



PAKISTAN INSURANCE CORPORATION

36TH ANNUAL REPORT 1988





بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



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BOARD OF DIRECTORS



M. G. HASAN	<i>Chairman</i>
M. JAMIL ERICKZADA	<i>Director</i>
NASIM AHMAD	<i>Director</i>
MUTIUR RAHMAN	<i>Director</i>
NAZIER AHMED JAJVI	<i>Director</i>
SHAMSHAD ASHRAF KHAN	<i>Director</i>
AHMED DAWOOD	<i>Director</i>
SHEIKH MOHAMMAD RAFIQ AKHTAR	<i>Director</i>

AUDITORS:

FORD, RHODES, ROBSON, MORROW
Chartered Accountants

R.M. BILIMORIA & 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 the Thirty-Sixth Annual General Meeting of the Corporation will be held on Wednesday the 28th June, 1989, at 11.00 a.m. at Pakistan Insurance Building, M. A. Jinnah Road, near Mereweather Tower, Karachi, to transact the following business:—

- (i) To confirm the minutes of the 35th Annual General Meeting held on Wednesday the 29th June, 1988.
- (ii) To adopt the Balance Sheet as at 31st December, 1988, the Revenue Accounts, the Profit & Loss Account and the Profit & Loss Appropriation Account for the year ended 31st December, 1988.
- (iii) To announce Dividend approved by the Board of Directors for the year ended 31st December, 1988.

By Order of the Board

(ASIF ALI SHAIKH)
Secretary

Karachi the 29th March, 1989.

Notes:

- (i) The Share Transfer Books of the Corporation will remain closed from 21st June, 1989 to 28th June, 1989 (both days inclusive) for the purpose of ascertaining 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 time for holding 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, 1988



The Shareholders,
Pakistan Insurance Corporation,

Gentlemen,

Your Directors again feel pleasure in presenting herewith the 36th Annual Report on the Accounts of the Corporation for the year 1988.

2. The Gross Premium of the general insurance business in the country excluding premium from N.I.C. has recorded an increase of Rs. 352 million i.e. from Rs. 1,872 million in 1987 to Rs. 2,224 million in 1988. The table below shows the break-up of the volume of business class-wise written by the various groups of insurers.

1988 GROSS PREMIUM:

(In million of Rupees)

Class of Business	National Cos.	% Source wise	Foreign Resident Cos.	% Source	Total	% Class Wise
Fire	814	88	106	12	920	41
Marine Cargo	460	81	110	19	570	26
Marine Hull	16	100	—	—	16	1
Aviation	1	100	—	—	1	—
Engineering	56	92	5	8	61	3
Accident	591	90	65	10	656	29
TOTAL:—	1938	87	286	13	2224	100

N. B. The gross figures are based on 30% Quota Share cessions to PIC in 1988 and do not include the Bond Business.



3. The growth of PIC Business from year to year since 1958 is shown in the following table:—

(In million of Rupees)

Year	Gross Premium Income	Profit	Total Reserves/Provisions	Total Investments
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
1983	897.6	66.6	640.0	476.6
1984	817.5	76.6	677.6	500.3
1985	903.6	90.8	696.7	598.5
1986	1018.2	96.9	748.0	546.5
1987	1165.7	102.8	815.8	565.3
1988	1104.6	119.4	884.7	620.0

In spite of decrease in the gross premium from Rs. 1165.7 million in 1987 to Rs. 1104.6 million in 1988, the Underwriting profit in 1988 has substantially been increased by 8.3%.

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

(In million of Rupees)

	FIRE		MARINE		MISC		TOTAL	
	1988	1987	1988	1987	1988	1987	1988	1987
Gross Premium	362	334	266	316	476	516	1104	1166
Retro. Premium	170	174	173	186	276	331	619	691
Net Premium	192	160	93	130	200	185	485	475
Net Commission	85	76	36	49	55	48	176	173
Net Claims	91	62	47	53	112	87	250	202
Prem. Res. Adj.	13	10	(20)	16	—	14	(7)	40
Underwriting Surplus	3	12	30	12	33	36	66	60
Management Exp.	10	8	5	6	11	9	26	23
Balance	(7)	4	25	6	22	27	40	37

Net claims in 1988 as a percentage of net premium have increased from 42% in 1987 to 52% in 1988. Net Commission as a percentage of net premium has decreased slightly. The Underwriting profit for the year 1988 has increased by 8.26% over the year 1987.



5. The experience of individual classes of business during the year 1988 has been recorded as follows: —

(a) Fire Business:

The Gross Premium of Fire portfolio has increased from Rs. 334 million in 1987 to Rs. 362 million in 1988 by showing an increase of 8.4%. The said increase is due to increase under 30% Compulsory Insurance business. The increase in net premium is due to reduced retrocession under 30% Compulsory reinsurance from 61.77% in 1987 to 54.87% in 1988 and less cost for XL Re-insurance. The net commission has reduced due to increase in net premium, because of less cost of XL Re-insurance. The net claims percentage has increased as a result of flood losses in Punjab in September, 1988 and other major losses.

(b) Marine Business:

The Gross premium in the Marine Business (Cargo & Hull) has decreased by Rs. 50 million as against the increase of Rs. 6 million in 1987.

There is a decrease of Rs. 35 million in the net premium in Marine Cargo due to fall in cession from abroad and decrease in Treaty Pool premium from local market. In Marine Hull, the net premium shows a slight decrease of Rs. 2 million over last year. The overall increase of Rs. 19 million in Underwriting profit in 1988 is due to lesser strain of Commission, Losses and premium reserve mainly because of reduced net premium in 1988 over 1987.

(c) Miscellaneous Business:

The overall decrease of Gross premium of Rs. 40 million as compared to 1987, is due to substantial reduction in premium rates of PIA and of almost all the Airlines of the world accepted Facultatively by PIC in 1988.

There is an overall increase in the net premium by Rs. 15 million mainly because of less retrocession to the local companies in Accident business but the overall underwriting surplus has shown a substantial decrease in 1988.

6. PREMIUM RESERVE:

Premium Reserve has been calculated as before as 100% of the net premium in respect of Marine Hull and Aviation, 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. 565.3 million in 1987 to Rs. 620.0 million in 1988. During the year surplus funds were invested in Bearer National Fund Bonds, Stock and Shares and WAPDA Bonds.



8. PROFIT & LOSS ACCOUNT:

The Profit and Loss Account for the year 1988, shows a profit before tax amounting to Rs. 119.41 million excluding the sum of Rs. 0.44 million carry forward from the last year. The total profit available for appropriation is Rs. 119.86 million, break-up of which is given below:—

		(In million of Rupees)
Underwriting Profit		Rs. 40.55
Investment Income		Rs. 80.63
Other Income		
(Net of expenses)		Rs. (1.76)
Balance brought forward		Rs. 0.44
	TOTAL	<u>Rs. 119.86</u>

9. ALLOCATION OF PROFIT:

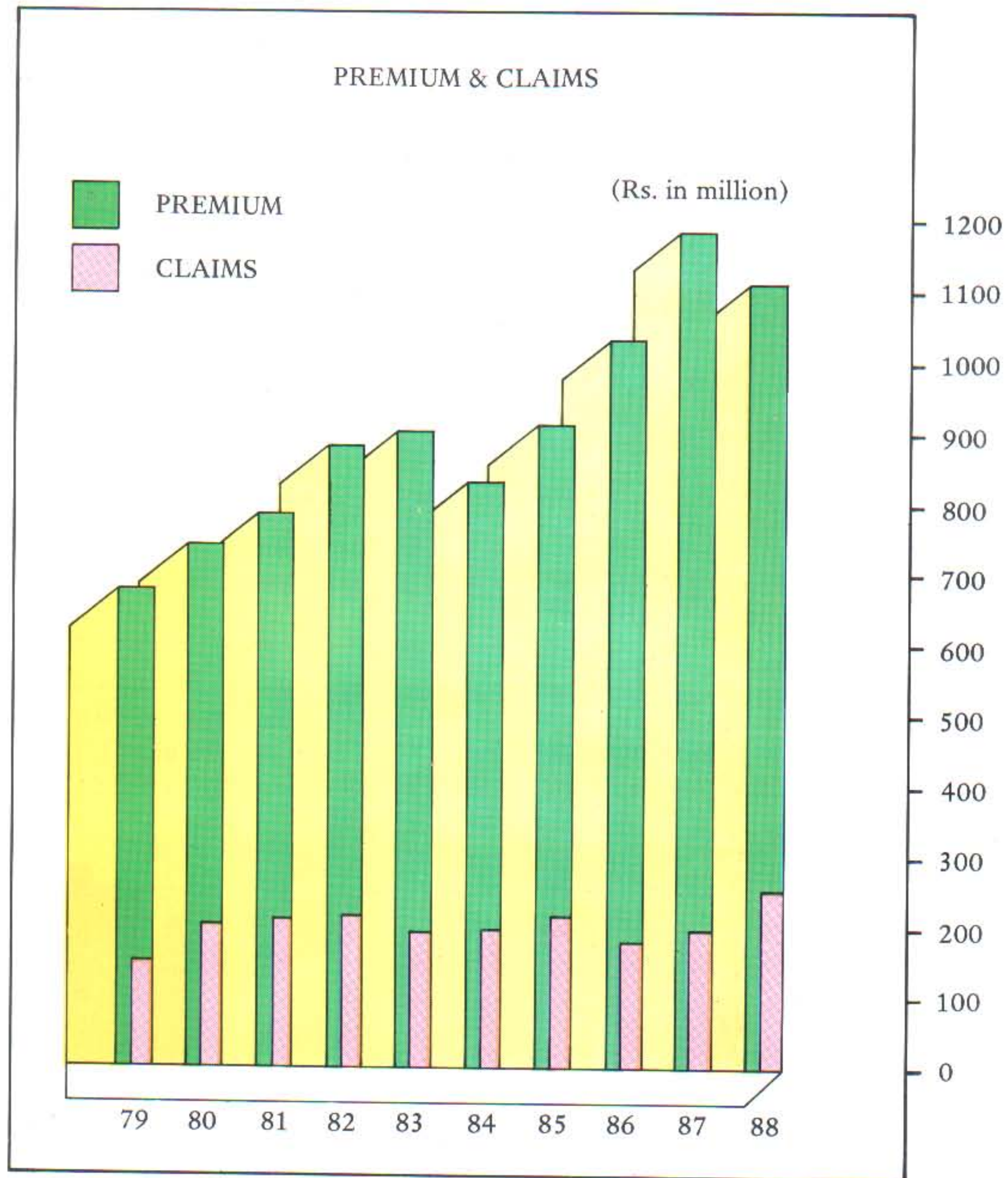
i) General Reserve	Rs. 6.00
ii) Exceptional Loss Reserve	Rs. 60.00
iii) Provision of Taxation	Rs. 26.50
iv) Proposed Dividend	Rs. 5.00
v) Provision for Bad & Doubtful Debts	Rs. 2.00
vi) Balance carried forward	Rs. 20.36
	<u>Rs. 119.86</u>
	TOTAL

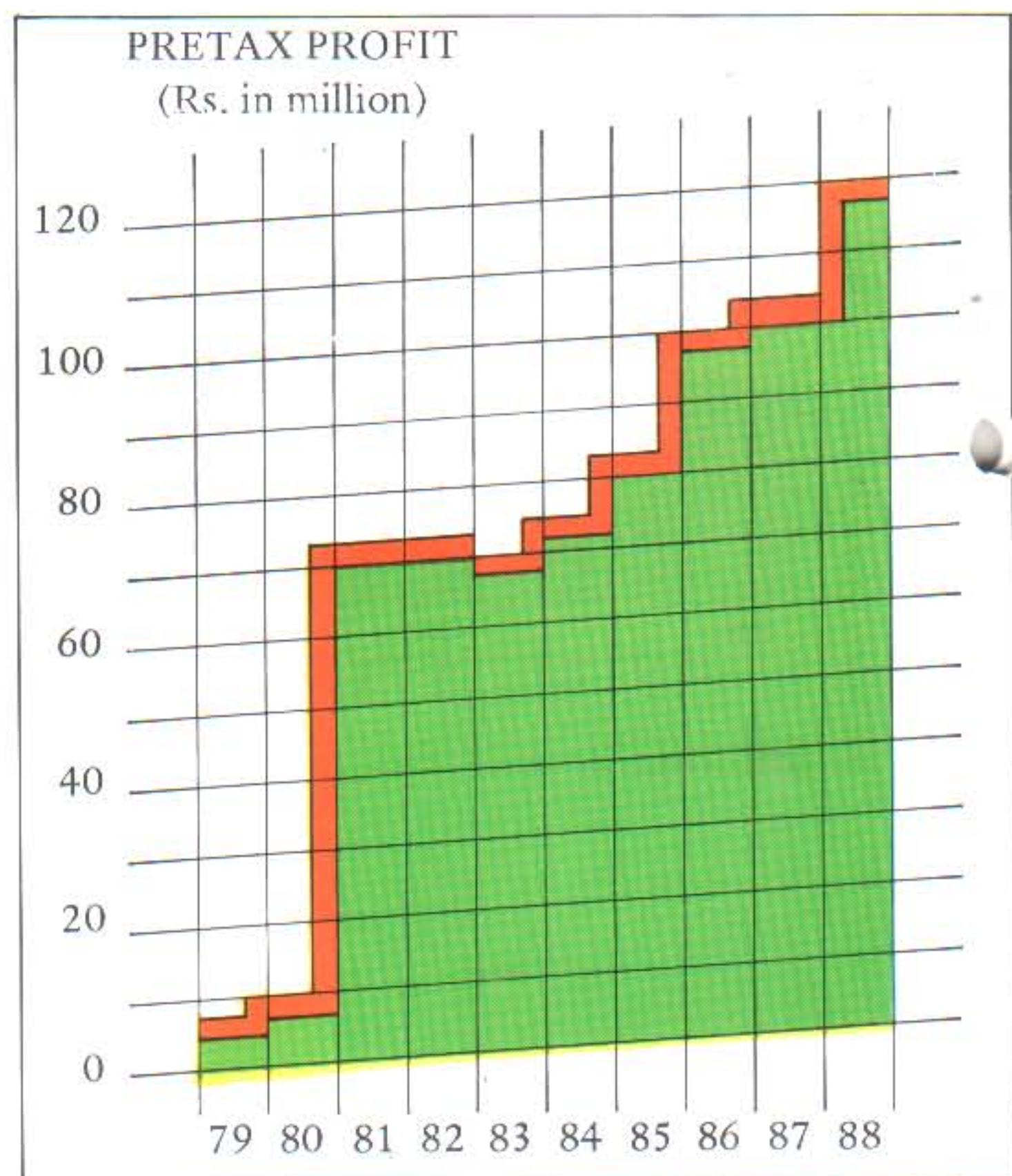
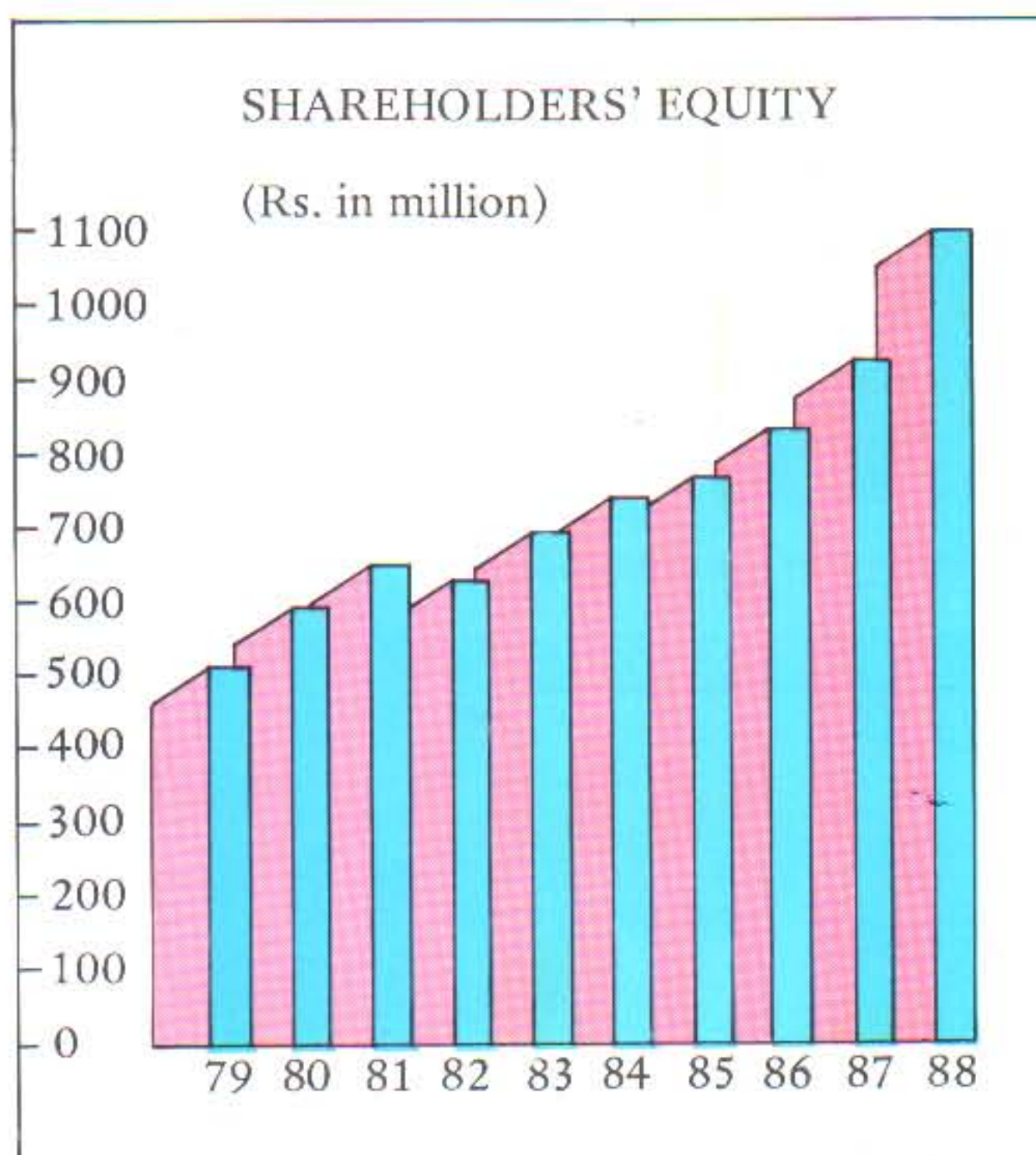
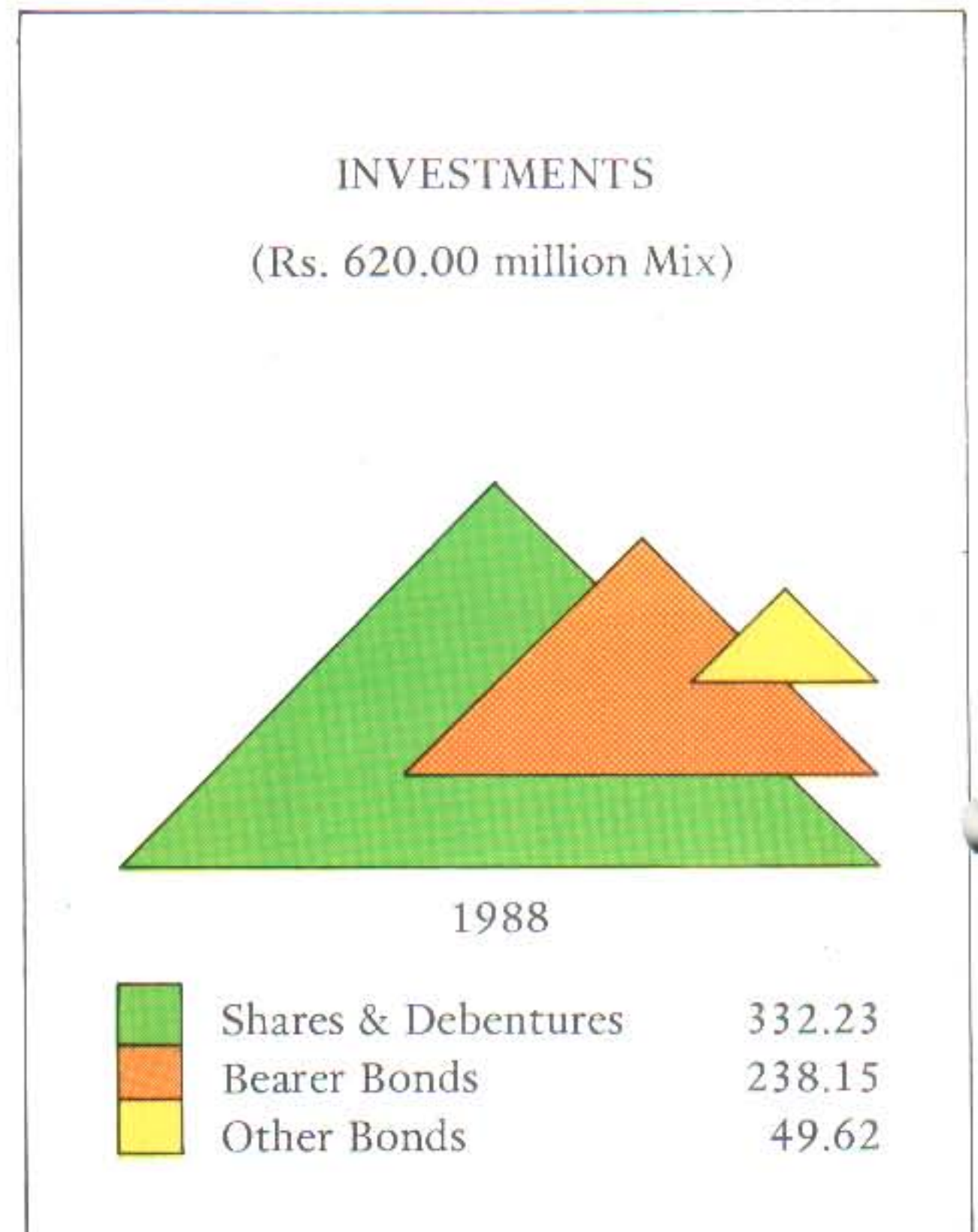
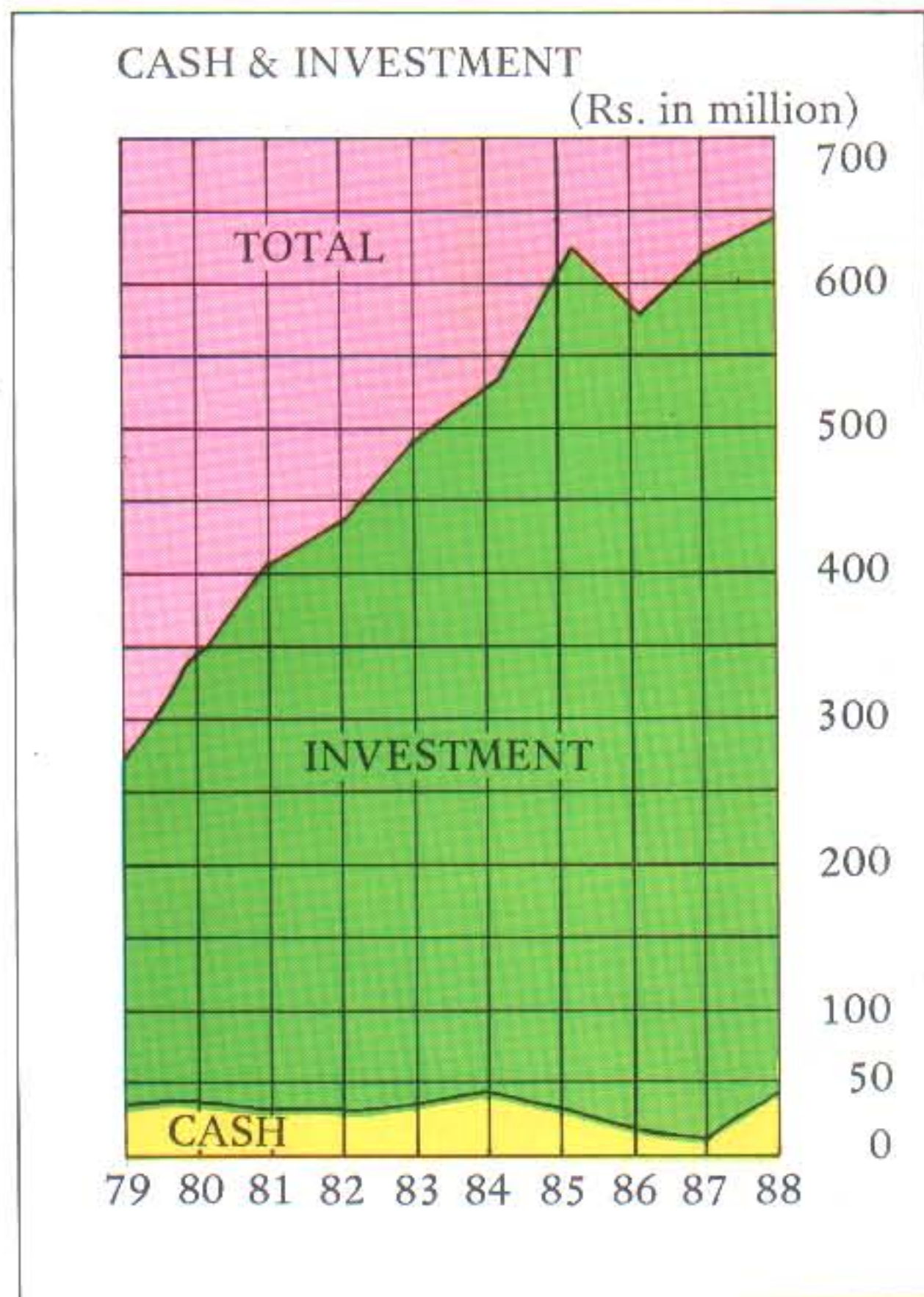
10. BALANCE SHEET:

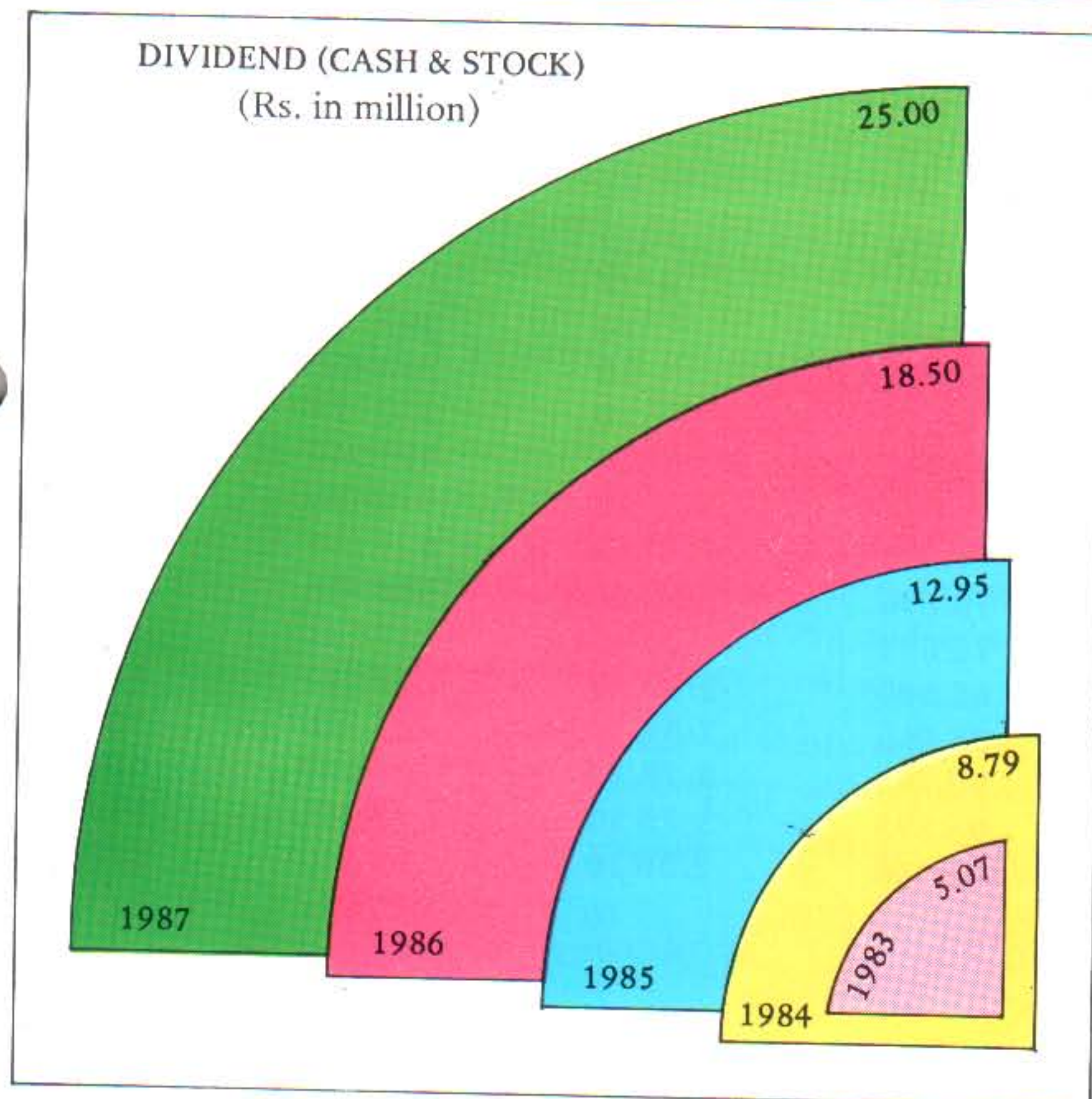
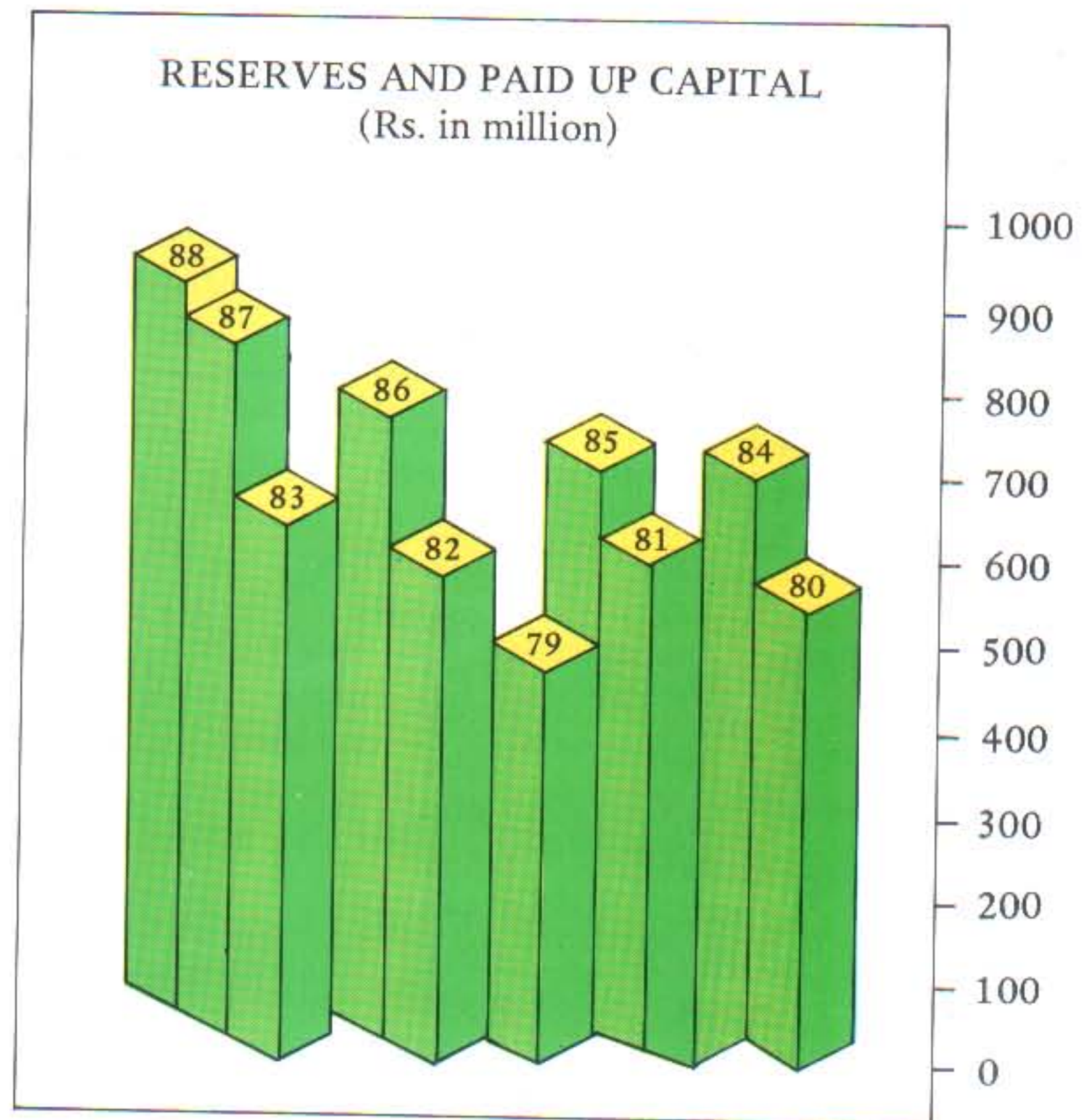
There has been an increase of Rs. 71 million in the reserves and provisions which have gone up from Rs. 816 million in 1987 to Rs. 885 million in 1988.

11. DIVIDEND:

The Directors are pleased to declare a dividend of 10% for the year 1988.









36 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	3:5B10	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	1:4B 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	505.673
1985	903.596	90.790	3:7B 10	730.558	620.673
1986	1.018.198	96.893	3:7B 10	748.086	591.001
1987	1.165.766	102.836	50	815.746	623.446
1988	1.104.600	119.411	10	884.675	678.644

AUDITORS' REPORT TO THE MEMBERS



We have audited the annexed balance sheet of Pakistan Insurance Corporation as at 31st, December, 1988 and the Fire, Marine and Miscellaneous Insurance Revenue Accounts, the profit and loss account, the profit and loss appropriation account and 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 and 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 the explanations given to us, the balance sheet, Fire, Marine and Miscellaneous Insurance Revenue accounts, the profit and loss account, the profit and 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 5, 6(b), 7, 10 & 11 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(j)) and that the statements for accounts 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, 1988 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 company and deposited in the Central Zakat Fund established under section 7 of that ordinance.

FORD, RHODES, ROBSON, MORROW
Chartered Accountants

R.M BILIMORIA & CO.
Chartered Accountants

Karachi 5th June, 1989,



REVENUE ACCOUNT FOR THE CONSOLIDATED FOR ALL

1987 (Rs. '000)	PARTICULARS	1988 (Rs. '000)
173,131	Commission paid (Less: Retrocessions)	175,593
219,944	Claims (Less: Retrocessions) paid during the year	242,054
197,138	Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated.	205,342
417,082		447,396
215,046	Less: Outstanding at the end of previous year.	197,138
202,036		250,258
22,910	Expenses of Management	26,171
217,608	Premium Reserve for the year	210,333
37,483	Profit transferred to Profit and Loss Account.	40,553
653,168		702,908

FORD, RHODES, ROBSON, MORROW
Chartered Accountants

R. M. BILIMORIA & CO.
Chartered Accountants

Karachi, 5th June, 1989.

YEAR ENDED 31ST DECEMBER, 1988

CLASSES OF BUSINESS



1987 (Rs. '000)	PARTICULARS	1988 (Rs. '000)
177,040	Premium Reserve brought forward from last year	217,608
1,165,766	Premium	1,104,600
689,638	Less: Retrocessions	619,300
476,128		485,300
<u>653,168</u>		<u>702,908</u>

(M. G. HASAN)
Chief Executive

(NAZIER AHMED JAJVI)
Director



REVENUE ACCOUNT FOR THE FIRE

1987 (Rs. '000)	PARTICULARS	1988 (Rs. '000)
76,030	Commission paid (Less: Retrocessions)	84,231
59,751	Claims (Less: Retrocessions) paid during the year	84,906
45,914	Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated.	52,010
105,665		136,916
43,759	Less: Outstanding at the end of previous year.	45,914
61,906		91,002
7,719	Expenses of Management	10,342
65,341	Premium Reserve for the year	77,880
4,451	Profit transferred to Profit and Loss Account	—
215,447		263,455

FORD, RHODES, ROBSON, MORROW
Chartered Accountants

R. M. BILIMORIA & CO.
Chartered Accountants

Karachi, 5th June, 1989.

YEAR ENDED 31ST DECEMBER, 1988 BUSINESS



1987 (Rs. '000)	PARTICULARS	1988 (Rs. '000)
55,031	Premium Reserve brought forward from last year	65,341
333,827	Premium	362,424
173,411	Less: Retrocessions	170,662
160,416		191,762
	Loss transferred to Profit and Loss Account	6,352
<u>215,447</u>		<u>263,455</u>

(M. G. HASAN)
Chief Executive

(NAZIER AHMED JAJVI)
Director



REVENUE ACCOUNT FOR THE MARINE

1987 (Rs. '000)	PARTICULARS	1988 (Rs. '000)
48,989	Commission paid (Less: Retrocessions)	36,195
65,243	Claims (Less: Retrocessions) paid during the year	49,392
89,057	Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated.	86,539
154,300		135,931
101,276	Less: Outstanding at the end of previous year.	89,057
53,024		46,874
6,293	Expenses of Management	5,048
56,983	Premium Reserve for the year	37,247
6,397	Profit transferred to Profit and Loss Account	25,230
<u>171,686</u>		<u>150,594</u>

FORD, RHODES, ROBSON, MORROW
Chartered Accountants

R. M. BILIMORIA & CO.
Chartered Accountants

Karachi, 5th June, 1989.

YEAR ENDED 31ST DECEMBER, 1988

BUSINESS



1987 (Rs. '000)	PARTICULARS	1988 (Rs. '000)
40,900	Premium Reserve brought forward from last year	56,983
316,296	Premium	266,363
185,510	Less: Retrocessions	172,752
130,786		93,611
<u>171,686</u>		<u>150,594</u>

(M. G. HASAN)
Chief Executive

(NAZIER AHMED JAJVI)
Director



REVENUE ACCOUNT FOR THE MISCELLANEOUS

1987 (Rs. '000)	PARTICULARS	1988 (Rs. '000)
48,112	Commission paid (Less: Retrocessions).	55,167
94,950	Claims (Less: Retrocessions) paid during the year	107,756
62,167	Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated.	66,793
157,117		174,549
70,011	Less: Outstanding at the end of previous year.	62,167
87,106		112,382
8,898	Expenses of Management	10,781
95,284	Premium Reserve for the year	95,206
26,635	Profit transferred to Profit and Loss Account	21,675
266,035		295,211

FORD, RHODES, ROBSON, MORROW
Chartered Accountants

R. M. BILIMORIA & CO.
Chartered Accountants

Karachi, 5th June, 1989.

YEAR ENDED 31ST DECEMBER, 1988 BUSINESS



1987
(Rs. '000)

PARTICULARS

1988
(Rs. '000)

81,109

Premium Reserve brought forward from last year

95,284

515,643

Premium

475,813

330,717

Less: Retrocessions

275,886

184,926

199,927

266.035

295,211

(M. G. HASAN)
Chief Executive

(NAZIER AHMED JAJVI)
Director

Karachi, 5th June, 1989.



PROFIT AND LOSS ACCOUNT FOR THE YEAR

1987 (Rs. '000)	PARTICULARS	Note	1988 (Rs. '000)
40	Expenses of Management (Not allocable to any particular Revenue Account)		39
48	Director's fee and T. A.		67
114	Auditor's fee		136
	Advertisement & publicity		
202			242
—	E.C.O. Expenses		169
137	Training & research		458
35	Charity & donation		150
172			777
378	Interest paid on deposits retained from other Companies		307
3,623	Difference in exchange		2,268
11	Bad Debts written off		23
880	Loss on sale on Investment		—
256	Zakat deducted at source		3,109
5,522			6,726
102,836	Net Profit for the year carried to Profit & Loss Appropriation Account		119,411
108,358			126,137

PROFIT AND LOSS APPROPRIATION ACCOUNT

2,000	Provision for bad & doubtful debts	2,000
32,500	Provision for taxation	26,500
3,000	General reserve	6,000
40,000	Exceptional loss reserve	60,000
20,000	Reserve for proposed issue of bonus shares	—
5,000	Proposed dividend	5,000
445	Unappropriated profit transferred to Balance Sheet	20,356
102,945		119,856

FORD, RHODES, ROBSON, MORROW
Chartered Accountants

R. M. BILIMORIA & CO.
Chartered Accountants

Karachi, 5th June, 1989.

ENDED 31ST DECEMBER, 1988



1987 (Rs. '000)	PARTICULARS	Note	1988 (Rs. '000)
64,583	INVESTMENT INCOME Interest and dividends	13	80,629
4,451	PROFIT/(LOSS) TRANSFERRED FROM REVENUE ACCOUNTS		(6,352)
6,397	Fire		25,230
26,635	Marine		21,675
	Miscellaneous		
37,483			40,553
4,319	OTHER RECEIPTS		2,825
1,357	Interest received on deposits retained by other Companies		1,602
330	Interest on short term deposits		207
1	Miscellaneous Income		2
	Share transfer fee		
6,007			4,636
265	Profit on sale of investment		88
20	Profit on sale of assets		231
6,292			4,955
108,358			126,137

FOR THE YEAR ENDED 31ST DECEMBER, 1988

109	Balance brought forward from previous year	445
102,836	Net Profit for the year as per Profit and Loss Account	119,411
102,945		119,856

(M. G. HASAN)
Chief Executive

(NAZIER AHMED JAJVI)
Director



BALANCE AS AT 31ST

1987 (Rs. '000)	NOTES	1988 (Rs. 000)
CAPITAL & LIABILITIES		
AUTHORISED CAPITAL:		
<u>50,000</u>		<u>50,000</u>
500,000 Ordinary Shares of Rs. 100/- each		
ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
50,000 Ordinary shares of Rs. 100 each		
5,000		5,000
fully paid up in cash		
450,000 Ordinary Shares		
45,000		45,000
of Rs. 100/- each (Issued as fully paid		
bonus shares)		
50,000		50,000
11		11
Share Premium Account		
RESERVES:		
300,000		360,000
Exceptional Loss Reserve		
6,000		6,000
Investment Fluctuation Reserve		
81,000	3	87,000
General Reserve		
20,000	4	20,000
Reserve for proposed issue of Bonus Shares		
445		20,356
Un-appropriated Profit		
407,445		493,356
PROVISIONS:		
84,802	5	111,302
Provision for Taxation		
14,000		16,000
Provision for Bad and Doubtful Debts		
98,802		127,302
PROPOSED DIVIDEND:		
5,000		5,000
Proposed Dividend		
RESERVE FOR OUTSTANDING CLAIMS:		
45,914	6	52,010
Fire		
89,057		86,539
Marine		
62,167		66,793
Miscellaneous		
197,138		205,342
PREMIUM RESERVE:		
65,341		77,880
Fire		
56,983		37,247
Marine		
95,284		95,206
Miscellaneous		
217,608		210,333
Amount due to other persons and bodies		
120,705		117,360
carrying on insurance business		
Deposits retained and/or received		
31,630		27,932
from other companies		
7,608	7	7,809
Sundry Creditors		
2,310		2,556
Retention money payable		
162,253		155,657
<u>1,138,257</u>		<u>1,247,001</u>

FORD, RHODES, ROBSON, MORROW
Chartered Accountants
Karachi, 5th June, 1989.

R.M. BILIMORIA & CO.
Chartered Accountants

SHEET DECEMBER, 1988



1987
(Rs. '000)

NOTES

1988
(Rs. '000)

PROPERTY & ASSETS INVESTMENTS:

137,531	Bearer National Fund Bonds
296,926	Stock and Shares
824	Debentures
50,000	WAPDA Bonds
	Foreign Exchange Bearer Certificates
80,000	N. D. F. C.
565,281	Market value Rs. 760,242 (1987 Rs. 690,436)
58,165	Land and Building (including Capital work-in-progress)

238,040
331,533
700
49,625
110
—

620,008

8

58,636

CURRENT ASSETS:

273,113	Amount due from persons and bodies carrying on Insurance Business
73,393	Deposits held by Ceding Companies
12,675	Cash in hand and at bank
	Interest, Dividend and Return accrued/outstanding
23,014	Sundry Debtors
9,140	Advances including Taxation, Loans, Deposits and Prepaid Expenses
105,194	Stocks of Stationery etc. at cost
53	
496,582	

253,515
58,680
40,403
41,978
9,538
145,012
54

549,180

ADMINISTRATIVE FIXED ASSETS:

	Furniture, Fixture, Office Equipments
	Vehicles and Books
1,755	(Cost less depreciation)
500	Deferred Revenue Expenditure
15,974	Assets relating to Bangladesh (Former East Pakistan)

9

1,952

1,251

10

15,974

1,138,257

1,247,001

(M. G. HASAN)
Chief Executive

(NAZIER AHMED JAJVI)
Director



STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED 31ST DECEMBER, 1988

1987 (Rs. '000)		1988 (Rs. '000)
	FINANCIAL RESOURCES WERE PROVIDED BY OPERATIONS	
102,836	Profit before taxation	119,411
	Items not involving movement of funds	
361	Depreciation	463
615	Loss/(Profit) on sale of investments	(88)
(17,909)	Reserve for outstanding claims	8,204
40,567	Increase/ (Decrease) in premium reserve	(7,275)
(20)	Profit on sale of administrative fixed assets	(231)
23,614		1,073
	Other Sources	
381,005	Sale proceed of investments	82,362
55	Sale proceed of fixed assets	423
381,060		82,785
507,510		203,269
	APPLICATION OF FUNDS	
400,332	Investments purchased	137,001
13,761	Land and Building including (Capital Working-in-progress)	498
	Additions to administrative fixed assets and deferred revenue expenditure	2,249
1,290	Taxes paid	37,607
19,673	Dividend paid	5,000
3,500		182,355
438,556		20,914
68,954		
	INCREASE/(DECREASE) IN WORKING CAPITAL ANALYSIS OF INCREASE/(DECREASE) IN WORKING CAPITAL	
(3,123)	Increase/(Decrease) in Current Assets	
	Cash in hand and at bank	27,728
(24,263)	Amount due from persons and bodies carrying on Insurance business	(19,598)
2,677	Deposits held by ceding companies	(14,713)
1,199	Sundry debtors	399
(292)	Interest, dividend and returns accrued/ outstanding	18,964
	Advances including taxation, loans, deposits and prepaid expenses	1,536
1,508	Stock of Stationery	2
(34)		14,318
(22,328)		
	(INCREASE)/DECREASE IN CURRENT LIABILITIES	
86,831	Amount due to persons and bodies carrying on Insurance business	3,345
5,148	Deposit retained and/or received from other companies	3,698
8	Sundry Creditors	(201)
(705)	Retention money payable	(246)
91,282		6,596
68,954		20,914

FORD, RHODES, ROBSON, MORROW
Chartered Accountants
Karachi, 5th June, 1989

R.M. BILIMORIA & CO
Chartered Accountants

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 1988



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 & reinsurance business in Pakistan. Its shares are quoted on stock exchanges in Pakistan.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of accounting/formate 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 regulations 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 account as and when declared, except for Preference Shares and other investments where it is recognised on accrual basis.

(h) Land and Building (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 equipments	15
Furniture, fixtures and books	10

(i) Expenses of Management:

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

(j) 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:

	1988	1987
U.S. \$	18.5700	17.4325
Pound Sterling	33.2865	32.2623

3. GENERAL RESERVE:	1988	1987
	(Rs. in '000)	(Rs. in '000)
Balance as at 1st January	81,000	78,000
Add: Transfer from:		
Profit and Loss Appropriation Account	6,000	3,000
	<u>87,000</u>	<u>81,000</u>



4. RESERVE FOR PROPOSED ISSUE OF BONUS SHARES:

At the 35th annual general meeting of the shareholders held on 29th June, 1988, in addition to payment of 10% dividend for the year 1987, bonus shares in the proportion of 2:5 was proposed subject to the approval of Federal Government. However, the Federal Government, pursuant to section 32 of the Pakistan Insurance Corporation Act, 1952, directed to compensate the shareholders by giving them cash payout at a higher rate, instead of 40% bonus, hence, a payment of cash dividend of 40% has subsequently been made.

5. PROVISION FOR TAXATION:

The income tax assessments of the Corporation have been finalised upto and including assessment year 1988-89. The appeal against assessment for the assessment year 1988-89 is pending before the Commissioner of Income-tax (Appeals). The Corporation has, however, preferred appeals for certain assessment years before the Appellate Tribunal. Further, the Income tax Officer is yet to finalise orders for certain assessment years which have been set-aside by the Commissioner of Income tax (Appeals). A net amount of Rs. 30.4 million paid for 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 are expected to be decided in its favour.

6. RESERVE FOR OUTSTANDING CLAIMS:

- (a) This includes a sum of Rs. 13.0 million (1987 : 13.0 million) in respect of Marine losses incurred but not reported, estimated on the basis of management experience.
- (b) It also includes an amount of Rs. 4.952 million (1987: Rs. 4.952 million) representing claims brought forward from the previous years which relate to Bangladesh (Former East Pakistan) business. This is made up as follows:—

	1988 (Rs. '000)	1987 (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.

7. SUNDRY CREDITORS:

It includes an amount of Rs. 0.809 million (1987: Rs. 0.809 million) relating to Bangladesh creditors.



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

	1988 (Rs. '000)	1987 (Rs. '000)
Capital work-in-progress including leasehold land (PIC Building at Moulvi Tamizuddin Khan Road) less realisation of contractor's bonds Rs. 9 million	58,124	57,626
At written Down value:		
PIC Head Office Building	326	343
PIC House (Residence)	185	195
Lift	1	1
	512	539
	<u>58,636</u>	<u>58,165</u>

9. DEFERRED REVENUE EXPENDITURE:

The Software/System Development Cost incurred during the year is being deferred to be spread over a period of 5 years from the date of completion/implementation of computerisation activities.

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

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

	1988 (Rs. '000)	1987 (Rs. '000)
FIXED ASSETS:		
Land and Building	8,608	8,608
Furniture & Fixtures	4	4
	<u>8,612</u>	<u>8,612</u>
INVESTMENTS:		
Stock and Shares	7,112	7,112
Debentures	250	250
	<u>7,362</u>	<u>7,362</u>
	<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.

11. NATIONAL CO-INSURANCE SCHEME:

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. National Co-insurance Scheme (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 Re-insurances accepted by PIC and commission and claims paid to NCS including Bonus Voucher 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 authorization by the management of NCS and is to be certified by their auditors.



12. CAPITAL COMMITMENT:

The Corporation is constructing a building for its head office at an estimated cost of Rs. 136 million. The cost incurred upto 31st December, 1988 amounts to Rs. 57.3 million (1987: Rs. 56.8 million).

13. INVESTMENT INCOME:

Investment income is shown net of Rs. 0.716 million being interest on debentures now written off.

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 year have been re-arranged wherever necessary to facilitate comparison.



SHAREHOLDERS' STATISTICS FOR THE YEAR ENDED 31ST DECEMBER, 1988

No. of Shareholders		Shareholdings			Total Shares held
316	1	to	100	Shares	11,135
85	101	to	500	"	20,201
8	501	to	1,000	"	5,942
13	1,001	to	5,000	"	29,702
1	10,001	to	20,000	"	12,500
1	20,001	to	50,000	"	24,710
1	50,001	to	150,000	"	140,810
1	150,001	to	255,000	"	255,000
<u>426</u>					<u>500,000</u>

Categories of Shareholders	Number	Shares held	Percentage
Individuals	403	42,509	8.50
Investment Companies (ICP)	1	3,031	0.61
Insurance Companies	10	182,847	36.57
Joint Stock Companies	2	2,072	0.42
Financial Institution (SPB)	1	1,000	0.20
Government of Pakistan	1	255,000	51.00
Administrator, Abandoned Properties Organization, Government of Pakistan.	1	250	0.05
Private Limited Companies	5	12,767	2.55
Other (Staff Provident Fund)	2	524	0.10
	<u>426</u>	<u>500,000</u>	<u>100.00</u>

**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 to a meeting of the shareholders of the Corporation to be held at
..... Karachi on the 28th day of June, 1989, 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 notari-ally 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.
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