



# 33RD ANNUAL REPORT 1985

**PAKISTAN INSURANCE CORPORATION**

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



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ





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# BOARD OF DIRECTORS



S. M. A. ASHRAF

*Chairman*

MARGHOOB AHMAD

*Director*

S. M. HASAN

*Director*

I. H. QARNI

*Director*

MAHBOOB SIDDIQUI

*Director*

SHAMSHAD ASHRAF KHAN

*Director*

AHMED DAWOOD

*Director*

SHEIKH MOHAMMAD AIJAZ AKHTAR

*Director*

## AUDITORS:

TASEER HADI KHALID & CO.  
*Chartered Accountants.*

FEROZE SHARIF & CO.  
*Chartered Accountants.*

## HEAD OFFICE:

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





# NOTIFICATION



The Thirty-third Annual General Meeting of the shareholders of Pakistan Insurance Corporation shall be held at Pakistan Insurance Building, M. A. Jinnah Road, (Opposite Mereweather Tower), Karachi-2 on Thursday the 26th June, 1986 at 11.00 a.m. to transact the following business, namely:—

- (i) To confirm the minutes of the 32nd Annual General Meeting held on Thursday, the 27th June, 1985.
- (ii) To adopt the Balance Sheet as at 31st December, 1985, the Revenue Accounts, the Profit & Loss and Profit & Loss Appropriation Accounts for the year ended 31st December, 1985; and
- (iii) Announcement of the Dividend declared by the Board in respect of 1985 Accounts.

2. The Share Transfer Registers of the Corporation will remain closed for 8 days with effect from 19th June, 1986 to 26th June, 1986 (both days inclusive) for Annual General Meeting and payment of dividend and distribution of un-appropriated surplus, if any.

By order of the Board

(S. HASINUDDIN AHMAD)

Secretary





# REPORT OF THE BOARD OF DIRECTORS ON THE YEAR ENDED

The Shareholders,  
Pakistan Insurance Corporation,

Gentlemen,

Your directors take pleasure in presenting herewith the 33rd Annual Report and the Accounts of the Corporation for the year, 1985.

2. The gross premium income of general insurance business in the country excluding NIC has recorded an increase of Rs. 105 million i.e. from Rs. 1150 million in 1984 to Rs. 1255 million in 1985. The table below shows the break-up of volume of business class-wise written by different groups of insurers.

## 1985 GROSS PREMIUM:

(In million of Rupees)

Class of Business	National Cos.	% Source wise	Foreign Resident Cos.	% Source wise	Total	% Class wise
Fire	388	84	75	16	463	37
Marine Cargo	369	77	108	23	477	38
Marine Hull	10	100	—	—	10	1
Aviation	2	100	—	—	2	—
Engineering	25	93	2	7	27	2
Accident	237	86	39	14	276	22
	1031	82	224	18	1255	100

The gross figures are based on 30% Quota Shares cessions declared to PIC in 1985.



# WORKING OF THE CORPORATION FOR THE 31 DECEMBER, 1985



3. The growth of PIC business from year to year is shown in the following table:-

(In million of Rupees)

Year	Gross Premium Income	Profit	Total Reserves/Provisions	Total Investment
1958	20.7	1.1	8.7	9.0
1963	57.2	1.6	21.1	20.3
1968	131.9	7.4	63.4	42.3
1973	238.9	10.9	127.4	37.1
1978	578.6	33.6	390.0	251.5
1979	666.5	7.0	474.8	250.0
1980	733.3	7.4	545.2	327.1
1981	780.5	70.6	586.7	387.7
1982	872.8	72.6	577.0	414.7
1983	897.6	66.6	640.0	476.6
1984	817.5	76.0	677.6	500.3
1985	903.6	90.8	696.8	598.5

Despite increase in gross premium by 10.5% only (from Rs. 817.5 million to Rs. 903.6 million), overall profit in 1985 showed an increase of 19.4% as compared to 1984 (from Rs.76.05 million to 90.79 million).

4. The Revenue Accounts are as below :-

## REVENUE ACCOUNTS:

(In million of Rupees)

	FIRE		MARINE		MISC.		TOTAL	
	1984	1985	1984	1985	1984	1985	1984	1985
Gross Premium	199	220	338	327	280	357	817	904
Retro. Premium	111	114	189	197	167	251	467	562
Net Premium	88	106	149	130	113	106	350	342
Net Commission	41	50	50	42	33	30	124	122
Net Claim	35	38	85	83	91	73	211	194
Prem. Res. Adj.	(13)	7	1	(10)	(10)	(3)	(22)	(6)
Underwriting Surplus	25	11	13	15	(1)	6	37	32
Management Exp.	4	5	6	6	4	5	14	16
Balance:-	21	6	7	9	(5)	1	23	16





The net claims incurred during 1985 in terms of percentage of net premium decreased from 60.3% in 1984 to 56.7% in 1985. Net commission as a percentage of net premium has marginally increased but the net underwriting balance has substantially decreased.

5. The experience of individual classes of business during 1985 has been as follows :-

**(a) FIRE BUSINESS :**

The gross premium of Fire Portfolio has increased from Rs. 199 million in 1984 to Rs. 220 million in 1985 showing an increase of 10.5%. This has been mainly due to increase of business of National Companies. As a consequence thereof the net retained premium also witnessed a sizeable increase of Rs. 18 million in 1985. The Commission and claims cost have decreased in relation to net premium from 86.3% in 1984 to 83% in 1985. The claim experience remains satisfactory.

**(b) MARINE BUSINESS :**

The gross premium in Marine Business has declined by Rs. 11 million during 1985 as compared to 1984. While there is a decrease in the Marine gross premium, Marine Cargo has recorded an increase of Rs. 14 million and Marine Hull has shown a decrease of Rs. 24 million in 1985. NIC's overall treaty cessions have decreased from Rs. 63 million to Rs. 39 million whereas cessions from other local companies have increased by Rs. 12 million i.e., about 9.7% during 1985 partially compensating the shortfall.

However, there was a decrease in the net premium on account of the Marine Cargo and slight increase in the Marine Hull, mainly because of increase in the retrocession under Cargo Treaty Pool, Compulsory Pool and of the Facultative Acceptance. This has been partially offset by increase in retained premium in Hull as a percentage of gross premium due to arrear premium booked on account of foreign inward cancellations.

**(c) MISCELLANEOUS BUSINESS :**

Under Miscellaneous portfolio the gross premium of Aviation and Accident has shown an increase of about Rs. 75 million. Aviation has contributed the most. In the Aviation Deptt. there was pruning of unprofitable foreign business and it has proved a success resulting in better performance and improvement in the claims. The Engineering Deptt. has shown a slight decline in the Gross premium due to absence of large scale projects but it has sustained this decline and has shown improved results. In the Accident the results are good, the net premium has increased and the net claim ratio has also declined in 1985.

**6. PREMIUM RESERVE:**

Premium Reserve has been calculated at 100% of Net Premium in respect of Marine Hull and Aviation Hull, 50% of Net Premium in Marine Cargo and 40% of Net Premium in Fire and Miscellaneous business.





## 7. INVESTMENTS:

There was an increase in the investment of the Corporation from Rs. 500 million to Rs. 598 million this year. The increase in investment was due to increased availability of short term funds, which were mainly deposited in Government Treasury Deposit Receipts.

With the increase in the investments the income from investments for the year also increased from Rs. 56.3 million in 1984 to Rs. 64.5 million in 1985.

## 8. PROFIT & LOSS ACCOUNT :

The Profit & Loss account for the year 1985 shows a profit before tax amounting to Rs. 90.79 million arrived at as follows :-

	(In million of Rupees)
Underwriting Profit	Rs. 15.93
Investment Income	Rs. 64.52
	<u>Rs. 80.45</u>
Other Income net of expenses	Rs. 10.34
	<u>Rs. 90.79</u>

## 9. ALLOCATION OF PROFIT

i) General Reserve	Rs. 10.00
ii) Exceptional Loss Reserve	Rs. 30.00
iii) Provision for Taxation	Rs. 33.80
iv) Proposed Dividend	Rs. 2.45
v) Reserve for proposed Issue of Bonus Shares	Rs. 10.50
vi) Provision for Bad & Doubtful Debts	Rs. 3.00
vii) Balance carried forward	Rs. 1.04
Total:-	<u>Rs. 90.79</u>

## 10. BALANCE SHEET :

There has been an increase of Rs. 19.2 million in reserves provision of the Corporation which has gone up from Rs. 677.6 million at the close of 1984 to Rs. 696.8 million at the end of 1985.

## 11. ACKNOWLEDGEMENT :

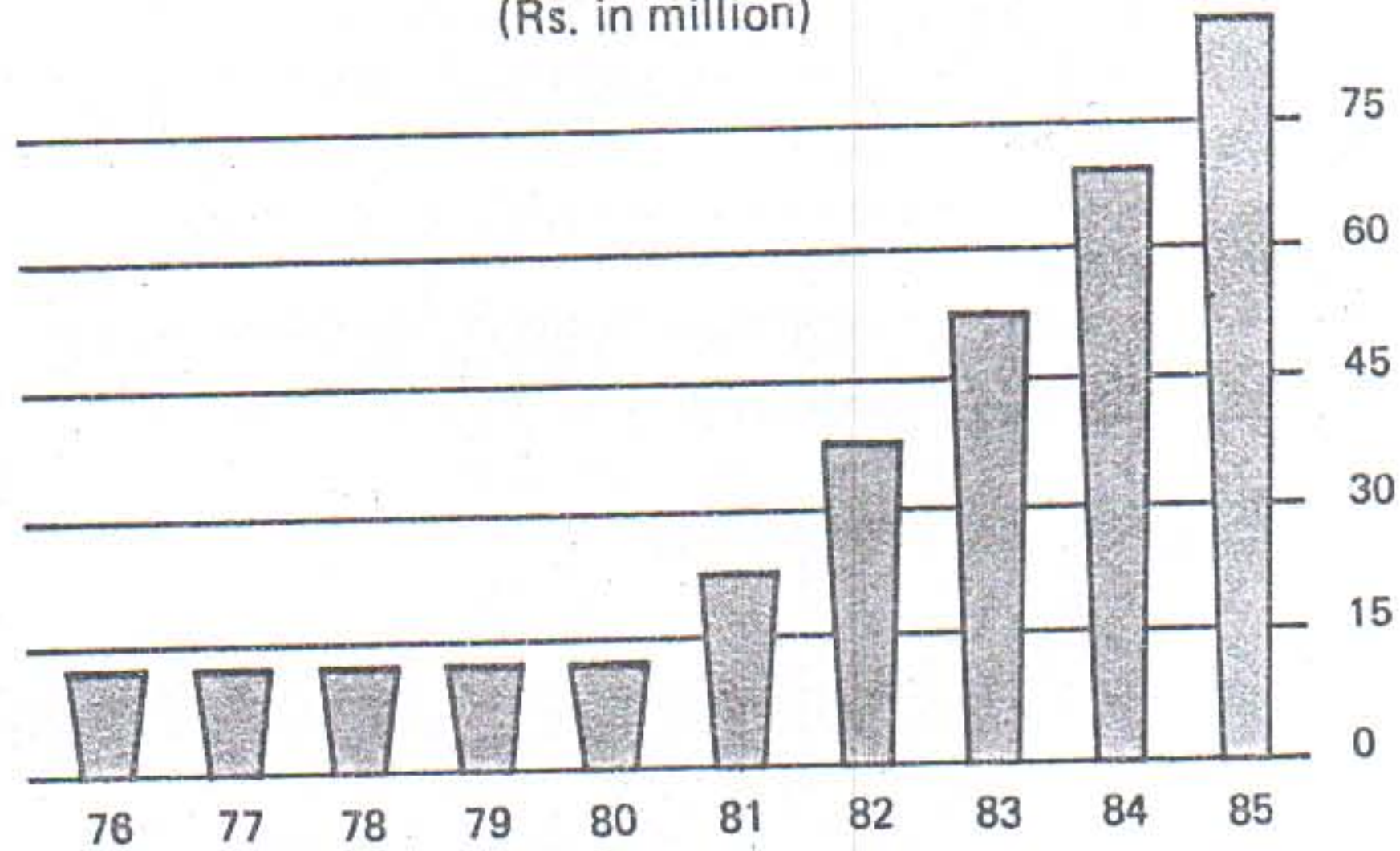
Since the last report Mr. Marghoob Ahmad joined the Board of Directors on 2.10.1985 in place of Mr. S.S.A. Bukhari. We welcome the new Director who brings with him rich and varied experience.

12. The Directors are pleased to declare a dividend of 10% for the year ended 1985. In addition Bonus Shares in proportion of 3:7 are proposed to be issued subject to the approval of the Government.

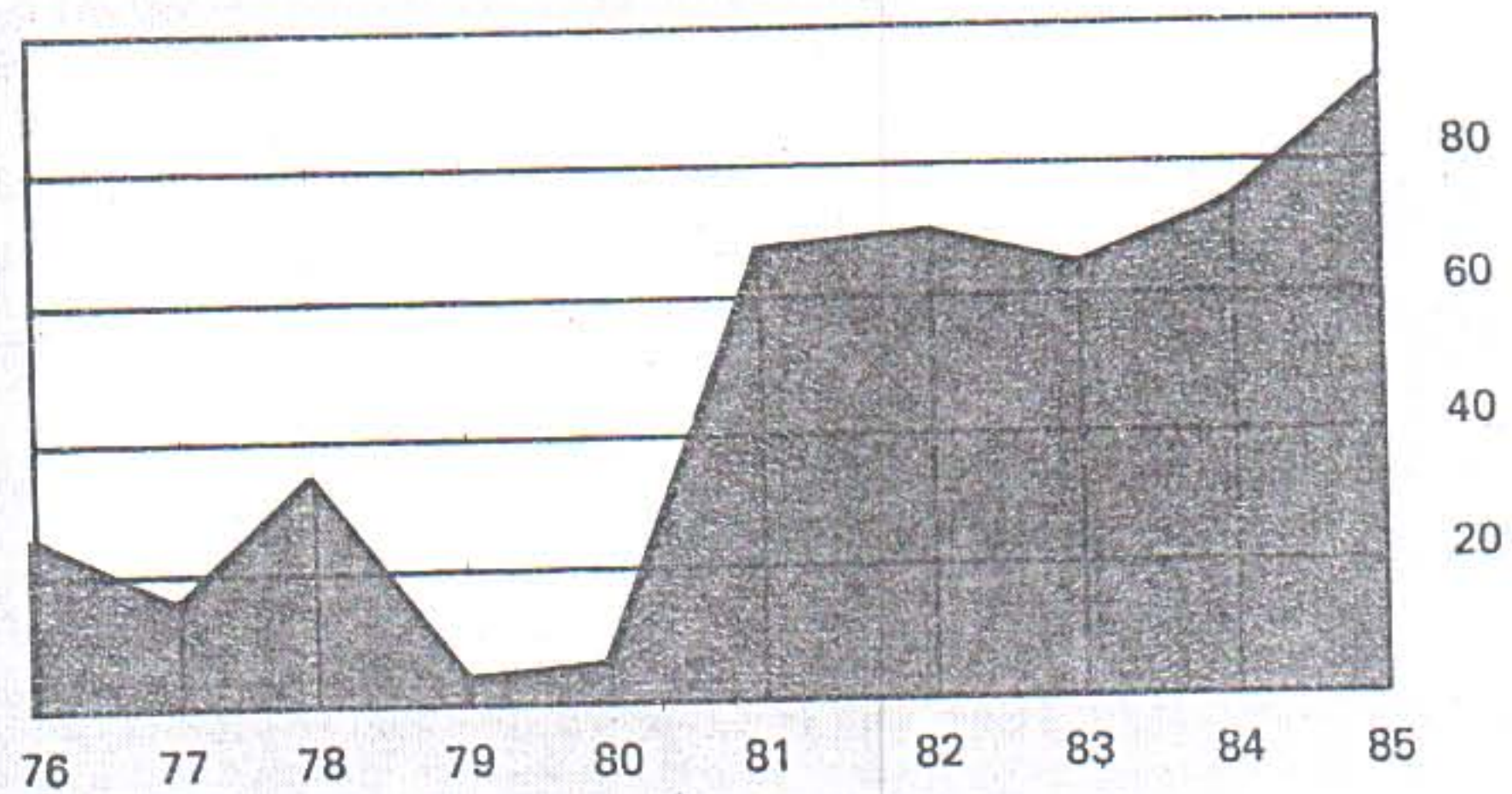




SHAREHOLDER'S EQUITY  
(Rs. in million)



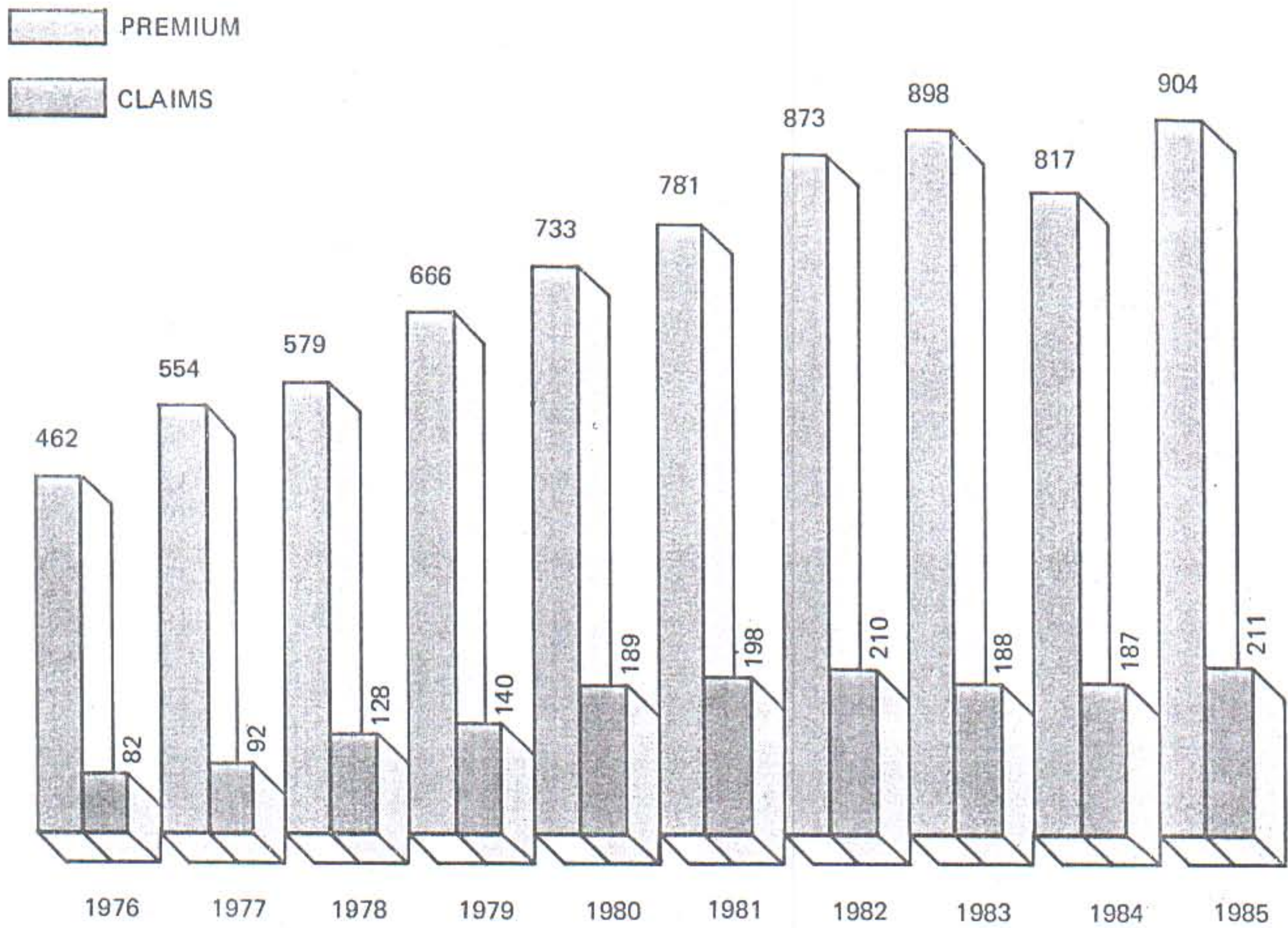
PRETAX PROFIT  
(Rs. in million)







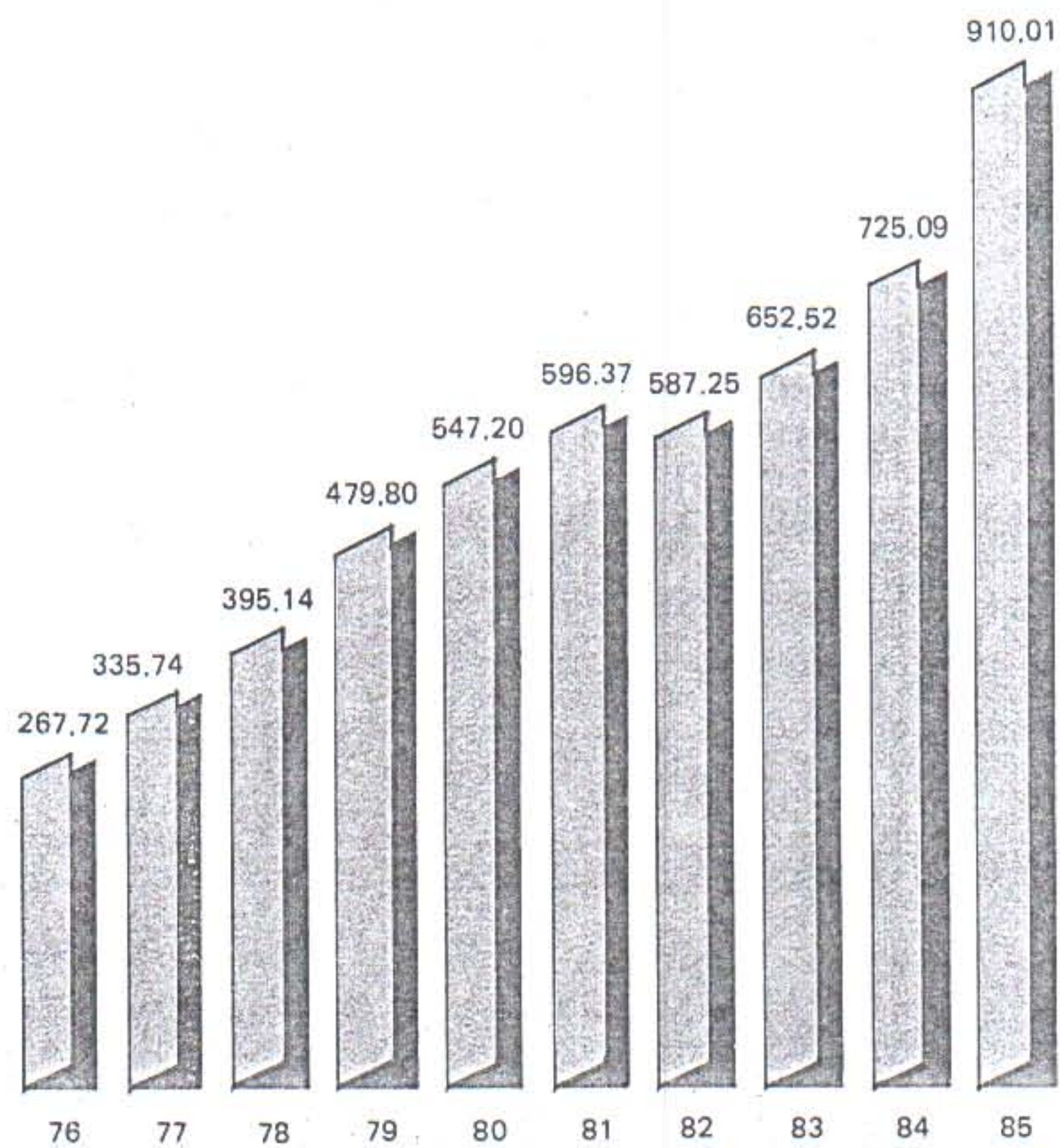
PREMIUM & CLAIMS  
(Rs. in million)



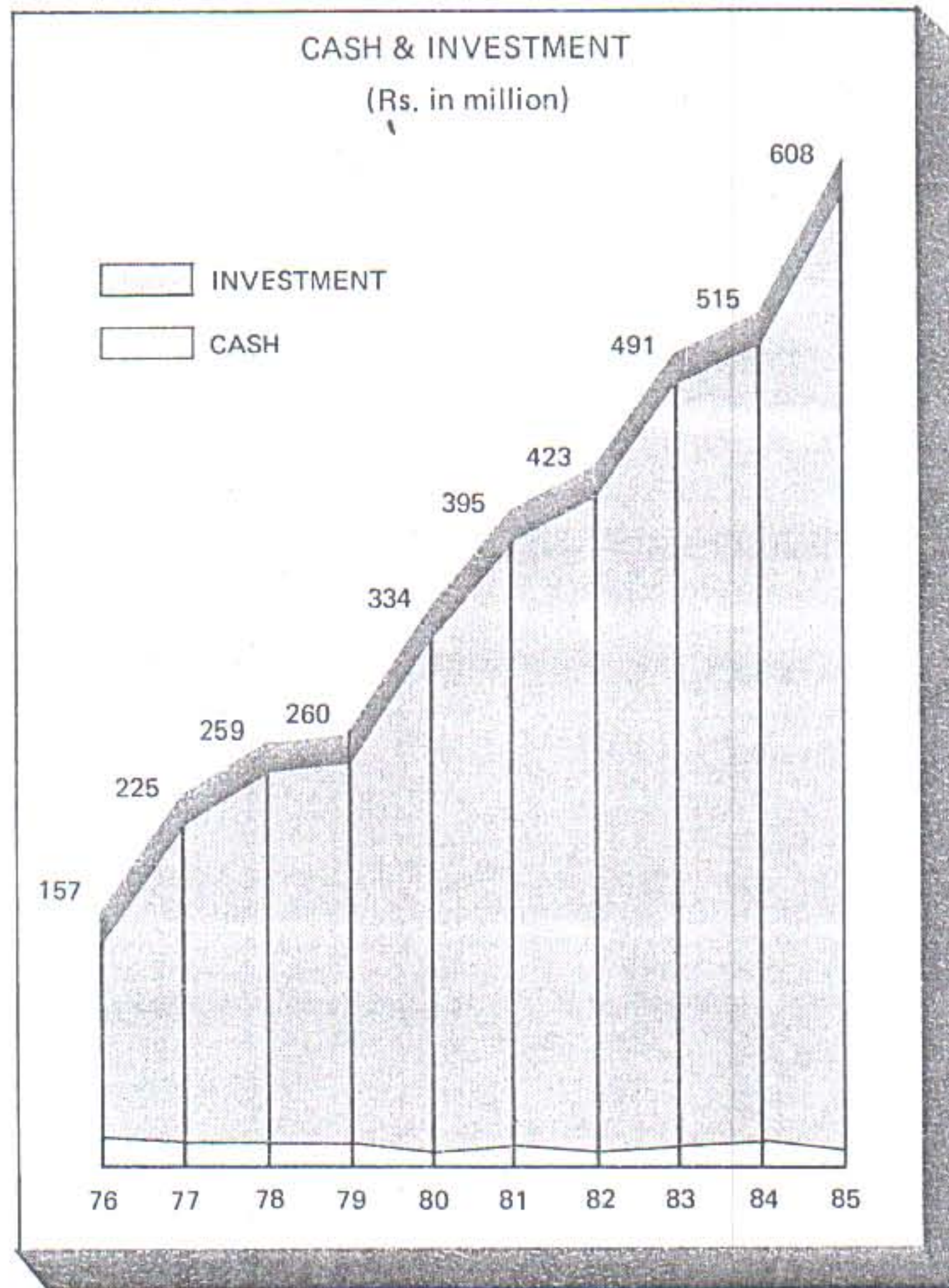




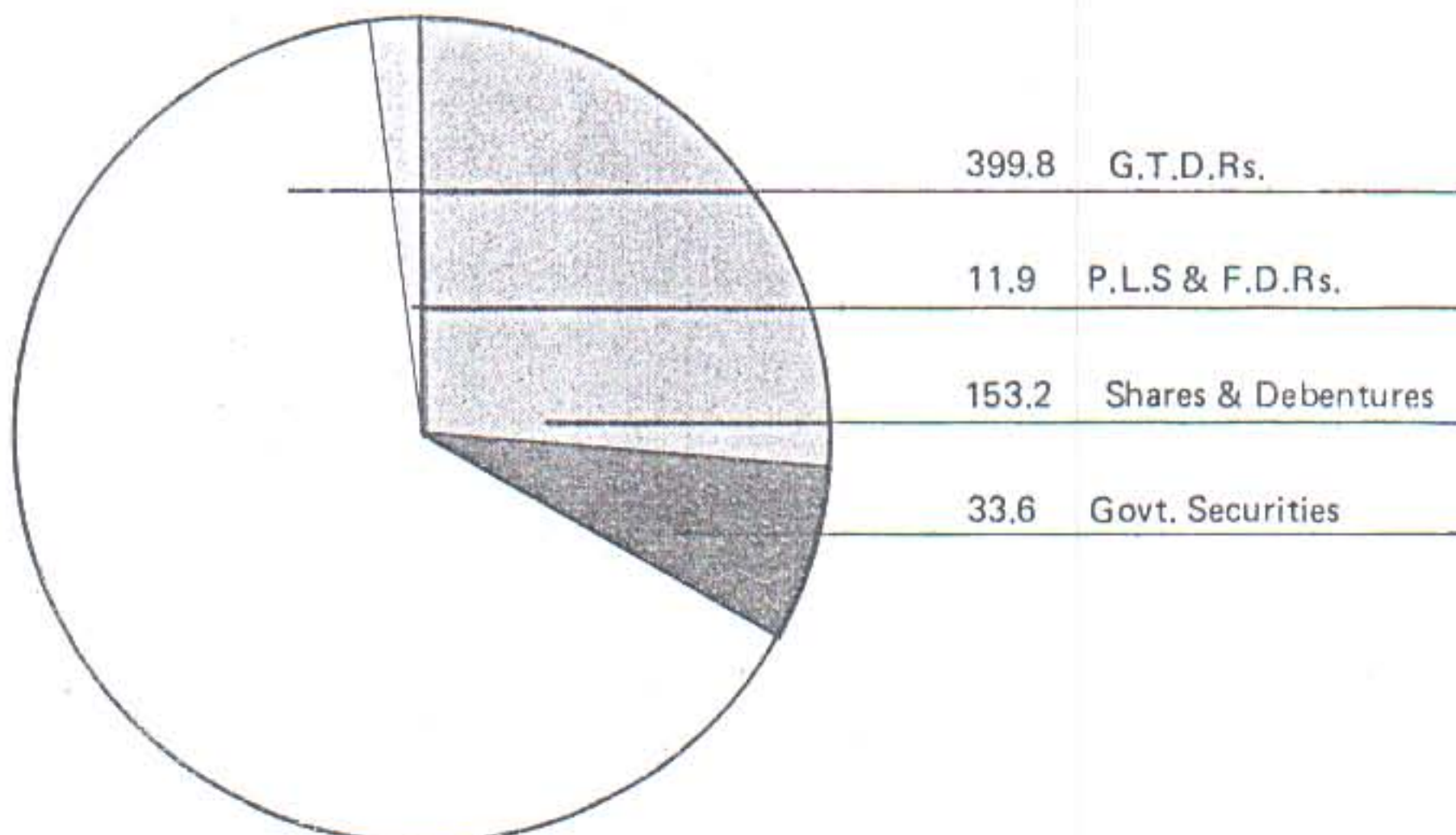
RESERVES & PAID UP CAPITAL  
(Rs. in million)







**INVESTMENTS**  
(Rs. 598.5 m—mix)







## 33 YEARS AT A GLANCE

(In Million of Rupees)

Years	Gross Premium Income	Profit	Dividend declared %	Total Reserves/ Provisions	Total Investment
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	92,798
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	3:5B 10	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	1:4B 10	588,358	387,655
1982	872,829	72,639	1:4B 10	577,241	414,704
1983	897,624	66,580	2:5B 10	640,010	476,642
1984	817,497	76,046	2:5B 10	707,578	500,276
1985	903,596	90,790	3:7B 10	730,558	598,517



# AUDITORS' REPORT TO THE MEMBERS



We have examined the annexed balance sheet of Pakistan Insurance Corporation as at 31 December 1985 and Fire, Marine and Miscellaneous Insurance Revenue Accounts, the profit and loss account and profit and loss appropriation account of the Corporation together with the notes to the accounts for the year ended on that date, and the statement of changes in financial position for the year ended on 31st December 1985 and we state that we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of the audit and 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, the balance sheet and the Fire, Marine and Miscellaneous Insurance Revenue accounts, profit and loss account and profit and loss appropriation account have been drawn up in conformity with the law and are in agreement with the books of account; and
- (c) in our opinion and to the best of our information and according to the explanations given to us:
  - (i) the balance sheet and the Fire, Marine and Miscellaneous Insurance Revenue accounts, profit and loss account and profit and loss appropriation account and the statement of changes in the financial position, subject to the effects of the matters, if any, contained in Notes 5 (b), 7 and 8 relating to outstanding claims and assets in Bangladesh and devaluation and the fact that statements for accounts due to/from persons and bodies carrying on insurance have not been fully reconciled and confirmed, exhibit respectively a true and fair view of the state of the Corporation's affairs as at 31 December 1985 and of the profit and changes in the financial position for the year ended on that date;
  - (ii) the expenditure incurred was for the purpose of the Corporation's business;
  - (iii) the business conducted, investments made and expenditure incurred during the year were in accordance with the objects of the Corporation, and
  - (iv) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 has been deducted by the Corporation and credited to the Central Zakat Fund established under section 7 of that Ordinance.

TASEER HADI KHALID & CO  
Chartered Accountants

FEROZE SHARIF & CO.  
Chartered Accountants.

Karachi, 4th June, 1986





# REVENUE ACCOUNT FOR THE CONSOLIDATED FOR ALL

1984 (Rs. '000)	PARTICULARS	1985 (Rs. '000)
123,628	Commission paid ( <i>Less</i> Retrocessions)	122,379
187,268	Claims ( <i>Less</i> Retrocessions) paid during the year	210,967
	<i>Add:</i> Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated	
244,142		226,765
431,410		437,732
220,215	<i>Less:</i> Outstanding at the end of previous year	244,142
211,195		193,590
14,298	Expenses of Management	16,392
168,436	Premium Reserve for the year	161,992
22,572	Profit transferred to Profit & Loss Account	15,929
<u>540,129</u>		<u>510,282</u>

TASEER HADI KHALID & CO.  
*Chartered Accountants*

Karachi, 4th June, 1986

FEROZE SHARIF & CO.  
*Chartered Accountants*



# YEAR ENDED 31 DECEMBER, 1985

## CLASSES OF BUSINESS



1984 (Rs. '000)	PARTICULARS	1985 (Rs. '000)
189,812	Premium Reserve brought forward from last year	168,436
817,497	Premium	903,597
467,180	Less: Retrocessions	561,751
350,317		341,846

540,129

(S.M.A. ASHRAF)  
Chief Executive

510,282

(S.M. HASAN)  
Director





# REVENUE ACCOUNT FOR THE FIRE

1984 (Rs. '000)	PARTICULARS	1985 (Rs. '000)
41.142	Commission paid (Less Retrocessions)	50.068
28.799	Claim (Less: Retrocessions) paid during the year	47.011
42.056	Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated	32.997
70.855		80.008
35.560	Less: Outstanding at the end of previous year	42.056
35.295		37.952
3.613	Expenses of Management	5.085
36.484	Premium Reserve for the year	43.593
21.162	Profit transferred to Profit & Loss Account	5.829
<u>137.696</u>		<u>142.527</u>

TASEER HADI KHALID & CO.  
Chartered Accountants

Karachi, 4th June, 1986

FEROZE SHARIF & CO.  
Chartered Accountants



# YEAR ENDED 31 DECEMBER, 1985

## BUSINESS



1984 (Rs. '000)	PARTICULARS	1985 (Rs. '000)
49,425	Premium Reserve brought forward from last year	36,484
199,609	Premium	219,930
111,338	Less: Retrocessions	113,887
88,271		106,043

137,696

(S.M.A. ASHRAF)  
Chief Executive

142,527

(S.M. HASAN)  
Director





# REVENUE ACCOUNT FOR THE MARINE

1984 (Rs. '000)	PARTICULARS	1985 (Rs. '000)
49,860	Commission paid (Less Retrocessions)	42,463
86,265	Claims (Less Retrocessions) paid during the year	81,210
107,515	Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated	109,054
193,780		190,264
108,354	Less: Outstanding at the end of Previous year	107,515
85,426		82,749
6,117	Expenses of Management	6,237
74,572	Premium Reserve for the year	63,751
6,518	Profit transferred to Profit & Loss Account	9,436
<u>222,493</u>		<u>204,636</u>

TASEER HADI KHALID & CO.  
Chartered Accountants

Karachi, 4th June, 1986

FEROZE SHARIF & CO.  
Chartered Accountants



# YEAR ENDED 31 DECEMBER, 1985 BUSINESS



1984 (Rs. '000)	PARTICULARS	1985 (Rs. '000)
73,040	Premium Reserve brought forward from last year	74,572
338,128	Premium	327,305
188,675	Less: Retrocessions	197,241
149,453		130,064

222,493

(S.M.A. ASHRAF)  
Chief Executive

204,636

(S.M. HASAN)  
Director



# REVENUE ACCOUNT FOR THE MISCELLANEOUS



1984 (Rs. '000)	PARTICULARS	1985 (Rs. '000)
32,626	Commission paid (Less Retrocessions)	29,847
72,204	Claims (Less Retrocessions) paid during the year	82,746
94,571	Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated	84,714
166,775		167,460
76,301	Less: Outstanding at the end of previous year	94,571
90,474		72,889
4,568	Expenses of Management	5,070
57,380	Premium Reserve for the year	54,649
—	Profit transferred to Profit & Loss Account	664
<u>185,048</u>		<u>163,119</u>

TASEER HADI KHALID & CO.  
Chartered Accountants

FEROZE SHARIF & CO.  
Chartered Accountants

Karachi, 4th June, 1986



# YEAR ENDED 31 DECEMBER, 1985

## BUSINESS



1984 (Rs. '000)	PARTICULARS	1985 (Rs. '000)
67,347	Premium Reserve brought forward from last year	57,380
279,760	Premium	356,361
167,167	Less: Retrocessions	250,622
112,593		105,739
5,108	Loss transferred to Profit & Loss Account	

185,048

163,119

(S.M.A. ASHRAF)  
Chief Executive

(S.M.HASAN)  
Director





# PROFIT AND LOSS ACCOUNT FOR THE

1984 (Rs. '000)	PARTICULARS	Notes	1985 (Rs. '000)
	Expenses of Management (Not allocable to any particular Revenue Account)		
55	Directors' Fee and T.A		25
38	Auditors' Fee		53
32	Advertisement & Publicity		108
125			186
—	R. C. D. Expenses		1
136	Training and Research		319
65	Charity and Donation		20
201			340
925	Interest paid on deposits retained from other Companies		817
6,827	Difference in Exchange		1,217
2	Bad Debts written off		7
76,046	Net Profit for the year carried to Profit & Loss Appropriation Account		90,790
84,126			93,357

## PROFIT AND LOSS APPROPRIATION ACCOUNT

4,000	Provision for Bad & Doubtful Debts	3,000
30,000	Provision for Taxation	33,800
12,500	General Reserve	10,000
20,000	Exceptional Loss Reserve	30,000
7,000	Reserve for proposed Issue of Bonus Shares	10,500
1,750	Proposed Dividend 1985	2,450
1,676	Unappropriated Profit transferred to Balance Sheet	2,716
76,926		92,466

TASEER HADI KHALID & CO.  
Chartered Accountants

FEROZE SHARIF & CO.  
Chartered Accountants

Karachi, 4th June, 1986



# YEAR ENDED 31 DECEMBER, 1985



1984 (Rs. '000)	PARTICULARS	1985 (Rs. '000)
	Investment Income	
56,358	Interest, Dividends and Return	64,525
	Profit (Loss) Transferred from Revenue Accounts	
21,162	Fire	5,829
6,518	Marine	9,436
(5,108)	Miscellaneous	664
22,572		15,929
	Other Income	
3,584	Interest received on deposits retained by other companies	4,484
1,168	Interest/Return on Short Terms Deposits	1,271
402	Miscellaneous Income	142
5,154		5,897
—	Profit on Sale of Investment	6,998
42	Profit on Sale of Assets	8
<u>84,126</u>		<u>93,357</u>

## FOR THE YEAR ENDED 31 DECEMBER, 1985

11,024	Balance brought forward from previous year	1,676
	Less: Under instructions from Government surplus distributed to:—	
2,500	Shareholders	—
7,644	Federal Government	—
10,144		—
880		—
76,046	Net Profit for the year as per Profit and Loss Account	90,790
<u>76,926</u>		<u>92,466</u>
(S.M.A. ASHRAF) Chief Executive	(S.M.HASAN) Director	





# BALANCE AS AT 31

1984 (Rs. '000)	PARTICULARS	Notes	1985 (Rs. '000)
	<b>CAPITAL &amp; LIABILITIES</b>		
	<b>AUTHORISED CAPITAL:</b>		
50.000	500,000 Ordinary Shares of Rs. 100/= each		50.000
	<b>ISSUED AND PAID UP CAPITAL:</b>		
5.000	50,000 Ordinary Shares of Rs. 100/= each fully paid up in cash.		5.000
12.500	195,000 Ordinary Shares (1984: 125,000) of Rs. 100/= each issued as fully paid bonus shares.		19.500
11	Shares Premium Account		11
17.511			24.511
	<b>RESERVES AND PROVISIONS</b>		
200.000	Exceptional Loss Reserve		230.000
6.000	Investment Fluctuation Reserve		6.000
52.000	General Reserve	3	62.000
30.000	Provision for Taxation	4	33.800
7.000	Provision for Bad & Doubtful Debts		10.000
295.000			341.800
7.000	Reserve for proposed issue of Bonus Shares		10.500
1.750	Proposed Dividend		2.450
1.676	Unappropriated Profit		2.716
	<b>RESERVE FOR OUTSTANDING CLAIMS</b>	5	
42.056	Fire		32.997
107.515	Marine		109.054
94.571	Miscellaneous		84.714
244.142			226.765
	<b>PREMIUM RESERVE</b>		
36.484	Fire		43.593
74.572	Marine		63.751
57.380	Miscellaneous		54.649
168.436			161.993
123.537	Amount due to other persons and bodies carrying on insurance business.		186.453
65.290	Deposits retained and/or received from other companies.		53.750
4.245	Sundry Creditors		4.902
193.072			245.105
928.587			1,015.840

TASEER HADI KHALID & CO.  
Chartered Accountants

FEROZE SHARIF & CO.  
Chartered Accounts

Karachi, 4th June, 1986



# SHEET

## DECEMBER, 1985



1984 (Rs. '000)	PARTICULARS	Notes	1985 (Rs. '000)
	<b>PROPERTY &amp; ASSETS</b>		
	<b>INVESTMENTS:</b>		
3.232	Government and other Securities		33.549
325.419	Government Treasury Deposit Receipts		399.815
7.500	Fixed Deposit Receipts.		5.000
151.791	Stock and Shares		150.331
4.084	Debentures		2.888
8.250	Profit and Loss Sharing terms deposits		6.934
500.276			598.517
	Market value as at 31st December, 1985		
	Rs. 654,943 (1984 Rs. 579,617)		
	Land and Building (including		
	Capital work-in-progress)	6	22.156
5.397			620.673
505.673			
	<b>CURRENT ASSETS:</b>		
11.493	Cash in hand and at bank		9.728
205.384	Amount due from persons and bodies		247.551
115.095	carrying on Insurance Business.		31.356
4.717	Deposits held by Ceding Companies.		6.710
	Sundry Debtors		
27.286	Interest, Dividend and Return		24.151
	accrued/outstanding.		
41.837	Advances including Taxation, Loans,		58.402
52	Deposits and Prepaid expenses.		103
405.864	Stock of Stationery etc. at cost		378.001
	<b>ADMINISTRATIVE FIXED ASSETS:</b>		
	Furniture, Fixture, Office Equipment, Vehicles and		
1.076	Books (Cost less depreciation).		1.192
	Assets relating to Bangladesh		
	(Former East Pakistan)		15.974
15.974			1,015.840
928.587			

(S.M.A. ASHRAF)  
Chief Executive

(S.M. HASAN)  
Director





# STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 1985

1984 (Rs. '000)		1985 (Rs. '000)
	<b>SOURCE OF FUND OPERATIONS</b>	
76,046	Profit before taxation	90,790
	Adjustments for items not involving movement of funds:	
206	Depreciation	220
—	Profit on sale of investments	(6,998)
23,927	(Decrease)/Increase in reserve for outstanding claims	(17,377)
(21,376)	Decrease in premium reserves	(6,443)
(42)	Profit on sale of assets	(8)
2,715		(30,606)
78,761		60,184
(1,657)	Increase/(Decrease) in Sundry Creditors	657
	Increase in amount due to other persons and bodies carrying on insurance business	62,916
230	Decrease/(Increase) in deposits held by Ceding Companies	83,739
(2,419)		
74,915	Total Funds Provided	207,496
	<b>APPLICATION OF FUNDS</b>	
4,007	Decrease in deposits retained and/or received from other companies	11,540
23,634	Increase in investment	91,243
3,430	Increase in land and buildings (including capital work-in-progress)	16,791
	Increase/(Decrease) in amount due from persons and bodies carrying on insurance business	42,167
(78)	Increase in sundry debtors	1,993
1,253	(Decrease) in interest, dividend and return accrued/outstanding	(3,135)
(7,108)	Increase in advances/loans, deposits and prepaid expenses	61
502	Increase/(Decrease) in stock of stationery etc.	51
(20)	Increase in administrative fixed assets	295
347	Taxes paid	46,505
38,039	Dividend paid	1,750
1,250	Surplus distributed to:	
	Shareholders	—
2,500	Federal Government	—
7,644	Total Funds used	209,261
75,400		(1,765)
(485)	Net movement in liquid funds	
	<b>CASH IN HAND AND AT BANK</b>	
11,493	Closing	9,728
11,978	Opening	11,493
(485)	Net movement in liquid funds	(1,765)

TASEER HADI KHALID & CO.  
Chartered Accountants.

FEROZE SHARIF & CO.  
Chartered Accountants.



# NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1985



## 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 of Pakistan. Its shares are quoted on stock exchanges in Pakistan.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Accounting

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

### (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 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.

Fire business	40%
Marine business	
— Marine Cargo	50%
— Marine Hull	100%
Miscellaneous business	
— Accident and Engineering	40%
— Aviation Hull	100%

### (e) Gratuity

The Corporation operates a funded gratuity scheme and provisions/payments are made to cover obligations under the scheme.





(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 investment is taken to the Profit and Loss Account.

(g) Land, Buildings and other administrative fixed assets and Capital Work in Progress. Land and Capital Work in Progress is shown at cost. Other fixed assets are shown at cost less depreciation calculated on the written down values using the following rates:

Building	5%
Lift	20%
Vehicles	20%
Office equipments	15%
Furniture, fixtures and books	10%

(h) Expenses of Management

These are allocated to the various Revenue Accounts in proportion to the net Premium income for the year.

(i) 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 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:

U.S. \$	=	Rs. 15.8989
Pound Sterling	=	Rs. 22.9873

3. GENERAL RESERVE	1985 (Rs. '000)	1984 (Rs. '000)
Balance as at 1 January	52,000	39,500
Add: Transfer from: Profit and Loss Appropriation	<u>10,000</u>	<u>12,500</u>
	<u>62,000</u>	<u>52,000</u>





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#### 4. PROVISION FOR TAXATION

The income tax assessments of the Corporation have been finalized upto and including assessment year 1984-85. However, the Corporation has preferred appeals before the Commissioner of Income Tax (appeals) for assessment years 1975-76, 1976-77, 1979-80 to 1982-83 and 1984-85. In case of adverse decision of above appeals, no further liability would arise.

#### 5. RESERVE FOR OUTSTANDING CLAIMS

(a) This includes a sum of Rs. 36.4 million (1984: 49.4 million) in respect of Fire, Marine and Miscellaneous losses incurred but not reported after making necessary adjustment for the year based on management experience to the amount determined by actuarial evaluation in 1983.

(b) It also includes an amount of Rs. 4,951,794 representing claims brought forward from the previous years which relate to Bangladesh (Former East Pakistan) business.

This is made up as follows:

	1985 (Rs. '000)	1984 (Rs. '000)
Fire Insurance	2,382	1,470
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.

#### 6. LAND AND BUILDINGS

	1985 (Rs. '000)	1984 (Rs. '000)
AT COST		
Capital Work in Progress including leasehold land (PIC Building at Moulvi Tamizuddin Khan Road)	21,558	4,767





#### AT WRITTEN DOWN VALUE

	1985 (Rs. '000)	1984 (Rs. '000)
PIC Head Office Building	380	400
PIC House (Residence)	217	229
Lift	1	1
	<u>22,156</u>	<u>5,397</u>

7. **ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN)**  
Assets relating to Bangladesh comprise of fixed assets and investments as follows:

	1985 (Rs. '000)	1984 (Rs. '000)
Stock and shares	7,112	7,112
Debentures	250	250
Land and building	8,608	8,608
Furniture and fixtures	4	4
	<u>15,974</u>	<u>15,974</u>

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.

#### 8. DEVALUATION

The effect of bonus voucher scheme and devaluation on settlement with National Co-insurance scheme in respect of business booked prior to 30 June 1970 has not been incorporated. Such effect shall be reflected as and when realised by National Co-insurance scheme and passed on to the Corporation.

#### 9. CAPITAL COMMITMENTS

The Corporation intends to construct the PIC House at an approximate cost of Rs. 120 million against which an amount of Rs. 21.5 million has been incurred up to 31 December 1985.

#### 10. GENERAL

(a) Figures have been rounded off to the nearest thousand rupees.

(b) Figures of previous year have been re-arranged wherever necessary for comparison purpose.



# SHAREHOLDERS' STATISTICS FOR THE YEAR ENDED 31 DECEMBER, 1985



No. of Shareholders		No. of Shares		Total Shares held
78	1	to	100 Shares	2,212
22	101	to	500 "	3,770
7	501	to	1,000 "	4,603
9	1,001	to	5,000 "	18,203
1	5,001	to	10,000 "	6,125
3	10,001	and	above "	2,10,087
<u>120</u>				<u>2,45,000</u>

Categories of Shareholders	Number	Shares held	Percentage
Individuals	96	9,447	3.86%
Investment Companies	1	4,425	1.81
Insurance Companies	10	95,381	38.93
Joint Stock Companies	2	2,401	0.98
Financial Institutions (SBP)	1	490	0.20
Government of Pakistan	1	1,24,950	51.00
Administrator, Abandoned Properties Organization, Government of Pakistan	1	123	0.05
Private Limited Companies	5	7,491	3.06
Others (Staff Provident Fund)	2	257	0.10
Bonus Fractions	1	35	0.01
	<u>120</u>	<u>2,45,000</u>	<u>100.00</u>



PAKISTAN INSURANCE CORPORATION  
K A R A C H I



**P R O X Y   F O R M**

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  
to a meeting of the shareholders of the Corporation to be held at. ....  
Karachi on the 26th day of June, 1986, and at any adjournment thereof.  
Dated this ..... day of.....

Signature of Shareholder

Affix Fifty  
Paisas 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 fixed for the meeting.
3. In case of joint holders any one of the joint holders may sign the instrument of proxy.
4. In case of a Company/Corporation, the instrument of proxy must bear its common seal or should be signed by its constituted Attorney in which case a notarially certified copy of the instrument of power should be deposited at the Head Office of the Corporation not less than 4 clear days before the date fixed for the meeting.
5. The signature on the instrument of proxy must conform to the specimen signature filed with the Corporation.