



Business Risks and Business Process Re-engineering

Charming the Challenges

Business Risk

The Board is committed to effectively manage its risk through the formulation of risk management policy and system. The Company is in a continuous process to monitor and control risk to the business. The following are the major risks faced by the Company:

- **Economic and Political Risk**
Volatile economic and financial market conditions resulting from economic and political instability may prove to be an impediment in the plans of the Company to achieve its business objectives. The Company has cautious approach to deal with such risks and develops niche products to maintain and increase its market share without compromising its profitability.
- **Market Risk**
The Company faces increased competition due to existing players and new entrants including Takaful companies in insurance market. The Company relies on its personalized service and customized products to retain its customer base and increase its market share.
- **Insurance Risk**
The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty in the amount of compensation to the insured. Generally most insurance contracts carry the insurance risk for a period of one year.

The Company's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk. This framework includes implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate reinsurance is arranged to mitigate the effect of the potential loss to the Company from individual to large or catastrophic insured events.

- **Reinsurance Risk**
Reinsurance ceded do not relieve the Company from its obligation to policy holders and as a result the Company remains liable for the portion of outstanding claims reinsured. To minimise its exposure to significant losses from reinsurer insolvencies, the Company obtains reinsurance from a number of reinsurers, representing first class security and spread over several geographical regions. The Company also ensures that 80% of all reinsurance treaties are backed by atleast "A" rated reinsurers including Pakistan Reinsurance Company Limited and remaining by "BBB" rated.
- **Credit Risk**
The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.
- **Investment Risk**
The Company is exposed to market risk with respect to its investments. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity, money market fund and term finance certificates (TFCs) markets. In addition, the Company actively monitors the key factors that affect stock, money market and TFCs market.
- **IT Risk**
The Company has state of the art ERP system which is managed by able officers and regulated by formal IT policy complete with disaster management system.

Business Process Re-engineering (BPR)

To meet the challenges of ever changing business environment, the Company is moving towards e-based products and distribution channels to improve productivity. The Company also invests in knowledge based products and continues training of its man-power which makes it more agile in implementing strategies in a competitive and fast moving environment.