

BOARD OF DIRECTORS

Chairman

Sik Asad

Senior Vice Chairman

Ch Nisar

Directors

Ch Nisar

Zafar Iqbal Raza

Gaujam Sajjad Hussain

Auditors

Saidar Sand & Company

Chartered Accountants

Legal Advisor

Muhammad Hanif Khan

Bankers

United Bank of Pakistan Ltd.

Bank of Punjab

Bank Alfalah

First Women Bank

Medina Bank

National Bank

Punjab Bank Ltd.

Registered Office

23-Shahrah-e-Qadriya, Lahore

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شروع اللہ تعالیٰ کے پاک نام سے جو نہایت مہربان اور رحم کرنے والا ہے

# ANNUAL REPORT



## 2017

**THE COOPERATIVE INSURANCE  
SOCIETY OF PAKISTAN LTD**



## THE CO-OPERATIVE INSURANCE SOCIETY OF PAKISTAN LTD

### HORIZONTAL ANALYSIS

	2017		2016		2015
	Rupees	%	Rupees	%	Rupees
<b>BALANCE SHEET ITEMS</b>					
<b>ASSETS</b>					
Cash and other equivalents	419,815	12.51	373,152	(8.36)	407,209
Current and other accounts	9,934,820	(9.19)	10,940,011	(4.95)	11,509,620
Deposits maturing within 12 months	500,000	-	500,000	-	500,000
Long Term Investment	7,504,095	(0.01)	7,504,695	-	7,504,695
Premium due but unpaid	42,448	(64.86)	120,801	(45.56)	221,904
Prepayment-prepaid reinsurance premium	371,525	(27.29)	511,000	0.69	507,494
Reinsurance recoveries against outstanding claims	-	100	-	-	-
Deferred commission	368,919	(25.30)	493,843	(13.44)	570,493
Taxation - payments less provision	1,564,890	18.08	1,325,227	25.61	1,054,991
Security deposits	63,400	-	63,400	(37.36)	101,216
Sundry receivables	2,210,434	16.63	1,895,287	14.40	1,656,707
Land	2,135,362,498	-	2,135,362,498	(0.00)	2,135,362,499
Buildings	58,855,444	(5.00)	61,953,100	(5.00)	65,213,791
Furniture, Fixture & Office Equipment	336,339	7.12	313,982	34.43	233,566
Motor Vehicles	1,426,799	107.25	688,454	(19.96)	860,101
	<u>2,218,961,426</u>	<u>(0.14)</u>	<u>2,222,045,450</u>	<u>(0.16)</u>	<u>2,225,704,285</u>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
Paid up Share Capital	500,022,400	0.00	500,000,000	-	500,000,000
Reserves	8,634,113	-	8,634,113	1.24	8,528,766
Accumulated profit	8,589,351	(15.90)	10,212,701	3.19	9,896,660
Surplus on Revaluation of Fixed Assets	1,675,502,421	(0.13)	1,677,666,601	(0.13)	1,679,912,140
Provision for Outstanding Claims (including IBNR)	250,000	400.00	50,000	(50.43)	100,876
Premium deficiency reserve	1,749,641	66.95	1,048,022	-	738,127
Provision for Unearned Premium	4,128,503	40.80	2,932,083	(11.81)	3,324,636
Commission income unearned	97,590	(47.76)	186,800	-	155,969
Deferred liabilities	16,703,629	(7.97)	18,149,407	-	19,953,711
Amount due to other insurers / reinsurers	1,084,583	4.65	1,036,406	8.05	959,174
Other Creditors and Accruals	1,956,865	3.70	1,886,987	1.82	1,853,342
Un claimed dividend	242,330	-	242,330	-	280,885
	<u>2,218,961,426</u>	<u>(0.14)</u>	<u>2,222,045,450</u>	<u>(0.16)</u>	<u>2,225,704,285</u>
<b>PROFIT &amp; LOSS ACCOUNT</b>					
Net Premium Revenue	6,309,348	18.41	5,328,320	30.53	4,082,205
Net Claims	(618,321)	373.65	(130,543)	(72.22)	(469,844)
Premium deficiency reserve	(701,618)	126.41	(309,895)	(738,127)	(738,127)
Expenses	(8,201,040)	28.48	(6,383,256)	(3.32)	(6,602,654)
Net Commission	(987,452)	50.13	(657,712)	56.05	(421,487)
Investment Income	3,495,978	(37.40)	5,584,857	9.61	5,095,010
Rental Income	6,296,669	6.58	5,907,911	10.19	5,361,411
Other Income	431,850	784.11	48,846	(2.84)	50,272
General and Administrative Expenses	(7,568,206)	(15.49)	(8,955,259)	55.73	(5,750,419)
Taxation-net	80,557	578.03	11,881	(96.16)	309,754
Profit after tax	(1,623,350)	(485.24)	421,388	(54.00)	916,122



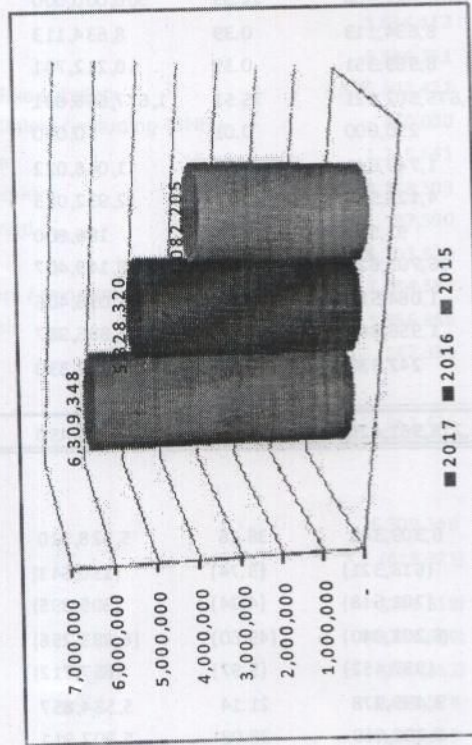
VERTICAL ANALYSIS

	2017		2016		2015
	Rupees	%	Rupees	%	Rupees
<b>BALANCE SHEET ITEMS</b>					
<b>ASSETS</b>					
Cash and other equivalents	419,815	0.02	373,152	0.02	407,209
Current and other accounts	9,934,820	0.45	10,940,011	0.49	11,509,620
Deposits maturing within 12 months	500,000	0.02	500,000	0.02	500,000
Long Term Investment	7,504,095	0.34	7,504,695	0.34	7,504,695
Premium due but unpaid	42,448	0.00	120,801	0.01	221,904
Prepayment-prepaid reinsurance premium	371,525	0.02	511,000	0.02	507,494
Deferred commission	368,919	0.02	493,843	0.02	570,493
Reinsurance recoveries against outstanding claims	-	-	-	-	-
Taxation * payments less provision	1,564,890	0.07	1,325,227	0.06	1,054,991
Security deposits	63,400	0.00	63,400	0.00	101,216
Sundry Receivables	2,210,434	0.10	1,895,287	0.09	1,656,707
Land	2,135,362,498	96.23	2,135,362,498	96.10	2,135,362,499
Buildings	58,855,444	2.65	61,953,100	2.79	65,213,791
Furniture, Fixture & Office Equipment	336,339	0.02	313,982	0.01	233,566
Motor Vehicles	1,426,799	0.06	688,454	0.03	860,101
	<u>2,218,961,426</u>	<u>100.00</u>	<u>2,222,045,450</u>	<u>100.00</u>	<u>2,225,704,285</u>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
Paid up Share Capital	500,022,400	22.53	500,000,000	22.50	500,000,000
Reserves	8,634,113	0.39	8,634,113	0.39	8,528,766
Accumulated profit	8,589,351	0.39	10,212,701	0.46	9,896,660
Surplus on Revaluation of Fixed Assets	1,675,502,421	75.51	1,677,666,601	75.50	1,679,912,140
Provision for Outstanding Claims (including IBNR)	250,000	0.01	50,000	0.00	100,876
Premium deficiency reserve	1,749,641	0.08	1,048,022	0.05	738,127
Provision for Unearned Premium	4,128,503	0.19	2,932,083	0.13	3,324,636
Commission income unearned	97,590	0.00	186,800	0.01	155,969
Deferred liabilities	16,703,629	0.75	18,149,407	0.82	19,953,711
Amount due to other insurers / reinsurers	1,084,583	0.05	1,036,406	0.05	959,174
Other Creditors and Accruals	1,956,865	0.09	1,886,987	0.08	1,853,342
Un claimed dividend	242,330	0.01	242,330	0.01	280,885
	<u>2,218,961,426</u>	<u>100.00</u>	<u>2,222,045,450</u>	<u>100.00</u>	<u>2,225,704,285</u>
<b>PROFIT &amp; LOSS ACCOUNT</b>					
Net Premium Revenue	6,309,348	38.16	5,328,320	31.58	4,082,205
Net Claims	(618,321)	(3.74)	(130,543)	(0.77)	(469,844)
Premium deficiency reserve	(701,618)	(4.24)	(309,895)	(1.84)	(738,127)
Expenses	(8,201,040)	(49.60)	(6,383,256)	(37.84)	(6,602,654)
Net Commission	(987,452)	(5.97)	(657,712)	(3.90)	(421,487)
Investment Income	3,495,978	21.14	5,584,857	33.11	5,095,010
Rental Income	6,296,669	38.08	5,907,911	35.02	5,361,411
Other Income	431,850	2.61	48,846	0.29	50,272
General and Administrative Expenses	(7,568,206)	(45.77)	(8,955,259)	(53.08)	(5,750,419)
Taxation-net	80,557	0.49	11,881	0.07	309,754
Profit after tax	(1,623,350)	(9.82)	421,388	2.50	916,122

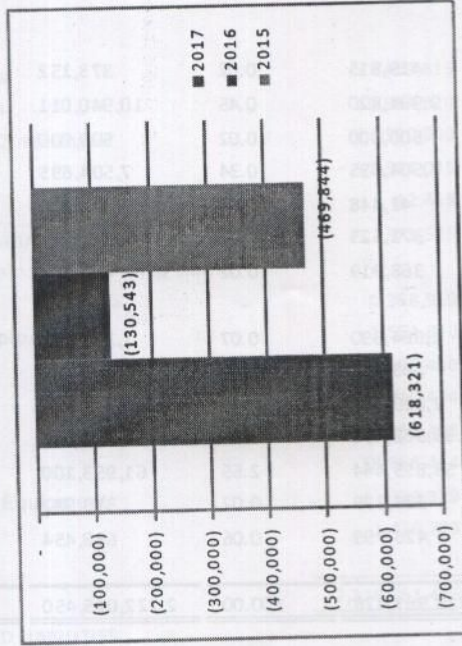


# THE CO-OPERATIVE INSURANCE SOCIETY OF PAKISTAN LTD

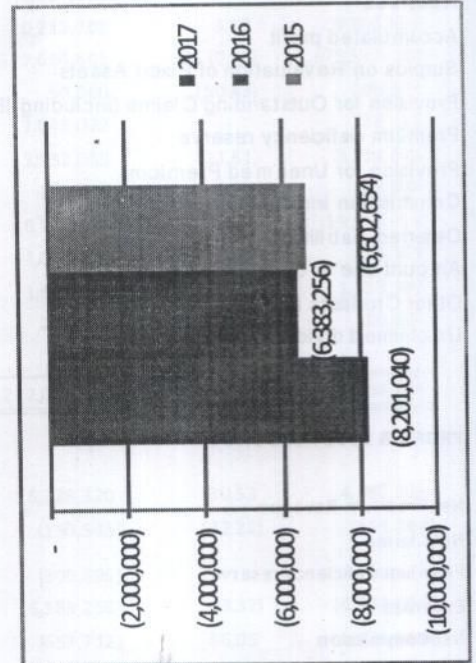
**Net Premium Revenue**  
Rupees



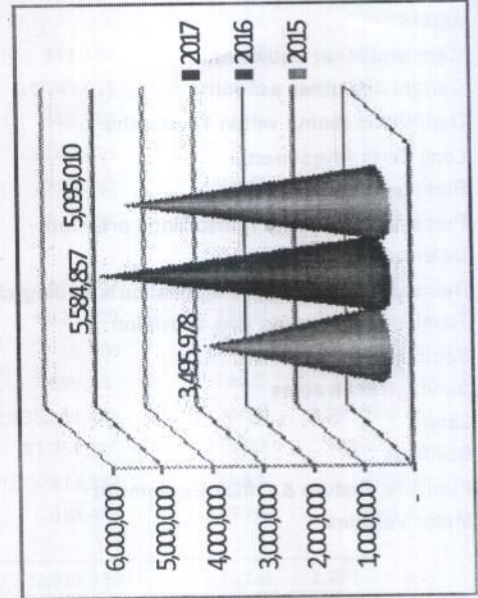
**Claims Paid**  
Rupees



**Management Expenses**  
Rupees



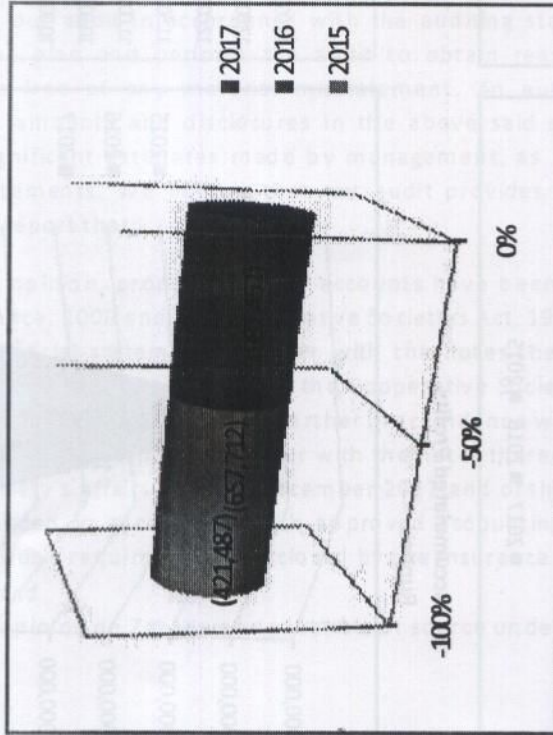
**Investment Income**  
Rupees



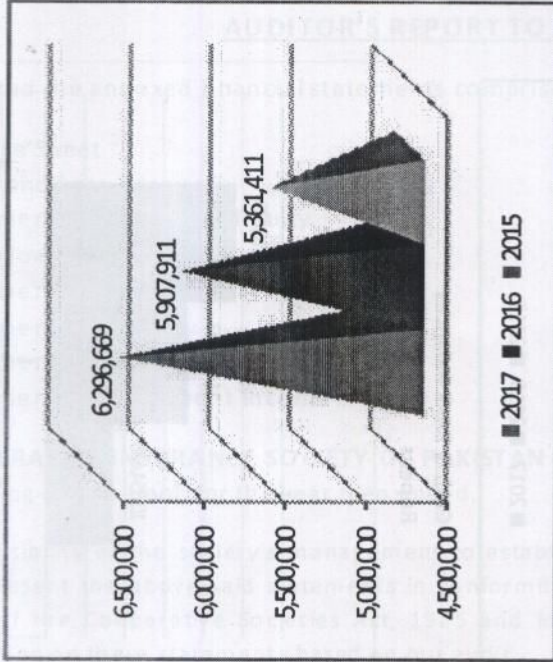


**THE CO-OPERATIVE INSURANCE SOCIETY OF PAKISTAN LTD**

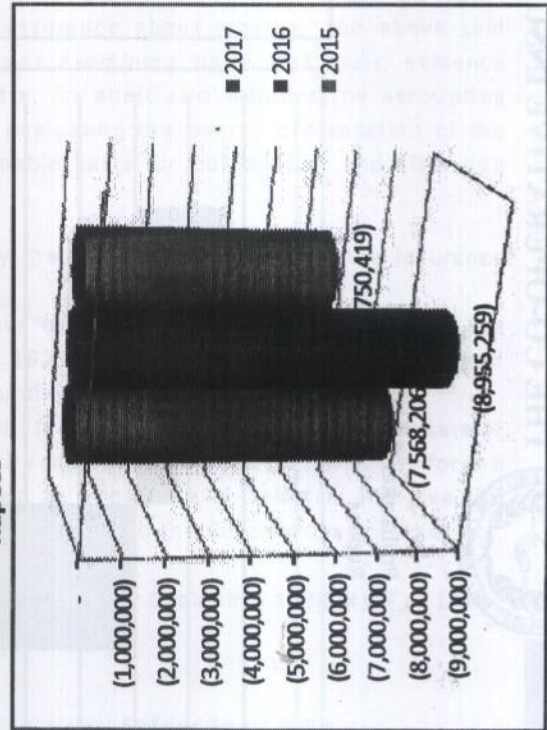
**Net Commission**  
Rupees



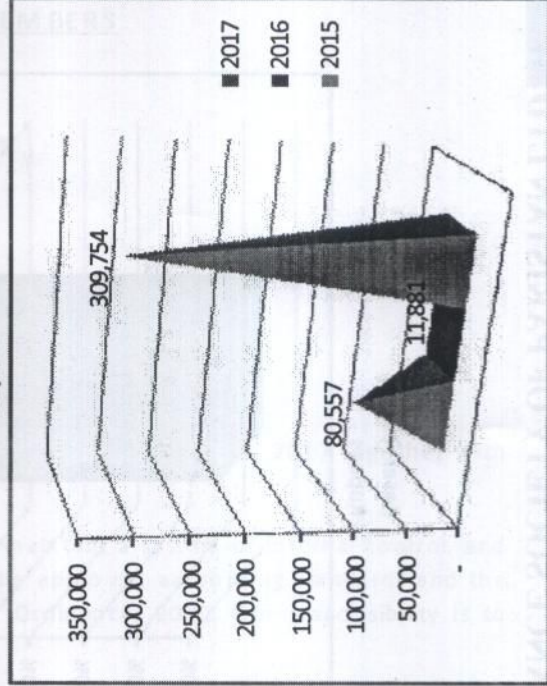
**Rental Income**  
Rupees



**General and Administrative Expenses**  
Rupees



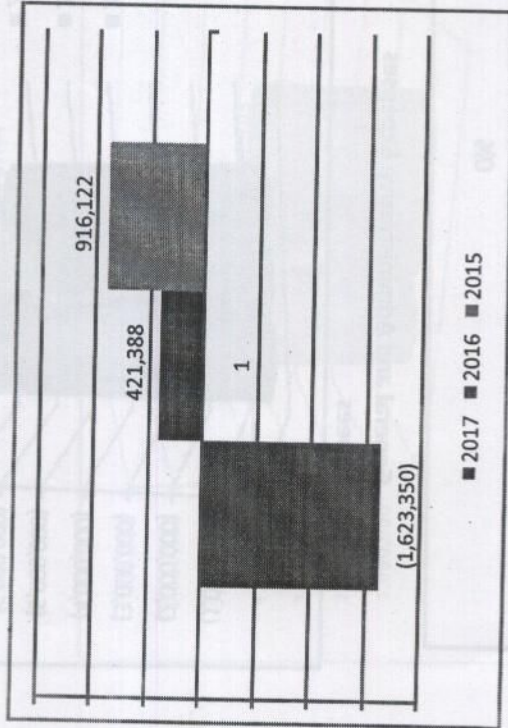
**Income Tax**  
Rupees



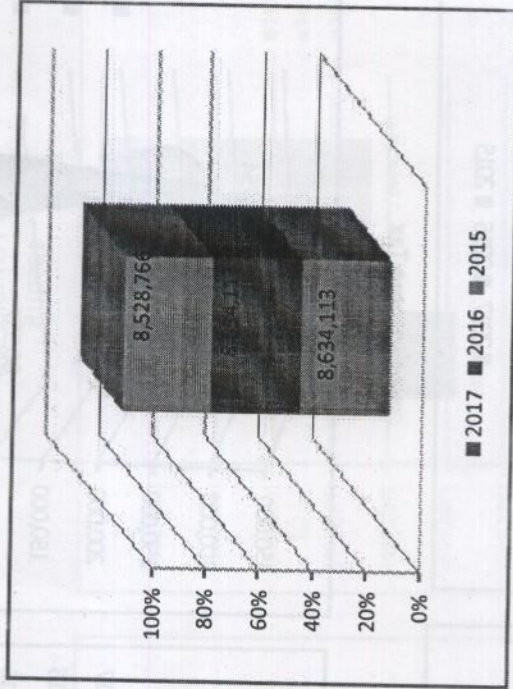


# THE CO-OPERATIVE INSURANCE SOCIETY OF PAKISTAN LTD

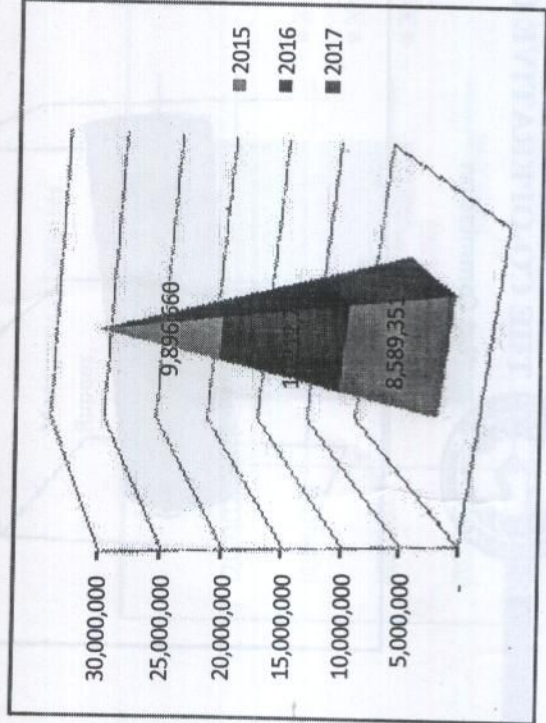
**Profit after Tax**  
Rupees



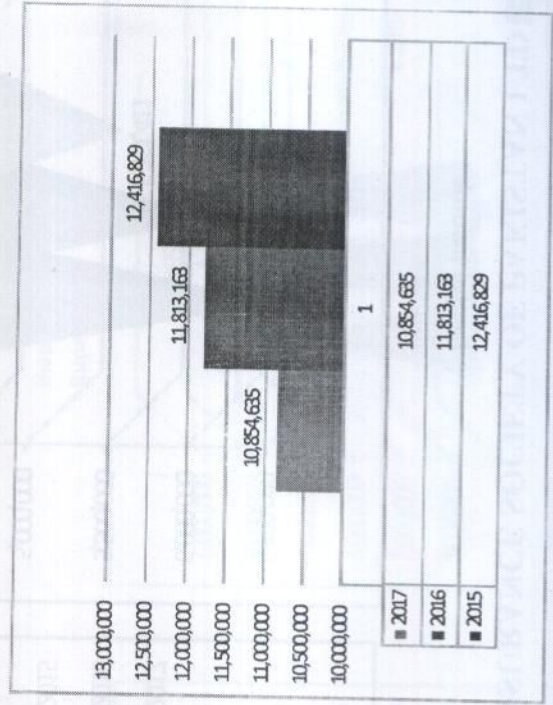
**Reserves**  
Rupees



**Accumulated Profits**  
Rupees



**Cash & Bank Balances**  
Rupees





**AUDITOR'S REPORT TO THE MEMBERS**

We have audited the annexed financial statements comprising of;

- I. Balance Sheet
- II. Profit and Loss Account
- III. Statement of Changes in Equity
- IV. Cash Flow Statement
- V. Statement of Premium
- VI. Statement of Claim
- VII. Statement of Expenses; and
- VIII. Statement of Investment Income

Of THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED as at December 31, 2017 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the society's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Cooperative Societies Act, 1925 and Insurance Ordinance, 2000. Our responsibility is to express an opinion on these statements based on our audit.

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

- a. In our opinion, proper books of accounts have been kept by the society as required by the Insurance Ordinance, 2000 and the Cooperative Societies Act, 1925.
- b. The financial statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Cooperative Societies Act, 1925 and accurately reflect the books and records of the Society and are further in accordance with accounting policies consistently applied.
- c. The financial statement together with the notes thereon present fairly, in all material aspects, the state of the Society's affairs as at 31 December 2017 and of the profit, its cash flows and changes in equity for the year ended in accordance with approved accounting standard as applicable in Pakistan and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Cooperative Societies Act, 1925; and
- d. In our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

Lahore.

Date: April 27, 2018

**Safder Saad & Co**  
**Chartered Accountants**



THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED

DIRECTORS' REPORT

The directors of your Society are pleased to place before you the financial results of the Society along with the audited accounts for the year ended December 31, 2017.

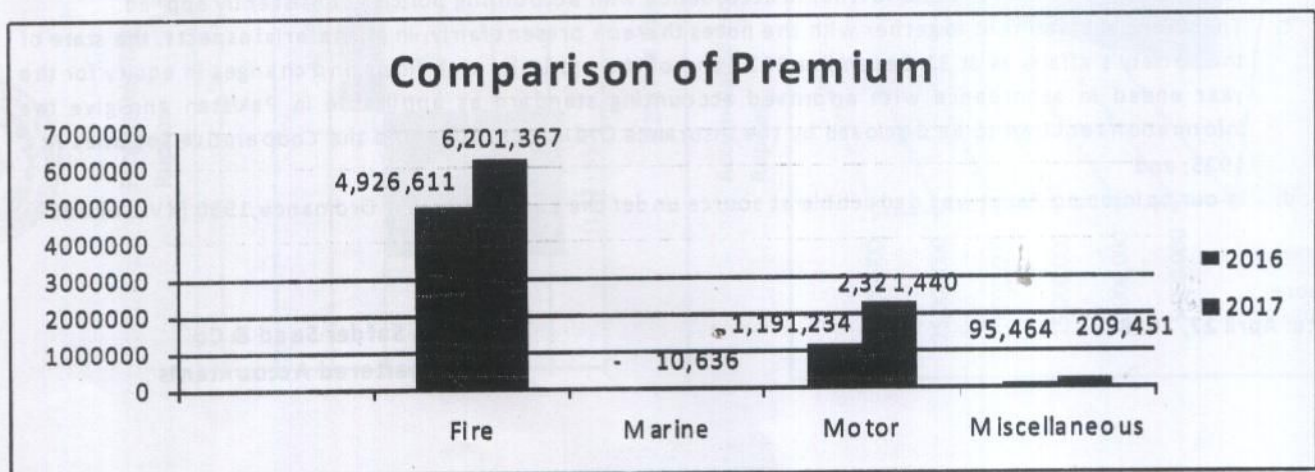
The business of the Society has increased to Rs 8.7 million in year 2017 as compared to Rs 5.8 million in year 2016. The increase was witnessed in all classes of insurance business. The major reasons for low business volumes include not listing of Society on the approved panel of insurers maintained by financial institutions on account of inadequate IFRS rating and low business generated from The Punjab Provincial Cooperative Bank Limited, the only bank where our Society is listed on the panel of approved insurers. The Society has sustained net loss of Rs 1,623,350/- due to significant decrease in dividend income from the investment in shares of M/s Feroze Sons Laboratories Limited.

KEY FINANCIAL DATA

Gross Premium

	<u>2017</u> (Rs)	<u>2016</u> (Rs)
Fire	6,201,367	4,526,611
Marine	10,636	-
Motor	2,321,440	1,191,234
Miscellaneous	209,451	95,464
	<b>8,742,894</b>	<b>5,813,309</b>

Comparison of Gross Premium







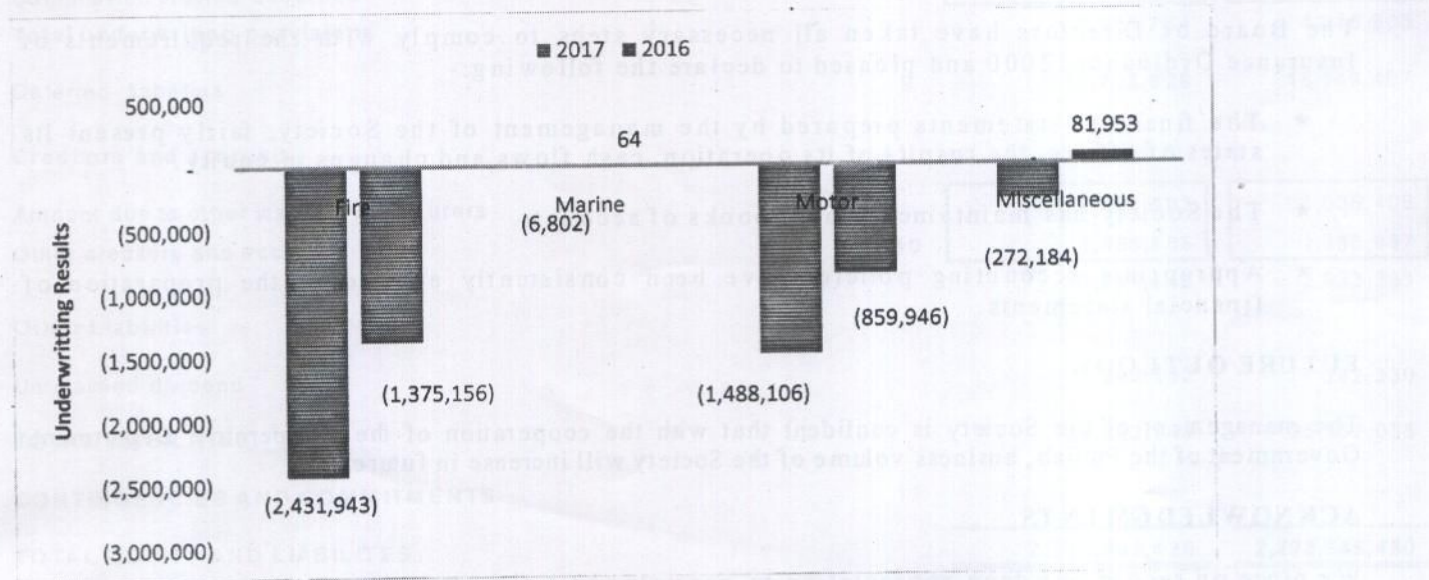
The gross premium income has increased by 50.34% as compared to previous year. There is significant increase in premium income in all classes of insurance business when compared with previous year.

**Underwriting Result**

	<u>2017</u> (Rs)	<u>2016</u> (Rs)
Fire	(2,431,973)	(1,375,156)
Marine	(6,820)	64
Motor	(1,488,106)	(859,946)
Miscellaneous	(272,184)	81,953
	<b>(4,199,083)</b>	<b>(2,153,086)</b>

**Comparison of Underwriting Results**

Rupees



Despite increase in business during the year, underwriting results of the society are in negative in all insurance business classes. The loss is on account of low business volumes which could not absorb the fixed cost. The management is trying its level best to increase the business volume of your society and is hopeful to have better underwriting results in the ensuing years.



## THE CO-OPERATIVE INSURANCE SOCIETY OF PAKISTAN LTD

(Loss) / Profit after Tax

2017  
(Rs)

2016  
(Rs)

(1,623,350)

421,388

Society sustained a net loss of Rs 1,623,350/- during the year due to low business volumes and significant decrease in dividend income.

### BOARD MEETINGS

During the year four board meetings were held. The attendance by each of the directors was as follows:-

1. Sh Aziz ul Haq Paracha	4
2. Ch Akhtar Mehmood	3
3. Ch Ahsan Mehmood	1
4. Rai Ijaz Ahmad Khan	1
5. Col (R) Muhammad Jamil	3
6. Ch Nisar Ahmad	1
7. Farooq Azam	4
8. Nadeem Akram Khan	1
9. Zafar Iqbal Ranjha	1
10. Hassan Zaheer	3
11. M Asif Inayat Shahani	3
12. Muhammad Shafi	1

The Board of Directors have taken all necessary steps to comply with the requirements of Insurance Ordinance, 2000 and pleased to declare the following:-

- ★ The financial statements prepared by the management of the Society, fairly present its states of affairs, the results of its operation, cash flows and changes in equity.
- ★ The Society has maintained proper books of accounts.
- ★ Appropriate accounting policies have been consistently applied in the preparation of financial statements.

### FUTURE OUTLOOK

The management of the Society is confident that with the cooperation of the Cooperative Department, Government of the Punjab, business volume of the Society will increase in future.

### ACKNOWLEDGMENTS

We place on record our deep appreciation to our valued Clients, Pakistan Reinsurance Company Limited, Securities & Exchange Commission of Pakistan (Ins. Division) and Registrar, Cooperative Societies, Punjab for the cooperation extended to us. We also commend the dedicated services rendered by the Society's Officers, Staff & Field Force.

For & on behalf of the Board of Directors.

Lahore  
Dated: April 27, 2018

Sh. Aziz-ul-Haq Piracha  
Chairman



**THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED  
BALANCE SHEET AS AT DECEMBER 31, 2017**

	Note	2017 Rupees	2016 Rupees
<b>Cash and bank deposits</b>			
Cash and other equivalents		419,815	373,152
Current and other accounts		9,934,820	10,940,011
Deposits maturing within 12 months		500,000	500,000
		10,854,635	11,813,163
<b>Long term investments</b>	12	7,504,095	7,504,695
<b>Current assets - others</b>			
Premium due but unpaid		42,448	120,801
Prepayment-prepaid reinsurance premium		371,525	511,000
Deferred commission		368,919	493,843
Reinsurance recoveries against outstanding claims		-	-
Taxation - payments less provision		1,564,890	1,325,227
Security deposits		63,400	63,400
Sundry receivables	13	2,210,434	1,895,287
		4,621,616	4,409,558
<b>Fixed assets - tangible and intangible</b>	14		
<b>Tangible</b>			
Land		2,135,362,498	2,135,362,498
Buildings		58,855,444	61,953,100
Furniture, fixture and office equipment		336,339	313,982
Motor vehicles		1,426,799	688,454
		2,195,981,080	2,198,318,034
		<u>2,218,961,426</u>	<u>2,222,045,450</u>

The annexed notes 1-24 form an integral part of these financial statements.

Ch. Ahsan Mahmood  
Director

Sh. Aziz-ul-Haq Piracha  
Chairman



THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED  
BALANCE SHEET AS AT DECEMBER 31, 2017

	Note	2017 Rupees	2016 Rupees
<b>Share Capital and Reserves</b>			
<b>Share Capital</b>			
Paid-up share capital (50,002,240 ordinary shares of Rs. 10/- each)	6	500,022,400	500,000,000
Reserves	7	8,634,113	8,634,113
Unappropriated profit		8,589,351	10,212,701
		517,245,864	518,846,814
<b>Surplus on revaluation of fixed assets</b>	8	1,675,502,421	1,677,666,601
<b>Underwriting provisions</b>			
Provision for outstanding claims (including IBNR)		250,000	50,000
Premium deficiency reserve		1,749,641	1,048,022
Provision for unearned premium		4,128,503	2,932,083
Commission income unearned		97,590	186,800
<b>Total underwriting provisions</b>		6,225,734	4,216,905
Deferred liabilities	9	16,703,629	18,149,407
<b>Creditors and accruals</b>			
Amount due to other insurers / reinsurers		1,084,583	1,036,406
Other creditors and accruals	10	1,956,865	1,886,987
		3,041,448	2,923,393
<b>Other Liabilities</b>			
Un claimed dividend		242,330	242,330
<b>TOTAL LIABILITIES</b>		26,213,141	25,532,035
<b>CONTINGENCIES AND COMMITMENTS</b>			
	11	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>2,218,961,426</u>	<u>2,222,045,450</u>

The annexed notes 1-24 form an integral part of these financial statements.

Fateh Khan Niazi  
Chief Executive Officer

Farooq Azam  
Director



**THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED**  
**PROFIT & LOSS ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Note	Fire and Property Damage	Marine Aviation & Transport	Motor	Miscellaneous	2017 Aggregate Rupees	2016 Aggregate Rupees
<b>Revenue Account</b>							
Net premium revenue		4,518,730	1,467	1,706,342	82,808	6,309,348	5,328,320
Net claims		(16,185)	-	(602,136)	-	(618,321)	(130,543)
Premium deficiency reserve		(468,691)	-	(83,770)	(149,157)	(701,618)	(309,895)
Expenses	15	(5,817,028)	(9,977)	(2,177,565)	(196,470)	(8,201,040)	(6,383,256)
Net commission		(648,799)	1,690	(330,977)	(9,366)	(987,452)	(657,712)
<b>Underwriting results</b>		<u>(2,431,973)</u>	<u>(6,820)</u>	<u>(1,488,106)</u>	<u>(272,184)</u>	<u>(4,199,083)</u>	<u>(2,153,086)</u>
Investment income						3,495,978	5,584,857
Rental income						6,296,669	5,907,911
Other income	17					431,850	48,846
General and administrative expenses			18			(7,568,206)	(8,955,259)
Profit / (Loss) before tax						(1,542,792)	433,269
Taxation-current year						(598,830)	(807,320)
-Deferred						518,273	795,439
(Loss) / profit after tax						<u>(80,557)</u>	<u>(11,881)</u>
						<u>(1,623,350)</u>	<u>421,388</u>
<b>Profit and Loss Appropriation Account</b>							
Accumulated profit brought forward						10,212,701	9,896,660
Loss after tax for the year						(1,623,350)	421,388
Transfer to general reserve						-	(105,347)
Accumulated (loss) / profit carried forward						<u>8,589,351</u>	<u>10,212,701</u>
(Loss) / Earnings per share	19					<u>(0.03)</u>	<u>0.01</u>

The annexed notes 1-24 form an integral part of these financial statements.

Fateh Khan Niazi  
Chief Executive Officer

Farooq Azam  
Director

Ch. Ahsan Mahmood  
Director

Sh. Aziz-ul-Haq Piracha  
Chairman



THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Paid up Share Capital	Reserves	Unappropriated profit	Total
.....Rupees.....				
Balance as at 01-01-2016	500,000,000	8,528,766	9,896,660	518,425,426
Profit for the year	-	-	421,389	421,389
Transfer during the year	-	105,347	(105,347)	-
<b>Balance as at 31-12-2016</b>	<b>500,000,000</b>	<b>8,634,113</b>	<b>10,212,700</b>	<b>518,846,815</b>
Loss for the year	-	-	(1,623,350)	(1,623,350)
Shares issued during the period	22,400	-	-	22,400
<b>Balance as at 31-12-2017</b>	<b>500,022,400</b>	<b>8,634,113</b>	<b>8,589,350</b>	<b>517,245,864</b>

The annexed notes 1-24 form an integral part of these financial statements.

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Chief Executive Officer

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Director

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Chairman



THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 Rupees	2016 Rupees
<b>Operating Cash Flows</b>		
<b>a) Underwriting Activities</b>		
Premium received	8,821,247	5,914,413
Reinsurance premium paid	(1,049,475)	(803,815)
Claims paid	(422,756)	(181,419)
Reinsurance and other recoveries received	4,435	-
Commission paid	(1,251,756)	(816,304)
Commission received	300,018	266,073
Other underwriting payments	(1,545,662)	(915,321)
Other underwriting receipts	1,644,156	979,069
Net cash flows from underwriting activities	6,500,206	4,442,696
<b>b) Other operating activities</b>		
Income tax paid	(838,493)	(1,077,556)
General management expenses paid	(8,200,439)	(6,383,256)
Other operating payments	(7,655,345)	(8,888,865)
Other operating receipts	548,340	242,425
<b>Total cash flows from other operating activities</b>	<b>(9,645,731)</b>	<b>(11,664,556)</b>
<b>Investment activities</b>		
Profit / return received	10,140.00	31,638
Dividends received	3,485,838	5,553,219
Rent received	6,131,474	5,624,489
Sale proceed of asset	185,542	-
Fixed capital expenditure	(1,148,191)	(109,901)
Total cash flow from investing activities.	8,664,803	11,099,445
<b>Financing Activities</b>		
Share capital issued	22,400	-
Dividend paid	-	(38,555)
	22,400	(38,555)
<b>Total cash flows from all activities</b>	<b>(958,528)</b>	<b>(603,666)</b>
<b>Cash and cash equivalent at the beginning of the year</b>	<b>11,813,163</b>	<b>12,146,829</b>
<b>Cash and cash equivalent at the end of the year</b>	<b>10,854,635</b>	<b>11,813,163</b>



## THE CO-OPERATIVE INSURANCE SOCIETY OF PAKISTAN LTD

	2017 Rupees	2016 Rupees
<b>Reconciliation to profit and loss account.</b>		
Operating cash flow	(9,645,731)	(11,664,557)
Depreciation expense	(354,428)	(207,417)
Investment written off	(600)	-
Increase / decrease in assets other than cash	212,058	13,331
Increase / decrease in liabilities other than running finance	(1,627,295)	(8,175)
Interest, dividend and rental income	9,792,647	12,288,206
Profit / (Loss) after taxation	(1,623,350)	421,388
Cash for the purposes of the Statement of Cash Flows consists of:		
i) Cash and cash equivalents	419,815	373,152
ii) Cash at current accounts	9,934,820	10,940,011
iii) Cash at deposit accounts	500,000	500,000
	10,854,635	11,813,163

The annexed notes 1-24 form an integral part of these financial statements.

**Fateh Khan Niazi**  
Chief Executive Officer

**Farooq Azam**  
Director

**Ch. Ahsan Mahmood**  
Director

**Sh. Aziz-ul-Haq Piracha**  
Chairman





**THE CO-OPERATIVE INSURANCE SOCIETY OF PAKISTAN LTD**

**THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED  
STATEMENT OF PREMIUMS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

Class	Premiums written		Unearned premium reserve		Premium earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expenses	2017		2016	
	Rs.	Closing	Rs.	Rs.			Opening	Closing		Rs.	Rs.	Net premium revenue	Rs.
Direct and Facultative													
Fire and property damage	6,201,367	2,296,489	3,029,242	5,468,614	802,596	448,683	301,395	949,884	4,518,730	4,218,424			
Marine aviation and transport	10,636	-	-	10,636.37	9,169	-	-	9,169	1,467.37	55			
Motor	2,321,440	599,745	967,347	1,953,838	222,664	54,762	29,930	247,496	1,706,342	923,600			
Miscellaneous	209,451	35,850	131,914	113,387	63,223	7,555	40,200	30,578	82,808	186,241			
	<b>8,742,894</b>	<b>2,932,084</b>	<b>4,128,503</b>	<b>7,546,475</b>	<b>1,097,652</b>	<b>511,000</b>	<b>371,525</b>	<b>1,237,128</b>	<b>6,309,348</b>	<b>5,328,320</b>			

The annexed notes 1-24 form an integral part of these financial statements.

Fateh Khan Niazi  
Chief Executive Officer

Farooq Azam  
Director

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Chairman



**THE CO-OPERATIVE INSURANCE SOCIETY OF PAKISTAN LTD**

**THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED  
STATEMENT OF CLAIMS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. Business underwritten Inside Pakistan

Class	Claims Paid Rs.	Outstanding Claims		Claims Expense Rs.	Reinsuranc e and other recoveries received Rs.	Reinsurance and other recoveries in respect of outstanding claims		Reinsuranc e and other recoveries revenue Rs.	2017 Net Claims expenses Rs.	2016 Net Claims expenses Rs.
		Opening Rs.	Closing Rs.			Opening Rs.	Closing Rs.			
Direct and Facultative	20,620	-	-	20,620	4,435	-	-	4,435	16,185	-
Fire and Property Damage	402,136	50,000	250,000	602,136	-	-	-	-	602,136	130,543
Marine Aviation and Transport	-	-	-	-	-	-	-	-	-	-
Motor	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
	<b>422,756</b>	<b>50,000</b>	<b>250,000</b>	<b>622,756</b>	<b>4,435</b>	<b>-</b>	<b>-</b>	<b>4,435</b>	<b>618,321</b>	<b>130,543</b>

The annexed notes 1-24 form an integral part of these financial statements.

Fateh Khan Niazi  
Chief Executive Officer

Farooq Azam  
Director

Ch. Ahsan Mahmood  
Director

Sh. Aziz-ul-Haq Piracha  
Chairman



**THE CO-OPERATIVE INSURANCE SOCIETY OF PAKISTAN LTD**

**THE CO-OPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED  
STATEMENT OF EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

Class	Commissions Paid or Payable		Deferred Commission		Net Commissions Expenses	Other Management Expenses	Underwriting Expenses	Commissions from reinsurers (Note No. 16)	2016	
	Rs.	Rs.	Opening	Closing					Net underwriting expenses	Net underwriting expenses
Direct and Facultative										
Fire and Property Damage	890,963	401,118	264,126	1,027,955	5,817,028	6,844,983	379,155	6,465,827	5,482,895	
Marine Aviation and Transport	1,530	-	-	1,530.00	9,977	11,507.17	3,220.00	8,287.17	41	
Motor	327,189	86,852	83,064	330,977	2,177,565	2,508,542	-	2,508,542	1,425,125	
Miscellaneous	32,074.00	5,873	21,728	16,219	196,470	212,688	6,853	205,836	132,907	
	<u>1,251,756</u>	<u>493,842</u>	<u>368,919</u>	<u>1,376,680</u>	<u>8,201,040</u>	<u>9,577,720</u>	<u>389,228</u>	<u>9,188,492</u>	<u>7,040,968</u>	

The annexed notes 1-24 form an integral part of these financial statements.

Fateh Khan Niazi  
Chief Executive Officer

Farooq Azam  
Director

Ch. Ahsan Mahmood  
Director

Sh. Aziz-ul-Haq Piracha  
Chairman



**THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED  
STATEMENT OF INVESTMENT INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017	2016
	Rupees	Rupees
<b>Income from Non-Trading Investments.</b>		
<u>Held to Maturity:</u>		
Return on Other Fixed Income Securities and Deposits,	10,140	31,638
<u>Available For Sale:</u>		
Dividend Income.	3,485,838	5,553,219
	3,495,978	5,584,857
Less: Provision for impairment	-	-
Net Investment Income.	3,495,978	5,584,857

The annexed notes 1-24 form an integral part of these financial statements.

**Fateh Khan Niazi**  
Chief Executive Officer

**Farooq Azam**  
Director

**Ch. Ahsan Mahmood**  
Director

**Sh. Aziz-ul-Haq Piracha**  
Chairman



**THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTES TO THE FINANCIAL STATEMENTS**

**1 Status and Nature of Business.**

The Cooperative Insurance Society of Pakistan Limited was incorporated as a Cooperative Society under the Cooperative Societies Act, 1925 on August 6, 1949 and is engaged in General Insurance Business.

The registered office of the society is situated at Cooperative Insurance Building 23 Shahrah-e-Quid-e-Azam, Lahore.

**2 Basis of Preparation.**

These accounts have been prepared keeping in view of requirements of Cooperative Societies Act, 1925 and the Insurance Ordinance, 2000.

**3 Basis of Measurement.**

These accounts have been prepared under the historical cost convention and the Cooperative Societies Act, 1925 except Land and Buildings which are stated at revalued amounts.

**4 Use of Judgments and Estimates**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The judgments, estimates and assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

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

In particular, the matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Note

Provision for unearned premiums	5.2
Premium deficiency reserve	5.3
Premium due but unpaid	5.4
Provision for outstanding claims (including IBNR)	5.8

**5 Significant Accounting Policies.**

The significant accounting policies applied in the preparation of these financial statements are given below. These policies are consistently applied to all the years/periods presented.

**5.1. Investment.**

Investments are stated at cost. Income from investments is accounted for on receipt basis.

**5.1.1 Held-to-maturity.**

These are securities with fixed or determinable payments and fixed maturity that the Society has a positive intent and ability to hold to maturity. Subsequent to initial recognition, these investments are measured at amortized cost less any accumulated impairment losses.



**5.1.2. Available-for-sale.**

These are investments that do not fall under the other categories. Subsequent to initial recognition, these are stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of SEC (Insurance) Rules, 2002.

A fall in market value is treated as other than temporary if there is a significant or prolonged decline in fair value of security below its cost. This determination of what is significant or prolonged required judgment. In making this judgment, the Society evaluates among other factors, the normal volatility in share prices.

**5.2. Reserve for Unexpired Risk.**

The Society is following 1 / 24th method to calculate the reserve for unearned premium, to comply with the requirements of Insurance Ordinance 2000.

**5.3. Premium Deficiency Reserve.**

The Society is required as per SEC (Insurance) Rules, 2002, to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability for claims and other expenses expected to be incurred after balance sheet date in respect of unexpired policies in that class of business at the balance sheet date. The premium deficiency, if any, is recognized as an expense in the profit and loss account.

The expected future liability is estimated with reference to the experience during the expired period of the contracts, adjusted for significant individual losses which are not expected to recur during the remaining period of the policies, and expectations of future events that are believed to be reasonable.

**5.4. Premium due but Unpaid.**

These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any.

**5.5. Amount due from Other Insurers/Re-insurers.**

Liabilities for insures/re-insures are carried at cost which is the fair value of consideration to be paid in the future for services rendered.

**5.6. Amount due to Other Insurers/Reinsurers.**

Amount due from insurers/reinsurers is carried at cost less provision for impairment, if any. Cost represents the fair value of consideration to be received in the future for services received.

**5.7. Claims**

Claims are charged to income as incurred based on estimated liability for compensation owed under the insurance contracts. It includes related external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.



#### **5.8. Provision for Outstanding Claims (including IBNR)**

The liability in respect of outstanding claims is based on the claims intimated or assessed upto the end of accounting year. In addition, conforming to the requirements of the SEC (Insurance) Rules, 2002, a provision is made on an estimated basis for the claims which may have incurred in the current reporting period but have not been reported to the Society as of the balance sheet date (IBNR), after taking into consideration the expected recoveries and settlement costs. Any difference between the provision at the balance sheet date and settlements in the following years is included in the financial statements of that year.

#### **5.9. Deferred Commission Expense and Deferred Acquisition Costs.**

Commission and other acquisition costs incurred in obtaining and recording policies of insurance and re-insurance are deferred and recognized as an asset on acquisition of the related policies. Accordingly, these costs are charged to the profit and loss account as an expense based on pattern of recognition of related premium revenue.

#### **5.10. Cash & Cash Equivalents.**

These consist of cash in hand and at banks, stamps in hand, deposits and short term placements with the banks.

#### **5.11. Fixed Assets.**

##### **Owned.**

Fixed assets are stated at cost less accumulated depreciation except for Land and Buildings which are stated at revalued amount. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Depreciation on tangible fixed assets is charged to income applying reducing balance method whereby depreciable amount of an asset is written-off over its estimated useful life at the rates mentioned in note no. 13. The depreciation on addition is charged from the month in which addition takes place while on deletion depreciation is charged up to the month of disposal. Gain or loss on disposal of fixed asset is included in income currently.

##### **Leased.**

Assets acquired under finance lease are initially recorded at the lower of present value of minimum lease payments under the lease agreement and the fair value of the leased assets. The related obligation under finance lease less financial charges allocated to future periods is shown as a liability. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Leased assets are depreciated on the same basis as owned assets.

#### **5.12. Surplus on Revaluation of Fixed Assets.**

Any surplus arising on revaluation of fixed assets is credited to the account Surplus on Revaluation of Fixed Assets and is recorded after the equity in the balance sheet. The incremental depreciation on fixed assets is charged to this account and any subsequent revaluation gain or deficit is also accounted for in this account.

#### **5.13. Revenue Recognition.**

Premium income is taken into account at the time of issuance of policies. Dividend income and rent are recognized on receipt and accrual basis respectively. Gain or loss on disposal of investments is taken to the profit and loss account on transaction date.



#### **5.14. Taxation.**

##### **Current**

The income tax return has been filed and deemed assessment upto the tax year 2017 (accounting period 31-12-2016). Liability is provided on the taxable income as per provisions of the Income Tax Ordinance, 2001.

##### **Deferred**

Deferred tax is recognized using the liability method on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is probable that the taxable profits will be available against which these can be utilized.

#### **5.15. Expenses of Management.**

These are allocated to various classes of business in proportion to the respective gross premium written for the year.

#### **5.16. Zakat.**

Zakat under the Zakat and Usher Ordinance, 1980 is accounted for in the year of deduction.

#### **5.17. Staff Retirement Benefits**

The staff retirement benefits comprise of funded provident fund scheme which covers all permanent employees. Equal contributions are made by both the Society and the employees to the fund at the rate of 8.33% of basic salary.





	2017 Rupees	2016 Rupees
<b>6. SHARE CAPITAL</b>		
271,257 share of Rs 10/- each fully paid in cash	2,712,570	2,690,170
49,730,983 shares of Rs 10/- each issued as bonus shares	497,309,830	497,309,830
	<u>500,022,400</u>	<u>500,000,000</u>
<b>7. RESERVES</b>		
Capital reserve.	3,295,965	3,295,965
* General reserve.	7.1 5,338,148	5,338,148
	<u>8,634,113</u>	<u>8,634,113</u>
<b>7.1 General Reserve</b>		
Opening balance	5,338,148	5,232,801
Add: Transfer during the year @ 25% of profit	-	105,347
	<u>5,338,148</u>	<u>5,338,148</u>
<b>8. SURPLUS ON REVALUATION OF FIXED ASSETS</b>		
Opening balance	1,677,666,601	1,679,912,140
Add: Surplus on revaluation during the year	-	-
Less: Deferred tax liability on surplus on revaluation	-	-
Less: Incremental depreciation	(3,091,685)	(3,254,405)
Add: Deferred tax liability on incremental depreciation	927,505	1,008,866
Less: Surplus transferred to Share Capital	-	-
	<u>1,675,502,421</u>	<u>1,677,666,601</u>
<p>During the year, 2015 the Land and Buildings of the Society were revalued by an independent valuer M/s Muhammad Siddique Associates (Pvt) Ltd, an approved valuer of Pakistan Bank's Association on September 04, 2015.</p> <p>The incremental depreciation is charged to the surplus on revaluation of fixed assets.</p>		
<b>9. DEFERRED LIABILITIES</b>		
Deferred tax liability	<u>16,703,629</u>	<u>18,149,407</u>



## THE CO-OPERATIVE INSURANCE SOCIETY OF PAKISTAN LTD

	2017 Rupees	2016 Rupees
<b>10. OTHER CREDITORS &amp; ACCRUALS</b>		
Duties and Taxes Payable.	249,284	211,848
Rent Securities.	1,255,000	1,255,000
Bonus Payable	9,581	328,627
• Advance Rent	263,000	-
Other Payables	180,000	91,512
	1,956,865	1,886,987

### 11. CONTINGENCIES & COMMITMENTS

- 11.1 The income tax returns have been e-filed up to tax year 2017 (corresponding accounting year 31-12-2016). Tax audit for the tax year 2012 (accounting year 31-12-2011) was conducted by the tax department resulting in a demand of Rs 1,134,971/- which was quashed in the appeal before the first appellate authority. The tax was however deducted from the bank accounts of the Society which was shown as receivable as a result of success of appeal. The tax department repeated the same order for the same year without providing opportunity of being heard. The first appellate authority upheld the order contrary to his predecessor action. The Society has filed appeal before the Appellate Tribunal Inland Revenue and is confident that the order shall be set aside as two contrary orders by the same authority can not be passed under the law. Keeping in view of above facts, no provision has been provided in these financial statements in this respect.
- 11.2 During the month of November 2017 a claim was intimated regarding burglary at the Punjab Provincial Cooperative Bank Limited, Shuja Abad (PPCBL) whereby gold insured by the Society was theft. There is claim of Rs 9.15 million by PPCBL regarding the above case. As per preliminary investigation it has transpired that bank staff was involved in the above robbery. The insurance policy does not provide risk coverage if the staff of the bank involved in the theft. Moreover, some of the culprits involved in the robbery have been caught by the Police and investigations are under way. Keeping the aforementioned facts, no provision has been provided in these financial statements as the management is confident that no liability would arise on the part of the Society.

### 12. LONG TERM INVESTMENT

Held to Maturity	12.1	2,511,450	2,511,450
Available for Sale	12.2	4,992,645	4,993,245
		7,504,095	7,504,695
<b>12.1 Held to Maturity</b>			
Cash Deposit with State Bank of Pakistan		2,500,600	2,500,600
Defence Saving Certificates with State Bank of Pakistan		10,850	10,850
		2,511,450	2,511,450



12.2 Available for Sale

12.2.1 Listed Equities

	Number of Certificates		Face Value Per Certificate	Company's Name	2017	2016
	2017	2016			Rupees	Rupees
1	779,998	779,998	10	Pakistan Re-insurance Company Ltd	131,620	131,620
2	5,444	5,444	10	Zeal Pakistan Cement Factory Limited	190,555	190,555
3	163,692	163,692	10	Feroze sons Laboratories Ltd	181,030	181,030
					503,205	503,205
				Less: provision for impairment	(188,160)	(188,160)
					<u>315,045</u>	<u>315,045</u>

The market value of listed equities as at December 31, 2017 was Rs: 66,459,777 (2016: Rs 155,006,897)

12.2.2 Unlisted Equities

	Number of Certificates		Face Value	Company's Name	2017	2016
	2017	2016			Rupees Cost	Rupees Cost
1	40,000	40,000	10	Akbar Textile Mills Ltd.	200,000	200,000
2	6	6	100	Punjab Provincial Coop. Cotton Corp. Ltd.	-	600
3	250	250	100	Coop. Investment Management Agency	25,000	25,000
4	44,426	44,426	100	Punjab Provincial Coop. Bank Limited	4,442,600	4,442,600
5	100	100	100	National Cooperative Supply Corporation	10,000	10,000
					4,677,600	4,678,200
					<u>4,992,645</u>	<u>4,993,245</u>

13. SUNDRY RECEIVABLE

Rent Receivable	844,337	679,142
Income Taxes	1,134,971	1,134,971
Staff advance	39,650	52,000
Others	191,476	29,174
	<u>2,210,434</u>	<u>1,895,287</u>



## THE CO-OPERATIVE INSURANCE SOCIETY OF PAKISTAN LTD

### 14. FIXED ASSETS - TANGIBLE

Particulars	Balance		WDV		Depreciation		Written Down Value As At 31-12-2017
	01-01-2017		Addition	Deletion	Rate	For the Year	
<b>Owned Assets</b>							
Land	2,416,625		-	-	-	-	2,416,625
Land - Revaluation surplus	2,132,945,874		-	-	-	-	2,132,945,873
Buildings	119,408		-	-	5%	5,970	113,438
Building - Revaluation surplus	61,833,692		-	-	5%	3,091,685	58,742,006
Motor Vehicles	685,106		1,076,400	(25,013)	20%	312,707	1,423,786
Furniture & Fixtures	158,299		-	-	10%	15,830	142,468
Office Equipment	155,464		71,791	(14,017)	10%	19,564	193,674
Cycle	3,348		-	-	10%	335	3,013
Sui Gas Installation	219		-	-	10%	22	197
<b>Rupees 31-12-2017</b>	<b>2,198,318,034</b>		<b>1,148,191</b>	<b>(39,030)</b>		<b>3,446,113</b>	<b>2,195,981,080</b>

### 14.1 FIXED ASSETS - TANGIBLE

Particulars	Balance		WDV		Depreciation		Written Down Value As At 31-12-2016
	01-01-2016		Addition	Deletion	Rate	For the Year	
<b>Owned Assets</b>							
Land	2,416,625		-	-	-	-	2,416,625
Land - Revaluation surplus	2,132,945,874		-	-	-	-	2,132,945,873
Buildings	125,693		-	-	5%	6,285	119,408
Building - Revaluation surplus	65,088,098		-	-	5%	3,254,405	61,833,692
Motor Vehicles	856,382		-	-	20%	171,276	685,106
Furniture & Fixtures	151,610		24,001	-	10%	17,311	158,299
Office Equipment	81,713		85,900	-	10%	12,149	155,464
Cycle	3,720		-	-	10%	372	3,348
Sui Gas Installation	243		-	-	10%	24	219
<b>Rupees 31-12-2016</b>	<b>2,201,669,957</b>		<b>109,901</b>	<b>-</b>		<b>3,461,822</b>	<b>2,198,318,034</b>



	2017 Rupees	2016 Rupees
<b>15. MANAGEMENT EXPENSES</b>		
Salaries, Wages & Benefits.	6,618,354	4,906,658
Rent, Taxes, Electricity etc.	515,137	517,595
Communication.	210,838	201,767
Printing & Stationery.	419,721	262,504
Travelling & Entertainment.	192,945	288,183
Other Expenses.	244,045	206,549
	<u>8,201,040</u>	<u>6,383,256</u>

**16. COMMISSION FROM REINSURERS**

	Commission received or receivable	Unearned Commission		Commission from reinsurers	Commission from reinsurers
		Opening	Closing		
Fire and property damage	284,993	185,956	91,794	379,155	185,841
Marine, aviation and transport	3,220	-	-	3,220	-
Motor	-	-	-	-	-
Miscellaneous	11,805	844	5,796	6,853	1,227
	<u>300,018</u>	<u>186,800</u>	<u>97,590</u>	<u>389,228</u>	<u>187,068</u>

**17. OTHER INCOME**

Miscellaneous receipts	285,338	48,846
Profit on sale of asset	146,512	-
	<u>431,850</u>	<u>48,846</u>

**18. GENERAL & ADMINISTRATIVE EXPENSES**

Salaries, wages, & benefits	18.1	1,953,035	2,099,457
Travelling and vehicle running expenses		756,782	935,824
Rent & taxation		2,579,364	3,829,367
Repair & maintenance		407,299	335,425
Advertisement & publicity		58,000	28,998
Fee & subscription		232,000	231,000
Bank charges		48,759	39,318
General charges		53,799	50,380
Other expenses		9,500	67,200
Bonus		-	203,764
Provident fund		51,581	59,504
Legal & professional charges	18.2	1,063,659	867,605
Depreciation		354,428	207,417
		<u>7,568,206</u>	<u>8,955,259</u>



**18.1. Directors and chief executive remuneration**

	2017		2016	
	Chief executive	Directors	Chief executive	Directors
Managerial remuneration	223,839	-	223,839	-
House rent allowance	62,400	-	62,400	-
Medical Allowance	16,800	-	16,800	-
	<b>303,039</b>	-	<b>303,039</b>	-
Number	1	8	1	8

The directors of the Society are not paid any remuneration as under bye laws of the Society they are not allowed to take any remuneration from the Society. The Chief Executive is also provided with Society maintained car.

**18.2. Auditors' Remuneration**

Audit Fee - Society accounts	90,000	90,000
Audit Fee - Provident fund accounts	14,700	10,000
Certification fee	10,000	10,000
	<b>114,700</b>	<b>110,000</b>

**19. Earnings per share**

**19.1 Basic earnings per share**

(Loss) / profit for the year	(1,623,350)	421,388
Number of ordinary shares	50,002,240	50,000,000
(Loss) / earnings per share	(0.03)	0.01

**19.2. Diluted earnings per share**

No figure for diluted earnings per share has been presented as the Society has not issued any instrument which would have an impact on earnings per share when exercised.



**20. MANGAGEMENT OF INSURANCE AND FINANCIAL RISK**

**20.1. Insurance Risk**

The principal risk the Society faces under insurance contracts is the possibility that the insured event occurs, the uncertainty of the amount of the resulting claims i.e. the frequency and severity of claims and that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The objective of the Society is to ensure that sufficient reserves are available to cover these liabilities.

The Society manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy aims to minimise insurance risks with a balanced mix and spread of business classes and by observing underwriting guidelines and limits. The Society underwrites mainly property, motor, marine cargo and transportation and other miscellaneous business. These classes of insurance are generally regarded as short term insurance contracts where claims are normally intimated and settled within a short time span, usually one year. This helps to mitigate insurance risk.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Society has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. For large risks, particularly in property segment of business, risk inspections are carried out before accepting the risks. Similarly, in case of large risks, annual renewals are also preceded by on-site surveys. Where needed, risk mitigation measures are identified and communicated to the clients to improve the risk to an acceptable level.

Reinsurance arrangements in place include treaty and facultative arrangements, on proportional and non proportional basis and also include catastrophe cover. The effect of such reinsurance arrangements is that the Society may not suffer ultimate net insurance losses beyond the Society's risk appetite in any one year.

For reinsurance cover the Society's 100% arrangement of reinsurance is dependent on Pakistan Reinsurance Company Limited which is a government owned company with sound and stable financial outlook and credit rating.

**20.1.1 Frequency and severity of claims**

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, atmospheric disturbances, natural disasters, concentration of risks, civil riots etc. The Society manages these risk through the measures described above. The Society has limited its exposure to catastrophic and riot events by use of reinsurance arrangements.

The Society monitors concentration of insurance risks primarily by class of business. The table below sets out the concentration of the claims and premium liabilities (in percentage terms) by class of business at balance sheet date:

Class	2017				2016			
	Gross Claims liabilities	Net claims liabilities	Gross premium liabilities	Net premium liabilities	Gross Claims liabilities	Net claims liabilities	Gross premium liabilities	Net premium liabilities
	%	%	%	%	%	%	%	%
Fire and property damage	-	-	73	73	-	-	79	76
Marine, aviation and transport	-	-	-	-	-	-	-	-
Motor	100	100	23	25	100	100	20	23
Miscellaneous	-	-	3	2	-	-	1	1
	100	100	100	100	100	100	100	100



The Society also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For fire and property risk a particular building and neighbouring buildings, which could be affected by a single claim incident, are considered as a single location. For earthquake risk, a complete city is classified as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk.

The Society evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Society.

Since the Society operates in Pakistan only, hence, all the insurance risks relate to policies written in Pakistan.

#### **20.1.2. Sources of uncertainty in estimation of future claim payments**

The key source of estimation uncertainty at the balance sheet date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date. The details of estimation of outstanding claims (including IBNR) are given under note 5.8.

#### **20.1.3. Process used to decide on assumptions**

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

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

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

#### **20.1.4. Sensitivity analysis**

The Society believes that the claim liabilities under insurance contracts outstanding at the year end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The impact on the profit before tax and shareholders' equity of the changes in the claim liabilities net of reinsurance is analysed below. The sensitivity to changes in claim liabilities net of reinsurance is determined separately for each class of business while keeping all other assumptions constant.





(Rupees)

Profit before tax		Shareholder's equity	
2017	2016	2017	2016

**Impact of changes in claim liabilities by + 10**

Fire and property damage	-	-	-	-
Marine, aviation and transport	-	-	-	-
Motor	(25,000)	(5,000)	(17,500)	(3,450)
Miscellaneous	-	-	-	-
	<b>(25,000)</b>	<b>(5,000)</b>	<b>(17,500)</b>	<b>(3,450)</b>

**Impact of changes in claim liabilities by - 10**

Fire and property damage	-	-	-	-
Marine, aviation and transport	-	-	-	-
Motor	25,000	5,000	17,500	3,450
Miscellaneous	-	-	-	-
	<b>25,000</b>	<b>5,000</b>	<b>17,500</b>	<b>3,450</b>

**Claim development**

The Society maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

Claims which involve litigation and, in the case of Marine general average adjustments take longer for the final amounts to be determined which exceed one year. All amounts are presented in gross numbers before reinsurance. Claims of last five years are given below:

Accident year	2013	2014	2015	2016	2017
Estimate of ultimate costs:					
-At the end of the accident year	42,000	446,450	45,876	185,538	661,136
-One year later	42,000	446,450	45,876	185,538	-
-Two years later	42,000	446,450	-	-	-
-Three years later	-	-	-	-	-
-Four years later	-	-	-	-	-
Current estimate of cumulative claims	-	-	45,876	185,538	661,136
Cumulative payments to date	-	-	45,876	135,538	411,136
Liability recognized in balance sheet	-	-	-	50,000	250,000



## 20.2 Financial risk

The Society's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (comprising of currency risk, interest rate risk and other price risk). The Society's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Society's financial performance.

The Board of Directors has overall responsibility for establishment and oversight of the Society's risk management framework. There are Board Committees and Management Committees for developing and monitoring the risk management policies.

### 20.2.1. Credit risk

Credit risk is the risk, which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The management monitors exposure to credit risk through regular review of credit exposure, undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet contractual obligations in similar manner. Due to the nature of financial assets, the Society believes it is not exposed to any major concentration of credit risk.

The carrying amounts of the following financial assets represent the Society's maximum exposure to credit risk:

	(Rupees)	
	2017	2016
<b>Financial assets</b>		
Bank balances and deposits	10,434,820	11,440,011
Investments (Term Finance Certificate)	-	-
Premiums due but unpaid - net - unsecured	42,448	120,801
Amount due from other insurers / reinsurers	-	-
Accrued investment income	-	-
Reinsurance recoveries against outstanding claims	-	-
Security deposits	63,400	63,400
Sundry receivables	2,210,434	1,895,287
	<b>12,751,102</b>	<b>13,519,499</b>

The management monitors exposure to credit risk in premium<sup>n</sup> receivable from customers through regular review of credit exposure and prudent estimates of provisions for doubtful receivables. As at 31 December 2016, the premiums due but unpaid (other than impaired balances) includes amount receivable within one year and above one year amounting to Rs. 42,448/- (2016: Rs. 120,801/-) and 'Nil' (2016: 'Nil') respectively.



**20.2.2. Liquidity risk**

Liquidity risk is the risk that the Society will encounter difficulty in meeting its obligations associated with financial liabilities. In respect of major loss event, there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected re-insurance recoveries.

The objective of the Society's liquidity management process is to ensure, as far as possible, that it will always have sufficient liquidity to meet its claim and other liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Society's reputation. It includes measuring and monitoring the future cash flows on daily, monthly and quarterly basis, maintaining sufficient cash reserves in bank accounts and a portfolio of highly marketable financial assets that can be easily liquidated in the event of an unforeseen interruption to cash flows.

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

	(Rupees)		
	2017		
	Carrying amount	Up to one year	Greater than one year
<b>Financial Liabilities</b>			
Provision for outstanding claims (including IBNR)	250,000	250,000	-
Amount due to other insurers / reinsurers	1,084,583	188,249	896,334
Accrued expenses	90,000	90,000	-
Agent balances	-	-	-
Other creditors and accruals	9,581	-	9,581
Other deposits	-	-	-
Unclaimed dividends	242,330	-	242,330
	<b>1,676,494</b>	<b>528,249</b>	<b>1,148,245</b>
	2016		
	Carrying amount	Up to one year	Greater than one year
<b>Financial Liabilities</b>			
Provision for outstanding claims (including IBNR)	50,000	8,000	42,000
Amount to other insurers / reinsurers	1,036,406	140,072	896,334
Other creditors and accruals	91,512	91,512	-
Other deposits	-	-	-
Unclaimed dividends	242,330	-	242,330
	<b>1,420,248</b>	<b>239,584</b>	<b>1,180,664</b>

**20.2.3. Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of change in market prices such as interest rates, foreign exchange rates and equity prices.

The Society limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in Government securities and equity markets. In addition, the Society actively monitors the key factors that affect the underlying value of these securities.



**20.2.3.1 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Society has securities and deposits that are subject to interest rate risk. The Society limits interest rate risk by monitoring changes in interest rates in the currencies in which its financial assets are denominated.

The information about Society's exposure to interest rate risk based on contractual repricing or maturity dates whichever is earlier is as follows:

	(Rupees)						
	2017						
	Interest / mark-up bearing					Non-interest / mark-up bearing	Total
Effective yield %	Upto one year	Over one year to five years	Over five years	Sub total			
<b>Financial Assets</b>							
Cash and other equivalents	6.00-7.00	500,000	-	-	500,000	10,354,635	10,854,635
Investments	-	-	-	-	-	7,504,095	7,504,095
Premiums due but unpaid - net - unsecured	-	-	-	-	-	42,448	42,448
Reinsurance recoveries receivable against outstanding claims	-	-	-	-	-	-	-
Security deposits	-	-	-	-	-	63,400	63,400
Sundry receivables	-	-	-	-	-	2,210,434	2,210,434
		<b>500,000</b>	<b>-</b>	<b>-</b>	<b>500,000</b>	<b>20,175,012</b>	<b>20,675,012</b>



2017

**Financial Liabilities**

Provision for outstanding claims (including IBNR)	-	-	-	-	-	250,000	250,000
Amount due to other insurers / reinsurers	-	-	-	-	-	1,084,583	1,084,583
Other creditors and accruals	-	-	-	-	-	1,956,865	1,956,865
Unclaimed dividends	-	-	-	-	-	242,330	242,330
						<b>3,533,778</b>	<b>3,533,778</b>

On-balance sheet sensitivity gap	500,000	-	-	500,000
Total yield / mark-up rate risk sensitivity gap	500,000	-	-	500,000

(Rupees)

2016							
Interest / mark-up bearing					Sub total	Non-interest / mark-up bearing	Total
Effective yield %	Upto one year	Over one year to five years	Over five years				

**Financial Assets**

Cash and other equivalents	5.0-9.75	500,000	-	-	500,000	11,313,163	11,813,163
Investments	-	-	-	-	-	7,504,695	7,504,695
Premiums due but unpaid - net - unsecured	-	-	-	-	-	120,801	120,801
Security deposits	-	-	-	-	-	63,400	63,400
Sundry receivables	-	-	-	-	-	1,895,287	1,895,287
		<b>500,000</b>	<b>-</b>	<b>-</b>	<b>500,000</b>	<b>20,897,346</b>	<b>21,397,346</b>



**Financial Liabilities**

Provision for outstanding claims (including IBNR)	-	-	-	-	50,000	50,000
Amount due to other insurers / reinsurers	-	-	-	-	1,036,406	1,036,406
Other creditors and accruals	-	-	-	-	1,886,987	1,886,987
Unclaimed dividends	-	-	-	-	242,330	242,330
	-	-	-	-	3,215,723	3,215,723

On-balance sheet sensitivity gap	500,000	-	-	500,000
Total yield / mark-up rate risk sensitivity gap	500,000	-	-	500,000

**Sensitivity analysis**

As on 31 December 2017, the Society had no financial instruments valued at fair value through profit or loss. For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in interest rates during the year would have decreased / increased profit for the year by the amounts shown below.

It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Change in basis points	Effect on profit and loss before tax	Effect on shareholder's equity
31 December 2017	100	101	70
	(100)	(101)	(70)
31 December 2016	100	316	218
	(100)	(316)	(218)

(Rupees)



**21 Provident fund related disclosure**

The following information is based on unaudited financial statements for the year ended 31 December 2017 and audited financial statements for the year ended 31 December 2016.

	2017	2016
Size of the Fund - Total assets	517,060	788,565
Cost of investments	500,000	500,000
Percentage of investments made	97%	63%
Fair value of investments	500,000	500,000

**22 NUMBER OF EMPLOYEES**

Number of employees as at December 31, 2017 was 70 (2016: 58).

**23 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been authorized by the board of directors of the society in the meeting held on April 27, 2018.

**24 FIGURES**

Figures in these financial statements have been rounded off to the nearest rupee.

**Fateh Khan Niazi**

**Chief Executive Officer**

**Ch. Ahsan Mahmood**

**Director**

**Farooq Azam**

**Director**

**Sh. Aziz-ul-Haq Piracha**

**Chairman**



THE COOPERATIVE INSURANCE SOCIETY OF PAKISTAN LIMITED  
 CLASSIFIED SUMMARY OF ASSETS IN PAKISTAN  
 AS AT DECEMBER 31, 2016

CLASS OF ASSETS	2017		2016		Valuation Basis.
	Cost or Book Value. (Rs)	Market Value. (Rs)	Cost or Book Value. (Rs)	Market Value. (Rs)	
Cash and other equivalents	419,815	419,815	373,152	373,152	Book Value
Fixed & terms deposit with scheduled banks	10,434,820	10,434,820	11,440,011	11,440,011	Book Value
Government securities with State Bank of Pakistan	2,511,450	2,511,450	2,511,450	2,511,450	Book Value
Shares	4,992,645	66,459,777	4,993,245	159,685,097	Book Value
Premium due but unpaid	42,448	42,448	120,801	120,801	Book Value
Prepayment-prepaid reinsurance premium	371,525	371,525	511,000	511,000	Book Value
Deferred commission	368,919	368,919	493,843	493,843	Book Value
Reinsurance recoveries against outstanding claims	-	-	-	-	Book Value
Taxation - payments less provision	1,564,890	1,564,890	1,325,227	1,325,227	Book Value
Security deposits	63,400	63,400	63,400	63,400	Book Value
Sundry receivable.	2,210,434	2,210,434	1,895,287	1,895,287	Book Value
Land and buildings	2,194,217,942	2,194,217,942	2,197,315,598	2,197,315,595	Market/Book Value
Furniture, fixture and office equipment	336,339	336,339	313,982	313,982	Market/Book
Motor vehicles	1,426,799	1,426,799	688,454	688,454	Book Value
<b>Total Assets:</b>	<b>2,218,961,426</b>	<b>2,280,428,555</b>	<b>2,222,045,450</b>	<b>2,376,737,298</b>	

Fateh Khan Niazi  
 Chief Executive Officer

Farooq Azam  
 Director

Ch. Ahsan Mahmood  
 Director

Sh. Aziz-ul-Haq Piracha  
 Chairman