457.24	1.18	1.31	(10)	449.67	456.20	(1)	219.07	206.65	6	49	106.65	64.71	65	49	31
10	Cooperative Insurance	-----	300.00	0.02	0.04	(33)	9.00	12.31	(27)	9.02	16.11	(44)	100	2.31	4.30	(46)	26	27
11	Crescent Star Insurance	BBB-	121.00	0.29	0.40	(28)	109.39	138.16	(21)	74.16	105.36	(30)	68	21.10	34.48	(39)	28	33
12	East West Insurance	A-	251.38	1.48	1.82	(19)	562.50	631.82	(11)	331.97	436.97	(24)	59	151.32	178.30	(15)	46	41
13	EFU General Insurance	AA	1,250.00	26.90	27.69	(3)	10,231.65	9,614.01	6	5,846.59	5,570.21	5	57	3,941.58	3,911.44	1	67	70
14	Excel Insurance	BBB-	250.00	0.05	0.12	(60)	19.07	43.17	(56)	16.09	18.05	(11)	84	4.27	4.55	(6)	27	25
15	Habib Insurance	A+	400.40	2.04	2.02	1	777.53	702.87	11	394.64	359.04	10	51	183.79	175.70	5	47	49
16	IGI Insurance	AA	718.43	3.41	3.32	3	1,296.77	1,151.80	13	720.73	614.59	17	56	364.41	257.05	42	51	42
17	New Hampshire Insurance	A	-	2.89	2.45	18	1,100.28	849.95	29	405.94	382.17	6	37	201.11	169.22	19	50	44
18	New Jubilee Insurance	AA	790.98	11.27	11.61	(3)	4,285.25	4,030.64	6	2,451.23	2,297.72	7	57	1,677.61	1,420.98	18	68	62
19	Pakistan General Insurance	BBB	250.00	0.82	0.59	39	312.21	205.68	52	110.55	109.89	1	35	68.86	29.17	136	62	27
20	PICIC Insurance	A-	350.00	1.45	1.42	2	549.63	493.97	11	166.77	199.66	(16)	30	91.14	106.30	(14)	55	53
21	Premier Insurance	A	302.82	2.11	1.93	9	800.56	670.43	19	376.72	335.46	12	47	168.20	149.40	13	45	45
22	Reliance Insurance	A-	252.00	1.39	1.46	(5)	529.54	506.34	5	267.92	326.55	(18)	51	96.43	227.46	(58)	36	70
23	Saudi Pak Insurance	BBB+	325.00	0.51	0.66	(23)	193.60	230.46	(16)	82.07	124.85	(34)	42	69.77	69.94	(0)	85	56
24	Security General Insurance	A+	680.63	1.06	0.95	12	402.06	328.31	22	127.01	120.20	6	32	34.91	31.28	12	27	26
25	Shahen Insurance	A-	200.00	1.45	1.72	(15)	553.08	596.33	(7)	417.39	481.64	(13)	75	263.04	268.00	(2)	63	56
26	Silver Star Insurance	BBB+	253.13	0.66	0.63	4	249.60	219.81	14	154.11	147.87	4	62	40.91	28.46	44	27	19
27	TPL Direct Insurance	A-	310.00	1.07	0.83	30	408.73	287.27	42	331.29	223.57	48	81	141.86	64.63	119	43	29
28	UBL Insurers	A	1,152.17	1.66	1.47	13	632.53	511.95	24	238.77	264.81	(10)	38	165.54	234.21	(29)	69	88
29	United Insurance	A	400.20	2.22	2.06	8	845.55	715.03	18	550.56	423.73	30	65	175.55	121.56	44	32	29
30	Universal Insurance	A-	262.50	1.32	1.55	(15)	503.19	538.70	(7)	328.66	360.80	(9)	65	177.04	181.66	(3)	54	50
	TOTAL		12,420.79	100.00	100.00		38,029.31	34,723.18	10	20,841.15	20,624.16	1	55	13,152.42	12,642.58	4	63	61

Source: Annual Reports, IAP, PACRA, LCR VIS

* higher the ratio, higher retention or lesser transfer to reinsurers

ANALYSIS ON INSURANCE INDUSTRY OF PAKISTAN (PRIVATE SECTOR) FOR 2010

Alphabetic Order

Pak Rupees in million

Sr.	Name of Insurer	Net Commission Expense / (Income)		Operating Expenses		Total Expenses		Inc/(Dec) in Expenses	Expense Ratio	Underwriting Profit		Combined Operating Ratio **	Investment Income		Profit/(Loss) After Tax	
		2010	2009	2010	2009	2010	2009			2010	2009		2010	2009	2010	2009
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	%	%	Rs.	Rs.	%	Rs.	Rs.	Rs.	Rs.
1	Adamee Insurance	416.23	400.49	1,106.15	1,058.56	1,649.59	1,733.51	(5)	17	(67.21)	451.77	101	779.09	2,479.42	518.92	2,434.48
2	Alfalal Insurance	(74.75)	(68.31)	114.69	94.56	171.92	141.86	21	26	60.56	74.20	83	45.97	17.03	42.65	30.70
3	Alpha Insurance	3.20	(0.03)	37.79	34.65	55.63	51.16	9	40	(27.09)	(26.27)	146	41.53	29.22	2.42	(8.56)
4	Asia Insurance	2.44	1.13	15.43	13.90	32.68	31.72	3	71	4.10	5.11	86	21.11	19.55	4.46	4.89
5	Askari General Insurance	(9.07)	48.99	153.94	155.00	271.66	245.48	11	20	109.14	78.76	83	51.10	(28.17)	47.42	(27.54)
6	Atlas Insurance	(44.00)	(34.47)	197.84	181.18	220.38	199.98	10	22	199.93	104.47	62	102.63	118.23	242.66	189.06
7	Capital Insurance	(2.51)	(12.92)	11.42	21.62	16.34	17.58	(7)	36	0.83	0.39	93	10.73	12.87	5.16	5.79
8	Central Insurance	(13.50)	(15.15)	15.32	10.08	37.40	22.42	67	33	4.00	10.77	62	177.50	(111.62)	491.22	(855.12)
9	Century Insurance	(13.81)	(12.62)	62.59	59.53	121.54	113.04	8	27	63.64	95.03	71	105.88	(73.03)	109.63	(69.96)
10	Cooperative Insurance	0.92	1.24	9.25	10.29	10.01	11.14	(10)	111	(3.47)	0.28	138	2.51	4.83	0.74	5.77
11	Crescent Star Insurance	5.69	8.82	22.27	38.95	50.34	83.29	(40)	46	25.83	26.14	66	1.91	(25.01)	3.74	(30.48)
12	East West Insurance	68.64	82.16	66.55	87.24	131.84	149.37	(12)	23	45.45	89.27	86	32.02	(561.66)	8.44	(537.12)
13	EFU General Insurance	656.32	461.19	1,134.69	1,076.14	1,613.35	1,504.17	7	16	111.87	66.54	98	(357.96)	673.52	(413.32)	732.30
14	Excel Insurance	(2.73)	(1.24)	13.51	12.14	14.59	16.28	(10)	76	1.03	2.61	94	37.01	2.74	29.23	(0.93)
15	Habib Insurance	9.15	7.31	114.24	102.50	164.16	155.35	6	21	87.47	73.53	78	149.36	184.89	168.48	204.74
16	IGI Insurance	(34.95)	(65.20)	186.17	169.63	295.23	258.94	14	23	205.10	253.10	72	929.34	(414.65)	836.56	263.97
17	New Hampshire Insurance	(9.99)	(3.17)	111.32	117.20	282.91	315.86	(10)	26	103.50	98.92	75	158.73	131.76	56.58	17.14
18	New Jubilee Insurance	204.74	227.64	632.96	534.98	652.10	555.58	17	15	(64.09)	114.12	103	407.60	452.25	450.15	656.46
19	Pakistan General Insurance	(14.65)	(5.41)	35.09	32.32	73.14	66.10	11	23	21.24	53.81	81	9.26	7.37	4.83	83.67
20	PICIC Insurance	(9.97)	(2.70)	79.42	85.12	108.21	113.24	(4)	20	4.89	10.94	96	6.22	7.90	5.03	16.85
21	Premier Insurance	33.04	28.27	158.60	136.83	195.85	180.42	9	24	16.88	20.95	96	162.36	222.18	120.98	53.34
22	Reliance Insurance	40.10	44.48	99.46	106.60	130.78	140.59	(7)	25	31.93	(51.99)	88	54.86	53.86	51.93	(32.64)
23	Saudi Pak Insurance	2.55	1.12	51.30	62.01	66.44	74.79	(11)	34	(41.55)	(8.22)	151	9.63	10.79	(42.73)	0.85
24	Security General Insurance	2.82	17.50	38.81	24.26	92.34	70.20	32	23	50.46	47.15	60	496.44	446.25	373.66	314.44
25	Shaheen Insurance	68.27	104.71	65.81	59.77	133.90	124.56	7	24	20.27	49.16	95	16.67	95.62	(29.03)	17.47
26	Silver Star Insurance	11.94	11.60	50.38	48.74	73.23	65.97	11	29	50.89	59.07	67	9.00	(5.37)	37.29	34.07
27	TPL Direct Insurance	35.89	17.47	135.73	112.04	177.68	137.97	29	43	17.82	29.43	95	3.98	(2.56)	(18.01)	1.86
28	UBL Insurers	(29.32)	(22.90)	75.88	97.91	152.19	189.70	(20)	24	26.67	(44.41)	89	28.77	1.92	(20.95)	(127.58)
29	United Insurance	21.96	36.76	75.83	59.94	233.16	195.75	19	28	277.23	205.47	50	21.02	10.82	118.39	64.42
30	Universal Insurance	43.48	21.28	125.39	99.62	232.53	166.37	40	46	(17.24)	58.24	105	8.17	7.58	(86.49)	7.82
TOTAL		1,368.13	1,278.06	4,997.82	4,703.27	7,461.09	7,132.41	5	36	1,320.09	1,948.36	94	3,522.41	3,768.53	3,120.05	3,450.15

Source: Annual Reports, IAP, PACRA, JCR VIS

** COR is a combination of costs incurred in running the business compared to money received.
Lower the COR, higher the chances of making operating profit

ANALYSIS ON INSURANCE INDUSTRY OF PAKISTAN (PRIVATE SECTOR) FOR 2010

Sorted by Premium Written

Pak Rupees in million

Sr.	Name of Insurer	Credit Rating	Paid-up Capital	Market Share		Inc/Dec in M/S	Premium Written		Growth Rate	Net Premium Revenue		Inc/Dec in NP	NP Ratio to GP *	Net Claims Expenses		Inc/(Dec) in Claims	Claims Ratio	
				2010	2009		2010	2009		2010	2009			2010	2009		2010	2008
			Rs.	%	%	%	Rs.	Rs.	%	Rs.	Rs.	%	%	Rs.	Rs.	%	%	%
1	EFU General Insurance	AA	1,250.00	26.90	27.69	(3)	10,231.65	9,614.01	6	5,846.59	5,570.21	5	57	3,941.58	3,911.44	1	67	70
2	Adamjee Insurance	AA	1,237.05	25.83	25.35	2	9,824.75	8,802.57	12	5,578.11	5,801.10	(4)	57	4,122.95	3,890.28	6	74	67
3	New Jubilee Insurance	AA	790.98	11.27	11.61	(3)	4,285.25	4,030.64	6	2,451.23	2,297.72	7	57	1,677.61	1,420.98	18	68	62
4	Askari General Insurance	A	203.78	3.55	3.19	11	1,350.02	1,107.66	22	639.90	805.18	(21)	47	385.89	522.43	(26)	60	65
5	IGI Insurance	AA	718.43	3.41	3.32	3	1,296.77	1,151.80	13	720.73	614.59	17	56	364.41	257.05	42	51	42
6	New Hampshire Insurance	A	-	2.89	2.45	18	1,100.28	849.95	29	405.94	382.17	6	37	201.11	169.22	19	50	44
7	Atlas Insurance	A+	369.12	2.69	2.62	3	1,024.86	910.74	13	530.27	443.53	20	52	176.50	192.36	(8)	33	43
8	United Insurance	A	400.20	2.22	2.06	8	845.55	715.03	18	550.56	423.73	30	65	175.55	121.56	44	32	29
9	Premier Insurance	A	302.82	2.11	1.93	9	800.56	670.43	19	376.72	335.46	12	47	168.20	149.40	13	45	45
10	Habib Insurance	A+	400.40	2.04	2.02	1	777.53	702.87	11	394.64	359.04	10	51	183.79	175.70	5	47	49
11	Alfalsh Insurance	A-	250.00	1.74	1.88	(7)	662.97	651.46	2	359.94	331.79	8	54	259.44	231.34	12	72	70
12	UBL Insurers	A	1,152.17	1.66	1.47	13	632.53	511.95	24	238.77	264.81	(10)	38	165.54	234.21	(29)	69	88
13	East West Insurance	A-	251.38	1.48	1.82	(19)	562.50	631.82	(11)	331.97	436.97	(24)	59	151.32	178.30	(15)	46	41
14	Shahen Insurance	A-	200.00	1.45	1.72	(15)	553.08	596.33	(7)	417.39	481.64	(13)	75	263.04	268.00	(2)	63	56
15	PICIC Insurance	A-	350.00	1.45	1.42	2	549.63	493.97	11	166.77	199.66	(16)	30	91.14	106.30	(14)	55	53
16	Reliance Insurance	A-	252.00	1.39	1.46	(5)	529.54	506.34	5	267.92	326.55	(18)	51	96.43	227.46	(58)	36	70
17	Universal Insurance	A-	262.50	1.32	1.55	(15)	503.19	538.70	(7)	328.66	360.80	(9)	65	177.04	181.66	(3)	54	50
18	Century Insurance	A	457.24	1.18	1.31	(10)	449.67	456.20	(1)	219.07	206.65	6	49	106.65	64.71	65	49	31
19	TPL Direct Insurance	A-	310.00	1.07	0.83	30	408.73	287.27	42	331.29	223.57	48	81	141.86	64.63	119	43	29
20	Security General Insurance	A+	680.63	1.06	0.95	12	402.06	328.31	22	127.01	120.20	6	32	34.91	31.28	12	27	26
21	Pakistan General Insurance	BBB	250.00	0.82	0.59	39	312.21	205.68	52	110.55	109.89	1	35	68.86	29.17	136	62	27
22	Silver Star Insurance	BBB+	253.13	0.66	0.63	4	249.60	219.81	14	154.11	147.87	4	62	40.91	28.46	44	27	19
23	Saudi Pak Insurance	BBB+	325.00	0.51	0.66	(23)	193.60	230.46	(16)	82.07	124.85	(34)	42	69.77	69.94	(0)	85	56
24	Alpha Insurance	A	303.60	0.37	0.31	17	139.77	109.25	28	59.10	61.51	(4)	42	45.21	53.16	(15)	76	86
25	Central Insurance	A	279.18	0.30	0.28	5	113.52	98.61	15	10.51	13.40	(22)	9	4.70	7.70	(39)	45	57
26	Crescent Star Insurance	BBB-	121.00	0.29	0.40	(28)	109.39	138.16	(21)	74.16	105.36	(30)	68	21.10	34.48	(39)	28	33
27	Asia Insurance	BBB	250.00	0.12	0.11	15	46.06	36.70	25	29.45	31.09	(5)	64	7.47	10.95	(32)	25	35
28	Capital Insurance	BB+	250.20	0.12	0.20	(41)	45.98	71.01	(35)	12.62	10.68	18	27	2.88	1.59	81	23	15
29	Excel Insurance	BBB-	250.00	0.05	0.12	(60)	19.07	43.17	(56)	16.09	18.05	(11)	84	4.27	4.55	(6)	27	25
30	Cooperative Insurance	----	300.00	0.02	0.04	(33)	9.00	12.31	(27)	9.02	16.11	(44)	100	2.31	4.30	(46)	26	27
TOTAL			12,420.79	100.00	100.00		38,029.31	34,723.18	10	20,841.15	20,624.16	1	55	13,152.42	12,642.58	4	63	61

Source: Annual Reports, IAP, PACRA, JCR VIS

* higher the ratio, higher retention or lesser transfer to reinsurers

ANALYSIS ON INSURANCE INDUSTRY OF PAKISTAN (PRIVATE SECTOR) FOR 2010

Sorted by Premium Written

Pak Rupees in million

Sr.	Name of Insurer	Net Commission Expense / (Income)		Operating Expenses		Total Expenses		Inc/(Dec) in Expenses	Expense Ratio	Underwriting Profit		Combined Operating Ratio **	Investment Income		Profit/(Loss) After Tax	
		2010	2009	2010	2009	2010	2009			2010	2009		2010	2009	2010	2009
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	%	%	Rs.	Rs.	%	Rs.	Rs.	Rs.	Rs.
1	EFU General Insurance	656.32	461.19	1,134.69	1,076.14	1,613.35	1,504.17	7	16	111.87	66.54	98	(357.96)	673.52	(413.32)	732.30
2	Adamjee Insurance	416.23	400.49	1,106.15	1,058.56	1,649.59	1,733.51	(5)	17	(67.21)	451.77	101	779.09	2,479.42	518.92	2,434.48
3	New Jubilee Insurance	204.74	227.64	632.96	534.98	652.10	555.58	17	15	(64.09)	114.12	103	407.60	452.25	450.15	656.46
4	Askari General Insurance	(9.07)	48.99	153.94	155.00	271.66	245.48	11	20	109.14	78.76	83	51.10	(28.17)	47.42	(27.54)
5	IGI Insurance	(34.95)	(65.20)	186.17	169.63	295.23	258.94	14	23	205.10	253.10	72	929.34	(414.65)	836.56	263.97
6	New Hampshire Insurance	(9.99)	(3.17)	111.32	117.20	282.91	315.86	(10)	26	103.50	98.92	75	158.73	131.76	56.58	17.14
7	Atlas Insurance	(44.00)	(34.47)	197.84	181.18	220.38	199.98	10	22	199.93	104.47	62	102.63	118.23	242.66	189.06
8	United Insurance	21.96	36.76	75.83	59.94	233.16	195.75	19	28	277.23	205.47	50	21.02	10.82	118.39	64.42
9	Premier Insurance	33.04	28.27	158.60	136.83	195.85	180.42	9	24	16.88	20.95	96	162.36	222.18	120.98	53.34
10	Habib Insurance	9.15	7.31	114.24	102.50	164.16	155.35	6	21	87.47	73.53	78	149.36	184.89	168.48	204.74
11	Alfal Insurance	(74.75)	(68.31)	114.69	94.56	171.92	141.86	21	26	60.56	74.20	83	45.97	17.03	42.65	30.70
12	UBL Insurers	(29.32)	(22.90)	75.88	97.91	152.19	189.70	(20)	24	26.67	(44.41)	89	28.77	1.92	(20.95)	(127.58)
13	East West Insurance	68.64	82.16	66.55	87.24	131.84	149.37	(12)	23	45.45	89.27	86	32.02	(561.66)	8.44	(537.12)
14	Shaheen Insurance	68.27	104.71	65.81	59.77	133.90	124.56	7	24	20.27	49.16	95	16.67	95.62	(29.03)	17.47
15	PICIC Insurance	(9.97)	(2.70)	79.42	85.12	108.21	113.24	(4)	20	4.89	10.94	96	6.22	7.90	5.03	16.85
16	Reliance Insurance	40.10	44.48	99.46	106.60	130.78	140.59	(7)	25	31.93	(51.99)	88	54.86	53.86	51.93	(32.64)
17	Universal Insurance	43.48	21.28	125.39	99.62	232.53	166.37	40	46	(17.24)	58.24	105	8.17	7.58	(86.49)	7.82
18	Century Insurance	(13.81)	(12.62)	62.59	59.53	121.54	113.04	8	27	63.64	95.03	71	105.88	(73.03)	109.63	(69.96)
19	TPL Direct Insurance	35.89	17.47	135.73	112.04	177.68	137.97	29	43	17.82	29.43	95	3.98	(2.56)	(18.01)	1.86
20	Security General Insurance	2.82	17.50	38.81	24.26	92.34	70.20	32	23	50.46	47.15	60	496.44	446.25	373.66	314.44
21	Pakistan General Insurance	(14.65)	(5.41)	35.09	32.32	73.14	66.10	11	23	21.24	53.81	81	9.26	7.37	4.83	83.67
22	Silver Star Insurance	11.94	11.60	50.38	48.74	73.23	65.97	11	29	50.89	59.07	67	9.00	(5.37)	37.29	34.07
23	Saudi Pak Insurance	2.55	1.12	51.30	62.01	66.44	74.79	(11)	34	(41.55)	(8.22)	151	9.63	10.79	(42.73)	0.85
24	Alpha Insurance	3.20	(0.03)	37.79	34.65	55.63	51.16	9	40	(27.09)	(26.27)	146	41.53	29.22	2.42	(8.56)
25	Central Insurance	(13.50)	(15.15)	15.32	10.08	37.40	22.42	67	33	4.00	10.77	62	177.50	(111.62)	491.22	(855.12)
26	Crescent Star Insurance	5.69	8.82	22.27	38.95	50.34	83.29	(40)	46	25.83	26.14	66	1.91	(25.01)	3.74	(30.48)
27	Asia Insurance	2.44	1.13	15.43	13.90	32.68	31.72	3	71	4.10	5.11	86	21.11	19.55	4.46	4.89
28	Capital Insurance	(2.51)	(12.92)	11.42	21.62	16.34	17.58	(7)	36	0.83	0.39	93	10.73	12.87	5.16	5.79
29	Excel Insurance	(2.73)	(1.24)	13.51	12.14	14.59	16.28	(10)	76	1.03	2.61	94	37.01	2.74	29.23	(0.93)
30	Cooperative Insurance	0.92	1.24	9.25	10.29	10.01	11.14	(10)	111	(3.47)	0.28	138	2.51	4.83	0.74	5.77
TOTAL		1,368.13	1,278.06	4,997.82	4,703.27	7,461.09	7,132.41	5	36	1,320.09	1,948.36	94	3,522.41	3,768.53	3,120.05	3,450.15

Source: Annual Reports, IAP, PACRA, JCR VIS

** COR is a combination of costs incurred in running the business compared to money received.
Lower the COR, higher the chances of making operating profit

ANALYSIS ON INSURANCE INDUSTRY OF PAKISTAN (PRIVATE SECTOR) FOR 2010

Sorted by Underwriting Profit

Pak Rupees in million

Sr.	Name of Insurer	Credit Rating	Paid-up Capital	Market Share		Inc/Dec In MS	Premium Written		Growth Rate	Net Premium Revenue		Inc/Dec In NP	NP Ratio to GP *	Net Claims Expenses		Inc/(Dec) In Claims	Claims Ratio	
				2010	2009		2010	2009		2010	2009			2010	2009		2010	2008
			Rs.	%	%	%	Rs.	Rs.	%	Rs.	Rs.	%	%	Rs.	Rs.	%	%	%
1	United Insurance	A	400.20	2.22	2.06	8	845.55	715.03	18	550.56	423.73	30	65	175.55	121.56	44	32	29
2	IGI Insurance	AA	718.43	3.41	3.32	3	1,296.77	1,151.80	13	720.73	614.59	17	56	364.41	257.05	42	51	42
3	Atlas Insurance	A+	369.12	2.69	2.62	3	1,024.86	910.74	13	530.27	443.53	20	52	176.50	192.36	(8)	33	43
4	EFU General Insurance	AA	1,250.00	26.90	27.69	(3)	10,231.65	9,614.01	6	5,846.59	5,570.21	5	57	3,941.58	3,911.44	1	67	70
5	Askari General Insurance	A	203.78	3.55	3.19	11	1,350.02	1,107.66	22	639.90	805.18	(21)	47	385.89	522.43	(26)	60	65
6	New Hampshire Insurance	A	-	2.89	2.45	18	1,100.28	849.95	29	405.94	382.17	6	37	201.11	169.22	19	50	44
7	Habib Insurance	A+	400.40	2.04	2.02	1	777.53	702.87	11	394.64	359.04	10	51	183.79	175.70	5	47	49
8	Century Insurance	A	457.24	1.18	1.31	(10)	449.67	456.20	(1)	219.07	206.65	6	49	106.65	64.71	65	49	31
9	Alfalsh Insurance	A-	250.00	1.74	1.88	(7)	662.97	651.46	2	359.94	331.79	8	54	259.44	231.34	12	72	70
10	Silver Star Insurance	BBB+	253.13	0.66	0.63	4	249.60	219.81	14	154.11	147.87	4	62	40.91	28.46	44	27	19
11	Security General Insurance	A+	680.63	1.06	0.95	12	402.06	328.31	22	127.01	120.20	6	32	34.91	31.28	12	27	26
12	East West Insurance	A-	251.38	1.48	1.82	(19)	562.50	631.82	(11)	331.97	436.97	(24)	59	151.32	178.30	(15)	46	41
13	Reliance Insurance	A-	252.00	1.39	1.46	(5)	529.54	506.34	5	267.92	326.55	(18)	51	96.43	227.46	(58)	36	70
14	UBL Insurers	A	1,152.17	1.66	1.47	13	632.53	511.95	24	238.77	264.81	(10)	38	165.54	234.21	(29)	69	88
15	Crescent Star Insurance	BBB-	121.00	0.29	0.40	(28)	109.39	138.16	(21)	74.16	105.36	(30)	68	21.10	34.48	(39)	28	33
16	Pakistan General Insurance	BBB	250.00	0.82	0.59	39	312.21	205.68	52	110.55	109.89	1	35	68.86	29.17	136	62	27
17	Shaheen Insurance	A-	200.00	1.45	1.72	(15)	553.08	596.33	(7)	417.39	481.64	(13)	75	263.04	268.00	(2)	63	56
18	TPL Direct Insurance	A-	310.00	1.07	0.83	30	408.73	287.27	42	331.29	223.57	48	81	141.86	64.63	119	43	29
19	Premier Insurance	A	302.82	2.11	1.93	9	800.56	670.43	19	376.72	335.46	12	47	168.20	149.40	13	45	45
20	PICIC Insurance	A-	350.00	1.45	1.42	2	549.63	493.97	11	166.77	199.66	(16)	30	91.14	106.30	(14)	55	53
21	Asia Insurance	BBB	250.00	0.12	0.11	15	46.06	36.70	25	29.45	31.09	(5)	64	7.47	10.95	(32)	25	35
22	Central Insurance	A	279.18	0.30	0.28	5	113.52	98.61	15	10.51	13.40	(22)	9	4.70	7.70	(39)	45	57
23	Excel Insurance	BBB-	250.00	0.05	0.12	(60)	19.07	43.17	(56)	16.09	18.05	(11)	84	4.27	4.55	(6)	27	25
24	Capital Insurance	BB+	250.20	0.12	0.20	(41)	45.98	71.01	(35)	12.62	10.68	18	27	2.88	1.59	81	23	15
25	Cooperative Insurance	----	300.00	0.02	0.04	(33)	9.00	12.31	(27)	9.02	16.11	(44)	100	2.31	4.30	(46)	26	27
26	Universal Insurance	A-	262.50	1.32	1.55	(15)	503.19	538.70	(7)	328.66	360.80	(9)	65	177.04	181.66	(3)	54	50
27	Alpha Insurance	A	303.60	0.37	0.31	17	139.77	109.25	28	59.10	61.51	(4)	42	45.21	53.16	(15)	76	86
28	Saudi Pak Insurance	BBB+	325.00	0.51	0.66	(23)	193.60	230.46	(16)	82.07	124.85	(34)	42	69.77	69.94	(0)	85	56
29	New Jubilee Insurance	AA	790.98	11.27	11.61	(3)	4,285.25	4,030.64	6	2,451.23	2,297.72	7	57	1,677.61	1,420.98	18	68	62
30	Adamjee Insurance	AA	1,237.05	25.83	25.35	2	9,824.75	8,802.57	12	5,578.11	5,801.10	(4)	57	4,122.95	3,890.28	6	74	67
TOTAL			12,420.79	100.00	100.00		38,029.31	34,723.18	10	20,841.15	20,624.16	1	55	13,152.42	12,642.58	4	63	61

Source: Annual Reports, IAP, PACRA, JCR VIS

* higher the ratio, higher retention or lesser transfer to reinsurers

ANALYSIS ON INSURANCE INDUSTRY OF PAKISTAN (PRIVATE SECTOR) FOR 2010

Sorted by Underwriting Profit

Pak Rupees in million

Sr.	Name of Insurer	Net Commission Expense / (Income)		Operating Expenses		Total Expenses		Inc/(Dec) in Expenses	Expense Ratio	Underwriting Profit		Combined Operating Ratio **	Investment Income		Profit/(Loss) After Tax	
		2010	2009	2010	2009	2010	2009			2010	2009		2010	2009	2010	2009
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	%	%	Rs.	Rs.	%	Rs.	Rs.	Rs.	Rs.
1	United Insurance	21.96	36.76	75.83	59.94	233.16	195.75	19	28	277.23	205.47	50	21.02	10.82	118.39	64.42
2	IGI Insurance	(34.95)	(65.20)	186.17	169.63	295.23	258.94	14	23	205.10	253.10	72	929.34	(414.65)	836.56	263.97
3	Atlas Insurance	(44.00)	(34.47)	197.84	181.18	220.38	199.98	10	22	199.93	104.47	62	102.63	118.23	242.66	189.06
4	EFU General Insurance	656.32	461.19	1,134.69	1,076.14	1,613.35	1,504.17	7	16	111.87	66.54	98	(357.96)	673.52	(413.32)	732.30
5	Askari General Insurance	(9.07)	48.99	153.94	155.00	271.66	245.48	11	20	109.14	78.76	83	51.10	(28.17)	47.42	(27.54)
6	New Hampshire Insurance	(9.99)	(3.17)	111.32	117.20	282.91	315.86	(10)	26	103.50	98.92	75	158.73	131.76	56.58	17.14
7	Habib Insurance	9.15	7.31	114.24	102.50	164.16	155.35	6	21	87.47	73.53	78	149.36	184.89	168.48	204.74
8	Century Insurance	(13.81)	(12.62)	62.59	59.53	121.54	113.04	8	27	63.64	95.03	71	105.88	(73.03)	109.63	(69.96)
9	Afalah Insurance	(74.75)	(68.31)	114.69	94.56	171.92	141.86	21	26	60.56	74.20	83	45.97	17.03	42.65	30.70
10	Silver Star Insurance	11.94	11.60	50.38	48.74	73.23	65.97	11	29	50.89	59.07	67	9.00	(5.37)	37.29	34.07
11	Security General Insurance	2.82	17.50	38.81	24.26	92.34	70.20	32	23	50.46	47.15	60	496.44	446.25	373.66	314.44
12	East West Insurance	68.64	82.16	66.55	87.24	131.84	149.37	(12)	23	45.45	89.27	86	32.02	(561.66)	8.44	(537.12)
13	Reliance Insurance	40.10	44.48	99.46	106.60	130.78	140.59	(7)	25	31.93	(51.99)	88	54.86	53.86	51.93	(32.64)
14	UBL Insurers	(29.32)	(22.90)	75.88	97.91	152.19	189.70	(20)	24	26.67	(44.41)	89	28.77	1.92	(20.95)	(127.58)
15	Crescent Star Insurance	5.69	8.82	22.27	38.95	50.34	83.29	(40)	46	25.83	26.14	66	1.91	(25.01)	3.74	(30.48)
16	Pakistan General Insurance	(14.65)	(5.41)	35.09	32.32	73.14	66.10	11	23	21.24	53.81	81	9.26	7.37	4.83	83.67
17	Shaheen Insurance	68.27	104.71	65.81	59.77	133.90	124.56	7	24	20.27	49.16	95	16.67	95.62	(29.03)	17.47
18	TPL Direct Insurance	35.89	17.47	135.73	112.04	177.68	137.97	29	43	17.82	29.43	95	3.98	(2.56)	(18.01)	1.86
19	Premier Insurance	33.04	28.27	158.60	136.83	195.85	180.42	9	24	16.88	20.95	96	162.36	222.18	120.98	53.34
20	PICIC Insurance	(9.97)	(2.70)	79.42	85.12	108.21	113.24	(4)	20	4.89	10.94	96	6.22	7.90	5.03	16.85
21	Asia Insurance	2.44	1.13	15.43	13.90	32.68	31.72	3	71	4.10	5.11	86	21.11	19.55	4.46	4.89
22	Central Insurance	(13.50)	(15.15)	15.32	10.08	37.40	22.42	67	33	4.00	10.77	62	177.50	(111.62)	491.22	(855.12)
23	Excel Insurance	(2.73)	(1.24)	13.51	12.14	14.59	16.28	(10)	76	1.03	2.61	94	37.01	2.74	29.23	(0.93)
24	Capital Insurance	(2.51)	(12.92)	11.42	21.62	16.34	17.58	(7)	36	0.83	0.39	93	10.73	12.87	5.16	5.79
25	Cooperative Insurance	0.92	1.24	9.25	10.29	10.01	11.14	(10)	111	(3.47)	0.28	138	2.51	4.83	0.74	5.77
26	Universal Insurance	43.48	21.28	125.39	99.62	232.53	166.37	40	46	(17.24)	58.24	105	8.17	7.58	(86.49)	7.82
27	Alpha Pak Insurance	3.20	(0.03)	37.79	34.65	55.63	51.16	9	40	(27.09)	(26.27)	146	41.53	29.22	2.42	(8.56)
28	Saudi Pak Insurance	2.55	1.12	51.30	62.01	66.44	74.79	(11)	34	(41.55)	(8.22)	151	9.63	10.79	(42.73)	0.85
29	New Jubilee Insurance	204.74	227.64	632.96	534.98	652.10	555.58	17	15	(64.09)	114.12	103	407.60	452.25	450.15	656.46
30	Adamjee Insurance	416.23	400.49	1,106.15	1,058.56	1,649.59	1,733.51	(5)	17	(67.21)	451.77	101	779.09	2,479.42	518.92	2,434.48
	TOTAL	1,368.13	1,278.06	4,997.82	4,703.27	7,461.09	7,132.41	5	36	1,320.09	1,948.36	94	3,522.41	3,768.53	3,120.05	3,450.15

Source: Annual Reports, IAP, PACRA, JCR VIS

** COR is a combination of costs incurred in running the business compared to money received.
Lower the COR, higher the chances of making operating profit

ANALYSIS ON INSURANCE INDUSTRY OF PAKISTAN (PRIVATE SECTOR) FOR 2010

Sorted by Profit After Tax

Pak Rupees in million

Sr.	Name of Insurer	Credit Rating	Paid-up Capital	Market Share		Inc/Dec in MS	Premium Written		Growth Rate	Net Premium Revenue		Inc/Dec in NP	NP Ratio to GP *	Net Claims Expenses		Inc/Dec in Claims	Claims Ratio	
				2010	2009		2010	2009		2010	2009			2010	2009		2010	2008
			Rs.	%	%	%	Rs.	Rs.	%	Rs.	Rs.	%	%	Rs.	Rs.	%	%	%
1	IGI Insurance	AA	718.43	3.41	3.32	3	1,296.77	1,151.80	13	720.73	614.59	17	56	364.41	257.05	42	51	42
2	Adamee Insurance	AA	1,237.05	25.83	25.35	2	9,824.75	8,802.57	12	5,578.11	5,801.10	(4)	57	4,122.95	3,890.28	6	74	67
3	Central Insurance	A	279.18	0.30	0.28	5	113.52	98.61	15	10.51	13.40	(22)	9	4.70	7.70	(39)	45	57
4	New Jubilee Insurance	AA	790.98	11.27	11.61	(3)	4,285.25	4,030.64	6	2,451.23	2,297.72	7	57	1,677.61	1,420.98	18	68	62
5	Security General Insurance	A+	680.63	1.06	0.95	12	402.06	328.31	22	127.01	120.20	6	32	34.91	31.28	12	27	26
6	Atlas Insurance	A+	369.12	2.69	2.62	3	1,024.86	910.74	13	530.27	443.53	20	52	176.50	192.36	(8)	33	43
7	Habib Insurance	A+	400.40	2.04	2.02	1	777.53	702.87	11	394.64	359.04	10	51	183.79	175.70	5	47	49
8	Premier Insurance	A	302.82	2.11	1.93	9	800.56	670.43	19	376.72	335.46	12	47	168.20	149.40	13	45	45
9	United Insurance	A	400.20	2.22	2.06	8	845.55	715.03	18	550.56	423.73	30	65	175.55	121.56	44	32	29
10	Century Insurance	A	457.24	1.18	1.31	(10)	449.67	456.20	(1)	219.07	206.65	6	49	106.65	64.71	65	49	31
11	New Hampshire Insurance	A	-	2.89	2.45	18	1,100.28	849.95	29	405.94	382.17	6	37	201.11	169.22	19	50	44
12	Reliance Insurance	A-	252.00	1.39	1.46	(5)	529.54	506.34	5	267.92	326.55	(18)	51	96.43	227.46	(58)	36	70
13	Askari General Insurance	A	203.78	3.55	3.19	11	1,350.02	1,107.66	22	639.90	805.18	(21)	47	385.89	522.43	(26)	60	65
14	Affal Insurance	A-	250.00	1.74	1.88	(7)	662.97	651.46	2	359.94	331.79	8	54	259.44	231.34	12	72	70
15	Silver Star Insurance	BBB+	253.13	0.66	0.63	4	249.60	219.81	14	154.11	147.87	4	62	40.91	28.46	44	27	19
16	Excel Insurance	BBB-	250.00	0.05	0.12	(60)	19.07	43.17	(56)	16.09	18.05	(11)	84	4.27	4.55	(6)	27	25
17	East West Insurance	A-	251.38	1.48	1.82	(19)	562.50	631.82	(11)	331.97	436.97	(24)	59	151.32	178.30	(15)	46	41
18	Capital Insurance	BB+	250.20	0.12	0.20	(41)	45.98	71.01	(35)	12.62	10.68	18	27	2.88	1.59	81	23	15
19	PICIC Insurance	A-	350.00	1.45	1.42	2	549.63	493.97	11	166.77	199.66	(16)	30	91.14	106.30	(14)	55	53
20	Pakistan General Insurance	BBB	250.00	0.82	0.59	39	312.21	205.68	52	110.55	109.89	1	35	68.86	29.17	136	62	27
21	Asia Insurance	BBB	250.00	0.12	0.11	15	46.06	36.70	25	29.45	31.09	(5)	64	7.47	10.95	(32)	25	35
22	Crescent Star Insurance	BBB-	121.00	0.29	0.40	(28)	109.39	138.16	(21)	74.16	105.36	(30)	68	21.10	34.48	(39)	28	33
23	Alpha Insurance	A	303.60	0.37	0.31	17	139.77	109.25	28	59.10	61.51	(4)	42	45.21	53.16	(15)	76	86
24	Cooperative Insurance	----	300.00	0.02	0.04	(33)	9.00	12.31	(27)	9.02	16.11	(44)	100	2.31	4.30	(46)	26	27
25	TPL Direct Insurance	A-	310.00	1.07	0.83	30	408.73	287.27	42	331.29	223.57	48	81	141.86	64.63	119	43	29
26	UBL Insurers	A	1,152.17	1.66	1.47	13	632.53	511.95	24	238.77	264.81	(10)	38	165.54	234.21	(29)	69	88
27	Shaheen Insurance	A-	200.00	1.45	1.72	(15)	553.08	596.33	(7)	417.39	481.64	(13)	75	263.04	268.00	(2)	63	56
28	Saudi Pak Insurance	BBB+	325.00	0.51	0.66	(23)	193.60	230.46	(16)	82.07	124.85	(34)	42	69.77	69.94	(0)	85	56
29	Universal Insurance	A-	262.50	1.32	1.55	(15)	503.19	538.70	(7)	328.66	360.80	(9)	65	177.04	181.66	(3)	54	50
30	EFU General Insurance	AA	1,250.00	26.90	27.69	(3)	10,231.65	9,614.01	6	5,846.59	5,570.21	5	57	3,941.58	3,911.44	1	67	70
TOTAL			12,420.79	100.00	100.00		38,029.31	34,723.18	10	20,841.15	20,624.16	1	55	13,152.42	12,642.58	4	63	61

Source: Annual Reports, IAP, PACRA, JCR VIS

* higher the ratio, higher retention or lesser transfer to reinsurers

ANALYSIS ON INSURANCE INDUSTRY OF PAKISTAN (PRIVATE SECTOR) FOR 2010

Sorted by Profit After Tax

Pak Rupees in million

Sr.	Name of Insurer	Net Commission Expense / (Income)		Operating Expenses		Total Expenses		Inc/(Dec) in Expenses	Expense Ratio	Underwriting Profit		Combined Operating Ratio **	Investment Income		Profit/(Loss) After Tax	
		2010	2009	2010	2009	2010	2009			2010	2009		2010	2009	2010	2009
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	%	%	Rs.	Rs.	%	Rs.	Rs.	Rs.	Rs.
1	IGI Insurance	(34.95)	(65.20)	186.17	169.63	295.23	258.94	14	23	205.10	253.10	72	929.34	(414.65)	836.56	263.97
2	Adamjee Insurance	416.23	400.49	1,106.15	1,058.56	1,649.59	1,733.51	(5)	17	(67.21)	451.77	101	779.09	2,479.42	518.92	2,434.48
3	Central Insurance	(13.50)	(15.15)	15.32	10.08	37.40	22.42	67	33	4.00	10.77	62	177.50	(111.62)	491.22	(855.12)
4	New Jubilee Insurance	204.74	227.64	632.96	534.98	652.10	555.58	17	15	(64.09)	114.12	103	407.60	452.25	450.15	656.46
5	Security General Insurance	2.82	17.50	38.81	24.26	92.34	70.20	32	23	50.46	47.15	60	496.44	446.25	373.66	314.44
6	Atlas Insurance	(44.00)	(34.47)	197.84	181.18	220.38	199.98	10	22	199.93	104.47	62	102.63	118.23	242.66	189.06
7	Habib Insurance	9.15	7.31	114.24	102.50	164.16	155.35	6	21	87.47	73.53	78	149.36	184.89	168.48	204.74
8	Premier Insurance	33.04	28.27	158.60	136.83	195.85	180.42	9	24	16.88	20.95	96	162.36	222.18	120.98	53.34
9	United Insurance	21.96	36.76	75.83	59.94	233.16	195.75	19	28	277.23	205.47	50	21.02	10.82	118.39	64.42
10	Century Insurance	(13.81)	(12.62)	62.59	59.53	121.54	113.04	8	27	63.64	95.03	71	105.88	(73.03)	109.63	(69.96)
11	New Hampshire Insurance	(9.99)	(3.17)	111.32	117.20	282.91	315.86	(10)	26	103.50	98.92	75	158.73	131.76	56.58	17.14
12	Reliance Insurance	40.10	44.48	99.46	106.60	130.78	140.59	(7)	25	31.93	(51.99)	88	54.86	53.86	51.93	(32.64)
13	Askari General Insurance	(9.07)	48.99	153.94	155.00	271.66	245.48	11	20	109.14	78.76	83	51.10	(28.17)	47.42	(27.54)
14	Afalah Insurance	(74.75)	(68.31)	114.69	94.56	171.92	141.86	21	26	60.56	74.20	83	45.97	17.03	42.65	30.70
15	Silver Star Insurance	11.94	11.60	50.38	48.74	73.23	65.97	11	29	50.89	59.07	67	9.00	(5.37)	37.29	34.07
16	Excel Insurance	(2.73)	(1.24)	13.51	12.14	14.59	16.28	(10)	76	1.03	2.61	94	37.01	2.74	29.23	(0.93)
17	East West Insurance	68.64	82.16	66.55	87.24	131.84	149.37	(12)	23	45.45	89.27	86	32.02	(561.66)	8.44	(537.12)
18	Capital Insurance	(2.51)	(12.92)	11.42	21.62	16.34	17.58	(7)	36	0.83	0.39	93	10.73	12.87	5.16	5.79
19	PICIC Insurance	(9.97)	(2.70)	79.42	85.12	108.21	113.24	(4)	20	4.89	10.94	96	6.22	7.90	5.03	16.85
20	Pakistan General Insurance	(14.65)	(5.41)	35.09	32.32	73.14	66.10	11	23	21.24	53.81	81	9.26	7.37	4.83	83.67
21	Asia Insurance	2.44	1.13	15.43	13.90	32.68	31.72	3	71	4.10	5.11	86	21.11	19.55	4.46	4.89
22	Crescent Star Insurance	5.69	8.82	22.27	38.95	50.34	83.29	(40)	46	25.83	26.14	66	1.91	(25.01)	3.74	(30.48)
23	Alpha Insurance	3.20	(0.03)	37.79	34.65	55.63	51.16	9	40	(27.09)	(26.27)	146	41.53	29.22	2.42	(8.56)
24	Cooperative Insurance	0.92	1.24	9.25	10.29	10.01	11.14	(10)	111	(3.47)	0.28	138	2.51	4.83	0.74	5.77
25	TPL Direct Insurance	35.89	17.47	135.73	112.04	177.68	137.97	29	43	17.82	29.43	95	3.98	(2.56)	(18.01)	1.86
26	UBL Insurers	(29.32)	(22.90)	75.88	97.91	152.19	189.70	(20)	24	26.67	(44.41)	89	28.77	1.92	(20.95)	(127.58)
27	Shaheen Insurance	68.27	104.71	65.81	59.77	133.90	124.56	7	24	20.27	49.16	95	16.67	95.62	(29.03)	17.47
28	Saudi Pak Insurance	2.55	1.12	51.30	62.01	66.44	74.79	(11)	34	(41.55)	(8.22)	151	9.63	10.79	(42.73)	0.85
29	Universal Insurance	43.48	21.28	125.39	99.62	232.53	166.37	40	46	(17.24)	58.24	105	8.17	7.58	(86.49)	7.82
30	EFU General Insurance	656.32	461.19	1,134.69	1,076.14	1,613.35	1,504.17	7	16	111.87	66.54	98	(357.96)	673.52	(413.32)	732.30
TOTAL		1,368.13	1,278.06	4,997.82	4,703.27	7,461.09	7,132.41	5	36	1,320.09	1,948.36	94	3,522.41	3,768.53	3,120.05	3,450.15

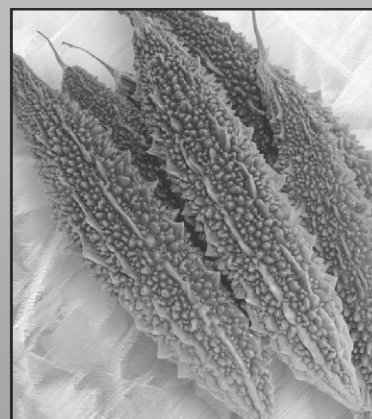
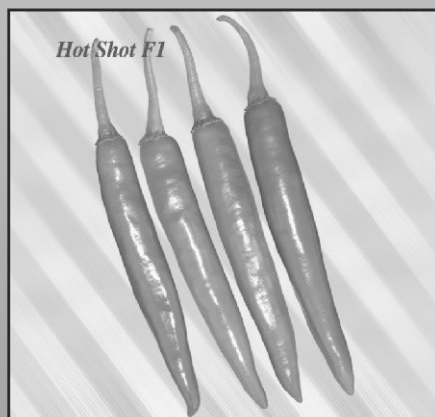
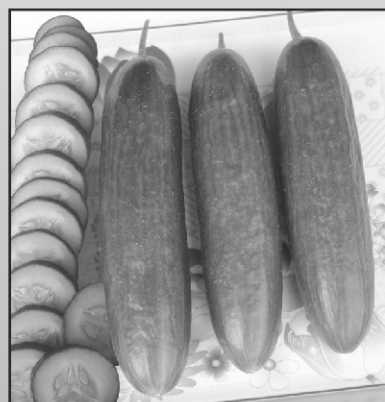
Source: Annual Reports, IAP, PACRA, JCR VIS

** COR is a combination of costs incurred in running the business compared to money received.
Lower the COR, higher the chances of making operating profit

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INSURANCE COMMISSIONER



MR. MOHAMMED ASIF ARIF

Mr. Mohammed Asif Arif was appointed Commissioner of the Securities and Exchange Commission of Pakistan on 16th august, 2011 and took charge of his office on 5th september, 2011. He will be heading the Insurance Division. He brings with him rich experience of insurance spread over more than two decades.

He is an MBA from Institute of Business Administration (IBA) Karachi and ACII from Chartered Insurance Institute London. He was conferred the Chartered Insurer status by Chartered Insurance Institute London. He has attended numerous seminars/conferences/training programs on risk management and Insurance. He is well known for his technical and managerial skills in the Insurance Industry.

He has worked with Muslim Insurance (Now Atlas Insurance), Adamjee Insurance and EFU General in various capacities. He has served on various committees of Insurance Association of Pakistan and Executive Committee of Karachi Insurance Institute.



**Mr. Fakhir Rahman
(Chairman-IAP)**

IAP Elections

Executive Committee 2011-12

**Mr. Fakhir Rahman
(Chairman-IAP)**

**Mr. Atiq Anwar Mahmudi
(Vice .Chairman IAP)**

Mr. Nasar us Samad Qureshi

Mr. Jalees Ahmed Siddiqi

Ms. Zehra Naqvi

Mr. Shariq Abdullah

Mr. Mahmood Lotia

Mr. Shabbir Gulamali

Mr. Mohammad Hussain Hirji

Mr. Manzar Mushtaq

Mr. Mujib Khan

**Mr. Hasanali Abdullah
(Ex-Officio Member)**



**Mr. Atiq Anwar Mahmudi
(Vice .Chairman IAP)**



BILAL H. KHAN JADOON

Mr. Bilal H Khan Jadoon S/O Majad Khan Jadoon a leading Insurance surveyor has successfully cleared the Bachelor of Engineering (Electronics) from Hamdard University, Karachi, and has joined M/s. Pakistan Inspection (Pvt.) Ltd. as Engineer Surveyor.



Ali Munem Shamsi

*President Asia Insurance
Lahore*

HOW INSURANCE POLICY WORKS

Insurance is synonymous to a lot of people sharing risks of losses expected from a supposed accident. Here, the costs of the losses will be borne by all the insurers.

For example, if Mr. Aslam buys a new car and wishes to insure the vehicle against any expected accidents. He will buy an insurance policy from an insurance company through an insurance agent or insurance company by paying a specific amount of money, called premium, to the insurance company.

The moment Mr. Aslam pay the premium, the insurer (i.e. the insurance company) issue an insurance policy, or contract paper, to him. In this policy, the insurer analyses how it will pay for all or part of the damages/losses that may occur on Mr. Aslam's car.

However, just as Mr. Aslam is able to buy an insurance policy and is paying to his insurer, a lot of other people in thousands are also doing the same thing. Any one of these people who are insured by the insurer is referred to as insured. Normally, most of these

people will never have any form of accidents and hence there will be no need for the insurer to pay them any form of compensation.

If Mr. Aslam and a very few other people has any form of accidents/losses, the insurer will pay them based on their policy.

It should be noted that the entire premiums paid by these thousands of insured is so much more than the compensations to the damages/losses incurred by some few insured. Hence, the huge left-over money (from the premiums collected after paying the compensations) is utilized by the insurer as follows:

1. Some are kept as a cash reservoir.
2. Some are used as investments for more profit.
3. Some are used as operating expenses in form of rent, supplies, salaries, staff welfare etc.
4. Some are lent out to banks as fixed deposits for more profit etc. etc.

Apart from the **vehicle insurance** taken by Mr. Aslam on his new vehicle, he can also decide to insure himself. This one is extremely different because it involves a human life and is thus termed Life Insurance or Assurance.

Life insurance (or assurance) is the insurance against certainty or something that is certain to happen such as death, rather than something that might happen such as loss of or damage to property.

The issue of life insurance is a paramount one because it concerns the security of human life and business. Life insurance offers real protection for your business and it also provides some sort of motivation for any skilled employees who decides to join your organization.

Life insurance insures the life of the policy holder and pays a benefit to the beneficiary. This beneficiary can be your business in the case of a key employee, partner, or co-owner. In some cases, the beneficiary may be one's next of kin or a near or distant relation. The beneficiary is not

limited to one person; it depends on the policy holder.

Life insurance policies exist in three forms:

Whole life insurance

Term Insurance

Endowment insurance

Whole Life Insurance

In Whole Life Insurance (or Whole Assurance), the insurance company pays an agreed sum of money (i.e. sum assured) upon the death of the person whose life is insured. As against the logic of term life insurance, Whole Life Insurance is valid and it continues in existence as long as the premiums of the policy holders are paid.

When a person express his wish in taking a Whole Life Insurance, the insurer will look at the person's current age and health status and use this data to reviews longevity charts which predict the person's life duration/life-span. The insurer then present a monthly/quarterly/bi-annual/annual level premium. This premium to be paid depends on a person's present age: the younger the person the higher the premium and the older the person the lower the premium. However, the extreme high premium being paid by a younger person will reduce gradually relatively with age over the course of many years.

In case you are planning a life insurance, the insurer is in the best position to advise you on the type you

should take. Whole life insurance exists in three varieties, as follow: variable life, universal life, and variable-universal life; and these are very good options for your employees to consider or in your personal financial plan.

Term Insurance

In Term Insurance, the life of the policy-holder is insured for a specific period of time and if the person dies within the period the insurance company pays the beneficiary. Otherwise, if the policy-holder lives longer than the period of time stated in the policy, the policy is no longer valid. In a simple word, if death does not occur within stipulated period, the policy-holder receives nothing.

For example, Mr. Aslam takes a life policy for a period of not later than the age of 60. If Mr. Aslam dies within the age of less than 60 years, the insurance company will pay the sum assured. If Mr. Aslam's death does not occur within the stated period in the life policy (i.e. Mr. Aslam lives up to 61 years and above), the insurance company pays nothing no matter the premiums paid over the term of the policy.

Term assurance will pay the policy holder only if death occurs during the "term" of the policy, which can be up to 30 years. Beyond the "term", the policy is null and void (i.e. worthless). Term life insurance policies are basically of two types:

- Level term: In this one, the death benefit remains constant throughout the duration of the policy.

- Decreasing term: Here, the death benefit decreases as the course of the policy's term progresses.

It should be note that Term Life Insurance can be used in a debtor-creditor scenario. A creditor may decide to insure the life of his debtor for a period over which the debt repayment is expected to be completed, so that if the debtor dies within this period, the creditor (being the policy-holder) gets paid by the insurance company for the sum assured).

Endowment Life Insurance

In Endowment Life Insurance, the life of the policy holder is insured for a specific period of time (say, 30 years) and if the person insured is still alive after the policy has timed out, the insurance company pays the policy-holder the sum assured. However, if the person assured dies within the "time specified" the insurance company pays the beneficiary.

For example, Mr. Aslam took an Endowment Life Insurance for 35 years when he was 25 years of age. If Mr. Aslam is lucky to attain the age of 60 (i.e. $25 + 35$), the insurance company will pay the policy-holder (i.e. whoever is paying the premium, probably Mr. Adam if he is the one paying the premium) the sum assured. However, if Mr. Aslam dies at the age of 59 years before completing the assured time of 35 years, his sum assured will be paid to his beneficiary (i.e. policy-holder). In case of death, the sum assured is paid at the age which Mr. Aslam dies.



Syed Hassan Abbas

Management Consultant/Trainer

We all have heard different sayings or quotations or connotations about opportunity. Some say it comes to every one at least once in life. Opportunity comes in a disguise of problems. Opportunity is some thing when you do it gives you a jump which lets you cover the distance that shortens achievements of others for a life time. It is like you achieve some thing in months that others do achieve some thing in years. It is for the same reason, that people some how have been misled to take opportunity as some sort of a short-cut or an easy way to success. It is not.

Recently in a training session among university students, young graduates and part of alumni who had recently been selected at some jobs, the question was thrown at me by one of the audience. This young woman who had landed some how on a job was quite confused. She had been efforting all the way for the past 8 months just to see her efforts going in vain. She had been doing all the things a young graduate can do by taking guidelines from job sites like Rozi or Monster.com. The thing that confused her that she explicitly expressed was: "How should I know what works in life and what does not? We cannot spend the rest of our lives

going hit and trial."

"I have been doing every thing in my influence to find a job and when I was finally tired of doing all the things, then came this interview. Feeling stupid and pretty hopeless as before, I did not do as much before. I just printed my CV while previously I would cover it with a plastic transparent file covering. I did not even bother to re-read it. I just went and showed up my face, while previously I would ask my mother to give me her comments about my appearance for an interview. And this time I got selected. She asked: "Was that a fate or a matter of luck, then why should not we leave all things to it and even bother to put much work into it?"

I asked in return, how many times she had appeared before an interview than this time and had failed rather how many times she had done quite an effort to appear before an interview. It was 26th she said in the last 8 months. "And did you do the same effort and go with the same zeal before you lost it?" I asked. She said: "Yes up till 27th I had pretty much the zeal, but then I lost it all for some reason." She answered that with a questioning look in her eyes as if wondering why I was asking that.

And then I turned to the rest of the audience asking them to just throw in their comments what makes an opportunity come to you?

And to that response there was a rush of brainstorming ideas, some very reasonable and quite true to some just

as wide as an arrow going astray.

Those were: fate, hard work, persistence, luck, hope, continuous effort, good deeds (in return of which you suddenly find things favoring you), *maa baap ki dua*, *taqdeer*, presentation style, taking chances, confidence (since our recent reference was of interviews), perseverance, attitude, desire to win etc. And yet there was some thing missing as the final piece in the puzzle: **Attraction**.

To attract an opportunity and make it come to you, you have to be attractive for an opportunity. Let's understand it this way. To attract a sports star, you have to be a better sportsman. To attract some one wealthy, you have to be wealthier. To attract a fitness freak, you have to perhaps become more super fit. To attract some one knowledge-full, you have to have more knowledge. Would some one more expert than you be ever attracted to you? Or ask that to yourself blatantly:

"Would I be ever attracted towards some one less competent than me? Would I ever be fascinated by him or her?" You bet, you won't.

So what does this all have to do with Insurance industry. Everything! Insurance selling is becoming an expert at satisfying your clients. The question is thus how do you become an expert?

By knowing your product more: Know every thing about your product that you are taking to your prospect. Know what is going on in the industry. Know what your

competitors are offering. Know what your policy covers and what does it leave behind. Know everything.

By improving on your trust level:

Work on making it easier for your people to trust you. For that you have to become more trustworthy. Your people involve your teams, your leaders, subordinates and your clients. Do not make commitments to them if you cannot fulfill them. It does not mean you stop making commitments at all out of fear of not being able to meet them, but make commitments with your full intent to meet those. If you tell your client you would leave further details with him the next day, do that. If you tell them

you would meet them at 4pm. Do that. Trust building takes time, but do that, it is worth it.

By improving your skills:

Work on improving your skills. Insurance is selling with integrity mixed with liability. Learn to sell. Read books on psychology of client relationships. Today you do not have to enroll in a university degree to increase your knowledge. Everything is available at your desktop screen, a few clicks away. Read articles on selling strategies. Read about character building. Read biographies of achievers.

I have learnt from my mentor that investing 1,000 hours in any field or

endeavour takes you to an expert level. *Spending 330 hours each on the above three core areas shall dramatically increase your chances to become an expert and that level you shall start to know the law of attraction.* It would be a time when people would start to refer you to their friends, when they would start discussing personal matters with you showing deep level of trust or when they would do anything you recommend them to do. When opportunities shall start to flow towards you, one after the other. And you would start to experience the law of attraction.

You would become an opportunity attractor.

Bangladesh New Insurance Laws

The Bangladesh parliament passed two bills for regulating the insurance sector. 'The Insurance Regulatory Authority Bill 2010' and the 'Insurance Bill 2010'.

A provision of the Insurance Regulatory Authority Bill includes formation of an independent regulatory authority to monitor the insurance industry to help it achieve global standards.

According to the law, the government will appoint a chairman and four members for three years. The authority will register and regulate the professional insurance and reinsurance institutions and their intermediaries. It will arbitrate disputes, had there been any, among the insurers, intermediary and their clients.

The authority will be a statutory body that will replace the Directorate of Insurance under the finance ministry.

According to the provisions of the insurance law, a general insurer requires to raise its paid-up capital to Tk 40 crore from Tk 15 crore, while a life insurance company will have to raise its capital to Tk 30 crore from Tk 9 crore.

An insurance company will not be allowed to operate both traditional and Islamic insurance business simultaneously. Besides, the companies, particularly the general insurance, should have brokerage houses.

As many as 62 insurance companies are currently operating in the country. Of them, 19 are life insurance and 43 general insurance companies.

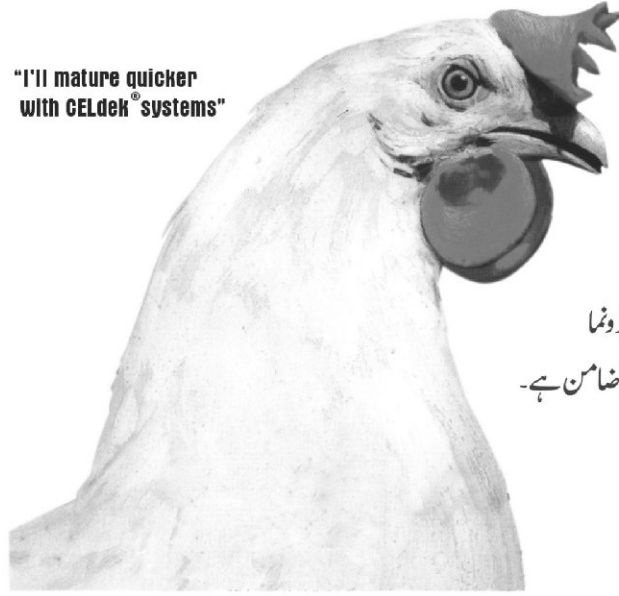
With manpower of less than 20, the office of the chief controller of insurance is overseeing the insurance sector with about 1.5 crore policy holders.

The law will replace the Insurance Act 1938.

The military-controlled interim government enacted the Insurance Ordinance 2008 and Insurance Regulatory Authority Ordinance 2008. The ordinance became ineffective as the parliament did not approve them in its first session last year.

The government placed fresh bills in the House in July 2009, which sent the bills to the parliamentary standing committee on the finance ministry for scrutiny. The committee submitted its reports in the House in September 2009.

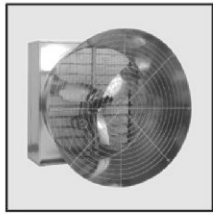
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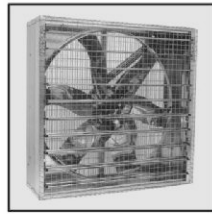
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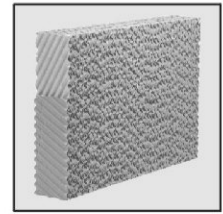
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Health Care and Health Insurance in Bangladesh

HEALTH MICROINSURANCE

A Comparative Study of Three Examples in Bangladesh.

International Labour Organization (I.L.O) commissioned a study group on behalf of the C.G.A.P working group on Microinsurance. A team of consultants consisting of MR. MOSLEH UDDIN AHMED, SYED KHAIRUL ISLAM, MD ABDUL QUASHEM AND MR. NABIL AHMED carried out comparative study of three health Microinsurance programs. These programs were implemented by Bangladesh Rural Advancement Committee (B.R.A.C), Grameen Kalyan and society for social services (SSS Health Program).

In APRIL/MAY/JUNE 2011 issue of Insurance Journal some parts of the paper commissioned by the “Good and Bad Practices in Microinsurance” project were published.

In this issue other part of the paper are reproduced.

A rough estimate of the current annual worldwide health care expenditure (public and private) amounts to US\$2,000 billion. On average, developed countries spend US\$ 1,500 per person on health care, compared to US\$ 287 in developing countries. The level of health care spending in Bangladesh – at 3.5% of its total GDP⁶ or US\$ 58 per person – is considerably lower than many developing countries; a substantial part of this spending is private, out-of-pocket expenses. A Ministry of Health and Family Welfare study concluded that only 34% of health expenditure was financed by the government, 64% by the public and 2% by NGOs. Despite such a high share of expenditure by private individuals, the provision of health care is inadequate in terms of quality and access. This highlights the need for alternative financing including the provision of more inclusive health care insurance.

The present state of health care in Bangladesh has a colonial legacy. At the time of independence in 1971, the country inherited a health system introduced during the British era and perpetuated during Pakistani rule. The system was mainly urban-based, elite-biased, and curative-orientated. The Bangladesh Government continued with the same system. Even though nearly 75% of the population still lives in rural areas, health care development is mainly urban.

Bangladesh is divided into 6 Divisions, 64 Districts, 460 Upazilas, and 4403 Unions. Each Union has on an average 3 Wards, and 4 to 5 villages constitute a ward. On an average, a Ward has population of 7,000 people and is the lowest administrative tier of the Government.

The structure of the health service

follows this administrative structure. The Ministry of Health and Family Welfare is responsible for policy, planning and decision making at the macro level. Below this are two major implementation wings: the Directorate General of Health Services and the Directorate of Family Planning. The Director General of Health Services is responsible for implementation of all health programs of the government, and provides technical guidance to the Ministry. The directorate of Family Planning is responsible for implementing family planning programs and provides family planning related technical assistance to the Ministry.

Government health care services are provided through a five-tier system. The level and sophistication of the health service facilities go up with the rise in the level of administrative hierarchy, as shown in table.

Health Care Administrative Levels in Bangladesh

S#	Level Of Care	Administrative Unit	Number of facilities	Population Covered
1	Tertiary	Division	33 Teaching & Specialized Hospitals	10-15 million by all units
2	Second Referral	District	64 District Hospitals	1-2 million by each unit
3	First Referral	Upazila	553 Upazila health Complexes	200,000-450,000 by each unit

4	First Level Facility	Union	4,068 HFWCs	21,000 by each unit
5	First Contact	Ward	Community Based Staff	700 by each unit
6	Informal Contact	Village	TBA (Dais) & Kobiraj	1,000-1,500

The first contact with the government health care system is at the Ward level where there are health assistants. At the Union level, the Health and Family Welfare Centres (HFWC) provides preventative and family planning services and usually managed by a graduate doctor with some support staff. The next level of health care is the Upazila Health Complexes, which were developed during the 1970s as part of the government's strategy to develop primary health care and provide the first level referral services. Usually several graduate doctors are available in an Upazila Complex, which includes specialists and a dental surgeon. The Health Complex usually has a 30-bed in-patient department, an outpatient department, and family planning unit that together provide preventive and limited curative services to the population.

At the District level, there is usually a hospital, with between 50 and 200 beds, which is intended to serve 1 to 2 million people. The District Hospital is under the management of the Civil Surgeon and provides more

sophisticated curative, laboratory and diagnostic services.

All the tertiary level health facilities are located in the capital city and include post-graduate hospitals, medical college hospitals and specialized hospitals. These facilities provide highly specialized curative treatments, laboratory and diagnostic services and various other kinds of training and educational facilities.

The total number of hospital beds available under the Ministry of Health is approximately 28,000, of which approximately 45% are located at the Upazila level and 17% are at the District level, and the remaining 36% are either in large tertiary general hospitals or specialized hospitals at the six divisional headquarters.

Statistics on the private sector in health care provision are inconsistent, and thought to be inaccurate because many doctors work in a number of public and private facilities. The Bangladesh Health bulletin published in 1999 records approximately 485 private hospitals in the country offering approximately 15,000 beds,

with over 50% of them in Dhaka division.

The standard of health care provided by the public sector continues to be poor and inadequate due to low investment, bureaucratic mismanagement, a lack of facilities and equipment, and a shortage of trained medical professionals. With around 3,100 persons per hospital bed in the country, and 23 doctors per 100,000 people, only the middle-class, rich and influential people have access to the public health care system. The poor are unable to penetrate the bureaucracy, the archaic administration and the deliberately biased system. They have access to public health care in theory only.

Two of the major limitations of the present health care system and its financing in Bangladesh are: (a) high health care costs, more than half of which is private out-of-pocket expenditure; and (b) unsatisfactory outcomes of the expenses. Most of the out-of-pocket expenses are borne by households engaged in low-income informal economic activities.

Health Insurance

Following independence in 1972, the Bangladesh Government nationalized all insurance companies in the country. The newly created Jiban Bima (Life Insurance) Corporation took overall the assets

and liabilities of the life business, while the Sadharan Bima (General Insurance) Corporation did the same for the non-life business. An ordinance passed in 1984 allowed the formation of private insurance

companies as shown in table, currently there are 60 Insurance Companies and Corporations in Bangladesh divided into two categories, Life and General (Non-life).

Number of Bangladeshi Insurance Companies

Bangladesh Insurance Industry	Number of Operators
Public Sector Life Insurers	1
Private Sector Life Insurers	16
Total Life Insurers	17
Public Sector General Insurers	1
Private Sector General Insurers	42
Total General Insurers	43

The Bangladeshi insurance sector remains underdeveloped compared to that of neighboring countries. Insurance spending as a percentage of GDP in Bangladesh at 0.57% is also among the lowest in the region. Per capita insurance premiums in 2003 were US\$2.1, compared to US\$2.9 for Pakistan, US\$14.5 for Indonesia and US\$16.4 for India.

The insurance Act in Bangladesh allows only life insurance companies and composite insurance companies to offer health insurance, and therefore the non-life insurance companies that are offering health insurance are in breach of the law.

K M Mortuza Ali conducted a survey of the life and non-life insurance companies in Bangladesh in mid-2002. Ten life insurance providers and 20 non-life insurance providers responded. Out of these, three life insurance companies had introduced limited health insurance products, one life insurance company was

interested in introducing health insurance, while six others stated that they might consider health insurance a future option.

Seven of the 20 non-life insurance companies had introduced limited health insurance products as of July 2002. Of the remainder, two stated they would not be interested in diversifying into health insurance because of the high risk of false claims and the lack of health care infrastructure. The remaining 11 cited a lack of demand for such products for their decision, backing up the commonly held opinion that the lack of public awareness is main reason for the underdeveloped state of health insurance in Bangladesh. All 20 insurance companies believed the government should develop a legal framework to standardize operational procedures and introduce quality assurance in health care service provision. One can conclude from Ali's results that many issues related

to health insurance have to be resolved before insurance companies will be prepared to enter this market on a large scale.

The private health insurance market in Bangladesh is relatively underdeveloped compared to life insurance. The Government's current accelerated privatization program is expected to stimulate growth in the health insurance sector. There is also a general belief that in the coming years, the process of globalization will bring foreign insurers to the country. Before this can happen though, the regulatory environment pertaining to the insurance industry must be drastically improved.

There are a number of innovative community-based insurance schemes in Bangladesh, largely run by NGOs. The most notable of these are Gonoshashtho Kendra Sajida Foundation, Shakti, and Dhaka Community Hospital.

Legislation and Regulation

The law regulating the insurance industry in Bangladesh is the Insurance Act of 1938. Introduced under the British era, it has more or less remained the same, with only a few amendments made over the

ensuing decades. The only reference in the Act to health insurance is a definition. The regulatory authority in Bangladesh is staffed by bureaucrats who have limited knowledge or experience in insurance. Its presence

has little impact in the insurance sector or on the quality of insurance products. As a result, insurance regulation in Bangladesh is almost non-existent.

Insurance Industry Basics

Issues	Observations
Name of insurance regulatory body	The Insurance Directorate, headed by The Chief Controller of Insurance
Key responsibilities of the regulatory authority	Consumer protection, licensing, policy approval, monitoring and investigations
Key requirements for an insurance license	Life Insurance and Non-Life Insurance businesses are segregated.
On-going capital requirements for an insurance company (see Table 4 below)	Maintain at least minimum capital and deposits
Other key requirements for regulatory compliance	Reporting, actuarial valuation in case of life business, auditing and separation of funds
Number of regulated private insurance (12/02)	Life = 15, Non-Life = 42, Brokers = Nil
Number of regulated foreign insurance (12/02)	Life = 1, Non-Life = Nil
Number of regulated public insurance (12/02)	Life = 1, Non-Life = 1
Value of annual premiums of regulated private insurance (12/02)	Life = US\$ 139 million Non-Life = US\$ 77 million
Value of annual premiums of regulated public insurance (12/02)	Life = US\$ 31 million Non-Life = US\$ 15.5 million
Number of re-insurers (if any)	Two local, several international
Other unregulated organizations	Unknown though there are several being implemented by MFIs
Certification requirements for agents	Minor fee, generate six policyholders, pass exam, can either sell for life or non-life

Minimum Capital and Deposit Requirements for Insurance Industry

Issues	Minimum Capital Requirement US\$ in '000	Minimum Deposit Requirement US\$ in '000
Life Insurance	1,279	72
General Insurance	2,579	52
Specified Miscellaneous Insurance	258	103
Co-operative Insurance Society – Life Ins	175	175
Co-operative Insurance Society – Gen. Ins	340	340
Mutual Insurance	175	21
Provident Society – actual value	86	860

Besides the minimum capital and deposit requirements shown in Table regulated insurance companies are required to pay 0.15% of their gross premiums as an annual licence fee to the government.

State promotion of Insurance

The insurance industry was

nationalized in 1972 by Presidential order no. 95, known as the Bangladesh Insurance (Nationalisation) Order 1972. The law provides for insurance companies, provident societies, mutual insurance companies and co-operative insurance societies, as well two state run insurers, Jiban Bima for

life business and Sadharan Bima Corporations for General (non-life) business.

The State holds a negative attitude towards the insurance industry and little effort is made to promote the insurance industry. The Insurance Directorate, under the Ministry of Commerce, is the regulatory body. A

Chief Controller of Insurance, normally a senior civil servant, heads the Directorate. The present Chief Controller of insurance has been in the job for just over 12 months. The position is additional to his other duties at the ministry, and therefore, is neglected. The government appoints people for this position for a short period while they await other opportunities. The office is actually run by the Deputy Chief Controller who has served at the Directorate for several years. Because the leadership of the Chief is so limited, the directorate has collected little data, compiled few reports, and undertaken little research into the insurance sector. Aggregate industry data was thus difficult to obtain. The Directorate does not have the capacity or the resources to carry out any inspection and therefore engages independent professionals to examine the books and records on its behalf.

The government is working on the development of new insurance law. There have been several studies by insurance and regulatory experts from overseas with a view to modernizing the insurance law. Several recommendations have been made to the Chief Controller's office but no significant progress has been made in this area due to a lack of interest.

The Role of the State in Social Protection

Bangladesh does not have an established social security system, and the provision of social protection by public and private institutions is very limited. Government schemes are mostly focused on state employees, for whom there is an unfunded pension scheme and free health care facility at government hospitals. Free health services for the poor in urban and rural areas only exist theoretically. Only those in a position to influence, or have connections, are able to use these

facilities and therefore the poor are excluded. The rich use private health care providers in the country or abroad. The majority of the populations who work in the informal economy rely on traditional form of social protection. In times of adversity, the extended family, friends and the local community provide economic and social support.

Since independence, successive governments have instituted five five-year plans to address the health-care needs of its citizens. The first plan (1973-78) recognized the need for health services to benefit the entire population, including the majority living in rural areas. Its stated priorities included the creation of a 'rural health infrastructure for providing integrated health services', and the increased access to portable water and improved sanitation facilities. The second plan (1980-85) aimed to increase the coverage of health services, with particular attention to correcting the urban-rural disparities in access to such services. The third plan (1985-90) envisioned the provision of 'Health for All' by the year 2000, emphasizing primary health care as means to achieving the goal. The fourth plan (1990-95) aimed to improve the health status of Bangladeshis through consolidated and strengthened primary health care, improved nutritional status and the prevention of communicable diseases. The fifth plan (1995-2000), intended to ensure universal access to essential health care services for all.

One component of the Government's Health and Population Sector Program (HPSP) for 1998-2003 focused on the policy and regulatory action for enhanced sustainability, accessibility, affordability and quality of services. This component includes 'the adoption and implementation of policies related to cost recovery and health insurance.' The government views health insurance as an effective health care

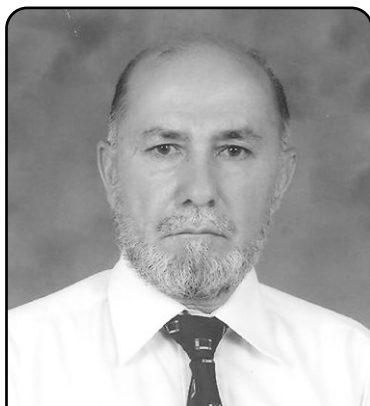
financing mechanism and seeks to support existing and future health microinsurance schemes operated by NGOs. The HPSP does not elaborate on the operational mechanism of NGO-run schemes.

At present, less than 40% of the population has access to basic health services. Existing resource constraints are blamed for the Government's failure to provide the health care services required by the population. Even though the specific targets set out in the plans have not been achieved, there has been some improvement in the country's health indicators over the years. There has been progress in the arena of family planning, child immunization and life expectancy. Fertility rate has steadily decreased over the years and child immunization schemes have reached 70% of the population, polio eradication is almost 100% complete, and life expectancy has risen to 59, compared to 45 in 1970.

Bangladesh government runs several poverty alleviation programs designed to assist the low income, un- or self-employed. These are mostly funded by donors or through development aid and are implemented through the Ministry of Local Government and Rural Development.

The programs include food distribution, food for work, food for training, primary education, and relief in the event of floods.

The state is involved in health programs with BRAC through joint research in developing low-cost medicines, supplements and nutrients. It is also in partnership with Gonoshashtho Kendra in its pharmaceutical business, training facilities for doctors and nurses, as well as its network of regional and local health care facilities, all specifically focused on improved access to and quality of its health care facilities.



Majid Khan Jadoon

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WHEN DO I GET ANGRY —IN VAIN

in a very dangerous manner from the left, right or from where-ever they can find a nose-diving space to do so, and speed away in a zig-zag manner, irresponsibly and un-mindful of the dangers to others' Lives and Vehicles.

By personal observation, I have noticed that, generally, Vehicles with Government Departments' or with certain Agencies' Number-plates would be very recklessly driven by their Drivers, probably, considering themselves above-the-law and un-mindful of the dangers to others' lives and may be their own as well, but, helplessly, I would be angry with myself only.

At times, these Vehicles would over-take from anywhere they would please, buzzing forward, narrowly escaping hitting me and others.

And forgive me if I get hysterically angry when 4X4s, with Blackened-glasses, would suddenly take-on me and abruptly manouvre and cruise beside my Vehicle in speed, as if all others are chattel, whom can be treated by them as they would wish.

And how can I control my anger when nobody, nobody, of the Law Enforcement Agencies would check these murderous Vehicles, sometimes with Signs of Parliamentarians and

Governing Dignitaries affixed thereon.

Yet, forgive me, if I get angry with Drivers of Vehicles fitted with Coloured Fluorescent Head-lights, absolutely blinding me and others while driving, and frightening me for my life.

One would also get angry with the Drivers/Riders of another type of Auto-Vehicles, i.e. Auto-Rickshaws and Motor-cycles, who would always be found manouvring to over-take or strive forward from any space available in heavy rush of Traffic.

At times, they would suddenly come in front of others' normally being driven Vehicles and would be miraculously saved.

Generally, it has been observed that Traffic Policemen would be directing the Traffic, yet Drivers would not pay heed to their directions and would bring-in their Vehicles very close to Traffic Police-man's Paddle and would block the Road for the Smooth-flow of other sides' Vehicles, having been signaled by the Police-man to move.

At-times, Traffic Police-men would have either left their duty-points or would be standing aside like Spectators and Auto Vehicles' Drivers

Anger is a natural phenomenon which is not only confined to human-beings but can be noticed in every living creatures.

It is a very dangerous state of mind and, if not controlled, can result in very very bad and destructive consequences.

Therefore, the Holy Prophet (SAW) has said that "The bravest amongst you is he who would control his anger."

I do hereby admit that, personally, I am a Short-tempered person and I get quickly angry; especially, when I see that un-rightful things are being done.

Sometimes, I do express my anger to the Wrong-doers but generally I would extinguish the same with self-murmuring and anguish in helplessness.

Here, I would like to quote some situations inflaming me when, while driving, some irresponsible Drivers, over-taking mine and others' Vehicles

would be competing with one another to cross towards their passage, without caring for the Signals, even if the same would be normally functioning.

This would result in the jamming of the Traffic and the consequent Chaos on the Roads which would cause in the wastage of Fuel, as well as precious Time and, as the axiom goes, "Time is Money", so the Time Lost would never, never, revert with the Loss of Money as well.

Sometimes, Ambulances would be ferrying Serious Patients to Hospitals in emergency and alike Artificially-created Traffic-jams may result in the Loss of their Lives and, naturally, it ought to get not only me but anyone with a sense of humanity, hysterically angry.

But nobody would ever think that they themselves or their own near and dear could, sometimes, be the victims of such Artificially-created Traffic-jams. So, why not to ponder-over the most destructive consequences of the self-created Traffic-chaos and behave as civilized people of which we ourselves can be the victims as well.

As such, would someone please tell me why I should not get hysterically angey when caught in alike willfully created Traffic-jams.

And what about the Faulty Signals when Traffic Police-men would not be sighted around and the un-ruly drivers would thrust their way as would they wish and create a mess of everything, with my utter frustration and anguish.

At times, when great chaos is created on Signals/Crossings and, in this scenario, if someone's Vehicle would get even slightly touched, people would instantly roll-up their sleeves to fight and hurl every humiliation on each other, resulting even in street-fights, like in-between way-ward street children.

And what to say of the pedestrians, who would be crossing the Roads from anywhere they would please and that too loiteringly in running traffic, absolutely un-mindful of the serious dangers to their own lives, as well as to the occupants of the Vehicles.

At times, I would find Drivers taking U-turns, without correctly driving around the Round-a-bouts and thus blocking the Road for the On-flowing Traffic. Policemen are also, sometimes, noticed on the same points but they would hardly take notice of these violations of Traffic-rules.

Sirs! Pardon me for getting angry when I find that, on clearance, certain Absent-minded Drivers would suddenly recall that they had to go either towards the left-side or the right-side Road of the Signal/Chowk or Round-a-bout and would be driving their Vehicles, cutting across in front of the correctly-moving Vehicles, creating confusion and hurdles in the smooth-flow of the Traffic, as well as mental tension for others.

Would you please pardon me when I get angry at noticing that Drivers would be speeding their Vehicles in

the rush and conversing on Mobile-phones, especially Motor-cyclists, who would have held their Sets within their Ears and Shoulders.

Better not to get angry and to ignore and forgive (for one's own benefits) certain Drivers/Bike-riders, who would be driving on one-way Roads and creating every problem for the On-coming Vehicles, besides serious dangers to their own, as well as others' Vehicles and Lives.

Yet what to say about the Traffic Police-men who would leave their places of duty and would hidingly stand at a distance off the Traffic-signals, to pounce upon any Signal-breaker and then engage them in mutual under-standing.

Excuse me if I cut my lips in anger when I hear the deafening Sounds of Music from the drivers of the Boom-Cars who, apart from breaking every rule and civility while driving, would also turn me mad at the noise of their music on the Roads, with nobody to check them as well.

These are the least but not the last of our most Un-Islamic and Un-civilized behaviours, only in one walk of life, and let us pray that the Al-Mighty Allah may favour us with senses to mend our ways and thus we may save ourselves from the most unfavourable consequences of our bad behaviours, not only while driving but in every walk of our lives.

_____ Ammen!

2010 CLD 792**[Lahore]****Before Mian Shahid Iqbal and Nasir Saeed Sheikh,****JJ GHULAM RAZA SAJID---Appellant****Versus****STATE LIFE INSURANCE CORPORATION OF PAKISTAN and another ---
Respondents****R.F.A. No. 16 of 2008, heard on 13th
May, 2010**(a) Insurance Ordinance (XXXIX
of 2000)---

---S. 121 --- Limitation Act (IX of 1908), Art.86---Application for enforcement of insurance policy claim---limitation---accidental death of policy holder on 10-10-1996---filing of such application before insurance tribunal on 22-7-2006---plea of applicant was that insurance ordinance, 2001 was promulgated on 19-8-2000, but cause of action to raise such claim before insurance tribunal arose on 20-6-2006 when the same was constituted for first time, thus such application was within time --- plea of insurance company was that right to institute suit under art.86 of limitation act, 1908 had become time barred before constitution of the insurance tribunal --- validity --- government had not constituted insurance tribunal prior to date 20-6-2006, thus, question of raising such claim before the tribunal did not arise provisions of art.86 of limitation act, 1908 would apply to suits instituted in civil courts under ordinary law, but not to such application before insurance tribunal insurance ordinance, 2001 had not specifically restricted entertainment of such claim, which might have become due after its promulgation --- constitution of insurance tribunal under insurance ordinance, 2001 vide notification dated 20-6-2006 was an intimation to policy holders to seek enforcement of

their claims from said tribunal limitation for moving the insurance tribunal for when same was constituted for enforcement of such claim would commence from the date when first time on 20-6-2006. Such application was within time in circumstances.

[pp. 796, 797] A, B & C

(b) Insurance Ordinance (XXXIX
of 2000)---

---S. 121 --- Limitation Act (IX of 1908), Art.86---Qanun-e-Shahadat (10 of 1984), Art.71---Application for enforcement of insurance policy claim --- Accidental death of policy holder, ground of plea of insurance company was that according to its investigation report deceased was murdered production of such report in evidence in statement of company's counsel during trial--- validity --- such policy was operative till death of deceased and was not cancelled by company husband of deceased deposed on oath as witness, but company did not put to him any suggestion with respect to facts stated in such report person having conducted investigation and prepared such report had not been examined in court, thus such report would have no legal authenticity claim application was accepted in circumstances. [p.797] D & E

Liaqat Ali Butt for Appellant**Mian Naseer Ahmed for****Respondents.****Date of hearing 13th May 2010****JUDGMENT**

NASIR SAEED SHEIKH, J.--- This R.F.A is directed against the judgment dated 19-12-2007 pronounced by learned additional district judge – I, Lahore exercising powers of insurance tribunal constituted under section 121 of the insurance ordinance no. XXXIX of 2000.

2. Mst. Misbah Yasmin was a policy holder of respondent No.1 and she died on 10-10-1996. This death was accidental and a claim with respect to the group insurance was raised before the Federal Ombudsman for the recovery of group claim in the year, 1999 which was allowed vide order dated 2-4-2000. against which order the respondent/insurance Corporation made a representation to the president under section 32 of the office of the establishment of the Federal Ombudsman 1983. This representation was dismissed by the president as barred by time. In the meantime, Ordinance No. XXXIX of 2000, was enforced by the president of Pakistan on 19-8-2000 whereby a provision was made for the constitution of special Tribunal under section 121 of the insurance ordinance of 2000, for entertaining and

disposing of the claims of the policy holders of the respondent/insurance corporation. No Tribunal under the provisions of the section 121 of the insurance Ordinance of 2000, was constituted till 20-6-2006 when a notification was issued by Law justice and Human Rights Divisions, in exercise of powers under section 121 of the insurance Ordinance of 2000, and the Federal Government constituted special Tribunal for entertaining and deciding the claims of the policy holders and the respondent/insurance corporation.

3. The appellant moved an application dated 22-7-2006 before the learned additional District judge, Lahore, exercising powers of insurance Tribunal, Punjab for recovering the policy proceeds under the policy No. 507669516-4 of Rs. 1,00,000. It is pertinent to mention that the appellant was the husband of the deceased Mst. Mishab Yasin.

4. This claim application was contested by respondent/insurance corporation and following issues were framed by the learned insurance tribunal:--

(1) Whether the petition is barred by time? OPR

(2) Whether the petition is liable to rejection in view of preliminary objections Nos. 2,3,5,6, and 7? OPR

(3) Whether the petition is hit by principle of res judicata? OPR.

(4) Whether the petitioner is entitled to policy proceeds; along with liquidated damages, if so, to what extent? OPR.

(5) Relief.

5. The parties produced their

respective evidence and the learned insurance tribunal rejected the claim of the appellant vide judgment dated 19-12-2007, hence the instant appeal.

6. It is contended by the learned counsel for the appellant that the learned tribunal has decided the claim application in an illegal manner. The learned counsel argued that although the statute under which the insurance tribunal was constituted was promulgated on 19-8-2000 but no tribunal was established under the provisions of section 121 of the insurance ordinance of 2000, and that the tribunal having been constituted for the first time through a notification dated 20-6-2006, therefore, the appellant got a right to move for the recovery of the insurance policy claim and the limitation for the purposes of enforcement of said claim arose from the date when the Insurance Tribunal was constituted. It is further contended by the learned counsel for the appellant that the learned Tribunal while recording its finding on the issue No. 1 did not advert to the aspect of the matter and incorrectly applied the provisions of Article 86 of the Limitation Act of 1908, upon the facts and circumstances of the present case.

7. The learned counsel then argued that the finding with respect to the question of application of principle of res judicata was also illegally decided by the learned Insurance Tribunal as admittedly the writ petition which was instituted by the petitioner, was not decided on merits which fact has not been controverted by the learned counsel for the respondent and it was argued that only parawise comments were requisitioned in the said writ petition and no final decision was pronounced. The learned counsel has also assailed the finding of

the learned Tribunal recorded on issue No.4 whereby the learned Tribunal has rejected the claim of the appellant on the ground that the death of the wife of the appellant was found to be a murder by the respondent and therefore the appellant was declined the relief of the recovery of insurance claim by the learned Tribunal.

8. Conversely, the learned counsel for the respondent has contested the appeal by arguing that the limitation for the recovery of the insurance policy claim commenced from the date of death of the wife of the appellant which took place on 10-10-1996 and therefore, the provisions of Article 86 of the Limitation Act of 1908, were rightly applied by the learned Insurance Tribunal. It was however, conceded by the learned counsel for the respondent that the writ petition instituted by the petitioner, which as been made the basis for the recording of finding on issue No.3 by the learned Tribunal against the appellant, was not decided on merits and only parawise comments were requisitioned in the said writ petition by the high court. While defending the finding recorded by the learned tribunal on issue no. 4, learned counsel for the respondent contends that the respondent / insurance corporation conducted an investigation into the cause of the death of the deceased Mst. Misbah Yasmin and the investigation report was produced during the trial as Exh. R3 in the statement of the learned counsel for the respondent and as the death of the deceased Mst. Misbah Yasmin was reported to be a murder in the said report, therefore, the insurance policy claim was rightly declined by the learned tribunal, to the appellant.

9. We have considered the arguments of the learned counsel

for the parties and with their assistance have perused the record.

10. The provisions of Article 86 of the Limitation Act of 1908, are applicable to the suits instituted under the ordinary civil law before the civil courts. The claim sought to be recovered by the appellant before the learned tribunal was raised through an application before the learned tribunal which tribunal was constituted for the first time through the notification dated 20-6-2006 issued by the Government of Pakistan, Law Justice and Human Rights Division, and copy of which notification has been placed on the record of this R.F.A. Admittedly, statute on the basis of which the insurance policy of the respondent/ insurance Corporation were to be enforced was promulgated on 19-8-2000 as there was no tribunal constituted by the Federal Government, no question of raising the claim before the tribunal with respect to the enforcement of an insurance policy arises. The provisions of Article 86 of the Limitation Act of 1908, are applicable to suit instituted under the ordinary law, therefore, the learned insurance tribunal misconstrued the provisions of Article 86 of the Limitation Act of 1908, for non suiting the appellant under the provisions of insurance ordinance of 2000, which envisaged moving of an application before the tribunal for enforcement of the insurance claim by a policy holder.

11. We are also informed that a claim with respect to the recovery of insurance group policy was raised by the appellant before the Federal Ombudsman in the year, 1999, which claim was granted to the appellant by the Federal Ombudsman vide order dated 2-4-2000 against which a representation was made by respondent / insurance corporation before the president

of Pakistan, which representation of the respondent / insurance corporation was dismissed as barred by time through an order dated 24-10-2000. The contention of the learned counsel for the respondent that as the right of the appellant to institute the suit under the ordinary law has become time barred by applying the provisions of article 86 of the limitation 1908, therefore, the application moved before the learned insurance tribunal was barred by time, is not entertain able by this court as the special law was promulgated in the year, 2000, an ordinance no. XXXIX of 2000, and a special tribunal was constituted for entertaining the claims of the insurance policy holders. This special law did not specifically restrict the entertainment of the insurance policy claims which might have become due after the promulgation and enforcement of the ordinance of 2000, therefore, we cannot subscribe to the arguments addressed by the learned counsel for the respondent that under the insurance ordinance of 2000, the claim of the appellant had become barred by time on account of the death of the deceased having taken place on 10-10-1996.

12. In our view, the constitution of the tribunal under the special law vide notification dated 20-6-2006, gave rise an intimation to the insurance policy holders to seek enforcement of their claims from the learned insurance tribunal constituted under ordinance of 2000, therefore, in our opinion the limitation for moving the tribunal for the enforcement of insurance policy claim will commence from the date when the tribunal was constituted for the first time on 20-6-2006. In this context, the article 86 of the limitation act of 1908, will not cover the cases of those claimants who move the learned insurance tribunal for the purpose of their insurance policies claim through

constitution of the tribunal constituted under the ordinance of 2000. Thus the finding of the learned tribunal of holding the claim as moved before the insurance tribunal to be barred by time is not sustainable and is set aside.

13. The finding of the learned tribunal on issue no. 4 is also legally defective. The arguments of the learned counsel for the respondent that the insurance corporation conducted an investigation into the cause of death of the deceased Mst. Misbah Yasmin which report was produced in the statement of the learned counsel for the respondent during the trial, cannot be given any recognition or importance because without producing the person who conducted the investigation and prepared the investigation report, it cannot be held that report being relied upon by the learned counsel for the respondent is of any legal authenticity. There is no denial of the fact that insurance policy subsisted in respect of Mst. Misbah Yasmin till the time of her death and this insurance policy was not cancelled by the respondent/ insurance corporation till date and was enforceable. The appellant appeared before the learned tribunal as P.W.1 and made a statement on oath and no suggestion was put to the said P.W./ appellant even with respect to the facts stated in the investigation report being relied upon by the learned counsel for the respondent in his arguments.

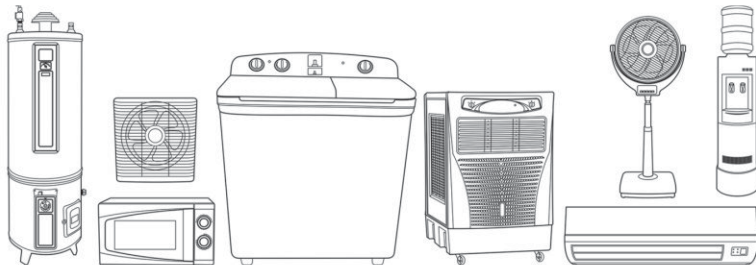
14. In view of all the above circumstances, the instant R.F.A. is accepted and the impugned judgment passed by the learned Insurance Tribunal dated 19-12-2007 is set aside and the claim application as moved by the appellant is ordered to be accepted with no orders as to costs.

Appeal Accepted.



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[Chief Executive]

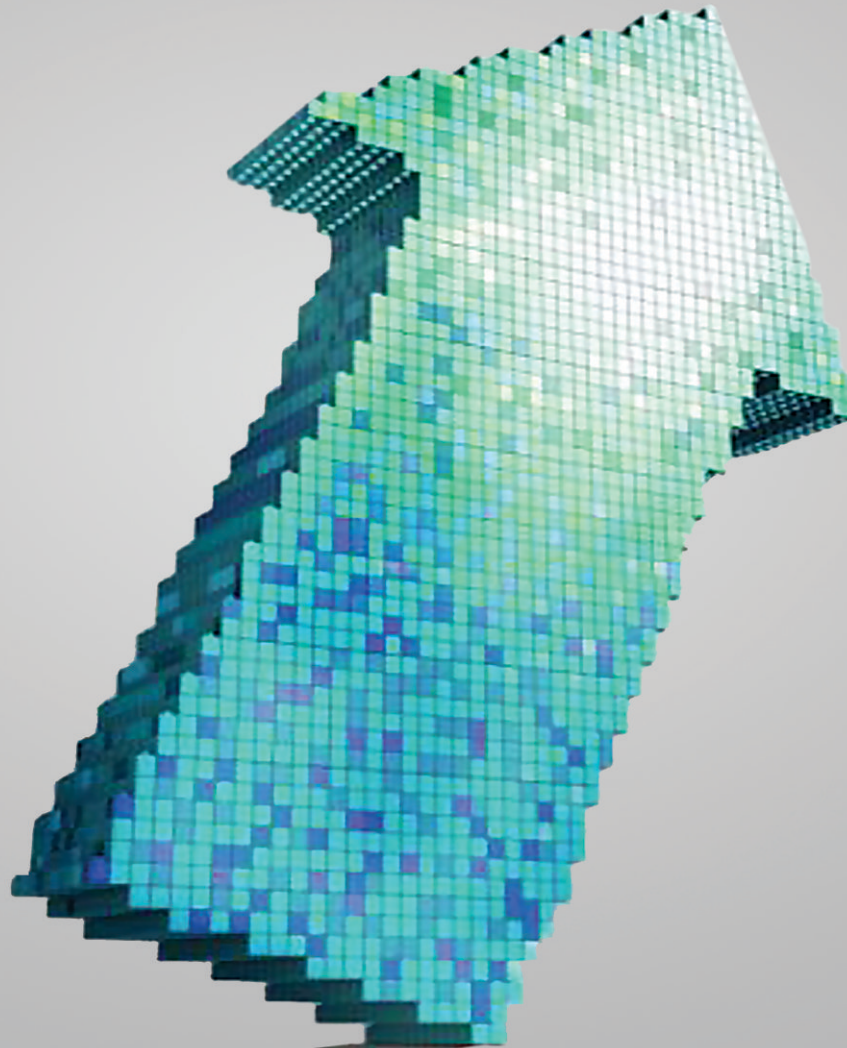
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