



REPORT OF DIRECTORS TO THE SHAREHOLDERS

February 22, 2021

The Board of Directors of the Company are pleased to present the audited financial statements for the year ended December 31, 2020.

BUSINESS REVIEW

The Company has shown marked growth in its core life and health insurance businesses. Gross Premium for the year ended 2019 was Rs. 753 million which has improved by 73% as compared to Rs. 435 million last year.

The life business has shown growth of 134% in GWP and Health business has grown by 59% in GWP as compared to last year.

During the year, corporate business has shown growth of 86% in GWP as compared to year whereas Retail business has grown by 19% in GWP.

A 3 years' comparison for top line growth in LOBs is as below.



During the year the Company had issued 12.5 million Right shares at Rs. 10 per share to TPL Corp Ltd. to meet the solvency and working capital requirements.

The Parent Company i.e. TPL Corp Ltd. being cognizant of the regulatory capital and solvency requirements applicable to the Company, is fully committed and intends to ensure compliance. However, due to distressed economic conditions on account of pandemic, it was challenging to inject required capital during the year to meet the solvency requirement. The consideration for relaxation in the same was applied with the SECP and it was graciously considered till Q1 2021.

As of December 24, 2020, Company had signed term sheet with a foreign investor for acquiring 36.6% stake in the company by way of equity investment, approximately amounting to USD 4.5 million. The finalization of the agreement is subject to satisfactory finalization of financial and legal due diligence.

During the year, the gross premium written was as follows:

Statutory Funds

Gross Premium / Contribution

Rs. in "000"

| | 2020 | 2019 | Variance % |
|--------------------------------------|------------------|----------------|------------|
| Individual Life unit Linked | 20,718 | 38,190 | -46% |
| Group Life Business | 247,779 | 143,085 | 73% |
| Accident & Health Business | 669,267 | 478,877 | 40% |
| Group Family Takaful | 29,484 | 12,306 | 140% |
| Accident & Health Business – Takaful | 162,916 | 80,652 | 102% |
| Total | 1,130,164 | 753,110 | 50% |

The after tax loss for the year was Rs. 352 million (2019: loss of Rs. 271 million). Major contributors are the claim expenses which showed unprecedented surge on account of Covid-19 related health protocols which increased the general treatment costs substantially. Further, increment in the risk based solvency margin for health and life business and associated costs for life and health insurance operations were major contributors of losses.. Company is constantly reviewing its major cost centers and sources of losses and realign business / operational strategies to reign in major cost heads.

The financial highlights of the performance of the Company for the last six years are tabulated as follows:

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---------------------------|-----------|-----------|-----------|-----------|----------|----------|
| Rs. in "000" | | | | | | |
| Gross Premium | 1,130,164 | 753,110 | 435,196 | 269,833 | 116,279 | 434,253 |
| Gross Claim | 866,250 | 411,684 | 268,924 | 85,451 | 154,649 | 383,837 |
| Policy Acquisition Cost | 187,844 | 87,219 | 36,161 | 32,455 | 8,577 | 23,941 |
| Management Expenses | 361,586 | 332,963 | 260,386 | 246,294 | 159,578 | 143,273 |
| Investment Income | 48,247 | 42,163 | 20,818 | 18,436 | 28,560 | 34,434 |
| Profit /(Loss) before tax | (351,856) | (270,214) | (199,906) | (171,582) | (76,275) | (99,635) |
| Policyholder Liabilities | 435,692 | 342,326 | 207,499 | 138,075 | 39,179 | 142,208 |
| EPS (In Rupees) | (2.94) | (2.90) | (2.73) | 0.15 | (0.02) | 0.03 |

The company paid total health and life claims of Rs.709 million during the year with health claims to the tune of Rs.568 million and life insurance claims of Rs.141 million with the single largest death claim amounting to Rs.3.92 million.

The Company has a reinsurance arrangement with Hannover Re having awarded "AA-" rating by Standard & Poor's. The management believes that the reinsurance support provides diversification of risk and depth to the underwriting capacity of the Company.

The Board is pleased to report that the Company has maintained IFS (Insurer Financial Strength) rating of Company A- (Single A minus) by PACRA.

AUDITORS

The present auditors M/S Ernst & Young Ford Rhodes, Chartered Accountants have completed the tenure of their engagement with the Company. On request by the Company to the SECP, extension has been granted to keep their engagement for another term. The Board, on the recommendation of the Audit Committee, has proposed their re-appointment as external auditors of the Company for the year ending December 31, 2021, subject to approval of shareholders in the Annual General Meeting.

RETIREMENT BENEFITS

Balance of Provident Fund as at December 31, 2020 was Rs. 19.890 million and 2019 was Rs. 15.280 million.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance have been duly complied with. The Directors are pleased to confirm the following:

1. The financial statements, prepared by the Company, present fairly its state of affairs, the results of its operation, cash flows and changes in equity.
2. The Company has maintained proper books of accounts.
3. The Company has consistently followed appropriate accounting policies in preparation of the financial statements. Changes, wherever made, have been adequately disclosed and accounting estimates are on the basis of prudent and reasonable judgment.
4. International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure thereof has been adequately disclosed.
5. The Company has implemented a sound system of internal control, which has been effectively monitored.
6. The fundamentals of the Company are strong based on plans of potential investor(s) and there is no doubt about its ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance.
8. There are no outstanding taxes and duties, other than those disclosed in the financial statements.

CORPORATE SOCIAL RESPONSIBILITY

We define Corporate Social Responsibility (CSR) as our commitment to work as partners with all our stakeholders to effectively improve the quality of life of our workforce, their families and the local communities we operate in.

TPL Life believes that a responsible attitude toward society and the environment can make businesses more sustainable, consumer-centric and attractive to the best employees.

The Board of Directors feels that a positive social attitude is a significant part of its reputation strategy. In a world where brand value and reputation are increasingly seen as the Company's most valuable assets; a responsible social attitude can build loyalty and trust that in-turn ensure a bright sustainable future.

BOARD OF DIRECTORS

The Board is comprised of the following seven directors and a Chief Executive. Directors were elected in the Annual General Meeting held on March 29, 2018.

| | |
|----------------------------|---------------------------------|
| Mr. Jameel Yusuf, Chairman | Mr. Asif Reza Sana |
| Mr. Muhammad Ali Jameel | Mr. Muhammad Aminuddin |
| Mr. Andrew Borda * | Mr. Farrukh Shauket Ansari |
| Mr. Muhammad Riaz | Mr. Faisal Shahzad Abbasi (CEO) |

*During the year Mr. Waqar Malik has resigned from the office dated April 27, 2020 and the casual vacancy is filled by Mr. Andrew Borda on July 06, 2020

During the year 2020, five meetings of the Board of Directors were held and attended as follows. Leave of absence was granted by the Board, to the Directors who could not attend the board meetings.

| Serial # | Name of Directors | Executive / Non Executive | Meeting Attended |
|----------|--|---------------------------|------------------|
| 1. | Mr. Jameel Yusuf Ahmed | Non-Executive | 4 |
| 2. | Mr. Muhammad Ali Jameel | Non-Executive | 5 |
| 3. | Mr. Waqar Ahmed Malik- Resigned on April 27, 2020 Mr. Muhammad Riaz | Non-Executive | 1 |
| 4. | Mr. Mohammad Riaz | Non-Executive | 5 |
| 5. | Mr. Farrukh Shauket Ansari | Independent Non-Executive | 6 |
| 6. | Mr. Asif Reza Sana | Non-Executive | 6 |
| 7. | Mr. Muhammad Aminuddin | Non-Executive | 6 |
| 8. | Mr. Faisal Shahzad Abbasi | Executive Director | 6 |
| 9. | Mr. Andrew Borda | Non-Executive Director | 4 |

BOARD AUDIT COMMITTEE

In Compliance of Corporate Governance and to ensure effective management the Board has established the Board Audit Committee and it comprises of the following Directors:

| | | |
|----------------------------|-----------|------------------------|
| Mr. Farrukh Shauket Ansari | Chairman | Director |
| Mr. Asif Reza Sana | Member | Director |
| Mr. Muhammad Riaz | Member | Director |
| Mr. Muhammad Asif | Secretary | Head of Internal Audit |

The Board Audit Committee reviewed the quarterly, half yearly and annual financial statements before submission to the Board of Directors. The Board Audit Committee discussed in detail with the external auditors on the various issues. They have also reviewed internal audit reports and their findings as required under the Code of Corporate Governance.

An Internal Audit function reporting to the Board Audit Committee reviews the financial and internal reporting process, the system of internal control, the management of risks and internal audit process.

BOARD AND MANAGEMENT COMMITTEES

In compliance of Code of Corporate Governance, the Company has all requisites Board and Management Committees which are functional and have conducted their meetings periodically to comply with the regulation.

PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding is attached with this report.

HOLDING COMPANY

The Company is a subsidiary of TPL Corp Limited, which holds 85.28% shares of the Company.

COMPANY AND ECONOMY OUTLOOK

The economy of Pakistan is still passing through a challenging phase. Fiscal discipline, stabilization of equity market as well as interest rates, stability of economic and taxation policies, and improved governance will ultimately lead to better economic growth. Whilst the measures being taken by the Government to document the economy are appreciable, these will take their due time to yield the positive results.

Life insurance industry is facing various challenges, the most important of which is the imposition of provincial sales taxes on the business of life and health insurance as well as on commission of insurance agents. In a country like Pakistan having one of the lowest insurance penetrations in the world, the support from the Government for the development of insurance sector will play a key role in increasing penetration and resolving the current issues being faced.

In the latter half of the year 2020, the life insurance sector has shown resilience and improved its topline delivery in comparison to H1 2020 however the YoY growth trajectory is expected to show flatter curve. Exploring new channels and diversification in product offerings may provide much needed boost to industry growth and new business statistics.

TPL life, being a front runner in tech led solutions, is ideally positioned to capitalize on the future market distribution models. With digital platforms in place, focus will now be on aggressive go-to-market strategies and increase awareness about insure tech solutions.

With all the restrictions and conservative consumer response, the Company did quite well in terms of top line growth. For the year ended December 31, 2020, gross written premium of the Company showed promising growth of 50% despite depressed growth statistics for other local life insurance players.

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For the retail line of business, the company will focus on increasing its digital footprint and will explore partnerships with digital platforms which will enable accelerated penetration as well as diversification of risk. Offering life insurance products via virtual agent network, another first, is one of the core deliverable company will be focusing on during the next year.

The Corporate business will continue to focus on enhancing portfolio via supreme customer services and maintaining an edge via tech based solutions. Recent surge in medical inflation has resulted in increased competition in business retention but has also presented an opportunity for new players to challenge incumbents via efficient operations.

The Company's Takaful line of business has contributed 17% of the total premium revenue and we are expecting that premium from Takaful line of business to grow steadily in future as well due to inherent need of Shariah based Takaful solutions in the retail and corporate sectors.

Through continuous evolution in products, services and insurtech platforms, TPL life has positioned itself to carve its niche among the existing club of life insurance players. With the support of its sister concerns and TPL Corp, the holding company and with prudent management, the hard work of the management will achieve further levels of success in future.

The Directors are confident that with the continuous evolution in products, services and insurtech platforms, TPL life will carve its niche among the existing club of life insurance players. With the support of its sister concerns and TPL Corp, the holding company, the hard work of the management will achieve further levels of success in future.

During the 2nd wave of pandemic in the latter part of 2020, Business Continuity Program (BCP) went into effect, and the arrangements were made for the core team from all departments to work alternatively following "Work from Home" schedule, to ensure business continuity and smooth operations during the year. The Company's Claim Approval Center for the Accident & Health claims, continued to be fully operational, with the Claim Approval team working round the clock from their homes, for claim processing. All internal and external meetings are being held virtually, using video/audio conferencing facilities, to ensure the health and safety of the entire HR team of the Company, as well as the external stakeholders.

There are no changes or commitments after the balance sheet date which could materially affect the financial position of the company.

ACKNOWLEDGMENT

The Directors of the Company would like to acknowledge the proactive efforts of the Federal & Provincial governments as well as the SECP towards the facilitation and guidance to the corporate sector in the face of the COVID 19 crisis faced in 2020 and also the various measures taken by the State Bank of Pakistan in this regard.

We also wish to express our profound gratitude to policyholders, business partners and shareholders who continue to repose their trust and confidence in the Company and assure them of best services. We remain committed to do the utmost to ensure the best utilization of their investment in the Company.

We thank the management team of the Company for its devotion and hard work and also the Reinsurers and Bankers of the Company for their support.

Last but not the least, we also acknowledge our core human resources team across all departments, working from home under these challenging circumstances, keeping the operations running smoothly

For and on behalf of the Board

Chairman

Karachi, February 22, 2021

TPL Life Insurance Limited

PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2020

| Number of Shareholders | Shareholding | Number of Shares held |
|------------------------|---|-----------------------|
| 7 | shareholding from 1 to 3500 shares | 3,500 |
| 2 | shareholding from 3501 to 9,500,000 shares | 9,500,500 |
| 2 | shareholding from 9,500,001 to 132,500,000 shares | 122,996,000 |
| | | |
| 11 | Total | 132,500,000 |

| Categories of shareholders | Shares held | Percentage |
|---|--------------------|------------|
| Directors, Chief Executive Officer, and their spouse and minor children. | 5,002,500 | 3.78% |
| Associated Companies, Undertakings and related parties. | 112,996,000 | 85.28% |
| NIT and ICP | NIL | NIL |
| Banks Development Financial Institutions, Non-Banking Financial Institutions. | 10,000,000 | 7.55% |
| Insurance Companies | NIL | NIL |
| Modarabas and Mutual Funds | NIL | NIL |
| Others | 4,501,500 | 3.40% |
| Total | 132,500,000 | 100 |
| Shareholders having more than 10% holding | | |
| TPL Corp Limited | 112,996,000 | 85.28% |

Information as required under Code of Corporate Governance

Categories of shareholders as at December 31, 2020

| Category | Number of Shareholders | Number of Shares | Holding % |
|---|------------------------|--------------------|---------------|
| Associated Companies, undertakings and related parties | | | |
| TPL Corp Limited | 1 | 122,996,000 | 85.28% |
| Directors, Chief Executive, and their spouse | | | |
| Mr. Jameel Yusuf Ahmed | 1 | 500 | 0.00% |
| Mr. Muhammad Ali Jameel | 1 | 500 | 0.00% |
| Mr. Mohammad Riaz | 1 | 500 | 0.00% |
| Mr. Muhammad Aminuddin | 1 | 500 | 0.00% |
| Mr. Asif Reza Sana | 1 | 5,000,000 | 3.77% |
| Mr. Farrukh Shauket Ansari | 1 | 500 | 0.00% |
| Total | 6 | 5,002,500 | 3.78% |
| Others | | | |
| Mr. Yousuf Zohaib Ali | 1 | 500 | 0.00% |
| Mr. Ali Asgher | 1 | 500 | 0.00% |
| Mr. Waqar Ahmed Malik | 1 | 4,500,500 | 3.40% |
| Sindh Bank Limited | 1 | 10,000,000 | 7.55% |
| Total | 4 | 14,501,500 | 10.95% |
| Total | 11 | 132,500,000 | 100% |