Pakistan Insurance Corporation

ESTABLISHED UNDER THE PAKISTAN INSURANCE CORPORATION ACT No. XXXVIII OF 1952

SECOND ANNUAL REPORT

Reports and Statements of Accounts for year ended 31st December 1954

Head Office
Lloyd Bank Building
McLeod Road
Karachi

PAKISTAN INSURANCE CORPORATION

KARACHI

NOTIFICATION

The Second Annual General Meeting will be held at Lloyds Bank Building, McLeod Road, Karachi, on 20th June, 1955, at 4 P. M. when the following business will be transacted namely :—

(1) Confirmation of the Minutes of the First Annual General Meeting held on 16th September, 1954.

(2) The Balance Sheet, the Revenue Accounts and the Profit and Loss Account for the year ending the previous 31st December, together with a Report by the Board on the working of the Corporation throughout the year and the Auditors' Report on the said Balance Sheet and Accounts will be read and considered.

(3) The Chairman shall announce the dividend in respect of the 1954 Accounts declared by the Board at their meeting held on 16th May, 1955.

(4) Election of a Shareholders' Director in terms of Section 10 (1) (b) of the Pakistan Insurance Corporation Act, 1952.

No other business shall be transacted or discussed except with the consent of the Chairman.

By Order of the Board,

D. W. PURNELL
Managing Director.

Karachi
17th May, 1955.

The Share Transfer Register of the Corporation will remain closed for 30 days from the 23rd May, 1955, to the 21st June, 1955, both days inclusive.

PAKISTAN INSURANCE CORPORATION

KARACHI.

Report by the Board of Directors
for the year ended 31st December, 1954.

To the Shareholders,

Your Directors are pleased to submit the Revenue Accounts and Profit and Loss Account for the year ended 31st December, 1954, and the Balance Sheet as at 31st December, 1954, together with the Report of the Auditors.

You are reminded that the Corporation commenced business on the 16th July, 1953, and that the First Annual Report dealt with an earning period of 5½ months only. Therefore, this, the Second Annual Report, deals with the first full calendar year of the Corporation's activities.

1954 was uneventful and despite some serious fires in East Pakistan the overall results in the Fire Department were quite satisfactory. The Marine loss ratio at 48 64% was higher than was anticipated but this may have been due to the estimation of outstanding claims without regard to final settlements proving more favourable or recoveries being effected from carriers. With the inclusion of "Motor" from 1st January, 1954, Miscellaneous business was more than trebled, incurring a heavy financing charge, but the inevitable time lag with claims shows a better picture than normalcy justifies.

Revenue accounts have been prepared separately for Fire, Marine and Miscellaneous business as required by the Act but the purport of the figures may be seen at a glance from the following composite picture, after crediting premium and loss reserves brought forward from the previous year:

Consolidated Statement—Fire, Marine and Miscellaneous

Premiums less returns & cancellations	...	...	...	Rs. 44,91,737 12 0
Less Retrocessions	...	....	...	Rs. 6,51,736 8 0
				Rs. 38,40,001 4 0
Less Commissions	...	...	...	Rs. 14,41,057 11 0
			Net premiums ...	Rs. 23,98,943 9 0
LESS				
Losses Incurred	...	14,23,693 7 0		
Less Retrocession recoveries	...	1,57,224 9 0	12,66,468 14 0	
Expenses of Management			1,99,100 15 9	
Premium Reserves (net)			7,24,027 7 0	Rs. 21,89,597 4 9
			Net Underwriting Surplus ...	Rs. 2,09,346 4 3

From a comparison of the 1954 Revenue Accounts with the 1953 Revenue Accounts it will be seen that the premium reserves have been taken at 10% less in each department, the reason being that the 1954 accounts relate to a full year whereas the 1953 accounts related to a period of less than six months. The 1954 premium reserves at Fire 40%, Marine 30% and Miscellaneous 40% are considered normal and adequate. The Marine Department is a cargo account comprising voyage risks only, free from time policies.

In the course of year, the acquisition costs of Insurers were reviewed with the Insurance Association of Pakistan and, based upon the returns of all companies as published in the Pakistan Insurance Year Books, it was found that an increase in the Fire and Marine Departments was justified. Accordingly, the fire commission was increased from 35% to 37½% and the marine commission from 25% to 27½% with retrospective effect from the 1st January, 1954. In the Miscellaneous Department the official statistics showed that Insurers' acquisition costs had remained constant at about 35%, the same rate as was being paid by the Corporation, and consequently this was not altered.

In the latter half of 1954, the Corporation undertook facultative reinsurance in the Fire Department and arranged special treaties so that cover became immediately available for business voluntarily placed at an exchange commission of 40%. A number of Insurers availed of these facilities solely for the purpose of handling large lines where their Company to Company arrangements were either already satisfied or their efficacy exhausted. Although fire facultative business was not undertaken before September 1954, more than two lacs of facultative premiums had been completed by the end of the year.

Also, towards the end of the year the Corporation, in readiness for 1955, negotiated a number of reciprocal fire treaties bringing a worldwide spread of risks principally in the United Kingdom, Australia, New Zealand and the Argentine. Although by Excess of Loss covers the Corporation is able to conserve foreign exchange in respect of 90% of income from obligatory cessions, it does, in due time, aim at achieving for the country a balance between "output" of foreign exchange for necessary reinsurance protection and "input" of foreign exchange for liabilities which Pakistan can safely assume abroad.

One of the main objects of the Corporation is the training of insurance personnel. During 1954, educational classes were conducted and, to a minor extent, other training schemes were subsidized. The actual expenditure was nominal but in the future it is to be hoped that the Corporation will gradually develop schemes to enable all students of insurance to benefit. Therefore, a greater allocation of funds will be necessary so that courses are standardized and professional lecturers and tutors are made available.

Your Directors are happy to record a profit of Rs. 2,62,097-0-4 for the year which, with the balance of Rs. 9,502-3-3 brought forward from 1953 has been allocated as follows :—

Taxation Reserve	Rs. 1,04,000-0-0
Contingency Reserve	Rs. 62,000-0-0
Profit & Loss A/c	Rs. 1,05,599-3-7

Accordingly, your Directors have been pleased to declare a dividend of 5% (taxable) payable from the profit remaining of Rs. 1,05,599-3-7. At the same time the Directors have granted to the Management and Staff a bonus of one month's basic salary for more than 12 months' service and a half month's basic salary for more than six months' service, a total award of Rs. 7,806-8-0.

The Directors desire to record their appreciation of the co-operation given throughout the year by the Insurance Association of Pakistan, all Insurers and Overseas Associates and the Government of Pakistan, especially the Ministry of Commerce and the Ministry of Finance, also, they wish to express their thanks to the Staff.

K. F. HAIDER *Chairman.*

M. M. JUNAID
KHAWAJA BASHIR BAKHSH
MEHER ALI SHAH BUKHARI } *Directors.*

D. W. PURNELL *Managing Director.*

PAKISTAN INSURANCE CORPORATION

FIRE BUSINESS REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1954.

	Rs. as. p.	Rs. as. p.		Rs. as. p.	Rs. as. p.
Commission ...		8,32,436 1 0	Premium Reserve brought forward from last year		4,81,497 11 0
Claims paid	3,26,252 15 0		Reserve for outstanding claims brought forward from last year		46,303 5 0
Less Recoveries under Retrocessions ...	52,072 12 0	2,74,180 3 0			
Expenses of Management		1,07,110 9 9	Premiums	24,16,425 13 0	
Reserve for Outstanding Claims ...		2,71,770 7 0	Less—Retrocessions	4,67,593 12 0	19,48,832 1 0
Premium Reserve, being 40% of the premiums less retrocessions for the year ...		7,79,532 13 0			
Profit transferred to Profit and Loss Account		2,11,602 15 3			
	Rs.	24,76,633 1 0		Rs.	24,76,633 1 0

As per our Report annexed.

RAHIM JAN, MAMA & Co.,
FORD, RHODES, PARKS & Co.,
Chartered Accountants,
Registered Accountants.

Karachi, 16th May, 1955.

K. F. HAIDER — *Chairman.*

M. M. JUNAID
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PAKISTAN INSURANCE CORPORATION

MARINE BUSINESS REVENUE ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1954.

	Rs. as. p.	Rs. as. p.		Rs. as. p.	Rs. as. p.
Commission		3,83,417 6 0	Premium Reserve brought forward from last year		1,57,805 12 0
Claims paid	7,06,176 3 0		Reserve for Outstanding Claims brought forward from last year		53,014 9 0
Less Recoveries under Retrocessions ...	4,20,438 6 0	2,85,737 13 0	Premiums	14,31,701 5 0	
Expenses of Management		63,461 10 3	Less Retrocessions	1,51,628 8 0	12,80,072 13 0
Reserve for Outstanding Claims ...		3,62,268 4 0			
Premium Reserve, being 30% of the premiums less retrocessions for the year ...		3,84,021 14 0			
Profit transferred to Profit and Loss Account.		11,986 2 9			
	Rs.	14,90,893 2 0		Rs.	14,90,893 2 0

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PAKISTAN INSURANCE CORPORATION

MISCELLANEOUS BUSINESS REVENUE ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1954.

	Rs. as. p.	Rs. as. p.		Rs. as. p.	Rs. as. p.
Commission		2,25,204 4 0	Premium Reserve brought forward from last year		44,662 6 0
Claims paid	83,401 7 0		Reserve for Outstanding Claims brought forward from last year		3,003 1 0
Less Recoveries under Retrocessions ...	... ...	83,401 7 0	Premiums	6,43,610 10 0	
Expenses of Management		28,528 11 9	Less – Retrocessions	32,514 4 0	6,11,096 6 0
Reserve for Outstanding Claims ...		91,431 11 0	Loss transferred to Profit and Loss Account		14,242 13 9
Premium Reserve, being 40% of the premiums less retrocessions for the year		2,44,438 9 0			
	Rs.	6,73,004 10 9		Rs.	6,73,004 10 9

As per our Report annexed.

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PAKISTAN INSURANCE CORPORATION

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1954.

	Rs. as. p.	Rs. as. p.
Expenses of Management (not applicable to any particular Revenue Account)—		
Directors' Fees and Travelling Allowances	1,836 4 0	
Training Scheme	3,421 5 0	
Auditors' Fees	3,600 0 0	
Professional Charges and Other Expenses	345 4 0	9,202 13 0
Amounts transferred to—		
Reserve for Contingencies	62,000 0 0	
Reserve for Taxation	1,04,000 0 0	1,66,000 0 0
Loss transferred from Revenue Account—		
Miscellaneous Business		14,242 13 9
Balance at the end of the year as shown in the Balance Sheet		1,05,599 3 7
	Rs.	2,95,044 14 4

	Rs. as. p.	Rs. as. p.
Balance brought forward from last year ...		9,502 3 3
Interest and Dividends	86,667 5 1	
Less income tax thereon	24,773 12 0	61,893 9 1
Profit transferred from Revenue Accounts—		
Fire Business	2,11,602 15 3	
Marine Business	11,986 2 9	2,23,589 2 0
Share transfer fees		60 0 0
	Rs.	2,95,044 14 4

As per our Report annexed.

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Karachi, 16th May, 1955.

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PAKISTAN INSURANCE CORPORATION

BALANCE SHEET AS AT 31st DECEMBER, 1954.

PAKISTAN INSURANCE CORPORATION

BALANCE SHEET AS AT 31st DECEMBER, 1954.

BALANCE SHEET AS AT 31st DECEMBER, 1954.

LIABILITIES	Rs. as. p.	Rs. as. p.
Capital—		
Authorised		
1,00,000 Shares of Rs. 100/- each	1,00,00,000 0 0	
Issued and Paid-up—		
20,000 Shares of Rs. 100/- each, fully paid.		20,00,000 0 0
Reserve for Contingencies		62,000 0 0
Reserve for Taxation		1,07,500 0 0
Profit and Loss Account		1,05,599 3 7
Reserve for Outstanding Claims—		
Fire	2,71,770 7 0	
Marine	3,62,268 4 0	
Miscellaneous	91,431 11 0	7,25,470 6 0
Premium Reserves—		
Fire	7,79,532 13 0	
Marine	3,84,021 14 0	
Miscellaneous	2,44,438 9 0	14,07,993 4 0
Amounts due to other persons or bodies carrying on insurance business ...		2,66,132 12 0
Deposits retained from other Companies		64,496 0 0
Sundry Creditors		18,287 1 0
Note-There is a contingent liability of Rs. 2,10,000/- in respect of calls not yet made on partly paid shares held by the Corporation as investments.		
	Rs.	47,57,478 10 7

ASSETS	Rs. as. p.	Rs. as. p.
Investments at cost—		
Government and Other Securities ...	25,56,879 12 0	
Stocks and Shares	7,57,462 0 0	33,14,341 12 0
(Market value as at 31st December, 1954—Rs. 32,53,243/12/-).		
Amounts due from other persons or bodies carrying on insurance business ...		7,97,817 1 0
Cash in hand and at Bank		5,74,885 3 10
Interest accrued and outstanding, less income tax		11,707 12 0
Sundry Debtors		15,807 7 0
Other Assets—		
Stamps in Hand		49 8 6
Prepaid Expenses		2,331 2 0
Stock of Stationery in Hand ...		1,343 0 0
Furniture, Fixtures, Office Equipment and Vehicles, at cost less depreciation ...		39,195 12 3
	Rs.	47,57,478 10 7

As per our Repotr annexed.

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D. W. PURNELL *Managing Director,*

PAKISTAN INSURANCE CORPORATION

REPORT OF THE AUDITORS TO THE SHAREHOLDERS

We have audited the annexed Balance Sheet of the Pakistan Insurance Corporation as at 31st December, 1954, the Fire, Marine and Miscellaneous Business Revenue Accounts, and the Profit and Loss Account of the Corporation for the year ended upon that date, and report that :—

(a) We have obtained all the information and explanations which we have required.

(b) Such Balance Sheet is a full and fair Balance Sheet and exhibits a true and correct view of the state of the Corporation's affairs, according to the best of our information and the explanations given to us and as shown by the books of the Corporation.

FORD, RHODES, PARKS & CO.,
Chartered Accountants,
Registered Accountants.

RAHIM JAN, MAMA & CO.,
Chartered Accountants,
Registered Accountants.

Karachi, 16th May, 1955.