



1992



P A K I S T A N
INSURANCE CORPORATION





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BOARD OF DIRECTORS



A. B. SOOMRO	CHAIRMAN
CH. ASSADUR REHMAN	DIRECTOR
SARDAR MANSOOR HAYAT TAMMAN	DIRECTOR
M. JAMIL ERICKZADA	DIRECTOR
NAVEED HASAN	DIRECTOR
CH. SAJJAD ALI	DIRECTOR
S. Z. H. JAFRI	DIRECTOR
SHEIKH MOHAMMAD RAFIQ AKHTAR	DIRECTOR

AUDITORS:

AKBAR G. MERCHANT & CO
Chartered Accountants

RAHIM JAN & CO.
Chartered Accountants

HEAD OFFICE:

Pakistan Insurance Building M. A. Jinnah Road, P.O. Box No. 4777,
Karachi-2 (Pakistan)



NOTIFICATION

NOTICE is hereby given that Fortieth Annual General Meeting of the Shareholders of Pakistan Insurance Corporation will be held on Sunday, the 1st August, 1993 at 11:00.a.m. at Pakistan Insurance Building, M. A. Jinnah Road, Opp : Mereweather Tower, Karachi, to transact the following business:

- (i) To confirm the minutes of the 39th Annual General meeting held on Sunday, the 28th June, 1992.
- (ii) To receive and adopt the Audited Balance Sheet as at 31-12-92, the Revenue Accounts, the Profit & Loss Account and the Profit & Loss Appropriation Account for the year ended 31st December, 1992.
- (iii) To declare Dividend as recommended by the Board of Directors for the year ended 31st December, 1992.
- (iv) To transact any other business with the permission of the Chair.

By Order of the Board

(ASIF ALI SHAIKH)
Secretary

Karachi, the 21st June, 1992

Notes:

- (i) The Share Transfer Books of the Corporation shall remain closed from 23rd July to 1st August 1993 (both days inclusive) to ascertain the entitlement of Dividend.
- (ii) A member eligible to attend and vote at the meeting may appoint another member as his /her proxy to attend and vote instead of him/her, Proxies in order to be effective must be received by the Corporation not less than 4 clear days before the date of the meeting.
- (iii) The Shareholders are requested to immediately notify the change in their address, if any.

**REPORT OF THE BOARD OF DIRECTORS ON
THE WORKING OF THE CORPORATION FOR
THE YEAR ENDED 31ST DECEMBER, 1992**



The Shareholders,
Pakistan Insurance Corporation,

Gentlemen,

Your Directors again feel pleasure in presenting herewith the 40th Annual Report on the Accounts of the Corporation for the year 1992.

2. The gross premium of General Insurance business excluding NIC premium, has recorded an increase of Rs.583 million i.e. from Rs. 3510 million in 1991 to Rs. 4093 million in 1992. The table below shows the break-up of the volume of business, class-wise, written by the various group of insurers.

1992 GROSS PREMIUM:

(In million of Rupees)

Class of Business	National Cos.	% Source Wise.	Foreign Resident Cos.	% Source Wise.	Total	% Class wise.
Fire	1318	88	188	12	1506	37
Marine Cargo	724	82	157	18	881	22
Marine Hull	31	100	---	---	31	1
Aviation	8	100	---	---	8	---
Engineering	126	91	12	9	138	3
Accident	1338	88	191	12	1529	37
TOTAL	3545	87	548	13	4093	100

N.B. The gross figures are based on 30% Quota Share Cessions to PIC in 1992 and do not include the premium for Bond Business.



3. The growth of PIC Business since 1963 is shown in the following table:-

(In million of Rupees)

Year	Gross Premium Income	Profit	Total Reserves
1963	57.2	1.6	21.1
1968	131.9	7.4	63.4
1973	238.9	10.9	127.4
1978	578.6	33.6	390.0
1983	897.6	66.6	640.0
1988	1104.6	119.4	885.0
1989	1157.0	88.9	958.0
1990	1333.1	83.2	1058.5
1991	1526.3	49.0	1175.4
1992	1735.4	116.0	1329.5

4. At a glance, the position of Revenue Accounts is as under:-

(In million of Rupees)

	FIRE		MARINE		MISC.		TOTAL	
	1992	1991	1992	1991	1992	1991	1992	1991
Gross Premium	632	551	351	349	753	626	1736	1526
Retro. Premium	294	261	207	204	315	260	816	725
Net Premium	338	290	144	145	438	366	920	801
Net Commission	158	132	57	49	134	111	349	292
Net Claims	156	122	85	74	297	261	538	457
Prem. Res. Adj.	19	8	(1)	17	28	22	46	47
Underwriting Surplus	5	28	3	5	(21)	(28)	(13)	5
Management Exp.	19	19	8	9	24	23	51	51
Balance:	(14)	9	(5)	(4)	(45)	(51)	(64)	(46)

The net commission as a percentage of net premium has increased in 1992 over 1991. The net claims in 1992 as a percentage of net premium have increased from 57.0% in 1991 to 58.4% in 1992. Hence, the Underwriting loss has increased in 1992 to Rs.64.1 million as against Rs.46.2 million in 1991.



5. The experience of individual classes of business during the year 1992 has been produced as follows:-

a) FIRE BUSINESS:

The Gross Premium of Fire portfolio has increased from Rs.551 million in 1991 to Rs.632 million in 1992 by showing an increase of 14.7%. The said increase is mainly due to increase in the business under Compulsory and Pak Treaty Pool and high exposure risks of oil business. The percentage of Net premium has slightly increased due to less retrocession under compulsory. The Net comission percentage has proportionately increased in 1992.

b) MARINE BUSINESS:

The Gross Premium in the Marine Business (Cargo & Hull) has increased by Rs.1.89 million as against the increase of Rs. 43.6 million in 1991.

There is a slight increase in the net premium in Marine Cargo due to increase in PIC retention. In Marine Hull the net premium shows a decrease of Rs.1.5 million over last year.

c) MISCELLANEOUS BUSINESS:

The overall increase in Gross Premium is Rs. 126.2 million in 1992 as compared to 1991 is due to (i) increase in NIC/PIA Fleet Insurance Business. (ii) increase in Motor premium of Yellow Cab Transport Scheme recently introduced for Accident Proffolio. (iii) in Engineering the increase in Gross premium is due to normal growth in local Companies Business.

There is an overall increase in the net premium of Rs.72 million mainly due to increase in the gross premium.

6. PREMIUM RESERVE:

Premium Reserve has been caluclated as before as 100% of the net premium in respect of Marine Hull and Avaition, 50% of the net premium in the Marine Cargo and 40% of the net premium in Fire, Accident and Engineering Business.

7. INVESTMENT:

Investments have increased from Rs. 724.3 million in 1991 to Rs. 847.4 million in 1992. in During the year surplus funds were invested in Federal Investment Bonds, Treasury Bill (REPO Scheme) N.D.F.C. (Standard Deposit Certificate) and Stock & Shares.



8. PROFIT & LOSS ACCOUNT:

The Profit and Loss Account for the year 1992 shows a net profit of Rs. 115.957 million before tax. The break-up of appropriation of net profit for 1992 including balance brought forward from last year is given below :-

	(In million of Rupees)
Balance brought forward (1991)	6.6
Underwriting Loss	(64.1)
Investment Income	128.7
Other Income	
(net of Expenses)	51.4
TOTAL:	<u>122.6</u>

9. ALLOCATION OF PROFIT:

i) General Reserve	30.00
ii) Exceptional Loss Reserve	58.00
iii) Provision for Taxation	5.2
iv) Proposed Dividend	5.0
v) Provision for Bad & Doubtful Debts	2.0
vi) Balance carried forward	22.4
TOTAL:	<u>122.6</u>

10. BALANCE SHEET:

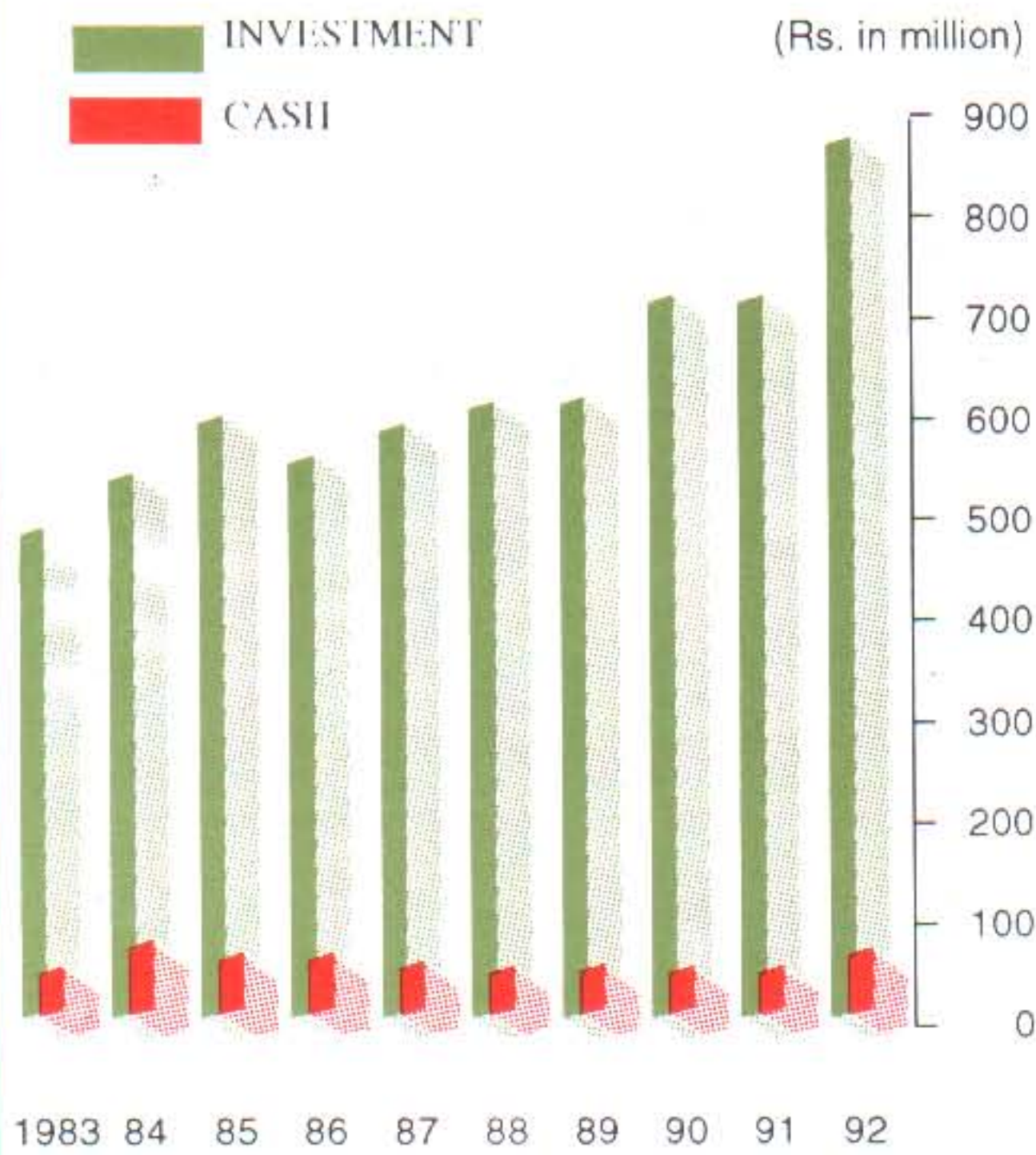
There has been an increase of Rs. 155 million in the reserve and provisions which have gone up from Rs. 1175 million in 1991 to Rs. 1330 million in 1992.

11. DIVIDEND & BONUS:

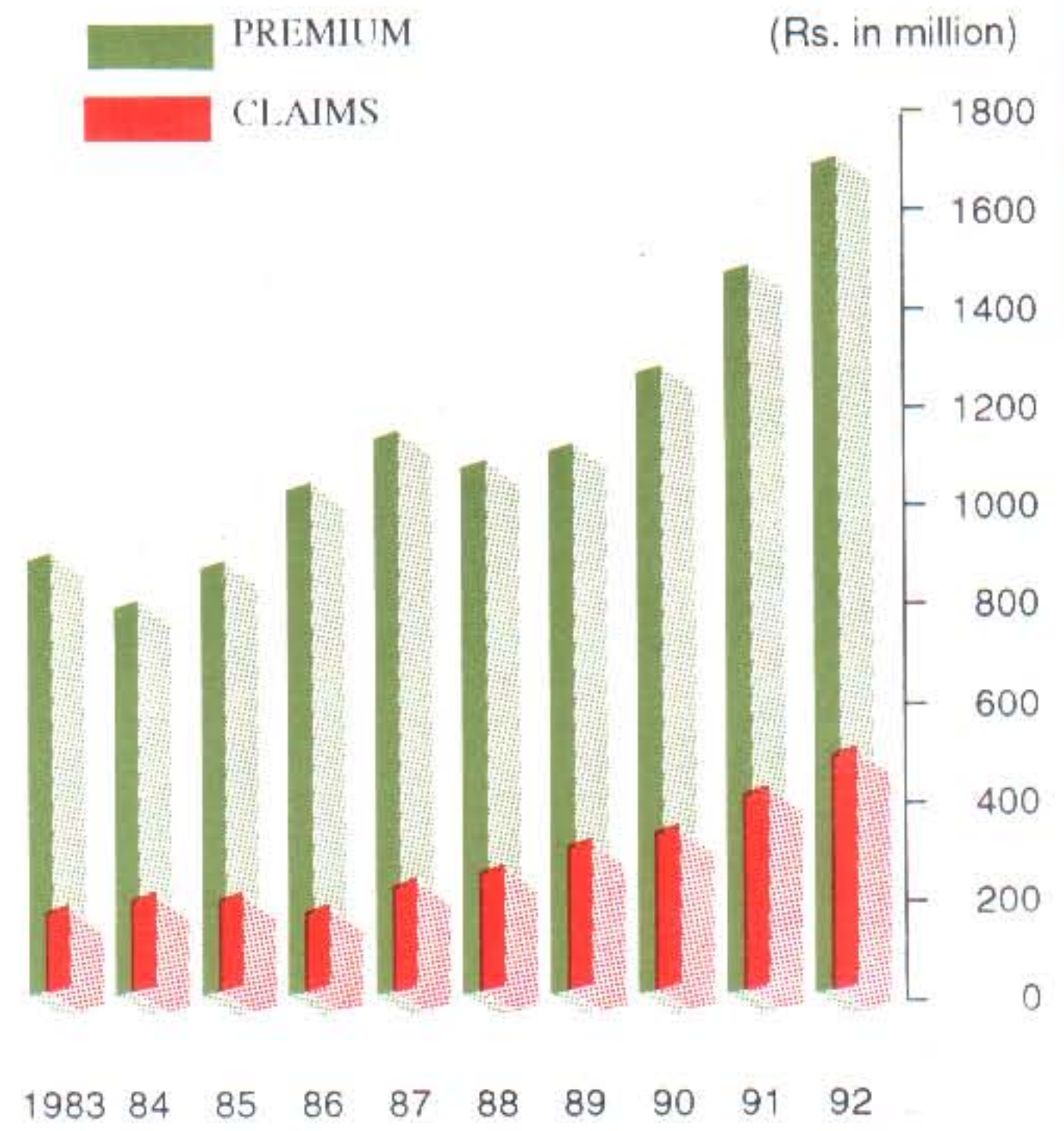
The Directors are pleased to declare a dividend of 10% for the year 1992.



CASH & INVESTMENT

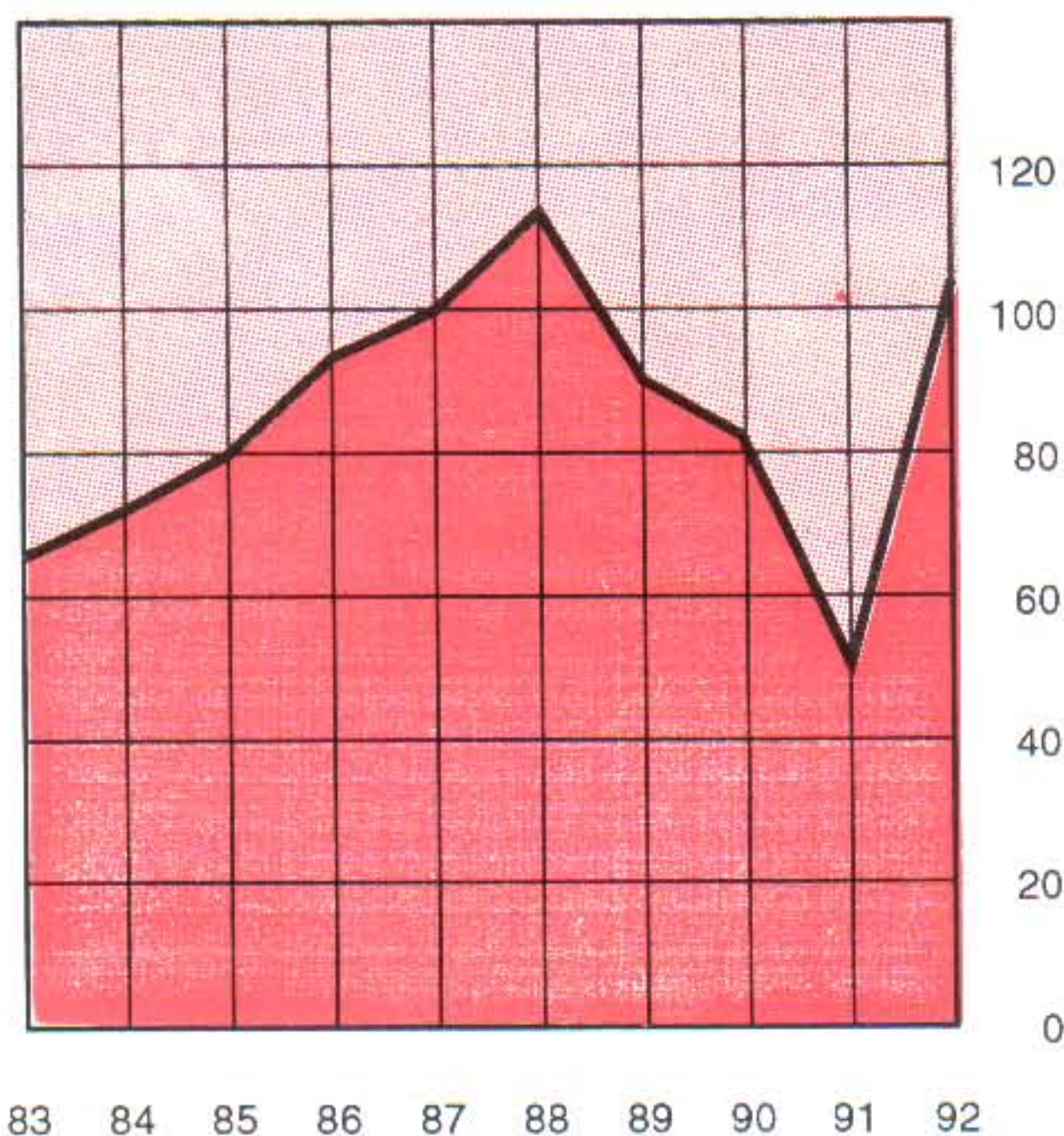


PREMIUM & CLAIMS

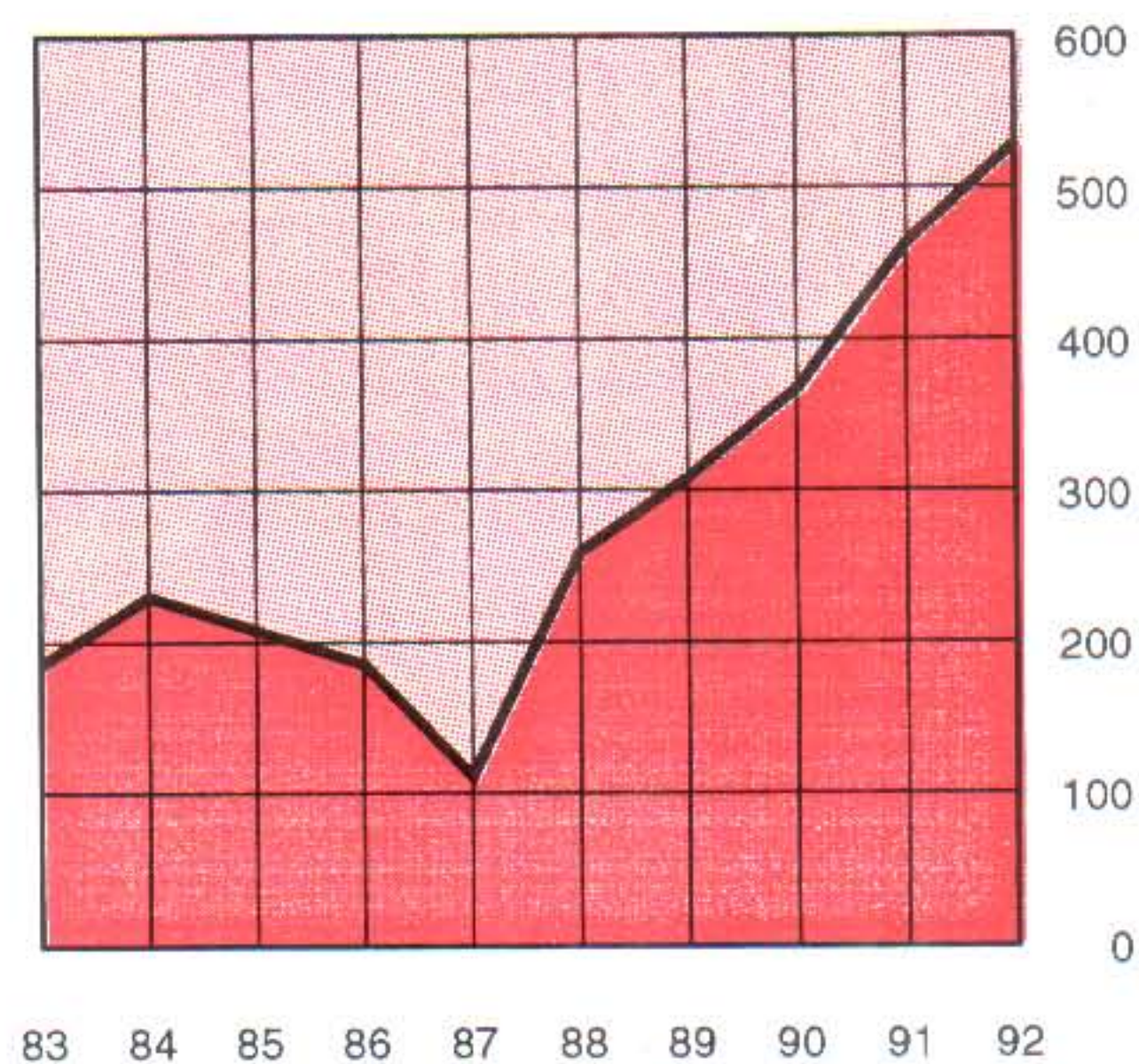




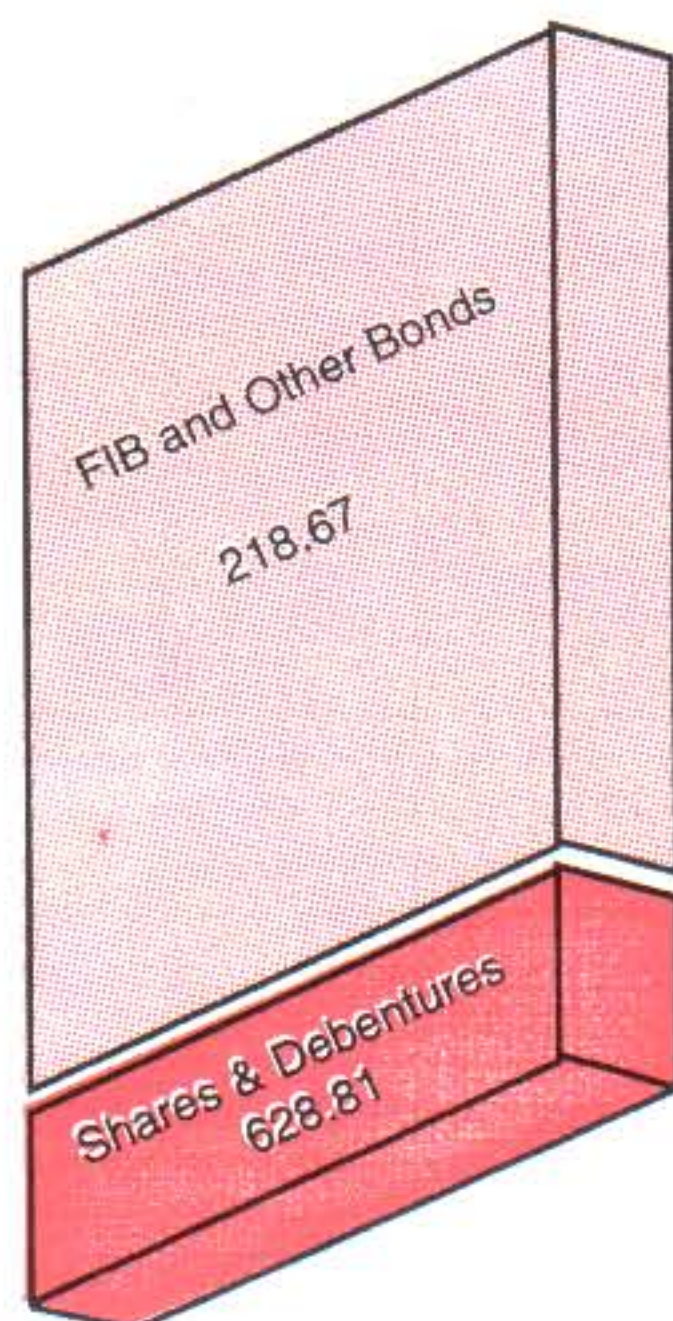
PROFIT BEFORE TAXATION
(Rs. in million)



NET CLAIMS
(Rs. in million)

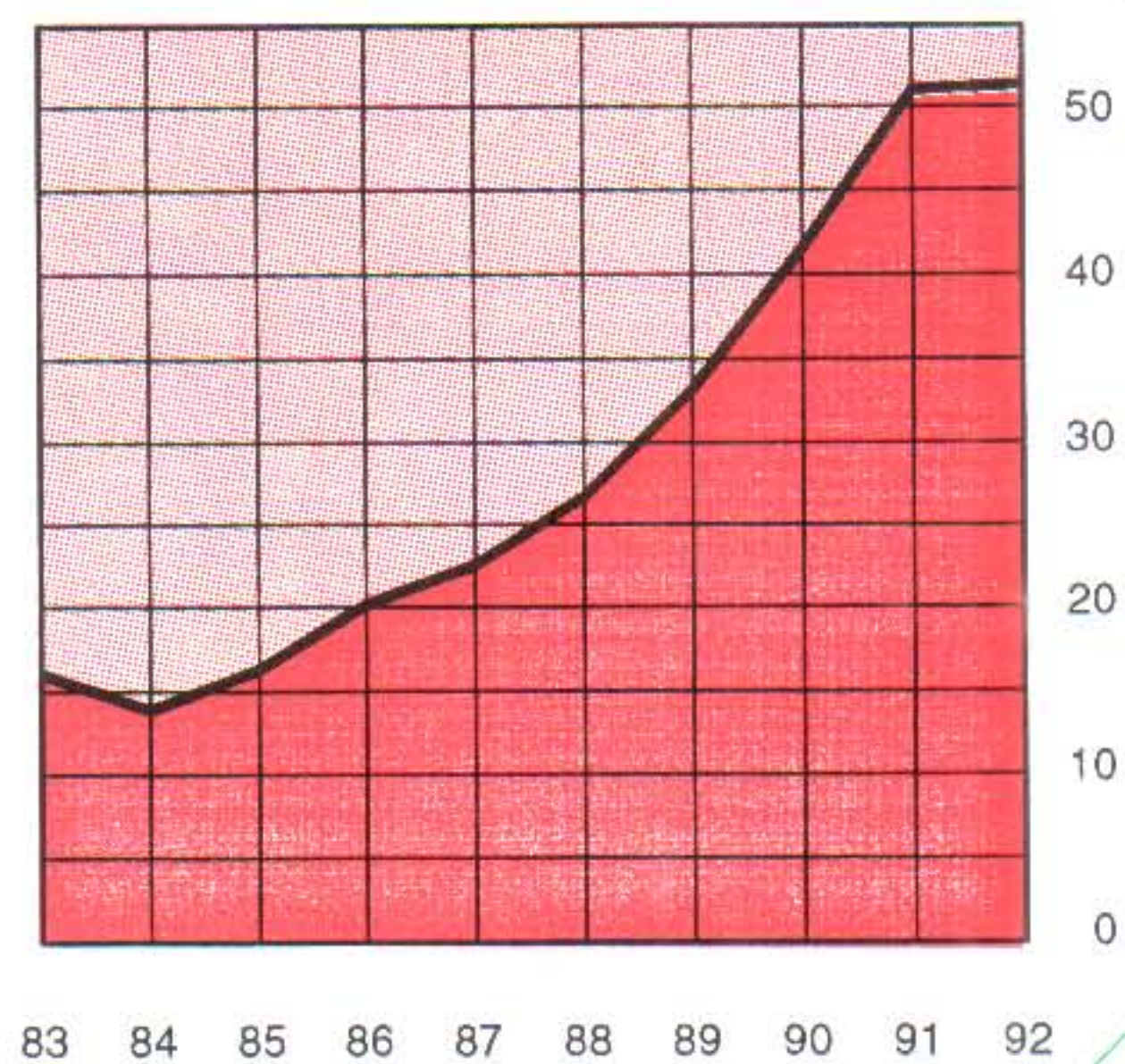


INVESTMENTS
(Rs. 847.48 million Mix)



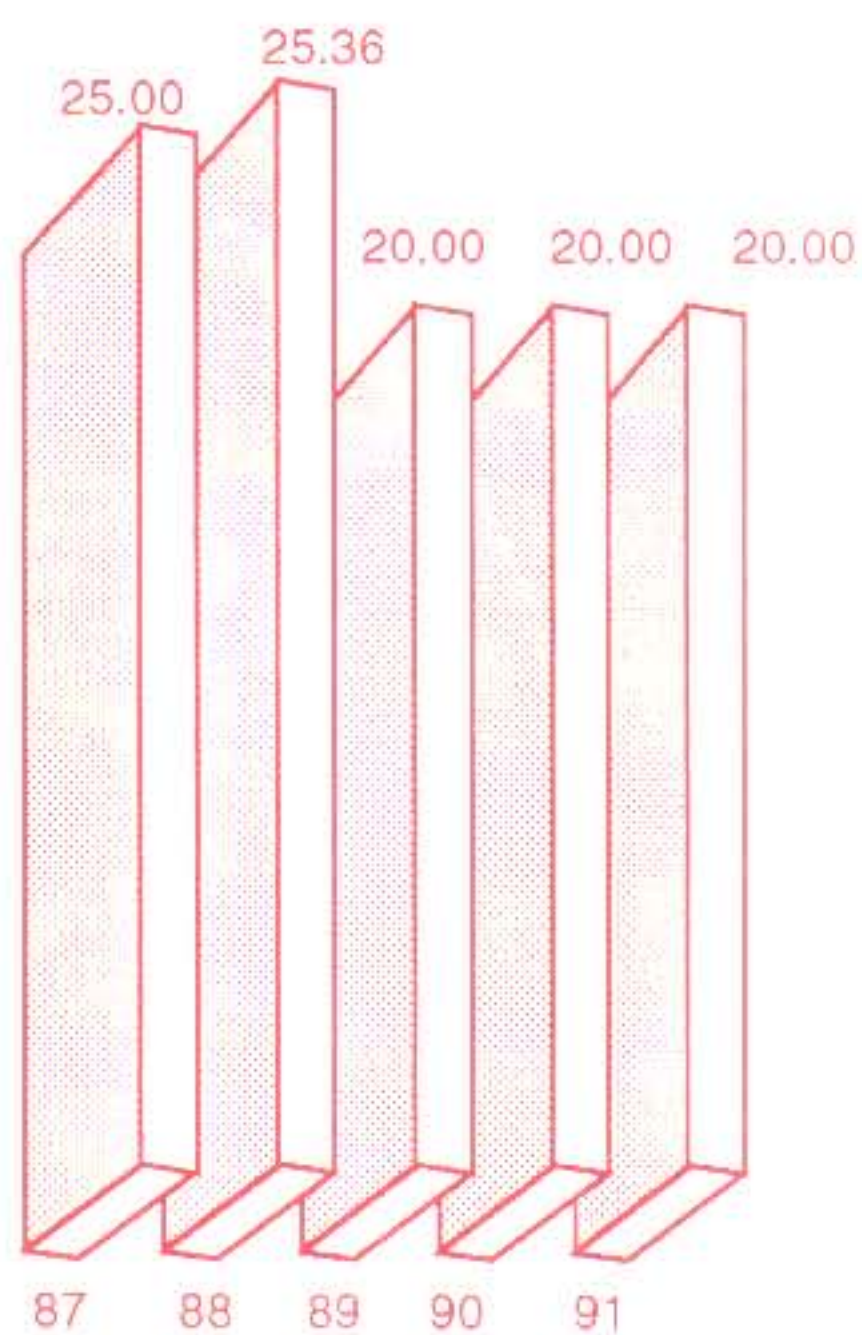
1992

ADMINISTRATION EXPENSES
(Rs. in million)

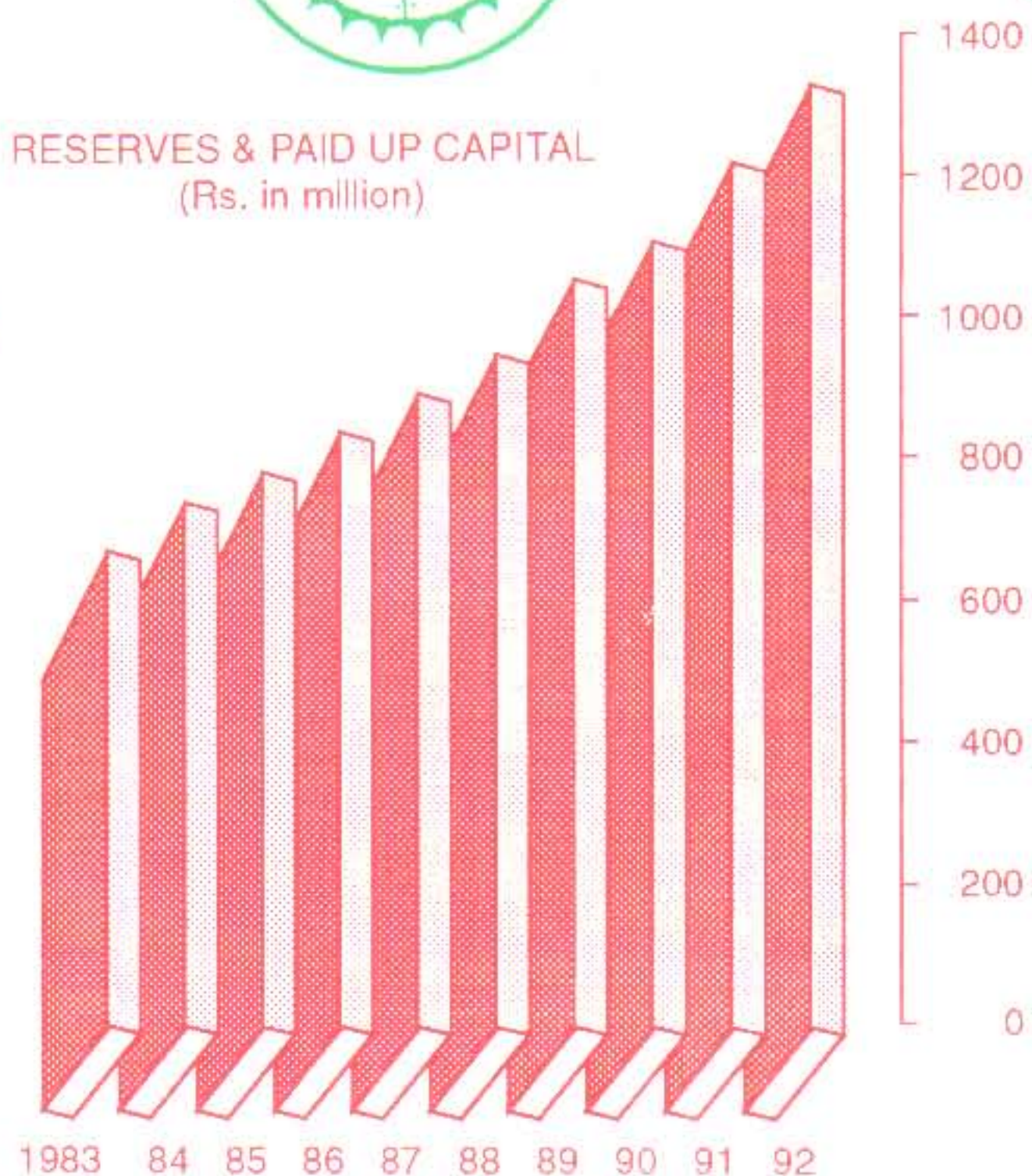




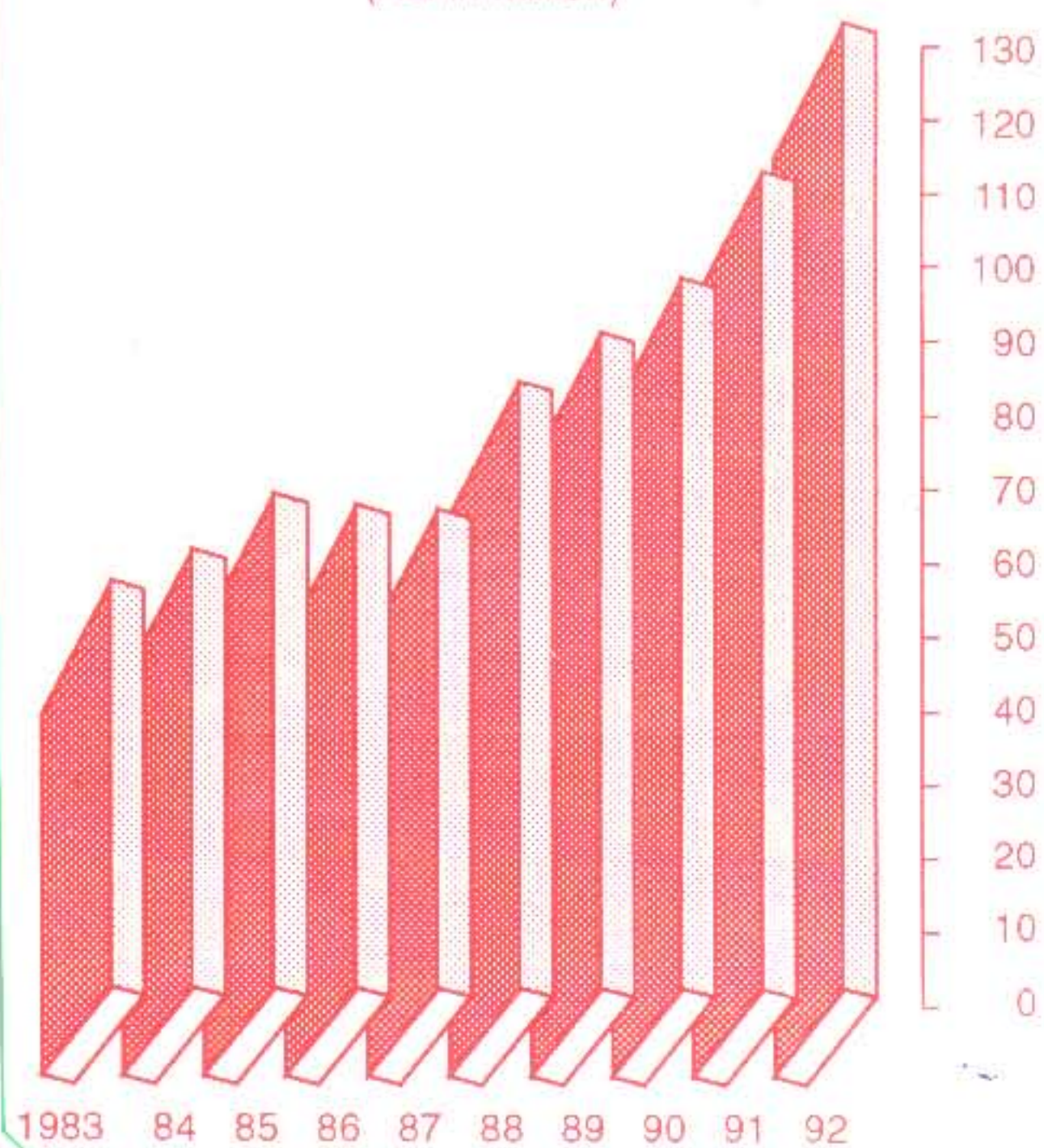
DIVIDEND/SURPLUS (CASH)
(Rs.in million)



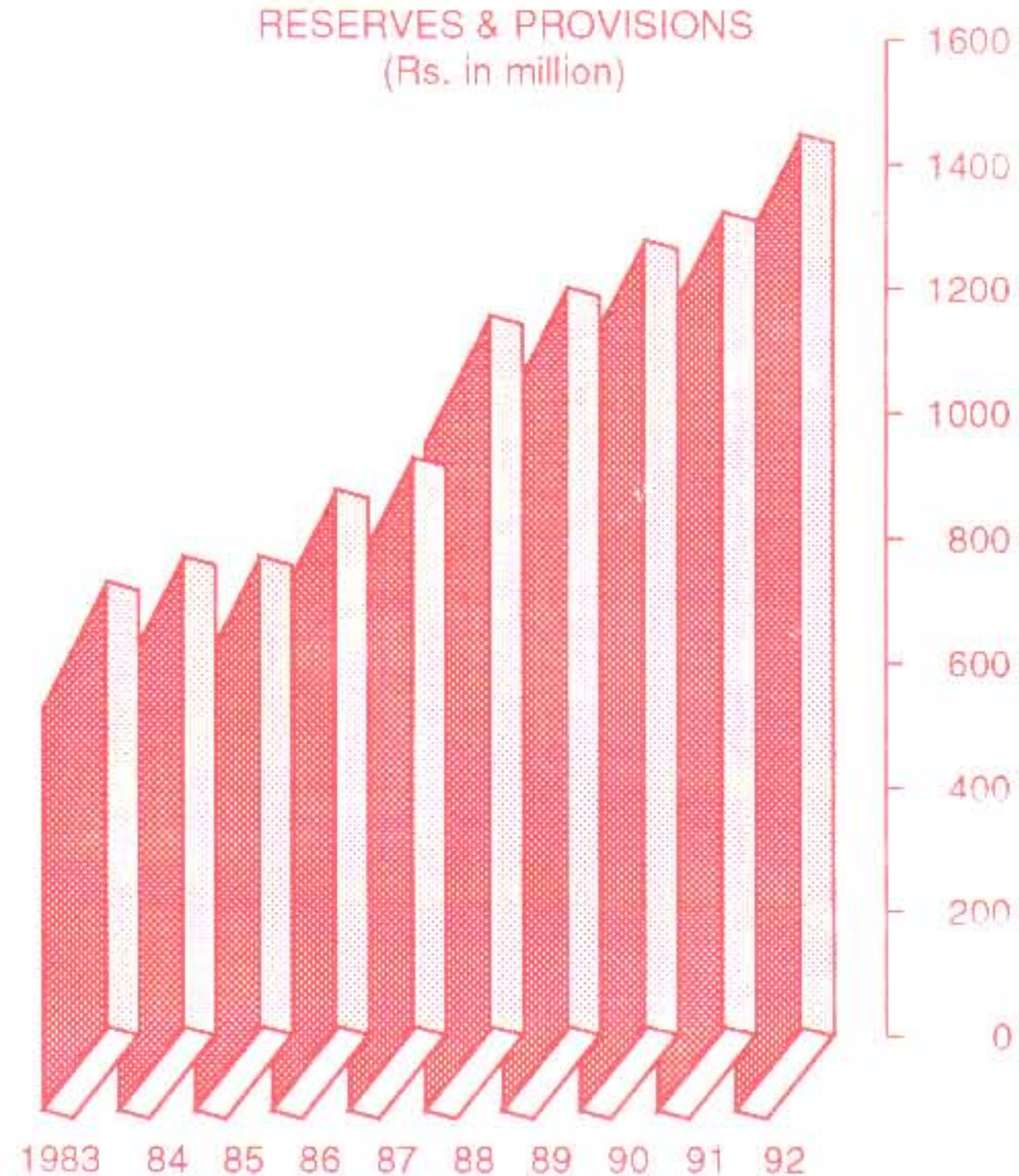
RESERVES & PAID UP CAPITAL
(Rs. in million)



INVESTMENT INCOME
(Rs. in million)



RESERVES & PROVISIONS
(Rs. in million)





49 YEARS AT A GLANCE

(In Million of Rupees)

Years	Gross Premium Income	Profit	Dividend Declared %	Total Reserves/Provisions	Total Investment including land & Building
1953	1.638	0.013	--	0.795	1.046
1954	4.492	0.106	5	3.202	3.514
1955	5.674	0.510	4	3.462	4.510
1956	8.045	0.575	5	4.844	5.099
1957	9.461	0.634	6-1/4	6.424	6.030
1958	20.734	1.069	10	8.704	8.993
1959	25.012	1.592	10	0.995	10.455
1960	33.110	1.694	10	11.258	11.381
1961	37.663	1.509	10	13.624	12.299
1962	47.889	1.561	10	17.032	14.902
1963	57.165	1.648	10	21.069	20.306
1964	67.400	2.017	10	25.901	25.789
1965	72.298	2.334	10	35.547	31.040
1966	93.806	2.308	10	39.501	35.407
1967	108.431	3.621	10	49.117	38.709
1968	131.942	7.397	10	63.364	42.256
1969	156.291	6.728	10	77.448	47.762
1970	155.445	8.752	10	91.108	51.242
1971	166.767	7.079	10	107.060	52.084
1972	215.202	6.287	10	116.223	35.986
1973	238.288	10.924	7-1/2	127.400	37.075
1974	319.887	16.022	7-1/2	174.027	47.584
1975	399.717	19.865	10	207.712	92.768
1976	462.368	26.518	10	262.956	138.739
1977	554.482	18.069	10	330.725	212.265
1978	578.556	33.550	3:5B10	390.044	251.465
1979	666.478	6.975	10	474.789	249.973
1980	733.309	7.396	10	539.195	327.114
1981	780.507	70.606	1:4B10	588.358	387.655
1982	872.829	72.639	1:4B10	577.241	414.704
1983	897.624	66.580	2:5B10	640.010	476.642
1984	817.497	76.049	2:5B10	707.578	505.673
1985	903.596	90.760	3:7B10	730.558	620.673
1986	1,081.198	96.893	3:7B10	748.086	591.001
1987	1,165.766	102.836	10	815.746	623.446
1988	1,104.600	119.411	10	884.675	678.644
1989	1,156.986	88.889	30S10	958.312	719.463
1990	1,333.101	82.962	30S10	1,058.624	776.851
1991	1,526.299	48.971	10	1,175.438	801.015
1992	1,735.423	115.957	10	1,329.442	968.968

AUDITORS' REPORT TO THE MEMBERS



We have audited the annexed Balance Sheet of PAKISTAN INSURANCE CORPORATION as at 31st December, 1992 and the Fire, Marine and Miscellaneous Insurance Revenue Accounts, the Profit and Loss Account, the Profit & Loss Appropriation Account and the Statement of Changes in Financial Position together with the Notes forming part thereof for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that:

- (a) in our opinion, proper books of account have been kept by the Corporation as required by the law;
- (b) in our opinion :
 - (i) the Balance Sheet, the Fire, Marine and Miscellaneous Insurance Revenue Accounts, the Profit and Loss Account and the Profit & Loss Appropriation Account together with the Notes thereon have been drawn up in conformity with the law and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Corporation's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Corporation;
- (c) in our opinion and to the best of our information and according to explanations given to us, the Balance Sheet, Fire, Marine and Miscellaneous Insurance Revenue Accounts, the Profit and Loss Account, the Profit & Loss Appropriation Account and the Statement of Changes in Financial Position, together with the Notes forming part thereof, give the information required by the law in the manner so required and Subject to the effect of the matters contained in Notes 6.1, 7.2, 8, 11 and 12 relating to taxation, outstanding claims, creditors, assets in Bangladesh and National Co-insurance Scheme, respectively and the fact that the foreign currency balances other than bank accounts have not been translated at the year end rates [note 2(i)] and that the statement for amounts due to/from persons and bodies carrying on insurance business have not been fully reconciled and confirmed, respectively give a true and fair view of the state of the Corporation's affairs as at 31st December, 1992 and of the Profit and the Changes in Financial Position for the year then ended; and
- (d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Corporation and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

AKBAR G. MERCHANT & CO.
Chartered Accountants

RAHIM JAN & CO.
Chartered Accountants

Karachi. 19 June, 1993



REVENUE ACCOUNT FOR THE CONSOLIDATED FOR ALL

PARTICULARS

	1992	1991
	(Rs. '000)	(Rs. '000)
Commission Paid (Less: Retrocessions)	348,841	292,312
Claims (Less: Retrocessions) paid during the year	520,349	419,194
Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated.	262,854	245,245
	783,203	664,439
Less: Outstanding at the end of the previous year.	245,245	207,764
	537,958	456,675
Expenses of Management	51,545	51,167
Premium Reserve for the year	381,138	334,743
	<u>1,319,482</u>	<u>1,134,897</u>

As per our report annexed.

AKBAR G. MERCHANT & CO.
Chartered Accountants

Karachi, 19th June, 1993

RAHIM JAN & CO.
Chartered Accountants

YEAR ENDED 31ST DECEMBER, 1992
CLASSES OF BUSINESS



PARTICULARS

	1992	1991
	(Rs. '000)	(Rs. '000)
Premium Reserve brought forward from last year	334,743	287,410
Premium	1,735,423	1,526,299
Less: Retrocessions	814,815	724,987
	920,608	801,312
Loss transferred to profit and loss account	64,131	46,175
	<u>1,319,482</u>	<u>1,134,897</u>

(A.B.SOOMRO)
 Chief Executive

(S. Z. H. JAFRI)
 Director



REVENUE ACCOUNT FOR THE FIRE

PARTICULARS

	1992 (Rs. '000)	1991 (Rs. '000)
Commission Paid (Less: Retrocessions)	157,940	132,150
Claims (Less: Retrocessions) paid during the year	149,025	115,929
Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated.	78,837	71,567
	227,862	187,496
Less: Outstanding at the end of the previous year.	71,566	65,346
	156,296	122,150
Expenses of Management	18,954	18,524
Premium Reserve for the year	136,588	117,219
Profit transferred to profit and loss account	-----	9,040
	<u>469,778</u>	<u>399,083</u>

As per our report annexed.

AKBAR G.MERCHANT & CO.
Chartered Accountants

Karachi, 19th June, 1992

RAHIM JAN & CO.
Chartered Accountants

YEAR ENDED 31ST DECEMBER, 1992
BUSINESS



PARTICULARS

	1992	1991
	(Rs. '000)	(Rs. '000)
Premium Reserve brought forward from last year	117,219	108,973
Premium	632,148	551,155
Less: Retrocessions	293,618	261,045
	338,530	290,110
Loss transferred to profit and loss account	14,029	----
	<u>469,778</u>	<u>399,083</u>

(A.B.SOOMRO)
Chief Executive

(S. Z. H. JAFRI)
Director



REVENUE ACCOUNT FOR THE MARINE

PARTICULARS	1992 (Rs. '000)	1991 (Rs. '000)
Commision Paid (Less: Retrocessions)	56,947	49,036
Claims (Less: Retrocessions) paid during the year	76,541	67,181
Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated.	86,014	77,558
	162,555	144,739
	77,558	71,119
Less: Outstanding at the end of the previous year.	84,997	73,620
Expenses of Management	8,044	9,222
Premium Reserve for the year	62,545	63,693
	<u>212,533</u>	<u>195,571</u>

As per our report annexed.

AKBAR G.MERCHANT & CO.

Chartered Accountants

Karachi. 19th June, 1993,

RAHIM JAN & CO.

Chartered Accountants

YEAR ENDED 31ST DECEMBER, 1992
BUSINESS



PARTICULARS

	1992	1991
	(Rs. '000)	(Rs. '000)
Premium Reserve brought forward from last year	63,693	46,850
Premium	350,383	348,493
Less: Retrocessions	206,724	204,060
	143,659	144,433
Loss transferred to profit and loss account	5,181	4,288
	<u>212,533</u>	<u>195,571</u>

(A.B. SOOMRO)
Chief Executive

(S. Z. H. JAFRI)
Director



REVENUE ACCOUNT FOR THE MISCELLANEOUS

PARTICULARS

	1992 (Rs. '000)	1991 (Rs. '000)
Commission Paid (Less: Retrocessions)	133,954	111,126
Claims (Less: Retrocessions) paid during the year	294,783	236,084
Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated.	98,003	96,120
	392,786	332,204
Less: Outstanding at the end of the previous year.	96,121	71,299
	296,665	260,905
Expenses of Management	24,547	23,421
Premium Reserve for the year	182,005	153,831
	<u>637,171</u>	<u>549,283</u>

As per our report annexed.

AKBAR G.MERCHANT & CO.

Chartered Accountants

Karachi, 19th June, 1993

RAHIM JAN & CO.

Chartered Accountants

YEAR ENDED 31ST DECEMBER, 1992
BUSINESS



PARTICULARS

	1992	1991
	(Rs. '000)	(Rs. '000)
Premium Reserve brought forward from last year	153,831	131,587
Premium	752,892	626,651
Less: Retrocessions	314,473	259,882
	438,419	366,769
Loss transferred to profit and Loss account	44,921	50,927
	<u>637,171</u>	<u>549,283</u>

(A.B. SOOMRO)
Chief Executive

(S. Z. H. JAFRI)
Director



PROFIT AND LOSS ACCOUNT FOR THE YEAR

PARTICULARS	Note	1992 (Rs. '000)	1991 (Rs. '000)
EXPENSES OF MANAGEMENT (NOT ALLOCABLE TO ANY PARTICULAR REVENUE ACCOUNT)			
Directors' Fee and T. A.		156	145
Auditors' Fee		68	68
Advertisement & Publicity		77	107
		301	320
E. C. O. Expenses		1,508	1,367
Training & Research		200	90
		1,708	1,457
Interest paid on deposits retained from other Companies		189	162
Exchange Loss/(gain)		(7,832)	6,989
Bad Debts written off		---	14
Zakat deducted at source		8,724	7,488
Loss on Sale of Assets	3	23	---
		3,113	16,430
LOSS/(PROFIT) TRANSFERRED FROM REVENUE ACCOUNTS			
Fire		14,029	(9,040)
Marine		5,181	4,288
Miscellaneous		44,921	50,927
		64,131	46,175
Net Profit for the year carried to Profit and Loss Appropriation Account		115,957	48,971
		183,201	111,576

PROFIT AND LOSS APPROPRIATION ACCOUNT

Provision for Bad & Doubtful Debts	2,000	2,000
Provision for Taxation	5,200	5,500
General Reserve	30,000	5,000
Exceptional Losses Reserve	58,000	25,000
Proposed dividend	5,000	5,000
Unappropriated Profit transferred to Balance Sheet	22,379	6,622
	122,579	49,122

These accounts should be read in Conjunction with the annexed notes.

As per our report annexed.

AKBAR G.MERCHANT & CO

Chartered Accountants

Karachi. 19th June, 1993

RAHIM JAN & CO

Chartered Accountants

ENDED 31ST DECEMBER, 1992



PARTICULARS

Note

1992

1991

INVESTMENT INCOME
Interest and Dividends.

3

(Rs. '000)

(Rs. '000)

128,682

107,005

OTHER RECEIPTS

Interest received on deposits retained by other companies
Interest on Short Term Deposits
Miscellaneous Income

4,855
2,206
386

2,978
495
1,097

7,447

4,570

Profit on Sale of Investments

46,974

1

Profit on Sale of Assets

98

54,519

4,571

183,201

111,576

FOR THE YEAR ENDED 31ST DECEMBER, 1992

Balance Brought forward from Last year
Payments as approved by
the Federal Government

4

6,622

15,151

(15,000)

6,622

151

Net Profit for the year as per
Profit and Loss Account

115,957

48,971

122,579

49,122

(A.B. SOOMRO)

Chief Executive

(S. Z. H. JAFRI)

Director



BALANCE SHEET AS AT

CAPITAL AND LIABILITIES

Note:

AUTHORISED CAPITAL:

500,000 Ordinary Shares of Rs. 100/=each
ISSUED SUBSCRIBED AND PAID-UP CAPITAL

50,000 Ordinary shares of Rs.100/=each
fully paid up in cash
450,000 Ordinary Shares of Rs. 100/= each
issued as fully paid bonus shares
Share Premium Account

RESERVES:

Exceptional Losses Reserve
Investment Fluctuation Reserve
General Reserve

Un-appropriated Profit

PROVISIONS:

Provision for Taxation
Provision for Bad & Doubtful Debts

PROPOSED DIVIDEND:

RESERVE FOR OUTSTANDING CLAIMS:

Fire
Marine
Miscellaneous

PREMIUM RESERVE:

Fire
Marine
Miscellaneous

Amount due to other persons and
bodies carrying on insurance business
Deposits retained/received from other compaines
Sundry Creditors
Retention Money Payable

Note: These accounts should be read in Conjunction
with the annexed notes.

As per our report annexed.

AKBAR G. MERCHANT & CO.
Chartered Accountants
Karachi. 19th June, 1993

1992

1991

(Rs. '000)	(Rs. '000)
50,000	50,000
5,000	5,000
45,000	45,000
11	11
50,011	50,011
526,000	468,000
5,950	5,950
129,500	99,500
22,379	6,622
683,829	580,072
159,202	154,002
24,000	22,000
183,202	176,002
5,000	5,000
78,838	71,567
86,014	77,558
98,003	96,120
262,855	245,245
136,587	117,219
62,545	63,693
182,005	153,831
381,137	334,743
194,430	138,514
28,123	25,474
13,328	18,205
2,325	1,463
238,206	183,656
1,804,240	1,574,729

RAHIM JAN & CO.
Chartered Accountants

31ST DECEMBER, 1992



PROPERTY AND ASSETS:

Note:

INVESTMENTS:

Bearer National Fund Bonds
Stock and Shares
Debentures
WAPDA Bonds
Federal Investment Bonds
Treasury Bill-REPO Scheme
NDFC (Standard Deposits Certificates)
Term Deposits
Aggregate Market value Rs. 1,416,366
(1991 Rs. 1,403,815)

Land and Building
(including Capital Work-in-Progress)

CURRENT ASSETS:

Amount due from persons and bodies
carrying on insurance business
Deposits held by Ceding Companies
Cash in hand and at bank
Interest, Dividend and return accrued/
outstanding
Sundry debtors

Advances including Taxation, Loans,
Deposits and Prepaid Expenses
Stocks of stationery etc.-at cost

ADMINISTRATIVE FIXED ASSETS:

Furniture, Fixtures, Office Equipments,
Vehicles and Books (cost less depreciation)

DEFERRED REVENUE EXPENDITURE

ASSETS RELATING TO BANGLADESH
(FORMER EAST PAKISTAN)

	1992	1991
	(Rs. '000)	(Rs. '000)
---	---	12,995
628,404	628,404	528,414
409	409	459
938	938	35,725
156,730	156,730	146,730
40,000	40,000	---
15,000	15,000	---
6,000	6,000	---
847,481	847,481	724,323
9	121,487	76,692
322,210	322,210	330,939
85,987	85,987	71,568
43,840	43,840	25,326
16,840	16,840	22,831
18,022	18,022	14,644
328,223	328,223	287,547
21	21	18
815,143	815,143	752,873
3,898	3,898	4,354
10	257	513
11	15,974	15,974
1,804,240	1,804,240	1,574,729

(A. B. SOOMRO)

Chief Executive

(S. Z. H. JAFRI)

Director



STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED 31ST DECEMBER, 1992

FINANCIAL RESOURCES WERE PROVIDED BY OPERATIONS

Profit before taxation

Items not involving movement of funds

Depreciation

Deferred revenue expenditure

Net profit on sale of investments

Increase in reserve for outstanding
claims

Increase in premium reserve

Profit on sale of administrative fixed assets

Loss on sale of fixed assets

Other Sources

Sale proceeds of investments

Sale proceeds of fixed assets

APPLICATION OF FUNDS

Investments purchased

Land and building (including capital
work-in-progress)

Additions to administrative fixed assets
and deferred revenue expenditure

Taxes paid

Dividend paid

INCREASE/(DECREASE) IN WORKING CAPITAL ANALYSIS OF INCREASE/(DECREASE) IN WORKING CAPITAL

(Decrease)/Increase in current assets

Cash in hand and at banks

Amount due from persons and bodies carrying
on insurance business

Deposits held by ceding companies

Sundry debtors

Interest, dividend and returns accrued/
outstanding

Advances, loans, deposits and prepaid
expenses

Stock of Stationery

(Decrease)/Increase in current liabilities

Amount due to persons and bodies carrying
on insurance business

Deposits retained/received from other compaines

Sundry creditors

Retention money payable

INCREASE/(DECREASE) IN WORKING CAPITAL

(A. B. SOOMRO)

Chief Executive

(S. Z. H. JAFRI)

Director

	1992	1991
	(Rs. '000)	(Rs. '000)
Profit before taxation	115,957	48,971
Items not involving movement of funds		
Depreciation	822	954
Deferred revenue expenditure	256	256
Net profit on sale of investments	(46,974)	(1)
Increase in reserve for outstanding claims	17,610	37,481
Increase in premium reserve	46,394	47,333
Profit on sale of administrative fixed assets	(98)	---
Loss on sale of fixed assets	23	---
	18,033	86,023
Other Sources		
Sale proceeds of investments	130,393	192,160
Sale proceeds of fixed assets	479	---
	130,872	192,160
	264,862	327,154
APPLICATION OF FUNDS		
Investments purchased	206,577	200,925
Land and building (including capital work-in-progress)	44,795	15,398
Additions to administrative fixed assets and deferred revenue expenditure	771	461
Taxes paid	29,056	29,649
Dividend paid	5,000	20,000
	286,199	266,433
	(21,337)	60,721
INCREASE/(DECREASE) IN WORKING CAPITAL		
(Decrease)/Increase in current assets		
Cash in hand and at banks	18,514	(19,252)
Amount due from persons and bodies carrying on insurance business	(8,729)	58,560
Deposits held by ceding companies	14,419	10,586
Sundry debtors	3,378	1,367
Interest, dividend and returns accrued/outstanding	(5,991)	(8,168)
Advances, loans, deposits and prepaid expenses	11,619	6,479
Stock of Stationery	3	(23)
	(33,213)	49,549
(Decrease)/Increase in current liabilities		
Amount due to persons and bodies carrying on insurance business	(55,916)	10,122
Deposits retained/received from other compaines	(2,649)	4,685
Sundry creditors	4,877	(3,635)
Retention money payable	(862)	---
	(54,550)	11,172
INCREASE/(DECREASE) IN WORKING CAPITAL	(21,337)	60,721

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 1992



1. STATUS AND NATURE OF BUSINESS:

The Pakistan Insurance Corporation was established under the Pakistan Insurance Corporation Act, No. XXXVIII of 1952 for the purpose of development of insurance and reinsurance business in Pakistan. Its shares are quoted on stock exchange in Pakistan.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of accounting/format of accounts.

These accounts have been prepared on the basis of the historical cost convention.

The formats of the balance sheet, the revenue accounts and the profit and loss and appropriation account are as prescribed under section 50 and 51 of PIC general regulation 1953.

(b) TAXATION:

Provision for taxation is based on taxable income. Deferred taxation being immaterial has not been provided for.

(c) PROVISION FOR BAD AND DOUBTFUL DEBTS:

General provisions, as considered adequate by the management, are made to cover doubtful debts.

(d) PREMIUM RESERVE:

Premium reserve represents the balance brought forward plus/minus the increase/decrease of the following percentages of the amounts by which the net premium income for the year exceed/decline in relation to the net premium income of the respective classes of business of the previous year:

	Percent
Fire business	40
Marine business	
--- Marine Cargo	50
--- Marine Hull	100
Miscellaneous business	
--- Accident and Engineering	40
--- Aviation Hull	100

(e) STAFF RETIREMENT BENEFITS:

The Corporation has established general provident fund and contributory provident fund for eligible employees which are administered through trustees. Further, the Corporation also operates funded gratuity and pension schemes for employees entitled/opted for either of the schemes. Provisions/payments are made to cover obligations under the funded gratuity scheme.

Provision for pensions are made on the basis of actuarial valuation.



(f) INVESTMENTS:

Investments are carried at cost; investment fluctuation reserve is maintained to cover possible diminution in value of investments.

Profit or loss on sale of investments is taken to the profit and loss account.

(g) DIVIDEND INCOME ETC

Dividend income is recognised in the accounts as and when declared, except for preference shares and other investments, where it is recognised on accrual basis.

(h) LAND AND BUILDINGS (INCLUDING CAPITAL WORK-IN-PROGRESS) AND ADMINISTRATIVE FIXED ASSETS:

Land and capital work-in-progress are shown at cost. Other fixed assets are shown at cost less depreciation calculated on the written down values using the following rates:-

	Percent
Building	5
Lift	20
Vehicles	20
Office equipment	15
Furniture, fixtures and books	10
Computers	20

(i) EXPENSES OF MANAGEMENT:

These are allocated to the various revenue accounts in proportion to the net premium income for the year.

(ii) RATE OF EXCHANGE:

Revenue transactions in foreign currencies are converted in rupees at the rates ruling on the date of the transactions.

Assets and liabilities in foreign currencies, other than bank accounts, consistent with previous years are not translated into rupees at the rates of exchange prevailing at the balance sheet date and the exchange fluctuations are adjusted at the time of settlement. Exchange gains/losses are dealt with through the profit and loss account. The rates of conversion used for bank accounts at the year end were as follows:-

	1992	1991
U.S. \$	25.5899	24.6141
Pound sterling	38.5047	45.8135

3. ZAKAT DEDUCTED AT SOURCE:

Investment income includes dividends paid on National Investment Trust units, which are shown at gross amounts and zakat deducted at source by National Investment Trust from time to time has been charged off to expense in the year of such deduction, on consistent basis, although Corporation has filed a constitutional petition against deduction of zakat by Administrator, Zakat and on basis of legal opinion, favourable decision is expected.

The aggregate amount of zakat so charged off upto 31-12-1992 amounts to Rs. 27.9 million of which Rs. 8.7 million is during the year.

In the event of a decision in favour of the Corporation, the aggregate amount will be reversed on realisation.

4. PAYMENTS AS APPROVED BY THE FEDERAL GOVERNMENT :

	1992 (Rs. 000)	1991 (Rs. 000)
Federal Government @ Rs. (1991:Rs.30.00) per share of Rs.100/= on 255,000 shares 51(1991:51)	-----	7,650
Shareholders (excluding Federal Government holding) @ Rs. (1991: Rs.30.00) per share of Rs.100/= on 245,000 shares 49(1991:49)	-----	7,350
	-----	15,000



	1992 (Rs. 000)	1991 (Rs. 000)
5. GENERAL RESERVE :		
Balance as at 1st January	99, 500	94, 500
Add: Transfer from profit and loss appropriation account	30, 000	5, 000
	<u>129, 500</u>	<u>99, 500</u>

6. PROVISION FOR TAXATION :

6.1 The Income-tax assessments of the Corporation have been finalised upto and including assessment year 1990-91. The appeals against certain previous assessment years have yet to be disposed off by the Appellate Tribunal. Further, the Income-tax Officer has not yet issued revised orders for certain assessment years which have been set aside by the Commissioner of Income-tax (Appeals). A net amount of Rs.81.1 million paid for various assessment years is shown under Advances and has not been debited to the Profit and Loss Appropriation Account as the Corporation expects that the appeals would be decided in its favour. The assessments for the assessment years 1991-92 and 1992-93 have not been finalised. The Income-tax authorities have raised a demand of Rs.10.52 million against the Corporation after treating the income of Export Credit Guarantee Scheme (ECGS) as part of taxable income of the Corporation for the assessment years 1984-85 to 1989-90. The demand was paid by the Corporation and so far recovered Rs.8.59 million from the Export Credit Guarantee Scheme. The Corporation has filed a suit in the High Court of Sindh in this regard on behalf of ECGS.

6.2 The Corporation's income tax original assessments have been completed for and upto the accounting year ended December 31, 1989, wherein dividend income was taxed at the applicable reduced rates. During last year the Income-tax officer had sent notices for the re-opening of the Corporation's income tax assessments for the Corporation's financial years 1985 to 1989 in order to tax the dividend income, in these years at the normal rate of tax applicable to the Corporation's business income. The Income-tax Officer had based his notices on a circular from the Central Board of Revenue and a decision of the Hon'ble High Court of Sindh on an issue other than dividend income. The Corporation had made strong representation against the re-opening of these assessments and no proceedings could be initiated by the Income-tax authorities. The management of the Corporation was confident that they will successfully contest this issue and the eventual outcome will be in the Corporation's favour. During this year the question of taxing dividend income of the past years by re-opening the assessment has been settled by the Hon'ble Supreme Court of Pakistan in certain appeal cases, filed by some insurance companies, other than Pakistan Insurance Corporation in respect of re-opening of assessments for taxing interest income from Khas Deposit Certificates. The Hon'ble Supreme Court of Pakistan has held that the Income-tax Department cannot re-open the past assessments on the basis of any circular instructions. Consequently by Circular Instruction the assessment cannot be re-opened to tax the dividend income at normal rates, instead of the reduced rates, as it will amount to mere change of opinion. Consequently the matter has been set at rest.

In view of the above Hon'ble Supreme Court judgment no provision for taxation is required to be made in accounts on account of dividend income of past years.

6.3 No provision has been made in these accounts for minimum tax of 0.5 per cent of the gross receipts in terms of Section 80D of the Income-tax Ordinance, 1979. The management is of the view that the provisions of this section are ultra vires to the Constitution of the Country and will eventually become inoperative. Presently the issue is pending before the Honourable High Court of Sindh and Punjab in the Constitutional Petitions filed by a large number of affected organisations.

Had a provision been made for minimum tax at the rate of 0.5 per cent of gross receipts in accordance with the provisions of Section 80D of the Income-tax Ordinance, 1979, the taxation charge for the year would have been higher by Rs.3.477 million.

7. RESERVE FOR OUTSTANDING CLAIMS:

7.1 This includes a sum of Rs. 13.0 million (1991-Rs.13.0 million) in respect of Marine losses incurred but not reported, estimated on the basis of management experience.

7.2 It also includes an amount of Rs. 4.952 million (1991 Rs. 4.952 million) representing claims brought forward from previous years which relate to Bangladesh (Former East Pakistan) business. This is made up as follows:-

	1992 (Rs. 000)	1991 (Rs. 000)
Fire insurance	2,382	2,382
Marine insurance	1,470	1,470
Miscellaneous insurance	1,100	1,100
	<u>4,952</u>	<u>4,952</u>

No adjustment has been made in this provision since 1973 pending ascertainment of actual liabilities in this regard.



8. SUNDRY CREDITORS:

It includes an amount of Rs. 0.809 million (1991 Rs. 0.809 million) relating to Bangladesh creditors.

9. LAND AND BUILDING (INCLUDING CAPITAL WORK-IN-PROGRESS):

Capital work-in-progress including leasehold land (PIC Building at Moulvi Tamizuddin Khan Road) Less realisation of contractor's bonds Rs. 9 million)

1992
(Rs. 000)

1991
(Rs. 000)

121,070

76,208

At written down value.

PIC Head Office Building including lift

266

308

PIC House (Residence)

151

176

417

484

121,487

76,692

10. DEFERRED REVENUE EXPENDITURE:

The software/systems development cost incurred is being deferred over a period of 5 years commencing from 1989, this being the fourth year.

11. ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN):

Assets relating to Bangladesh comprise of fixed assets and investments as follows:-

FIXED ASSETS:

1992
(Rs. 000)

1991
(Rs. 000)

Land and building

8,608

8,608

Furniture and fixtures

4

4

8,612

8,612

INVESTMENTS:

Stocks and shares

7,112

7,112

Debentures

250

250

7,362

7,362

15,974

15,974

The realisability of these assets is not determinable at the present time and no provision for the loss, that may arise as a result of the Corporation losing control over these assets, has been made.



12. NATIONAL CO-INSURANCE SCHEME (NCS) :

The Bonus Voucher Scheme was introduced by the Government of Pakistan on 15th July, 1970 and remained in force till 11th May, 1972 when Pak Rupee was devalued. NCS was entitled to bonus voucher earnings on its foreign currency premium income and likewise had to incur expenses for bonus vouchers on its foreign currency payments.

The relevant foreign currency transactions of NCS with Pakistan Insurance Corporation (PIC) spread over the period from 15th July, 1970 to 11th May, 1972 were accounted for by NCS in their books.

The accounts of NCS & PIC were finally reconciled for all transactions upto 31st December, 1987 comprising all reinsurances accepted by PIC and commission and claims paid to NCS including bonus vouchers entitlement, and the final reconciled balance was agreed in February, 1989 to Rs. 1,019,839.78.

This net liability of PIC to NCS remains subject to full verification and authorisation by the management of NCS and is to be certified by their auditors.

13. CAPITAL COMMITMENTS:

The Corporation is constructing a building for its head office at an estimated cost of Rs. 220 million. The cost incurred upto 31st December, 1992 amounts to Rs. 121 million (1991 Rs. 76.2 million).

Commitments outstanding as at December 31, 1992 in respect of Capital Expenditure Rs. 99 Million.

14. GENERAL:

- 14.1 The directors or their spouse do not have any interest in the donee fund.
- 14.2 Figures have been rounded off to the nearest thousand rupees.
- 14.3 Figures of previous years have been rearranged wherever necessary to facilitate Comparison.

A.B. SOOMRO
Chief Executive

S.Z.H. JAFRI
Director



SHAREHOLDERS' STATISTICS FOR THE YEAR ENDED 31ST DECEMBER, 1992

No. of Shareholders	Number of Shares					Total Shares held
299	From	1	to	100	Shares	10,397
82	From	101	to	500	"	18,965
10	From	501	to	1,000	"	7,528
13	From	1,001	to	5,000	"	29,393
1	From	5,001	to	20,000	"	12,567
1	From	20,001	to	50,000	"	24,280
1	From	50,001	to	150,000	"	141,870
1	From	150,001	to	255,000	"	255,000
408						500,000

Categories of Shareholders	Number	Share Held	Percentage
Individuals.	381	41,244	8.25
Investment Companies (ICP)	1	430	0.09
Insurance Companies	13	193,178	38.64
Joint Stock Companies	6	5,694	1.14
Government of Pakistan	1	255,000	51.00
Administrator, Abandoned Properties Organisation	1	250	0.05
Modaraba & Leasing Companies	3	3,680	0.73
Other (Staff Provident Fund)	2	524	0.10
(i) Adamjee Industries (500 Shares)			
(ii) Employees Contributory Provident Fund State Life Insurance Corporation of Pakistan (24)			
	408	500,000	100.00

CLASSIFICATION OF INVESTMENT

(IN MILLION OF RUPEES)

- Govt. Securities
- Banks & Financial Institution
- N. I. T. Units

BOOK VALUE
218.668
25.278
500.916

SHARES & STOCKS (LISTED COMPANIES)

a) Insurance	2,277
b) Cotton & Textile	0,501
c) Synthetic & Rayon	0,256
d) Jute	1,400
e) Sugar & Allied	3,684
f) Cement	0,450
g) Tobacco	0,271
h) Fuel & Energy	36,846
i) Engineering	0,955
j) Auto & Allied	0,678
k) Transport	9,876
l) Chemical	8,103
m) Paper & Board	3,167
n) Vanaspati & Allied	0,403
o) Miscellaneous	33,343

Debentures

TOTAL INVESTMENT

102.210
0.409
847.481



**PAKISTAN INSURANCE CORPORATION
KARACHI**

PROXY FORM

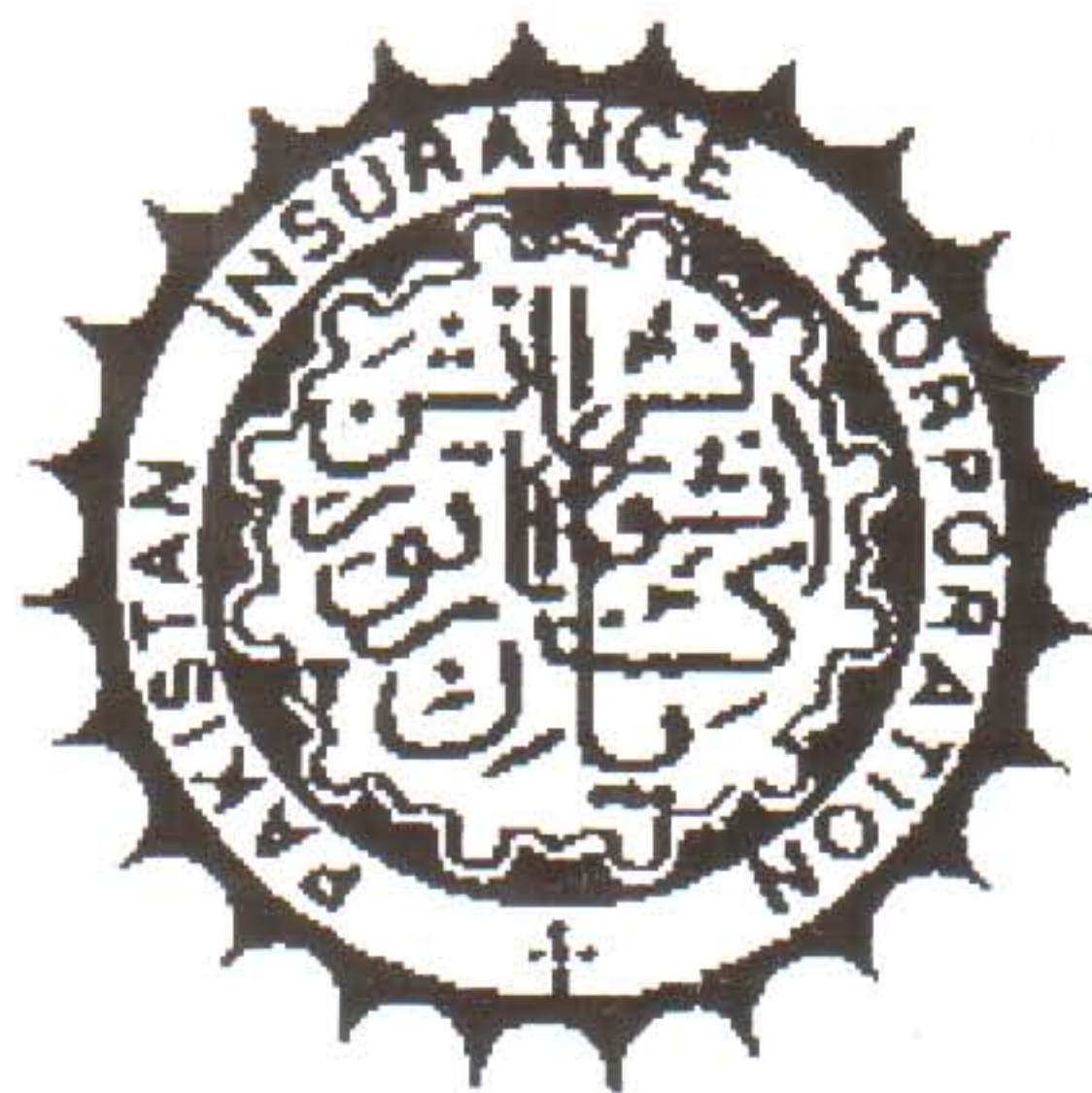
I/We _____ of _____
being a Shareholder of the Pakistan Insurance Corporation holding Shares Nos. _____
_____ hereby appoint _____
of _____ of failing him _____
of _____ as my/our proxy to vote for me/us and on my/
our behalf at a meeting of the shareholders of the Corporation to be held at _____
_____ Karachi on the _____ and at any adjournment thereof.
Dated this _____ day of _____

Signature of Shareholder

Affix Rupee one
Revenue Stamp

IMPORTANT NOTES:

1. No person shall be appointed a proxy who is not a Shareholder of the Corporation and qualified to vote, save that a Corporation being member of the Corporation may appoint as its proxy any officer of such Corporation whether a member of the Corporation or not.
2. The instrument appointing proxy and the power of attorney or other authority if any, under which it is signed shall be deposited with the Corporation not less than 4 clear days before the date of meeting.
3. In case of joint holders any one of the joint holders may sign the instrument of proxy.
4. The signature on the instrument of proxy must conform to the specimen signature filed with the Corporation.



Pakistan Insurance Building

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