

Directors' Report

The directors are pleased to present the Audited Financial Statements of the Company for the year ended December 31, 2021 together with the auditors' report thereon.

Business Overview

The onslaught of COVID-19 continues across the world and in Pakistan, with the fourth wave during the second half of 2021. During the year, though the Company has closely monitored the impact on various business parameters, such as premium, persistency, claims and profitability.

COVID-19 claims have continued to be reported during the year 2021 and have largely followed the emergence pattern of COVID-19 deaths reported on the general population level. The total number of Covid-19 claims paid by the Company are 137 (both Individual and Group Life) with the total claim amount of Rs. 138 Million. The Company has comfortably paid this claim amount with the support of Company's Reinsurer with no significant impact on the Company's bottom line.

Overall, the year 2021 has shown a recovery in business and a positive trend has been observed in top line of the Company, as compared to the corresponding period of 2020 showing a growth of 21%. The Company's market share in terms of total premium generated by the industry has increased from 7.35% to 8.11%.

The Company's Bancassurance Business registered an increase of 15% in new business from Rs. 2.636 billion in year 2020 to Rs. 3.036 billion in year 2021. The Company has distribution partnership with 12 leading banks including the MCB Bank Limited which generates 65% of our new business. However, due to Company's diversification efforts over the years, this dependence with MCB Bank Limited has decreased by 20% (approx.). The Banca business in the industry though has grown by 25% in 2021, it is still 12% behind what was produced by the Banca

across the industry in 2019. This was attributable to more controlled Regulations/ Code of Code introduced by SECP and State Bank of Pakistan which will though slow down the growth temporarily but will improve the quality of sale in long-run and will help in steady growth going forward.

Further, our Direct Distribution (Agency) force also did a remarkable job by showing a growth in new business by 34% from Rs. 534 Million to Rs. 718 Million. The progress towards expansion of this distribution channel is on track.

The further boost to our topline gross premium was provided by tremendous growth in single premium business which went up from Rs. 5.331 billion in year 2020 to Rs. 7.539 billion in year 2021.

The Company's Group Life business on the other end showed a decline by 20% in the business when compared with the last year. The Company maintained its cautious approach in Group Life business and avoided entering into the practice of price cutting while certain accounts were lost due to bad claims history and resultant upward price revision from our underwriters.

Investments

Out of total portfolio of Rs. 53.52 billion, 26% was invested in equity & equity mutual funds, 32% was invested in government securities & debt instruments, whereas, 29% was invested in Bank Deposits. During the year, the company generated investment income of Rs. 3.12 billion while the figure for the year ended December 31, 2020 was Rs. 4.29 billion.

The average return on total investments was 5.5% in 2021 against 9.69% in 2020. The decline in rate was attributable to performance of Equity markets during the year. PSX 100 index posted return of 0.36% in 2021 against 5.69% in 2020.

The Company works closely under the portfolio management agreement with MCB Arif Habib

Savings and Investments Limited an AM1 rated AMC by PACRA and diligently monitors equity and debt markets to make profitable investments under the umbrella of fund wise Investment Policy approved by the Board.

Underwriting Results

The Company's acquisition costs and claims expenses are largely on track and were as per the budgeted numbers. After accounting for all direct expenses, the Company has earned an underwriting surplus of Rs. 1.441 billion as against Rs. 1.319 billion earned in last period. The surplus translated into an overall underwriting margin of 6.98% against the margin of 7.71% last year. The drop in margin is attributable to significant increase in single premium sales which carries low margin.

After accounting for Marketing and Administration expenses of Rs. 1.25 billion which is 17% higher than last period, the Company recorded the total comprehensive income before tax of Rs. 260 million and comprehensive income after tax of Rs. 195 million.

The comprehensive income of last year was Rs. 171 Million. The reason for higher level of expenses are attributable to the Company's marketing Campaigns which were deferred in 2020 due to Covid-19 situation. It was essential to enhance our brand presence in the market vis-a-vis competitors and to project our strengths and product offerings in order to increase our market share in long-run.

The Company also needs to refocus on increasing the persistency of renewal premiums which took a dip in 2021 due to economic pressures faced by the population at large. The improvement in persistency will further improve profitability in the coming years.

In March 2021, the Board had approved the listing of the Company on Pakistan Stock Exchange. In this connection the company had issued 156,450,600 right share during the year to its parent company to increase the share capital to Rs 2.5 Billion. After all

regulatory formalities and approvals from PSX and SECP, the process of book building and IPO against the sale of 10% shareholding from Adamjee Insurance Company Limited shall start from the 9th of February and it is expected that the whole process of Adamjee Insurance Company Limited's divestment and Company's listing shall be completed by the first week of March 2022.

Audit Report

The external auditors of the Company, M/s. Yousuf Adil, Chartered Accountants, Karachi, have issued a clean opinion in their audit report. However, an emphasis of matter was given to draw the attention to Notes 27.1 of the financial statements in respect of, scope and applicability of Punjab Sales Tax (PST) and Sind Sales Tax (SST) on Life insurance services against which the petitions are pending in Sindh High Court and Lahore High Court filed by all the players in the industry.

Future Outlook

As far as Company's future outlook of the Company is concerned, the prime objective of the Company is to expand the business going forward by creating new strategic partnerships, entering new channels for distribution, and enhancing the capacity of existing channels.

The Company's primary business channel i.e., bancassurance business will grow steadily, albeit with lesser than historically registered high growth, due to the increased regulations specific to this particular distribution channel. These regulations are expected to encourage insurance companies to write quality business and hence will increase the sustainability of business model in the long run.

Adamjee Life is also looking forward to building sustainable and mutually beneficial relationship with its new Banca Partners which will further augment the Banca business in ensuing years.

The Direct Distribution (Agency) model has continued its expansion plan as per Company's strategy to increase new business from other than Banca channel. Total number of sales offices of the Company has increased to 64 in 2021 from 57 in 2020 and feet on ground has crossed the level of 2,000. The Company will continue its expansion plan for its Direct Distribution Sales force and is targeting to touch new business generation of PKR 1.5 billion by 2025/2026

The Company intends to increase its market share in Corporate Group Life and Credit Protection business with prudent pricing and making difference through servicing. The Company also intends to build its capacity to enter and compete in the area of mobile wallet and digitally embedded products. The Company has already launched its online products namely term life, daily hospitalization plan and corona cover.

Another key focus of the Company is to further improve the quality of training and quality of sales & after sales services, to improve persistency of renewal premiums.

With the above objectives and prospects in sight, the Company is confident to touch the fund size of Rs. 125 billion by 2024-25 and annual profitability of Rs. 750 million by 2024-25. With a strong and highly trained and professional team of sales, relationship managers, trainers, and Financial Advisors, along with the support of 'state of the art policy management' and 'claims processing system', the Company is confident to achieve its above-mentioned objectives.

Corporate Social Responsibility (CSR)

The Company recognizes its responsibility towards the society at large and prioritized supporting causes that would create a positive impact on the community. The initiatives are in line with the country's Sustainable Development Goals (SDGs) under the umbrella of "Adamjee Life Nigehbaan" with a focus on education, healthcare, and environmental sustainability. The company

regularly takes part in these various philanthropy activities along with media initiatives, including social media, print ads, nationwide activations; to emphasize on the importance and impact of how a shared value can be achieved collectively, in collaboration with various corporate organizations.

Future Challenges

Application of IFRS 17 on insurance contracts applicable from 2023 represents the most significant change to insurance accounting requirements in over 20 years. It demands a complete overhaul of insurers' financial statements. This major change to implement IFRS 17 will extend beyond the finance and actuarial functions of the company, and will also have an impact on Data, Systems and Processes of the Company. It is highly probable that for implementing IFRS 17, the Company may have to make substantial amount of investment in the development of integrated systems.

Risk and uncertainty

There are no significant risks evident so far, which is specific to the operations of the Company.

The levy of Provisional Sales Tax on life insurers which is included in the taxable services by the Government of Sindh is a matter of concern for the whole industry. If the sales tax is not permanently exempted, then the products would become unviable for the policyholders and on the other hand, if the sales tax is not passed on to policyholders then the business would not remain viable.

Complaints Handling

The Company had satisfactorily closed 1283 complaints which is 80% of the total complaints filed so far. The percentage of complaints over total of policyholder's portfolio was 0.58%.

Corporate and Financial Reporting Framework

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, International Financial Reporting Standards or any other regulation or law (including but not limited to the Shariah guidelines / principles) as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.
- Key Operating and Financial data of last seven years – (Please refer Annexure-A)

- Total nine (9) Board meetings were held during the year ended 31 December 2021. Following is the attendance by each of the director:

S. No.	Name of the Director	No. of meetings attended
1	Mr. Umer Mansha	9
2	Mr. Raza Mansha	2
3	Mr. S.M. Jawed	9
4	Mr. Muhammad Ali Zeb	9
5	Mr. Samir Iqbal Saigol	6
6	Mr. Ahmad Aqeel	7
7	Mr. Imran Maqbool	9
8	Mrs. Naz Mansha	5
9	Mr. Ahmad Alman Aslam*	1
10	Mr. Shahmeer Khalid Butt*	1

Pattern of Shareholding as at 31 December 2021:

Number of Shareholders	Shareholdings		Shares Held
	From	To	
7	1	250	1,750
1	249,998,250	249,998,250	249,998,250
8			250,000,000

Additional Information as at 31 December 2021:

Categories of Shareholders	Number of Shareholders	Shares held	Percentage of Total
Associated Companies, undertakings and related parties:	1	249,998,250	99.998%
M/S. Adamjee Insurance Company Limited		249,998,250	99.998%
Members/ Directors:	7	1,750	0.002%
Mr. Umer Mansha**		250	0.000%
Mr. Imran Maqbool		250	0.000%
Mr. S.M. Jawed		250	0.000%
Mr. Muhammad Ali Zeb		250	0.000%
Mrs. Naz Mansha		250	0.000%
Mr. Ahmad Alman Aslam*		250	0.000%
Mr. Shahmeer Khalid Butt*		250	0.000%
TOTAL		250,000,000	100%

*These are the new directors who have replaced Samir Saigol and Ahmad Aqeel with effect from 11th November 2021

Earnings per Share:

The Basic gain per share for the year ended on 31 December 2021 is 1.03

Profit for the year as per P&L account (Rupees in 000)	173,804
Weighted average number of ordinary shares (in 000)	168,324
Earnings per share – basic & diluted	1.03

Date: February 02, 2022

**Chief
Executive
Officer**

Chairman

ANNEXURE A

Key Historical Data

	2014	2015	2016	2017	2018	2019	2020	2021
	Rupees in '000							
Total Gross written premium (GWP)	5,214,947	9,150,640	11,301,714	13,781,044	13,323,759	13,002,853	17,100,887	20,658,169
Topline growth	16.54%	75.47%	23.51%	21.94%	-3.32%	-2.41%	31.52%	20.80%
New premium growth	11.44%	46.83%	13.88%	18.21%	8.33%	16.47%	-12.87%	12.00%
Average return on investments	16.33%	10.81%	13.41%	-3.24%	2.42%	11.40%	9.69%	5.50%
Group Life loss ratio	76.00%	87.00%	83.00%	88.00%	103.00%	85.00%	101.60%	87.24%
Death & Disability Claims- individual Life	69,049	117,778	190,955	315,031	281,618	299,218	434,500	710,401
Net Underwriting surplus	442,129	710,079	1,047,744	613,452	907,091	1,289,000	1,319,000	1,441,000
Underwriting margin	8.02%	7.76%	9.27%	4.45%	6.81%	9.94%	7.71%	6.98%
Employees, Administration & marketing expenses	388,886	488,873	682,036	919,523	846,092	1,056,861	1,044,132	1,254,319
Expense growth	34.01%	25.71%	39.51%	34.82%	-7.99%	24.91%	-1.20%	17.00%
Net profit/(loss) after tax	86,584	306,063	397,300	-202,649	58,949	196,402	171,324	194,607
Shareholders' Equity	633,790	939,854	1,266,587	1,063,940	1,122,889	1,319,291	1,490,615	3,249,728
Break-up value per share	6.77	10.05	13.54	11.37	12.00	14.10	15.93	13.00
Statutory fund under management	8,256,342	14,444,778	22,166,399	27,665,128	31,477,249	36,850,881	47,097,939	56,677,955
Residual solvency in Shareholder's fund	123,955	89,598	63,277	113,241	76,002	154,498	132,222	1,871,403
Residual Solvency in Statutory funds	64,673	309,931	251,690	38,557	-48,093	336,442	563,813	540,609