

**NEW HAMPSHIRE INSURANCE  
COMPANY – PAKISTAN BRANCH**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

**AUDITORS' REPORT TO THE DIRECTORS**

We have audited the annexed financial statements comprising of:

- (i) balance sheet;
- (ii) profit and loss account;
- (iii) statement of cash flows;
- (iv) statement of premiums;
- (v) statement of claims;
- (vi) statement of expenses; and
- (vii) statement of investment income

of **New Hampshire Insurance Company – Pakistan Branch (the Branch)** as at **December 31, 2013** together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Branch's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

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

In our opinion:

- (a) proper books of accounts have been kept by the Branch as required by the Insurance Ordinance, 2000;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Branch;
- (c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Branch's affairs as at December 31, 2013 and of the profit and its cash flows for the year then ended, in accordance with the approved accounting standards as applicable in Pakistan, and the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- (d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.



Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: April 30, 2014

Karachi

NEW HAMPSHIRE INSURANCE COMPANY - PAKISTAN BRANCH  
BALANCE SHEET  
AS AT DECEMBER 31, 2013

	Note	2013	2012
		Rupees in '000	
Head office account	7	1,033,814	1,194,991
<b>Underwriting provisions</b>			
Provision for outstanding claims (including IBNR)		874,760	395,942
Provision for unearned premium		585,631	466,098
Commission income unearned		118,511	93,700
<b>Total underwriting provisions</b>		<b>1,578,902</b>	<b>955,740</b>
<b>Creditors and accruals</b>			
Amounts due to other insurers / reinsurers	8	922,638	698,271
Accrued expenses	9	96,309	45,664
Other creditors and accruals	10	59,196	69,836
		1,078,143	813,771
<b>TOTAL LIABILITIES</b>		<b>2,657,045</b>	<b>1,769,511</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,690,859</b>	<b>2,964,502</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		

The annexed notes 1 to 36 form an integral part of these financial statements.

  
Manager for Pakistan / Principal Officer

  
Assistant General Manager

	Note	2013	2012
		Rupees in '000	
Cash and bank deposits	13	726	183
Cash and other equivalent		248,004	251,049
Current and other bank accounts		910,000	1,055,000
Deposits maturing within 12 months		1,158,730	1,306,232
<b>Investments</b>	14	<b>721,292</b>	<b>525,338</b>
<b>Deferred taxation</b>	15	<b>6,544</b>	<b>7,319</b>
<b>Security deposits</b>		<b>3,244</b>	<b>2,800</b>
<b>Other Assets</b>			
Premium due but unpaid	16	229,715	138,224
Amounts due from other insurers / reinsurers	17	220,705	158,053
Salvage recoveries accrued		5,499	4,498
Accrued income on investment and deposits	18	14,367	22,568
Reinsurance recoveries against outstanding claims	19	786,650	266,276
Taxation - payments less provision	20	6,195	20,358
Deferred commission expense		81,751	65,466
Prepayments	21	405,298	316,367
Loans to employees - unsecured - considered good	22	2,556	3,974
Sundry receivables	23	532	4,750
		1,753,268	1,060,534
<b>Fixed Assets</b>			
<b>Tangible and Intangible assets</b>			
Leasehold improvements		7,824	10,310
Furniture and fittings		7,877	9,257
Office equipment		5,231	5,458
Computers and EDP equipment		2,495	1,665
Vehicles		23,164	25,002
Software		120	727
Capital work-in-progress		1,070	9,860
	24	47,781	62,279
<b>TOTAL ASSETS</b>		<b>3,690,859</b>	<b>2,964,502</b>

  
Profit Centre Manager

NEW HAMPSHIRE INSURANCE COMPANY - PAKISTAN BRANCH  
 PROFIT AND LOSS ACCOUNT  
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	Fire and property	Marine, aviation and transport	Motor	Accident and health	Miscellaneous	2013	2012
----- (Rupees in '000) -----								
<b>Revenue Account</b>								
Net Premium Revenue		14,911	25,716	342,585	118,915	7,743	509,870	436,986
Net Claims		(5,297)	(11,995)	(188,462)	(66,280)	(246)	(272,280)	(270,193)
Management Expenses	25	(35,985)	(14,073)	(46,397)	(22,585)	(2,724)	(121,764)	(106,893)
Net Commission		131,372	20,396	(45,037)	(27,320)	4,347	83,758	82,060
		90,090	(5,672)	(279,896)	(116,185)	1,377	(310,286)	(295,026)
<b>Underwriting Results</b>		105,001	20,044	62,689	2,730	9,120	199,584	141,960
Investment income - net							166,626	181,894
Other income - net	26						13,490	118,193
General and administration expenses	27						(127,431)	(147,228)
<b>Profit before taxation</b>							252,269	294,819
Taxation	28						(82,743)	(102,107)
<b>Profit after taxation</b>							169,526	192,712

The annexed notes 1 to 36 form an integral part of these financial statements.

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 Manager for Pakistan / Principal Officer

  
 Assistant General Manager

  
 Profit Centre Manager



NEW HAMPSHIRE INSURANCE COMPANY - PAKISTAN BRANCH  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2013


	2013	2012
<b>OPERATING CASH FLOWS</b>		
(a) <b>Underwriting activities</b>		
Premiums received	1,544,943	1,385,271
Reinsurance premiums paid	(998,795)	(1,041,445)
Claims paid	(578,881)	(483,323)
Reinsurance and other recoveries received	387,196	312,406
Commissions paid	(211,341)	(181,192)
Commissions received	305,253	327,589
<b>Net cash generated from underwriting activities</b>	<b>448,375</b>	<b>319,306</b>
(b) <b>Other operating activities</b>		
Income tax paid	(67,805)	(70,307)
General and administrative expenses and management expenses paid - net	(177,768)	(212,739)
Net cash flow from other operating activities	(245,573)	(283,046)
<b>Net cash generated from all operating activities</b>	<b>202,802</b>	<b>36,260</b>
<b>INVESTMENT ACTIVITIES</b>		
Profit / return received	165,983	175,651
Dividends received	7,823	6,617
Investment in term deposit receipt	145,000	(145,000)
Proceeds from redemption of investments	735,000	550,000
Investments made during the year	(929,933)	(542,533)
Fixed capital expenditure	(889)	(28,041)
Proceeds from disposal of fixed assets	2,415	1,606
<b>Net cash generated from investing activities</b>	<b>125,399</b>	<b>18,300</b>
<b>FINANCING ACTIVITIES</b>		
Remittance made to Head Office	(330,703)	-
<b>Net cash (used in) financing activities</b>	<b>(330,703)</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>	<b>(2,502)</b>	<b>54,560</b>
Cash and cash equivalents at the beginning of the year	251,232	196,672
<b>Cash and cash equivalents at the end of the year</b>	<b>248,730</b>	<b>251,232</b>
<b>Reconciliation to Profit and Loss Account</b>		
Operating cash flows	202,802	36,260
Depreciation expense	(14,550)	(16,111)
Amortisation	(607)	(5,183)
Investment income	166,626	181,894
Gain / (loss) on disposal of fixed assets	2,185	(3,197)
Increase in assets other than cash	700,604	17,079
Increase in liabilities	(887,534)	(18,030)
<b>Profit after taxation for the year</b>	<b>169,526</b>	<b>192,712</b>

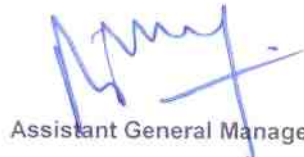
**Definition of cash**

Cash comprises of cash in hand, stamps, bank balances and other deposits which are readily convertible to cash and which are used in the cash management function on a day-to-day basis.

	2013	2012
	----- Rupees in '000 -----	
<b>Cash and cash equivalents for the purposes of the Statement of Cash Flows consists of:</b>		
- cash and other equivalents	726	183
<b>Current and other bank accounts</b>		
- saving accounts	248,004	251,049
<b>Cash and cash equivalents for the purpose of Statement of Cash Flows</b>	<b>248,730</b>	<b>251,232</b>

The annexed notes 1 to 36 form an integral part of these financial statements.

  
Manager for Pakistan / Principal Officer

  
Assistant General Manager

  
Profit Centre Manager

NEW HAMPSHIRE INSURANCE COMPANY - PAKISTAN BRANCH  
STATEMENT OF PREMIUMS  
FOR THE YEAR ENDED DECEMBER 31, 2013

Business underwritten inside Pakistan

Class	Premiums written		Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
	Opening	Closing	Opening	Closing			Opening	Closing		2013	2012
----- Rupees in '000 -----											
<b>Direct and Facultative</b>											
Fire and property	918,345	293,597	373,645	373,645	838,297	904,347	286,692	367,653	823,386	14,911	11,633
Marine, aviation and transport	152,673	17,174	25,106	25,106	144,741	125,274	14,442	20,691	119,025	25,716	26,040
Motor	378,920	116,366	143,353	143,353	351,933	9,348	2	2	9,348	342,585	277,948
Accident and health	131,714	29,765	30,954	30,954	130,525	10,073	3,429	1,892	11,610	118,915	112,924
Miscellaneous	61,512	9,196	12,573	12,573	58,135	53,650	8,407	11,665	50,392	7,743	8,441
<b>Total</b>	<b>1,643,164</b>	<b>466,098</b>	<b>585,631</b>	<b>585,631</b>	<b>1,523,631</b>	<b>1,102,692</b>	<b>312,972</b>	<b>401,903</b>	<b>1,013,761</b>	<b>509,870</b>	<b>436,986</b>

The annexed notes 1 to 36 form an integral part of these financial statements.

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Manager for Pakistan / Principal Officer

  
Assistant General Manager

  
Profit Centre Manager

NEW HAMPSHIRE INSURANCE COMPANY - PAKISTAN BRANCH  
STATEMENT OF CLAIMS  
FOR THE YEAR ENDED DECEMBER 31, 2013

Business underwritten inside Pakistan

Class	Total claims paid		Outstanding claims		Claims expense	Reinsurance and other recoveries received		Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries		Net claims expense	
	Opening	Closing	Opening	Closing		Opening	Closing	Opening	Closing	revenue	2013	2012	
----- Rupees in '000 -----													
<b>Direct and Facultative</b>													
Fire and property	218,162	236,388	751,122	732,896	732,896	207,055	224,639	745,183	727,599	5,297	1,784		
Marine, aviation and transport	63,654	28,403	27,872	63,123	63,123	48,903	12,600	14,825	51,128	11,995	26,015		
Motor	200,375	44,910	32,997	188,462	188,462	-	-	-	-	188,462	198,607		
Accident and health	67,073	34,693	36,984	69,364	69,364	3,191	1,399	1,292	3,084	66,280	41,947		
Miscellaneous	29,617	51,548	25,785	3,854	3,854	25,896	47,638	25,350	3,608	246	1,840		
<b>Total</b>	<b>578,881</b>	<b>395,942</b>	<b>874,760</b>	<b>1,057,699</b>	<b>1,057,699</b>	<b>285,045</b>	<b>286,276</b>	<b>786,650</b>	<b>785,419</b>	<b>272,280</b>	<b>270,193</b>		

The annexed notes 1 to 36 form an integral part of these financial statements.

*Atto*

  
Manager for Pakistan / Principal Officer

  
Assistant General Manager

  
Profit Centre Manager

NEW HAMPSHIRE INSURANCE COMPANY - PAKISTAN BRANCH  
STATEMENT OF EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2013

Business underwritten inside Pakistan

Class	Commissions paid or payable	Deferred commission		Commission expense	Other management expenses	Underwriting expense	Commissions from reinsurers	Net underwriting expense	
		Opening	Closing					2013	2012
Rupees in '000									
<b>Direct and Facultative</b>									
Fire and property	126,154	39,656	51,384	114,426	35,985	150,411	245,798	(95,387)	(95,782)
Marine, aviation and transport	14,774	1,307	2,467	13,614	14,073	27,687	34,010	(6,323)	(8,182)
Motor	48,434	15,372	18,769	45,037	46,397	91,434	-	91,434	87,450
Accident and health	29,946	7,355	7,303	29,998	22,585	52,583	2,678	49,905	41,408
Miscellaneous	8,837	1,776	1,828	8,785	2,724	11,509	13,132	(1,623)	(61)
<b>Total</b>	<b>228,145</b>	<b>65,466</b>	<b>81,751</b>	<b>211,860</b>	<b>121,764</b>	<b>333,624</b>	<b>295,618</b>	<b>38,006</b>	<b>24,833</b>

Note: Commission from reinsurers is net of opening and closing unearned commission of Rs 93 700 thousand and Rs 118,511 thousand respectively.

The annexed notes 1 to 36 form an integral part of these financial statements.

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Manager for Pakistan / Principal Officer



Assistant General Manager



Profit Centre Manager



NEW HAMPSHIRE INSURANCE COMPANY - PAKISTAN BRANCH  
 STATEMENT OF INVESTMENT INCOME  
 FOR THE YEAR ENDED DECEMBER 31, 2013

2013                      2012  
 ----- Rupees in '000 -----

Income from non-trading investments

Held to maturity

Return on government securities

52,815	51,728
7,823	6,617
103,597	121,065
164,235	179,410

Available for sale

Dividend income

Return on term deposits and balances with bank

Reversal of provision against diminution in the value of available-for-sale investments

2,391	2,484
166,626	181,894

Net investment income

The annexed notes 1 to 36 form an integral part of these financial statements.

*Ato*

  
 Manager for Pakistan / Principal Officer

  
 Assistant General Manager

  
 Profit Centre Manager

NEW HAMPSHIRE INSURANCE COMPANY - PAKISTAN BRANCH  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

1 STATUS AND NATURE OF BUSINESS

New Hampshire Insurance Company - Pakistan (the Branch) is a Branch operation of New Hampshire Insurance Company (the Head Office), incorporated in the United States of America with limited liability, having its registered office at 2005 Market Street, Philadelphia, Pennsylvania. The ultimate parent of the Head Office is American International Group, Inc. The registered office of the Pakistan Branch is located at 1st Floor, Dadex House 34-A/1, Block 6 PECHS Shahrah-e-Faisal, Karachi. The Branch is engaged in General Insurance business under the Insurance Ordinance, 2000 and operates through 4 sales offices (2012: 4) in Pakistan.

2 BASIS OF PRESENTATION

These financial statements have been prepared on the format of financial statements issued by the Securities and Exchange Commission of Pakistan through the Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002] vide S.R.O. 938 (1) /2002 dated December 12, 2002.

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 and directives issued by the SECP. Wherever the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 the SEC (Insurance) Rules, 2002 or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 or the said directives prevail.

The SECP has allowed insurance companies to defer the application of International Accounting Standard (IAS) -39 "Financial Instruments: Recognition and Measurement" in respect of valuation of investments classified as available-for-sale. The accounting policy in respect of available-for-sale investments is stated in note 5.8.

4 ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention except for certain staff retirement benefits which are carried at present value.

5 SIGNIFICANT ACCOUNTING POLICIES

5.1 The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless stated otherwise.

5.1.1 Changes in accounting policies and disclosures arising from standards, interpretations and amendments to published approved accounting standards that are effective in the current year

IAS 19 (revised) 'Employee benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses and the difference between actual investment returns and the return implied by the net interest cost / (income). The standard requires "remeasurements" to be recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur, which are not later reclassified to profit and loss account. However, the Securities and Exchange Commission of Pakistan (SECP) through the Insurance Rules, 2002 had prescribed the format of presentation and disclosure of financial statements, which do not require an OCI statement. Accordingly, the charge has been taken to the profit and loss account.

The new amendment does not materially affect the the Branch's financial statements, therefore retrospective adjustment has not been made in these financial statements.





### 5.1.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

IAS 1, 'Presentation of Financial Statements' has been amended effective January 1, 2013. The main change resulting from these amendments is a requirement for entities to group items presented in 'Other Comprehensive Income' (OCI) on the basis of whether they are potentially reclassifiable to the profit or loss subsequently (reclassification adjustments). The new amendment has no effect on the the Branch's financial statements in view of the prescribed format of financial statements under SEC (Insurance) Rules, 2002.

There are certain other new and amended standards and interpretations that are mandatory for the Branch's accounting periods beginning on or after January 1, 2013 but are considered not to be relevant or to have any significant effect on the the Branch's operations and are, therefore, not disclosed in these financial statements.

### 5.1.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

There are certain other new and amended standards, interpretations and amendments that are mandatory for the the Branch's accounting periods beginning on or after January 1, 2014 but are considered not to be relevant or do not have any significant effect on the the Branch's operations and therefore not detailed in these financial statements.

### 5.1.4 Insurance contracts

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

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

The Branch neither issues investment contracts nor does it issue insurance contracts with discretionary participation features (DPF).

## 5.2 Premium

Premium received / receivable under a policy is recognised as written from the date of attachment of the policy to which it relates. Premium income under a policy is recognised evenly over the period of insurance from inception to expiry.

Premium income also includes administrative surcharge that represents documentation and other charges recovered by the Branch from policy holders in respect of policies issued.

Receivables under insurance contracts are recognised when contractual right to receive the money is established, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Branch reduces the carrying amount of the receivable accordingly and recognises that impairment loss in the profit and loss account.

## 5.3 Reinsurance ceded

The Branch enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted insurance business being reinsured.

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

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

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire.

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

