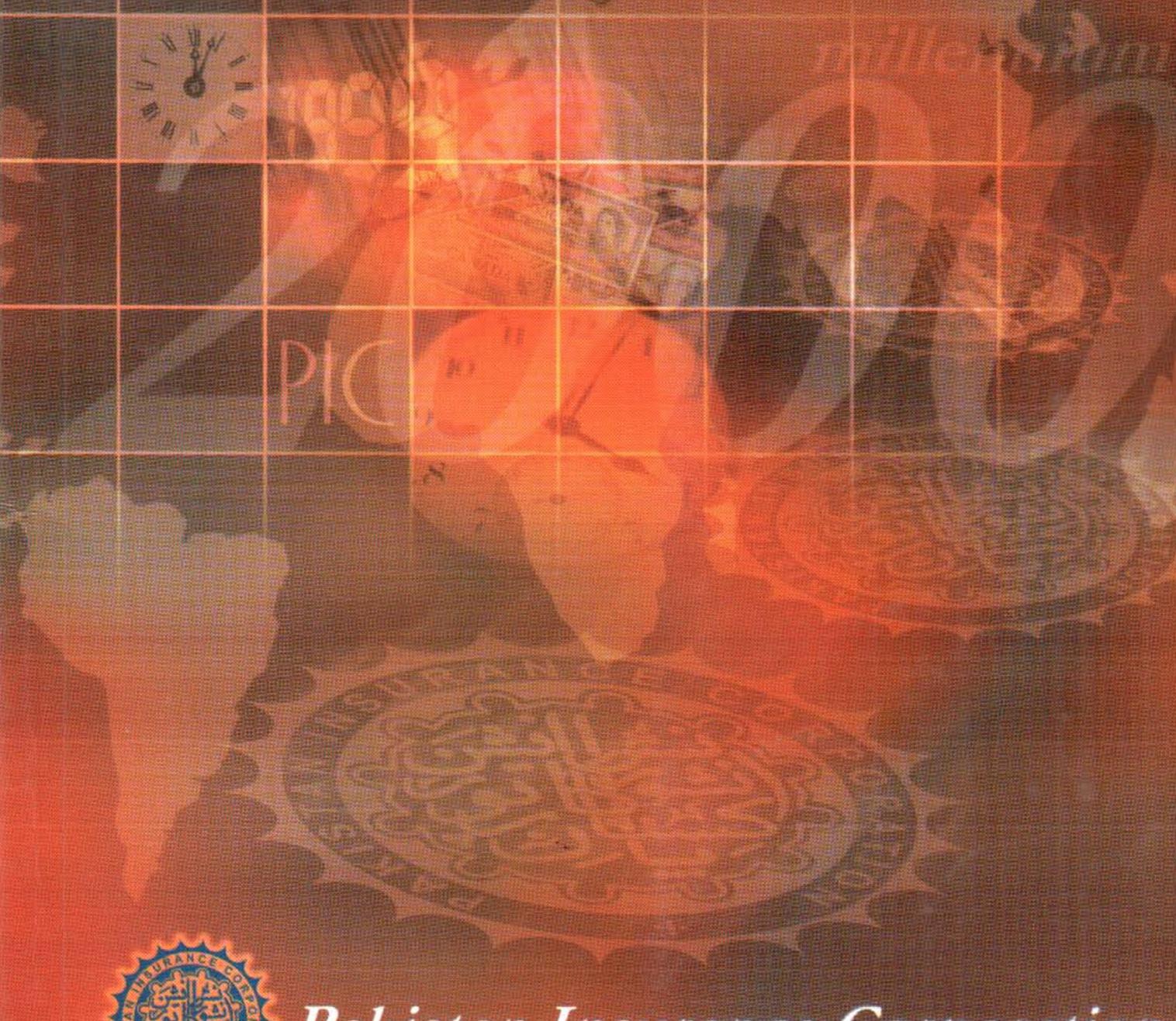
40 Annual Report 1998





Pakistan Insurance Corporation

There's Safety in Numbers Pakistan Insurance Corporation is The Proof!

The only professional reinsurance organization in the country.

Provides reinsurance facilities to national companies by sharing their liabilities.

Helps develop Pakistan's insurance industry by promoting growth and training of the insurance business.

Reduces outflow of foreign exchange by saving on foreign exchange on reinsurance premia.

Plays a significant role in the economic development of the country.

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Pakistan Insurance Corporation Reassuring

Reassuring the safeguard of National interests

PIC Towers, 32-A, Lalazar Drive, M. T. Khan Road, P.O. Box No. 4777. Karachi - Pakistan Telegrams: "REINSUCORP" Telex: 20428 PAKRE Telefax: (92-21) 9202921-22 Ph: 9202908-14 E-mail: pic@khi.compol.com Website: www.pakre.com.pk

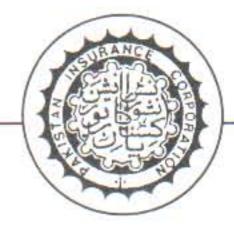




Our Vision

PIC is committed to conserve precious foreign exchange on re-Insurance cost, dedicated to create retention capacity in local market and strengthen financial position of Insurance companies through retrocession from compulsory pool.

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Board of Directors



SAYED MUZAFAR ALI SHAH	CHAIRMAN
DR. NAJEEB SAMIE	DIRECTOR
MR. S. M. RAFIQUE AKHTAR	DIRECTOR
MR. AFTAB AHMED KHAN	DIRECTOR
MR. M. JAMIL ERICKZADA	DIRECTOR
MR. SALEEM IQBAL QURESHI	DIRECTOR
MR. NAVEED HASAN	DIRECTOR

AUDITORS:

SIDAT HYDER QAMAR & CO. Chartered Accountants

RAHMAN SARFRAZ & CO. Chartered Accountants

HEAD OFFICE:

PIC Towers, 32-A, Lalazar Drive, M. T. Khan Road,
P.O.Box: 4777, Karachi - Pakistan.
Telephone No.: 9202908 to 14
Telex: 20428 PAKRE PK Telefax: 9202921 - 9202922
E Mail: pic@khi.compol.com

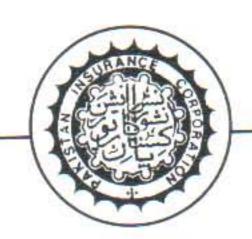
ZONAL OFFICE:

Al-Jannat, Bank Square, Lahore.

BANKERS

National Bank of Pakistan Ltd. Habib Bank Limited Muslim Commercial Bank Ltd.

Senior Management



Mr. Abdul Ghaffar Qureshi

Mr. S. S. Momin

Mr. Mohammad Ali

Mr. Mohammad Yakoob

Mr. Sajid Ali Khan

Mrs. Ghazala Imran

Mr. Asghar Imam Khalid

Mr. Ayaz Hussain M. Gaad

Mr. Abbas Raza Rizvi

Mr. Fida Hussain Samoo

Mr. Reyazul Hasan

Mr. S. M. Sadiq

Mr. Shehzad Farooq Lodhi

Mr. Haq Nawaz Shah

Executive Director (Reinsurance)

Secretary

Chief Manager (Reinsurance)

Chief Manager (Finance & Accounts)

Chief Manager (DPD)

Chief Manager (NZO), Lahore

Manager (Internal Audit)

Manager (Administration)

Manager (CRT/AVN/ECO)

Manager (Investment/FT)

Manager (Accident/Engg.)

Manager (Marine)

Manager (Establishment)

Manager (F&A)

Notice



Notice is hereby given that the Forty Sixth annual general meeting of the shareholders of the Pakistan Insurance Corporation will be held on Monday 6th December, 1999 at 10 a.m. at PIC Towers, 32-A, Lalazar Drive, M. T. Khan Road, Karachi, to transact the following business:

- (1) To confirm the minutes of the 45th annual general meeting held on 29th December 1998.
- (2) To receive, consider and adopt the audited balance sheet as at 31st December, 1998, the revenue accounts, the profit & loss account and the profit & loss appropriation account for the year ended 31st December, 1998.
- (3) To declare dividend, as recommended by the Board of Directors for the year ended 31st December, 1998.
- (4) To transact any other business with the permission of the Chair.

By order of the Board

(S. S. MOMIN) Secretary

Karachi, the 25th October, 1999.

NOTES

- (i) The share transfer books of the corporation shall remain closed for seven days from 30th November, 1999 to 6th December, 1999 (both days inclusive) to ascertain the entitlement of the dividend.
- (ii) A shareholder eligible to attend and vote at the meeting may appoint another shareholder as his/her proxy to attend and vote on his/her behalf. In order to be effective, proxies must be received by the Secretary of the Corporation not less than four (4) clear days before the date of the meeting.
- (iii) The shareholders are requested to immediately notify change in their address, if any.



Report of the Board of Directors on the Working of the Corporation for the year ended 31st December, 1998.

The Shareholders, Pakistan Insurance Corporation,

Gentlemen,

Your directors again feel pleasure in presenting the 46th annual report on the accounts of the Corporation for the year 1998.

2. The growth of PIC business since 1968 is shown in the following table :

Year	Gross Premium Income	Profit/Loss	Total Reserves	Total Investments
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
1988	1104.6	119.4	885.0	620.0
1991	1526.3	48.9	1175.4	724.0
1992	1735.4	116.0	1329.5	847.5
1993	1677.3	169.5	1447.7	841.0
1994	1983.7	142.2	1442.9	903.9
1995	2207.8	136.2	1468.8	860.2
1996	2548.5	211.6	1610.0	953.8
1997	2704.1	(14.6)	1763.0	1085.0
1998	2708.7	56.2	1928.0	1271.0

ear



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

(Rs.	in	mil	lion
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							1	milition		
	F	ire	Ma	rine	M	isc.	Total			
	1997	1998	1997	1998	1997	1998	1997	1998		
Gross premium	851	937	386	399	1467	1372	2704	2708		
Retro. Premium	510	443	165	150	807	641	1482	1234		
Net Premium	341	494	221	249	660	371	1222	1474		
Net Commission	164	206	76	84	208	212	448	502		
Net Claims	161	161	150	112	448	502	759	775		
Prem. Res. Adjustment	(11)	61	6	15	43	30	38	106		
Underwriting surplus	27	66	(11)	38	(39)	(13)	(23)	91		
Management Exp.	22	36	14	18	43	58	79	107		
Underwriting Profit/loss	5	30	(25)	20	(82)	(66)	(102)	(16)		

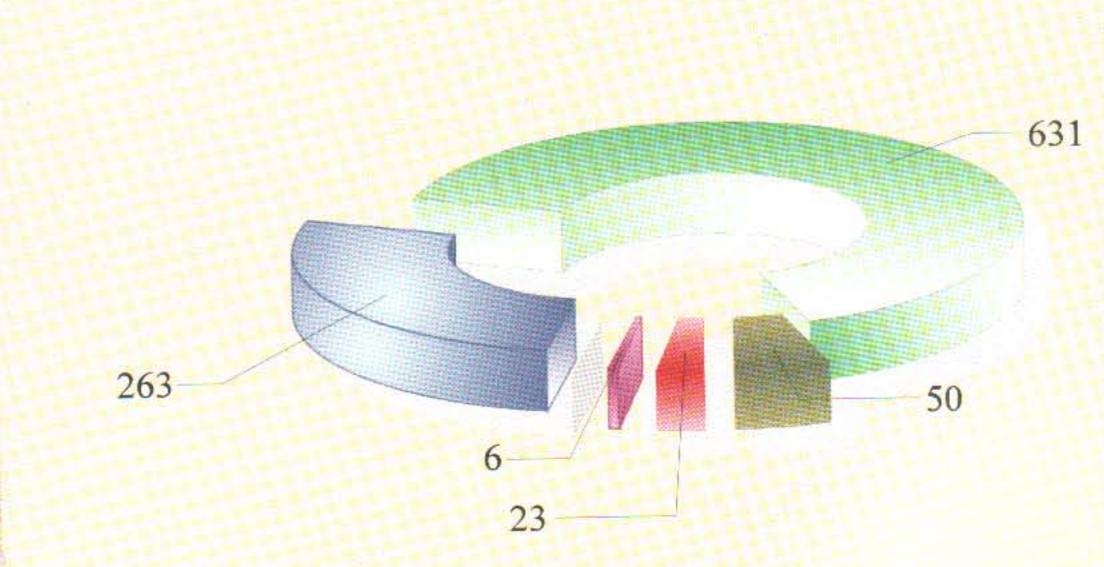
- 4. The gross premium income in 1998 is Rs. 2,708 million against Rs. 2,704 million in 1997 which shows the same level of business as last year. PIC continues to retain about 29% market share in the general insurance market of Pakistan.
- 5. The management expenses, in percentage terms, are only about 4% of the gross premium income. This ratio compares favourably both with the direct insurance companies and the reinsurance companies operating either nationally or internationally.
- 6. PIC installed an IBM Computer AS/400 and started expanding computerisation to more areas of its operations.
- 7. As in the past, Premium Reserve has been calculated at 100% of the net premium in respect of Marine Hull and Aviation Hull, 50% of the net premium for the Marine Cargo and 40% of the net premium for Fire, Accident and Engineering Business.
- 8. In 1998, PIC's investments crossed the Rs. twelve hundred million and touched the all-time high figure of Rs. 1,271 million from that of Rs. 1,085 million in 1997 and Rs. 954 million in 1996. The investments thus increased by about Rs. 186 million in 1998 over those of 1997 and by Rs. 131 million in 1996, The break-up value of PIC's share as at 31st December, 1998 was above Rs. 1,900/- and the price/earning ratio for the year 1998 was Rs. 112/- per share.

DIVIDEND:

The Directors are pleased to declare a dividend of 10% for the year 1998 and also take this opportunity to thank all insurance companies, its chairman, directors, officers and staff of the corporation for the co-operation extended by them in running the affairs of the corporation.

BREAK-UP VALUE OF PIC SHARE AS AT 31ST DECEMBER, 1998

	(Rs. in millions)
Paid-up Capital	50
Reserve for Exceptional losses	631
Genereal Reserve	263
Investment Fluctuation Reserve	6
Profit & Loss Appropriation (balance)	23
Net worth (Owners' equity)	973



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Break-up value per	r share		Rs. 1946
of Rs. 100/- each			

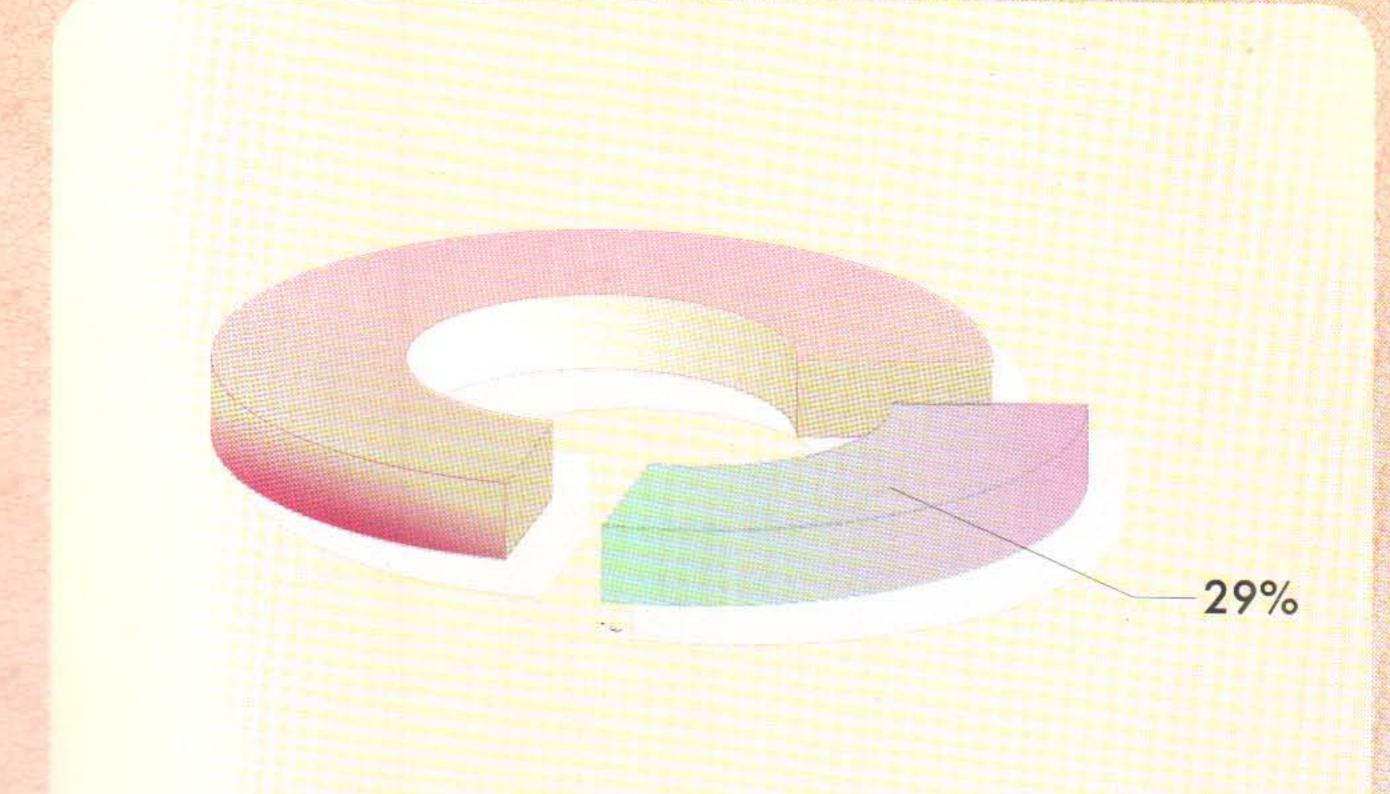
PAKISTAN INSURANCE MARKET AND PIC'S SHARE 1998

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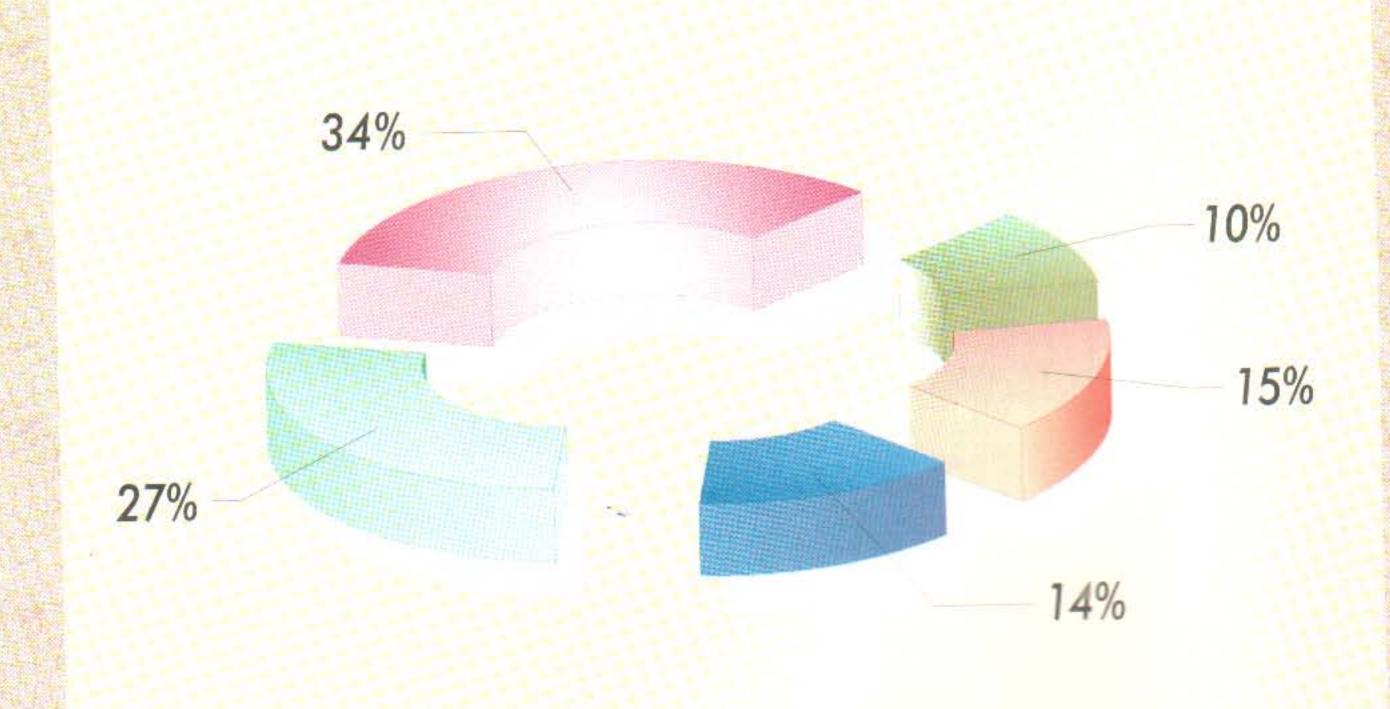
946

1) Gross Premium	(Rs. in million)
I) Gross Freimon	
a) Insurance Market	9,375
b) PIC	
2) PIC's Share of Market	29%



GROSS PREMIUM INCOME BY CLASS OF BUSSINESS 1998

	(Rs. in million)
Gross Premium	% of Total
937	34
727	27
370	14
399	15
275	10
2,708	100
	937 727 370 399

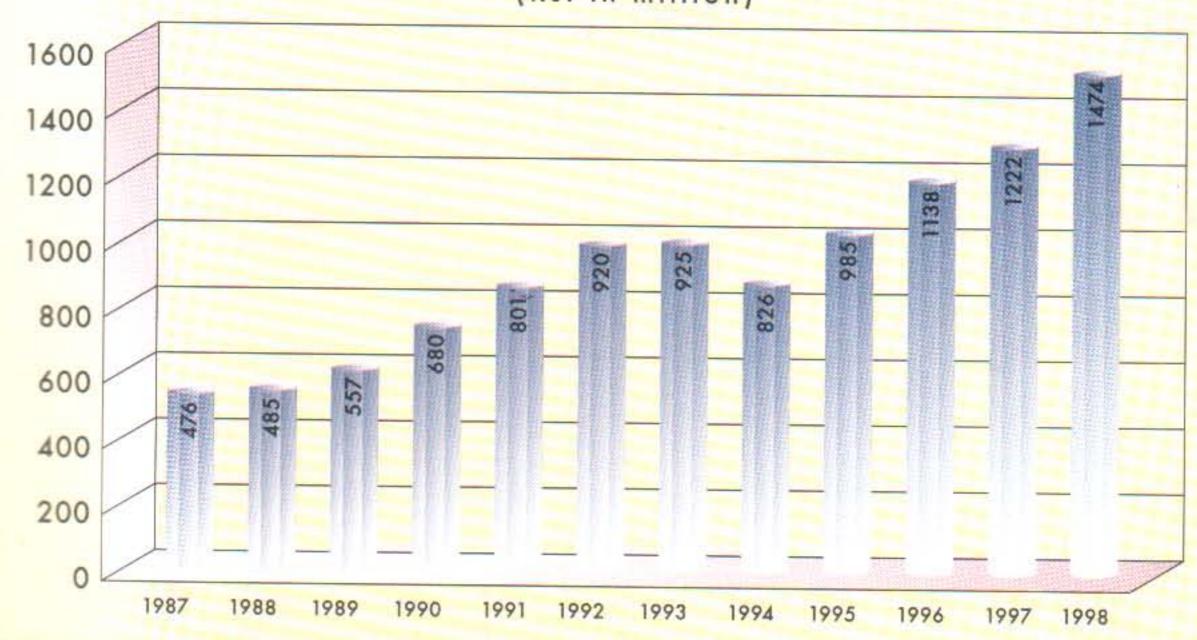


NET PREMIUM INCOME 1987-1998

(Rs. in million)

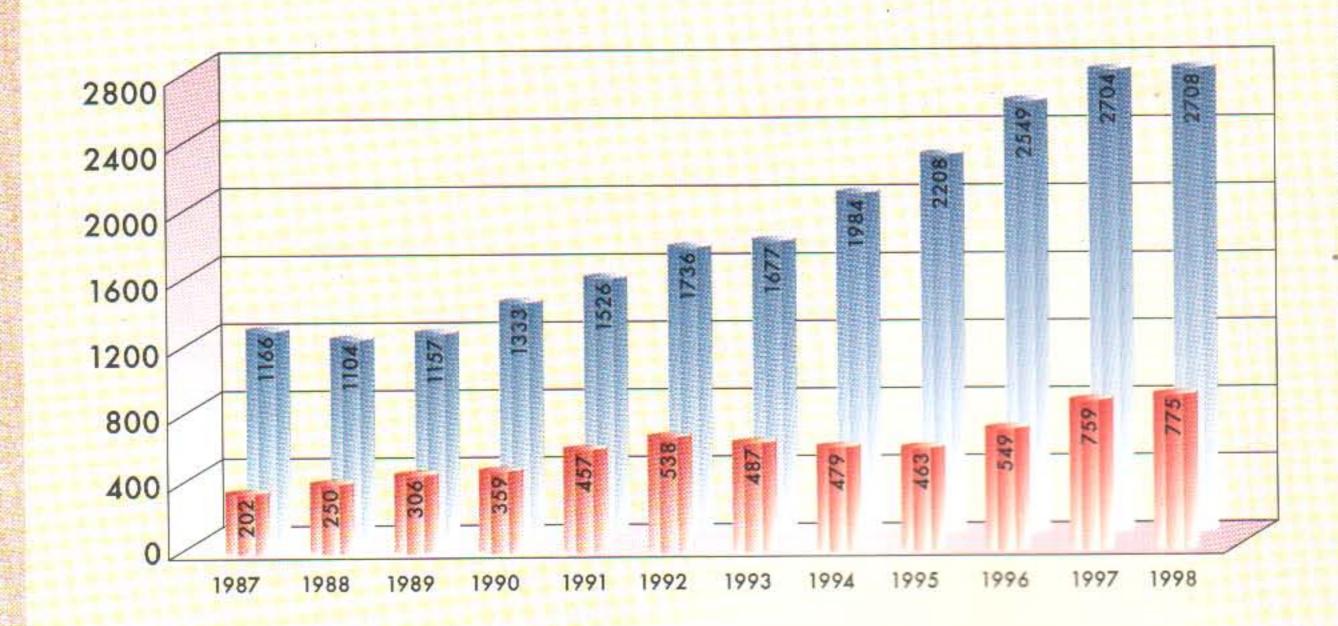
			(Ks. in million				
Year	Gross Premium	Retrocession	Net Premium				
1987	1,166	690	476				
1988	1,104	619	485				
1989	1,157	600	557				
1990	1,333	653	680				
1991	1,526	725	801				
1992	1,735	815	920				
1993	1,677	752	925				
1994	1,984	1,158	826				
1995	2,208	1,223	985				
1996	2,549	1,411	1,138				
1997	2,704	1,482	1,222				
1998	2,708	1,234	1,474				

GROWTH IN NET PREMIUM

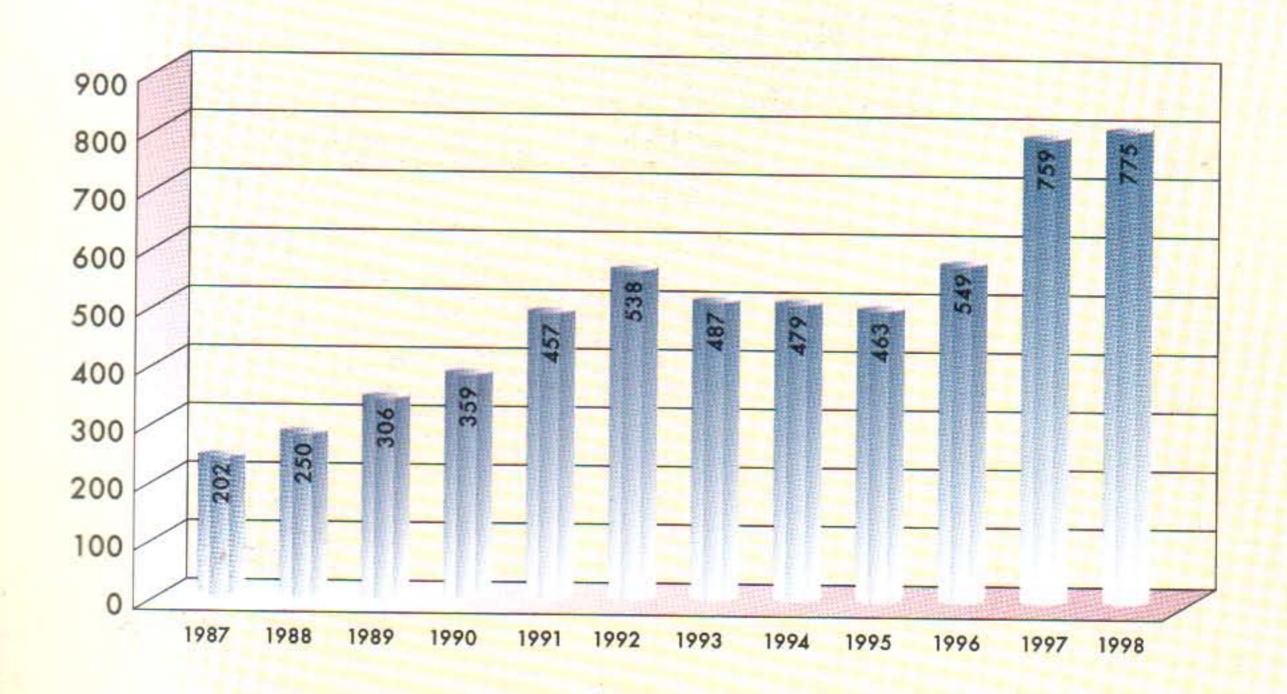


PREMIUM & CLAIMS 1987-1998

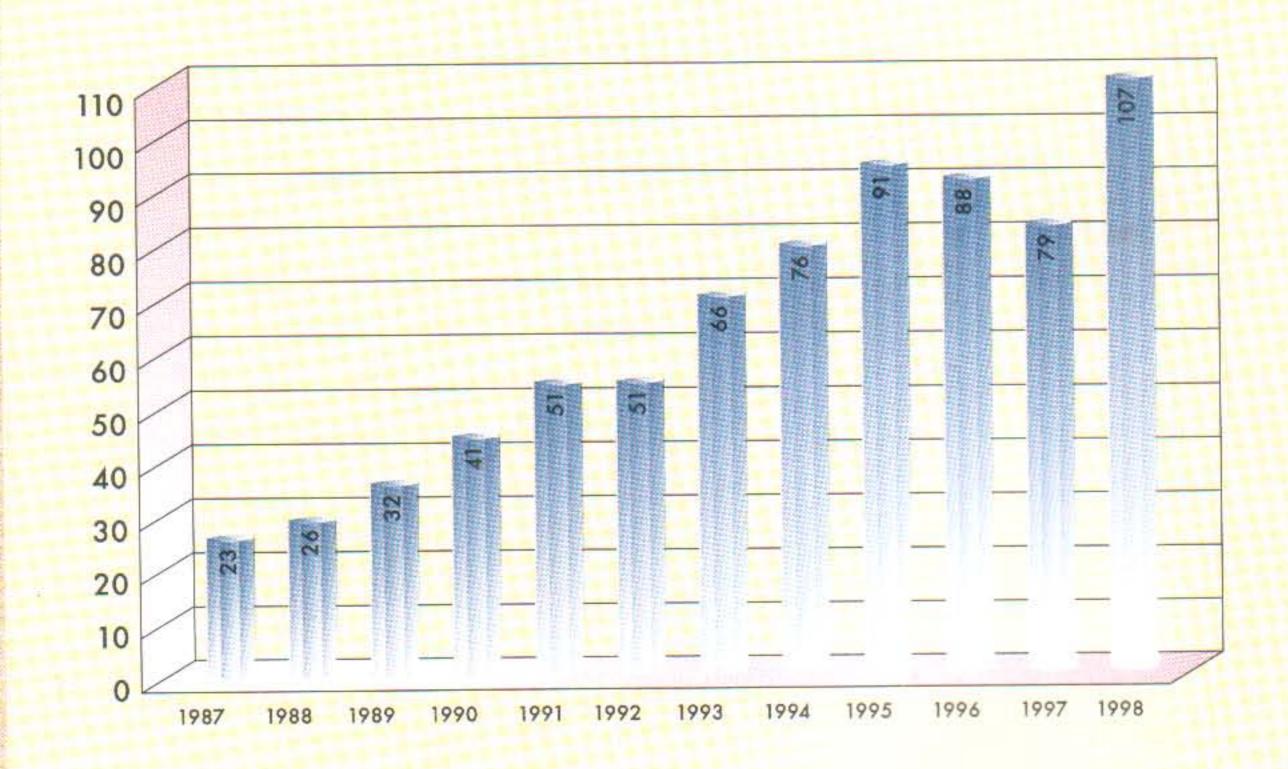
Premium Claims



NET CLAIMS 1987-1998



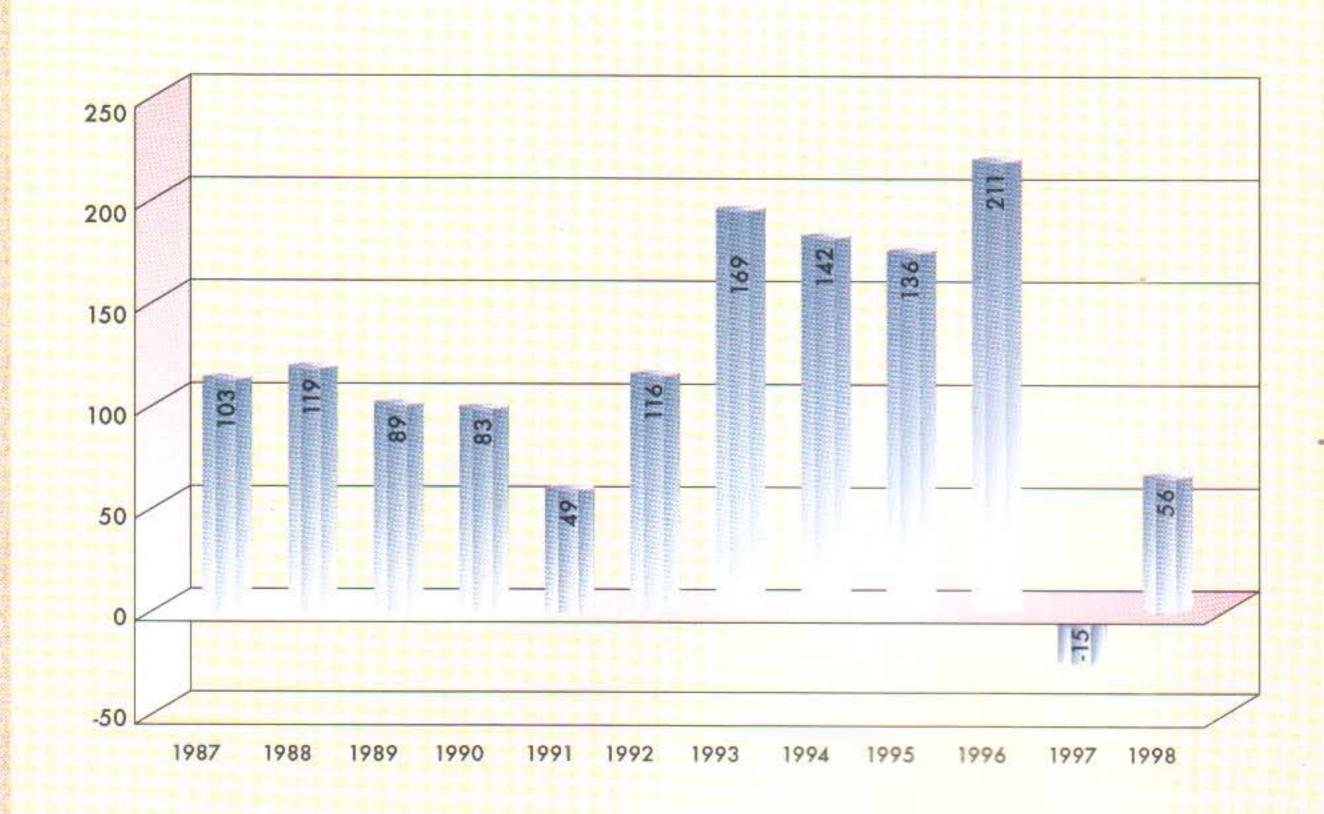
MANAGEMENT EXPENSES 1987-1998



NET PREMUIM AND PROFIT 1987-1998

Year	Net Premuim	Net Profit/Loss
1987	476	103
1988	485	119
1989	557	89
1990	680	83
1991	801	49
1992	920	116
1993	925	169
1994	826	142
1995	985	136
1996	1,138	211
1997	1,222	(15)
1998	1,474	56

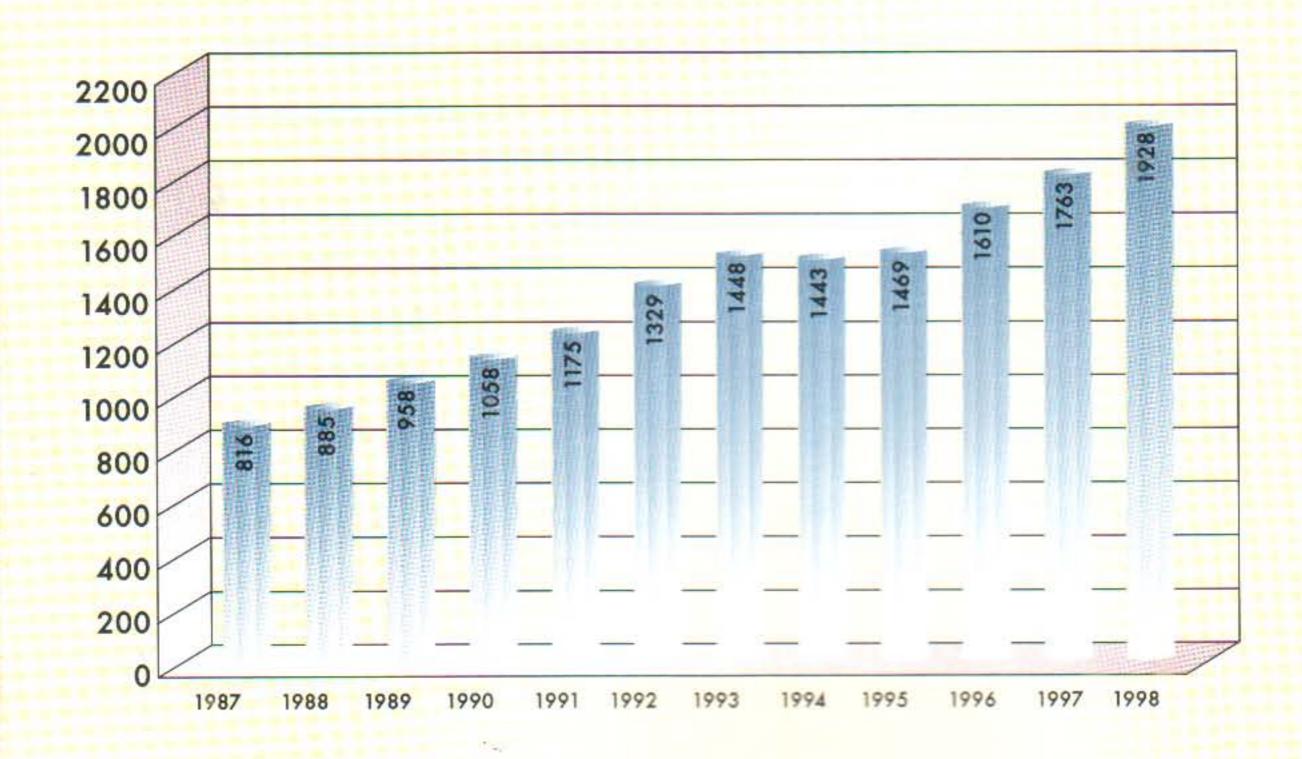
NET PROFIT/LOSS 1987-1998



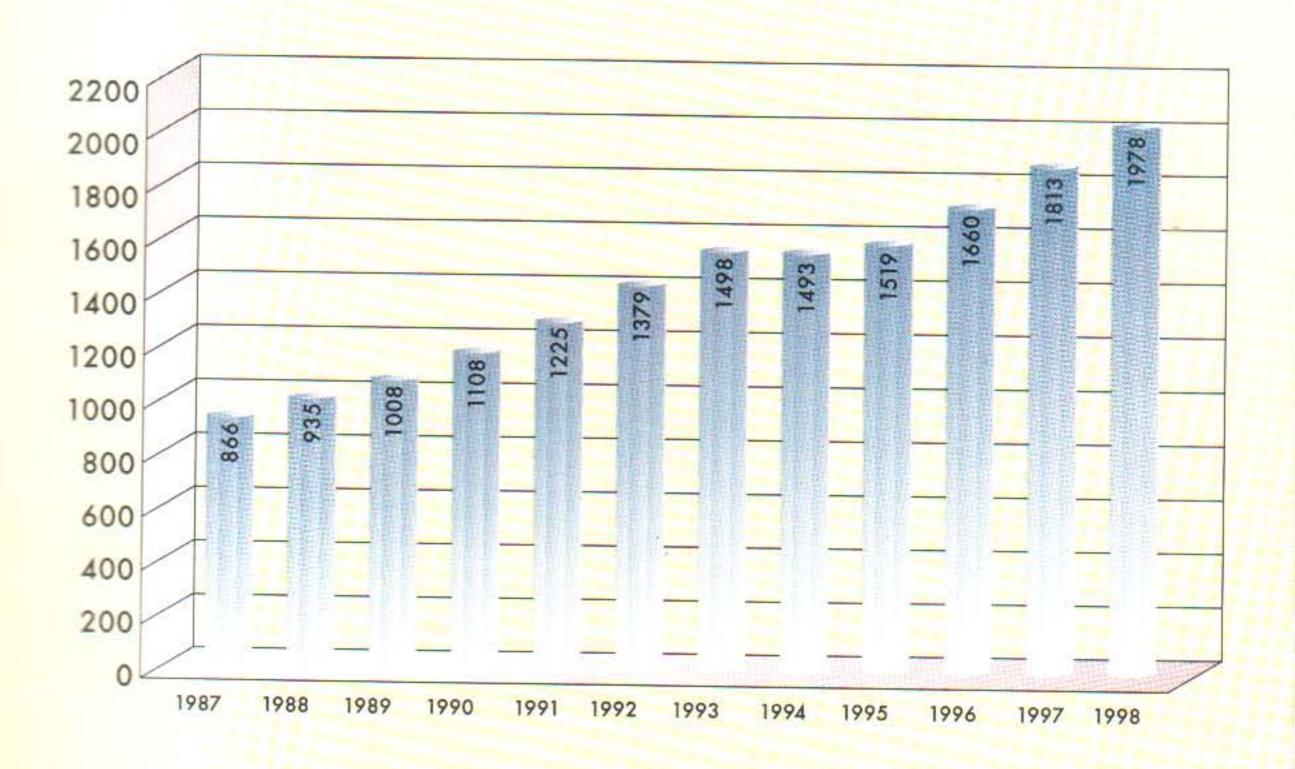
RESERVES & PROVISIONS 1987-1998

			(Rs. in million)
Year	Financial Reserves	Technical Reserves	Total
1987	401	415	816
1988	469	416	885
1989	502	456	958
1990	563	495	1,058
1991	596	579	1,175
1992	686	643	1,329
1993	791	657	1,448
1994	791	652	1,443
1995	796	673	1,469
1996	932	678	1,610
1997	940	823	1,763
1998	960	968	1,928

RESERVES & PROVISIONS 1987-1998

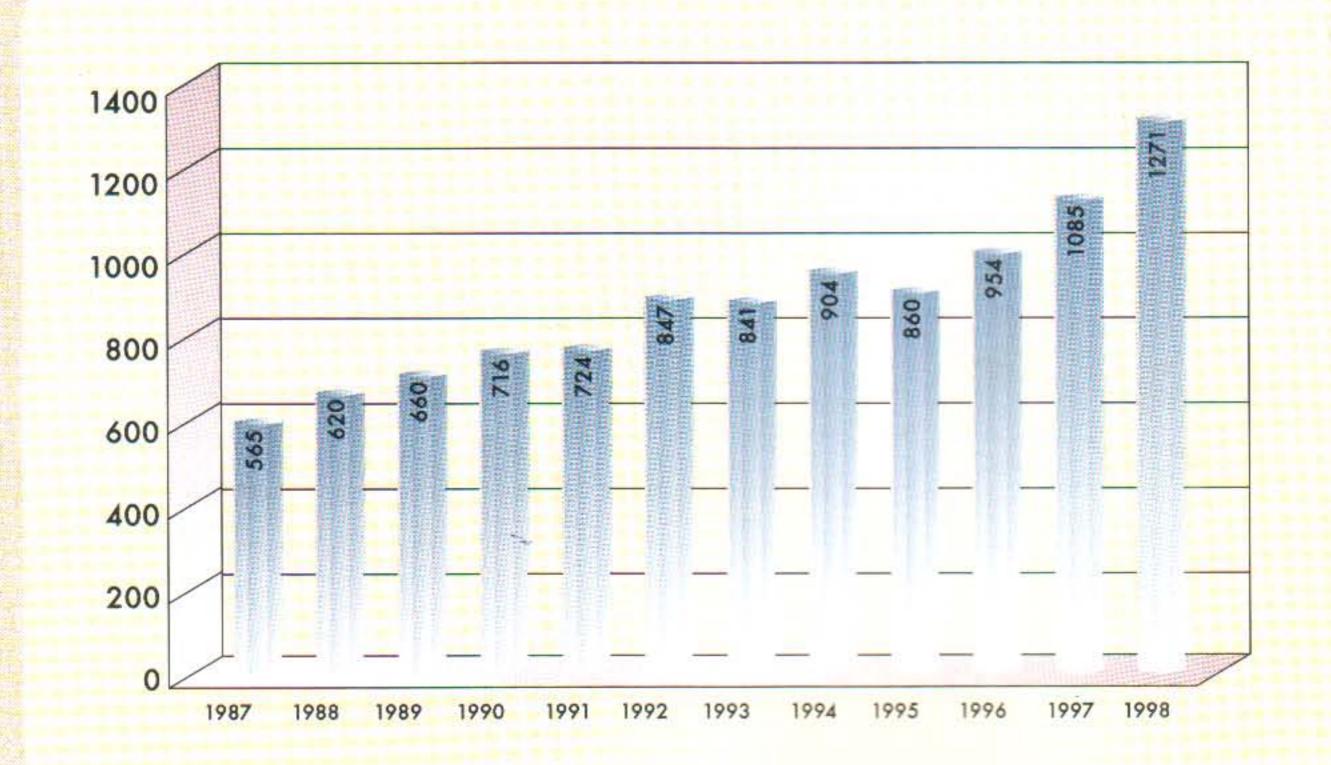


RESERVES & PAIDUP CAPITAL 1987-1998



INVESTMENT PORTFOLIO 1987-1998

		(Rs. in million)
Year	Investments	
1987	565	
1988	620	
1989	660	
1990	716	
1991	724	
1992	847	
1993	841	
1994	904	
1995	860	
1996	954	
1997	1085	
1998	1271	



RESERVES AND INVESTMENTS 1998

on)

(Rs. in million) RESERVES **Financial Reserves: Exceptional Losses** 631 2) General 263 3) Investment Fluctuation Provision for the Doubtful Debts. 4) 60 960 **Technical Reserves:** 1) **Outstanding Claims** 356 2) Premuim Reserves 612 968 1928 2. INVESTMENTS 1) **NIT Units** 645 Shares in Listed Companies 2) 275 Shares in Banks/DFIs 3) 26 4) Federal Investment Bonds etc. 118 5) Term Deposits 207

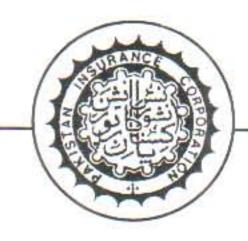


(In Million of Rupees)

Years	Paid up Capital	Dividend Declared %	Gross Premium	Net Premium	Underwriting surplus/deficit before management exp.
1953	2.000	5	1.638	1.447	0.083
1954	2.000	5	4.492	3.840	0.408
1955	2.000	4	5.674	4.338	0.755
1956	2.000	5	8.045	5.193	0.807
1957	2.000	6-1/4	9.461	5.696	0.851
1958	2.000	10	20.734	8.288	1.333
1959	2.000	10	25.012	9.060	1.833
1960	2.000	10	33.110	10.890	1.620
1961	2.000	10	37.663	12.307	1.376
1962	2.000	10	47.889	15.403	1.285
1963	4.994	10	57.165	17.381	1.295
1964	5.000	10	67.400	25.931	1.813
1965	5.000	10	72.298	33.246	1.242
1966	5.000	10	93.806	38.251	1.540
1967	5.000	10	108.431	46.808	2.984
1968	5.000	10	131.942	54.168	5.802
1969	5.000	10	156.291	69.519	6.348
	5.000	10	155.445	61.644	7.165
1970		10	166.767	65.040	5.882
1971	5.000	10	215.202	89.049	5.304
1972	4.997	7-1/2	238.288	106.354	9.777
1973	5.000		319.887	157.391	19.817
1974	5.000	7-1/2 10	399.717	189.810	20.983
1975	5.000		942.368	200.463	16.667
1976	5.000	10			8.379
1977	5.000	10	554.482	237.556	17.508
1978	5.000	10	578.556	263.661	
1979	5.000	10	666.478	313.851	16.770
1980	8.000	10	733.309	370.117	(15.569
1981	8.000	10	780.507	368.972	38.457
1982	10.000	10	872.829	414.346	35.112
1983	12.500	10	897.624	388.253	27.351
1984	17.500	10	817.497	350.317	36.870
1985	24.500	10	903.596	341.846	32.321
1986	35.000	10	981.198	381.047	49.154
1987	50.000	10	1,165.766	476.128	60.393
1988	50.000	10	1,104.600	485.300	66.724
1989	50.000	10	1,156.986	557.182	24.129
1990	50.000	10	1333.101	680.201	22.808
1991	50.000	10	1526.299	801.312	4.992
1992	50.000	10	1735.423	920.608	(12.586
1993	50.000	10	1677.307	925.259	85.959
1994	50.000	10	1983.690	825.799	63.72
1995	50.000	10	2207.803	984.800	96.552
1996	50.000	10	2548.542	1137858	138.070
1997	50.000	10	2704.065	1221.506	(23.662
1998	50.000	10	2708.774	1474.006	90.596

ears

at a Glance



Management expenses	Under- writing profit/loss	Net Profit/Loss	Total Reserves	Investments into shares & NIT Units	Total investments including Land and Building
0.071	0.012	0.013	0.795	2	1.046
0.199	0.209	0.106	3.202	0.757	3.514
0.307	0.448	0.510	3.462	1.603	4.510
0.334	0.473	0.575	4.844	2.339	5.099
0.371	0.480	0.634	6.424	2.970	6.030
0.445	0.888	1.069	8.704	3.964	8.993
0.558	1.275	1.592	10.995	5.238	10.455
0.602	1.018	1.694	11.258	5.221	11.381
0.611	0.765	1.509	13.624	6.030	12.299
0.939	0.654	1.561	17.032	6.754	14.902
0.747	0.548	1.648	21.069	10.595	20.306
1.009	0.804	2.017	25.901	14.600	25.789
1.070	0.172	2.334	35.547	16.032	31.040
1.252	0.288	2.308	39.501	16.950	35.407
1.390	1.594	3.621	49.117	19.929	38.709
1.783	4.019	7.397	63.364	27.818	42.456
2.410	3.938	6.728	77.448	30.586	
3.307	3.858	8.752	91.108	32.195	47.762
3.364	2.518	7.079	107.060	31.787	51.242
3.285	2.019	6.287	116.223		52.084
3.777	6.000	10.924	127.400	24.676	35.986
4.878	14.939	16.022	174.027	24.676	37.075
5.349	15.634	19.865		25.530	47.584
6.091	10.576	26.518	207.712	27.767	92.768
7.893	0.486	18.069	262.956	30.484	138.739
8.286	9.222		330.725	30.484	212.265
7.867	8.903	33.550	390.044	30.976	251.465
9.499		6.975	474.789	37.882	249.973
9.782	(25.086)	7.396	539.195	135.052	327.114
10.629	25.675	70.606	588.358	142.542	387.655
	24.483	72.639	577.241	144.081	414.704
15.143	12.208	66.580	640.010	150.955	476.642
14.298	22.572	76.049	707.578	151.791	505.673
16.392	15.929	90.760	730.558	150.331	620.673
19.876	29.278	96.893	748.086	156.309	591.001
22.910	37.483	102.836	815.746	296.926	623.446
26 171	40.553	119.411	884.675	331.533	678.644
32.399	(8.270)	88.889	958.312	353.317	719.463
41.482	(18.674)	82.962	1058.624	524.233	776.851
1.167	(46.171)	48.971	1175.438	528.414	801.015
51-545	(64.131)	115.957	1329.442	628.404	968.968
65.995	19.964	169.491	1447.679	632.660	1020.004
75.858	(12.131)	142.193	1442.878	705.784	1122.541
91_320	5.232	136.183	1468.831	707.109	1059.532
58.574	49.496	211.560	1609.863	808.803	1132.120
8.826	(102.488)	(14.605)	1763.023	922.000	1245.000
107.287	(16.691)	56.223	1927.719	946.000	1408.000



We have audited the annexed balance sheet of PAKISTAN INSURANCE CORPORATION as at 31 December 1998 and the related revenue accounts of Fire, Marine and Miscellaneous insurance business, the profit and loss account, profit and loss appropriation account and cash flow statement together with the notes thereon for the year then ended. These financial statements are responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of audit except the matters reported below:

3. AMOUNT DUE TO / DUE FROM PERSONS AND BODIES CARRYING ON INSURANCE BUSINESS AND OTHER RECEIVABLES

The accounting of revenue from premium, commission and losses is based on prescribed statutory Returns submitted by the ceding companies and considering the inherent nature of the 'business of the Corporation. Likewise, transactions relating to retrocession are for the purposes of accounting based on written communication between the Corporation and the insurance companies concerned. These returns and communications have been relied upon for the purpose of audit. However, we were unable to verify the accuracy of balance due to / from persons and bodies carrying on insurance business stated in the balance sheet at Rs. 452.822 million and Rs. 708.629 million (gross) respectively and Rs. 32.956 million of other receivables in view of the fact that our request for confirmation of balances from certain companies either remained mostly unresponded or where a reply was received, those revealed substantial differences compared to the position revealed by the Corporation's accounts. In view of differences as stated above we were unable to satisfy ourselves about the reliability of the said balances. Additionally, in the absence of an age analysis and reconciliation of the said balances, we could neither form any opinion about the correctness nor the realizability of the balances stated to be due from such insurance companies concerned. In view of the foregoing, we were also unable to verify the adequacy or otherwise of the provision for bad and doubtful debts of Rs. 55.000 million as disclosed in the financial statements.

4. DEPOSIT RETAINED / HELD

We were unable to verify the correctness and realizability of the deposits of Rs. 61.211 million held by ceding companies, as disclosed in note 13 to the financial statements, in the absence of an individual party-wise record of such deposits. Accordingly, the Corporation could not provide an age analysis of such deposits and no provision has been made for any loss as may arise on account of unrealizability of any of such deposits.

For reasons explained aforesaid, we were also unable to verify deposits of Rs. 35.118 million retained or held by the Corporation as disclosed in note 6 to the financial statements.

COST OF PIC TOWERS

The Corporation has not accounted for costs of approximately Rs. 20.9 million (Rs. 245.5 million less Rs. 224.6 million) in the building account due to certain disputes with the architect and contractors / suppliers as fully explained in note 9.5 to the financial statements. As a result, depreciation is also understated to an extent the amount whereof is not ascertainable at the present time.

6. ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN)

The Corporation has no control over the assets and liabilities in Bangladesh as referred to in notes 4.1,8 and 16 has maintained in its records the position as it then was. No provision has been made for any loss that may arise.

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7. We further state that:

- a) in our opinion, proper books of account have been kept by the Corporation as required by the Pakistan Insurance Corporation Act, 1952 (the Act);
- 6) in our opinion, the annexed 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 thereof have been drawn up in conformity with the Act and the form set out in the Pakistan Insurance Corporation (General) Regulations, 1953 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
- the expenditure incurred during the year was for the purpose of Corporation's business: c)
- d) the business conducted, investments made and expenditure incurred during the year were in accordance with the objects of the Corporation;
- in our opinion and to the best of our information and according to the explanation given to us, the balance e) sheet, the revenue accounts of fire, marine and miscellaneous insurance business, the profit and loss account and the profit and loss appropriation account together with the notes forming part thereof, give the information required by the Act in the manner so required and except for the financial effect of the matters reported in paragraph s 3 to 6 above and the adjustments as may be determined to have been necessary in respect of each of the matters so reported therein, the balance sheet, profit and loss account and cash flow statement give, respectively, a true and fair view of the Corporation's affairs as at 31 December 1998 and its profit and cash flow for the year then ended; and
- in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 1)

8. Without qualifying our opinion, we draw attention to:

- notes 2.8 and 4 to the financial statements. The Corporation's operating results are substantially dependent a) on the management's estimates of liability in respect of outstanding claims and future claims (losses incurred but no recorded) and the recoveries there against from the retrocessionaries, the ultimate outcome of which cannot presently be determined; and
- 6) these financial statements have been prepared on a going-concern basis of accounting, which is subject to:
- whether the Corporation would be able to continue as a going-concern in view of the proposed enacti) ment for regulation of insurance business which does not contain statutory provision for compulsory cession of business to the Corporation, which is currently its main source of revenue and operation;
- the Ministry of Commerce, Government of Pakistan vide its letter 4(4)/97-Ins. II dated 08 June 1999 has ii) directed the Corporation to appoint qualified consultants for the purpose of the Corporatization of Pakistan Insurance Corporation under4 the Companies Ordinance, 1984. Accordingly, the Corporation has appointed a firm of consultants for carrying out the above assignment.

RAHMAN, SARFRAZ & CO. Chartered Accountants

SIDAT HYDER QAMAR & CO. Chartered Accountants

KARACHI: 19th October, 1999

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Pakistan Insurance Corporation





PARTICULARS

TARTICOLARO	1998	1997
	(Rs. '000)	(Rs. '000)
Commission (less: Retrocessions)	502,289	448,158
Claims (less: Retrocessions) paid during the year	736,425	651,586
Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated (Net of estimated claims from retrocessionaries)	356,542	317,743
Cottinated Citatina Horizated Constants	1,092,967	969,329
Less: Outstanding at the end of the previous year	317,743	209,701
	775,224	759,628
Management Expenses	107,287	78,826
Premium Reserve for the year-net	611,727	505,830

1,996,527 1,792,442

SIDAT HYDER QAMAR & CO.

Chartered Accountants

RAHMAN, SARFARAZ & CO.

Chartered Accountants

Karachi, 19th October, 1999

Year ended 31st December, 1998 Classes of Business



PARTICULARS

PARTICULARS	1998	1997
	(Rs. '000)	(Rs. '000)
Premium Reserve brought forward from last year	505,830	468,447
Premium	2,708,774	2,704,065
Less: Retrocessions	1,234,768	1,482,558
	1,474,006	1,221,507

Loss	transferred to Profit and Loss Account	16,691	102,488
		1,996,527	1,792,442

SAYED MUZAFAR ALI SHAH
Chief Executive

AFTAB AHMED KHAN
Director

Revenue Account for the Fire



PARTICULARS

	1998	1997
	(Rs. '000)	(Rs. '000)
Commission (less: Retrocessions)	205,911	164,368
Claims (less: Retrocessions) paid during the year	140,815	157,657
Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated (Net of		
estimated claims from retrocessionaries)	75,867	56,171
	216,682	213,828
Less: Outstanding at the end of the previous year	56,171	52,729
	160,511	161,099
Management expenses	35,927	22,007
Premium Reserve for the year-net	198,614	137,595
Profit transferred to Profit and Loss Account	30,228	4,530

631,191 489,599

SIDAT HYDER QAMAR & CO.

Chartered Accountants

RAHMAN, SARFARAZ & CO.

Chartered Accountants

Karachi, 19th October, 1999

Year ended 31st December, 1998 Business



PARTICULARS

PARTICULARS	1998	1997
	(Rs. '000)	(Rs. '000)
Premium Reserve brought forward from last year	137,595	148,551
Premium	936,726	850,810
Less: Retrocessions	443,130	509,762
	493,596	341,048

631,191

489,599

SAYED MUZAFAR ALI SHAH Chief Exectuve

AFTAB AHMED KHAN
Director



Revenue Account for the Marine

DA	DT	TOI	II	ARS	
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	1998	1997
	(Rs. '000)	(Rs. '000)
Commission (less: Retrocessions)	84,424	75,779
Claims (less: Retrocessions) paid during the year	111,511	109,813
Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated (Net of		
estimated claims from retrocessionaries)	109,147	108,386
	220,658	218,199
Less: Outstanding at the end of the previous year	108,386	67,855
	112,272	150,344
Management expenses	18,166	14,247
Premium Reserve for the year-net	116,515	101,472
Profit transferred to Profit and Loss Account	19,677	

351,054	341,842
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SIDAT HYDER QAMAR & CO.

Chartered Accountants

RAHMAN, SARFARAZ & CO.

Chartered Accountants

Karachi, 19th October, 1999

Year ended 31st December, 1998 Business



PARTICULARS

PARTICULARS	1998	1997
	(Rs. '000)	(Rs. '000)
Premium Reserve brought forward from last year	101,472	95,978
Premium	399,701	386,317
Less: Retrocessions	150,119	165,555
	249,582	220,762

Loss transferred to Profit and Loss Account		25,102
	351,054	341,842

SAYED MUZAFAR ALI SHAH
Chief Exectuve

AFTAB AHMED KHAN
Director

Revenue Account for the Miscellaneous



PARTICULARS

PARTICULARS	1998	1997
	(Rs. '000)	(Rs. '000)
Commission (less: Retrocessions)	211,954	208,011
Claims (less: Retrocessions) paid during the year	484,099	384,116
Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated (Net of estimated claims from retrocessionaries)		
	171,528	153,186
Less: Outstanding at the end of the previous year	655,627	537,302
	153,186	89,117
	502,441	448,185
Management Expenses	53,194	42,572
Premium Reserve for the year-net	296,598	266,763

1,064,187	965,531
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SIDAT HYDER QAMAR & CO.

Chartered Accountants

RAHMAN, SARFARAZ & CO.

Chartered Accountants

Karachi, 19th October, 1999

Year ended 31st December, 1998 Business



PARTICULARS

PARTICULARS	1998	1997
	(Rs. '000)	(Rs. '000)
Premium Reserve brought forward from last year	266,763	223,918
Premium	1,372,347	1,466,938
Less: Retrocessions	641,519	807,241
	730,828	659,697

Loss transferred to Profit and Loss Account 66,596 81,916

1,064,187 965,531

SAYED MUZAFAR ALI SHAH
Chief Exectuve

AFTAB AHMED KHAN

Director

Profit and Loss Account for the Year

PARTICULARS	Note	1998	1997
		(Rs. '000)	(Rs. '000)
EXPENSES OF MANAGEMENT (NOT APPLICABLE TO ANY PARTICULAR REVENUE ACCOUNT) Directors' fee and travelling Auditors' remuneration Legal and professional fee Advertisement and publicity E.C.O. Expenses Training and research Charity and donation Profit paid on deposits retained from other companies Building maintenance Depreciation Zakat deducted at source	17	200 122 250 206 	162 122 186 354 95 - 856 4,091 18,396 11,001
Reversal of provision for bonus - prior years		37,204 (6,402) 30,802	35,263
Net profit / (loss) for the year carried down		56,223	(14,606)
		87,025	20,657

Profit and Loss Appropriation Account

Provision for bad and doubtful debts	10,000	8,000
Provision for taxation — Current year	19,247	4.703
- Prior years		(18,791)
	19,247	(14,088)
Proposed dividend	5,000	5,000
General Revenue Unappropriated profit transferred tomBalance Sheet	10,000 23,544	11,568
	67,791	10,480

SIDAT HYDER QAMAR & CO.

Chartered Accountants

Karachi, 19th October, 1999

RAHMAN, SARFARAZ & CO.

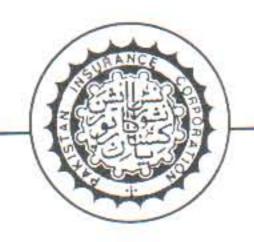
Chartered Accountants



PARTICULARS	Note	1998	1997
		(Rs. '000)	(Rs. '000)
INVESTMENT INCOME Interest and dividends		90,063	115,748
Other Receipts Rental income-net	3	3,036	6,515
Profit received on deposits retained by other companies Profit on short-term deposits Miscellaneous income Profit on sale of fixed asset		3,998 2,161 2,876 206	4,532 1,775 1,336
Loss on sale of investments Exchange gain / (loss)		1,376	(873) (5,888)
		13,653	7,397
Loss transferred from Revenue Accounts Fire Marine Miscellaneous		30,228 19,677 (66,596)	4,530 (25,102) (81,916)
		(16,691)	(102,488)
		87,025	20,657
Profit and Loss Apropriation Acc	ount		
Balance brought forward from last year		11,568	25,086
Net profit / (loss) for the year brought down		56,223	(14,606)
		67,791	10,480

SAYED MUZAFAR ALI SHAH
Chief Exective

AFTAB AHMED KHAN
Director



CAPITAL AND LIABILITIES	Note	1998	1997
		(Rs. '000)	(Rs. '000)
AUTHORISED CAPITAL 500,000 ordinary shares of Rs.100/- each Issued, subscribed and paid-up capital		50,000	50,000
50,000 ordinary shares of Rs.100/- each fully paid in cash		5,000	5,000
450,000 ordinary shares of Rs.100/- each issued as fully paid bonus shares		45,000	45,000
Issued as runy party		50,000	50,000
Share premium account		11	11
RESERVES Exceptional loss reserve Investment fluctuation reserve General reserve Unappropriated profit		631,000 5,950 262,500 23,544 922,994	631,000 5,950 252,500 11,568
RESERVE FOR OUTSTANDING CLAIMS - NET Fire Marine Miscellaneous	4	75,867 109,147 171,528	56,171 108,386 153,186 317,743
	-	356,542 611,727	505,830
Premium reserve - net Amount due to other persons and bodies carrying on insurance business Deposits retained / received from other companies Advances and deposits Other liabilities Retention money payable Provision for taxation Dividend payable Proposed dividend	5 6 7 8	452,822 35,118 10,584 57,505 7,607 118,235 5,000 5,000	288,698 82,724 14,497 60,829 7,611 98,988 5,000
Contingencies	9		
Auditors' Report Annexed		2,633,145	2,332,949
The annexed notes form an integral part of these acc	counts.		

SIDAT HYDER QAMAR & CO.

Chartered Accountants

Karachi, 19th October, 1999

RAHMAN, SARFARAZ & CO.

Chartered Accountants

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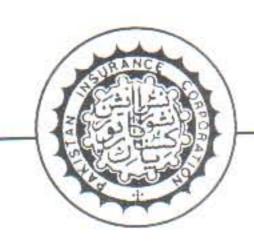


PROPERTY AND ASSETS	Note	1998	1997
		(Rs. '000)	(Rs. '000)
INVESTMENTS Land and building	10 11	1,270,993 136,646	1,084,376 148,198
Amount due from other persons and bodies carrying on insurance business Deposits held by ceding companies Cash and bank balances Interest, return and dividend accrued / outstanding Other receivables	12 13 14	648,629 61,211 47,830 15,992 35,230	509,926 72,114 63,687 4,830 31,400
OTHER ASSETS Advances including taxation, loans, deposits and prepaid expenses Furniture, fixtures, office equipment, vehicles, books and computers Stock of stationery etc at cost	15	380,981 19,617 42	380,825 21,558 61
Assets relating to Bangladesh (former East Pakistan)	16	400,640	402,444 15,974

,332,949

SAYED MUZAFAR ALI SHAH
Chief Execuive

AFTAB AHMED KHAN
Director



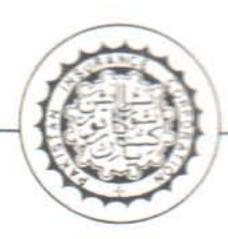
CASH FLOWS FROM OPERATING ACTIVITIES From the first of the profit floss before taxaction Foliation Foli	CAPITAL AND LIABILITIES	1998	1997
Profit (loss) before taxation 56,223 (14,606) ADJUSTMENTS FOR: Depreciation on fixed assets (206) (873) Cain on disposal of fixed assets (206) (873) Can on sale of investments (38,799) (08,042) Increase in premium reserve - net (105,897)		(Rs. '000)	(Rs. '000)
ADJUSTMENTS FOR: Depreciation on fixed assets Gain on disposal of fixed assets Gain on sale of investments Increase in premium reserve - net (INCREASE)/DECREASE IN OPERATING ASSETS: Amounts due from other persons or bodies carrying on insurance business Deposits held by ceding companies Advances including taxation, loans, deposits and prepaid expenses Stock of stationery etc at cost (INCREASE)/DECREASE IN OPERATING ASSETS: Amount due to other persons or bodies carrying on insurance business Deposits return and dividend accrued / outstanding Other receivables Advances including taxation, loans, deposits and prepaid expenses Stock of stationery etc at cost (INCREASE)/DECREASE) IN OPERATING LIABILITIES: Amount due to other persons or bodies carrying on insurance business Deposits retained / received from ceding companies (152,929) INCREASE/(DECREASE) IN OPERATING LIABILITIES: Amount due to other persons or bodies carrying on insurance business Deposits retained / received from ceding companies (51,519) Si,193 Deposits retained / received from ceding companies (61,519) Si,193 Deposits retained / received from ceding companies (71,645) Net cash from operating activities before income tax Income tax paid Net cash from operating activities CASH FLOWS FROM INVESTING ACTIVITIES Acquisition of investments Investment sales proceeds Purchase of fixed assets Sale proceeds of fixed assets Net cash used in investments Investment sales proceeds Purchase of fixed assets Net cash used in investments Investment sales proceeds Purchase of fixed assets Net cash used in investments investment assets proceeds Purchase of fixed assets Net cash used in investments Investment sales proceeds Purchase of fixed assets Sale proceeds of fixed assets Net cash used in investments Investment sales proceeds Purchase of fixed assets Net cash used in investments Sale proceeds Purchase of fixed assets Sale proceeds of f		56,223	(14,606)
Cain on sale of investments 38,799 108,042 37,383 105,897 17,383 105,897 105,897 17,383 162,236 165,173 162,236 165,173 162,236 165,173 162,236 165,173 162,236 165,173 10,567	ADJUSTMENTS FOR: Depreciation on fixed assets		-
(INCREASE)/DECREASE IN OPERATING ASSETS: Amounts due from other persons or bodies carrying on insurance business Other received from cating activities before income tax Income tax paid Net cash from operating activities Surplus payable Net cash from operating activities CASH FLOWS FROM FINANCING ACTIVITIES Payment of dividend assets Net cash used in investing activities CASH FLOWS FROM FINANCING ACTIVITIES Payment of dividend (INCREASE) / DECREASE / DECREA	Gain on sale of investments Increase in reserve for outstanding claims - net		108,042
(INCREASE)/DECREASE IN OPERATING ASSETS: Amounts due from other persons or bodies carrying on insurance business Deposits held by ceding companies Interest, return and dividend accrued / outstanding Other receivables Advances including taxation, loans, deposits and prepaid expenses Stock of stationery etc at cost INCREASE/(DECREASE) IN OPERATING LIABILITIES: Amount due to other persons or bodies carrying Other liabilities Deposits retained / received from ceding companies Other liabilities Surplus payable Net cash from operating activities before income tax Income tax paid Net cash from operating activities CASH FLOWS FROM INVESTING ACTIVITIES Acquisition of investments Investment sales proceeds Net cash used in investments activities Net cash used in investment cathering activities Net cash used in	Increase in premium reserve - net		165,173
Amounts due from other persons or bodies carrying on insurance business 10,903 2,657 Deposits held by ceding companies (11,162) 30,534 Interest, return and dividend accrued / outstanding (3,830) 764 Advances including taxation, loans, deposits and prepaid expenses (152,929) 164,600 INCREASE/(DECREASE) IN OPERATING LIABILITIES: Amount due to other persons or bodies carrying on insurance business (51,519) 53,193 Deposits retained / received from ceding companies (3,324) 7,012 Other liabilities (4,412) (46,816) (55,500) Surplus payable 109,277 7,045 Net cash from operating activities before income tax 174,807 172,581 Net cash from operating activities CASH FLOWS FROM INVESTING ACTIVITIES (190,664) (137,686) Investment sales proceeds (4,288) (6,842) Sale proceeds of fixed assets (190,664) (137,686) Net cash used in investments (190,664) (137,686) Net cash used in investments (190,664) (137,686) Net cash used in investments (190,664) (137,686) Net cash used in investments (190,664) (137,686) Net cash used in investments (190,664) (137,686) Net cash used in investments (190,664) (137,686) Net (decrease) / increase in cash and cash equivalents (3,687) (27,395) CASH FLOWS FROM FINANCING ACTIVITIES Acquisition of investments (190,664) (137,686) Net (decrease) / increase in cash and cash equivalents (3,687) (27,395) CASH FLOWS FROM FINANCING ACTIVITIES (150,297) (150,297) Net (decrease) / increase in cash and cash equivalents (3,687) (3,687) (3,689)		218,459	150,567
Stock of stationery etc at cost 19 (22)	Amounts due from other persons or bodies carrying on insurance business Deposits held by ceding companies Interest, return and dividend accrued / outstanding Other receivables	10,903 (11,162)	2,657 30,334
INCREASE/(DECREASE) IN OPERATING LIABILITIES: Amount due to other persons or bodies carrying on insurance business 164,124 (151,519) 53,193 (17,012)	prepaid expenses		
Amount due to other persons or bodies carrying on insurance business Deposits retained / received from ceding companies Other liabilities Retention money payable Surplus payable Net cash from operating activities before income tax Income tax paid Net cash from operating activities CASH FLOWS FROM INVESTING ACTIVITIES Acquisition of investments Investment sales proceeds Purchase of fixed assets Sale proceeds of fixed assets Net cash used in investing activities CASH FLOWS FROM FINANCING ACTIVITIES Payment of dividend Net (decrease) / increase in cash and cash equivalents Cash and cash equivalents at the beginning of the year 164,124 (51,519) 53,193		(152,929)	164,600
Net cash from operating activities before income tax 174,807 322,812	Amount due to other persons or bodies carrying on insurance business Deposits retained / received from ceding companies Other liabilities Retention money payable	(51,519) (3,324) (4)	53,193 - 7,012 (244) (5,500)
Net cash from operating activities before income tax Income tax paid Net cash from operating activities CASH FLOWS FROM INVESTING ACTIVITIES Acquisition of investments Investment sales proceeds Purchase of fixed assets Sale proceeds of fixed assets Net cash used in investing activities CASH FLOWS FROM FINANCING ACTIVITIES Payment of dividend Net (decrease) / increase in cash and cash equivalents Cash and cash equivalents at the beginning of the year (15,857) (150,231) (172,581) (186,617) (190,844) (190,844) (190,844) (190,664) (137,686) (137,686) (15,857)			
Net cash from operating activities CASH FLOWS FROM INVESTING ACTIVITIES Acquisition of investments Investment sales proceeds Purchase of fixed assets Sale proceeds of fixed assets Net cash used in investing activities CASH FLOWS FROM FINANCING ACTIVITIES Payment of dividend Net (decrease) / increase in cash and cash equivalents Cash and cash equivalents at the beginning of the year 174,807 (186,617) (190,844) (60,000 (4,288) 241 (190,664) (137,686) (15,857) (15,857) 27,395 63,687 (15,857) 63,687		174,807	
CASH FLOWS FROM INVESTING ACTIVITIES Acquisition of investments Investment sales proceeds Purchase of fixed assets Sale proceeds of fixed assets Net cash used in investing activities CASH FLOWS FROM FINANCING ACTIVITIES Payment of dividend Net (decrease) / increase in cash and cash equivalents Cash and cash equivalents at the beginning of the year (186,617) (190,844) (60,000 (6,842) (190,664) (15,857) (15,857) (7,500) (7,500) (15,857)		174,807	172,581
Net cash used in investing activities (190,664) (137,686) (15,857) CASH FLOWS FROM FINANCING ACTIVITIES Payment of dividend Net (decrease) / increase in cash and cash equivalents Cash and cash equivalents at the beginning of the year (15,857) (15,857) (15,857) (15,857) (15,857) (15,857) (17,000)	CASH FLOWS FROM INVESTING ACTIVITIES Acquisition of investments Investment sales proceeds Purchase of fixed assets	(4,288)	60,000
CASH FLOWS FROM FINANCING ACTIVITIES Payment of dividend Net (decrease) / increase in cash and cash equivalents Cash and cash equivalents at the beginning of the year (15,857) (7,500) (7,500) (15,857) (15,857) (15,857) (27,395) (36,292) (37,000)		(190,664)	(137,686)
Payment of dividend Net (decrease) / increase in cash and cash equivalents Cash and cash equivalents at the beginning of the year (15,857) 63,687		(15,857)	34,895
Net (decrease) / increase in cash and cash equivalents Cash and cash equivalents at the beginning of the year (15,857) 63,687 27,395 36,292			(7,500)
47 020	Not (decrease) / increase in cash and cash equivalents		
	Cash and cash equivalents at the end of the year	47,830	63,687

SAYED MUZAFAR ALI SHAH

Chief Exective

AFTAB AHMED KHAN
Director

Notes to the Account for the Year ended 31st December, 1998



1. STATUS AND NATURE OF BUSINESS

1.1 Pakistan Insurance Corporation (Corporation) was established under the Pakistan Insurance Corporation Act XXXVIII of 1952 for the purpose of development of insurance and reinsurance business in Pakistan. Its shares are quoted on Karachi and Lahore Stock Exchanges.

1.2 Proposed Insurance Act, 1999

Subsequent to the balance sheet date, the Government of Pakistan has issued a draft Insurance Act. 1999 as proposed by the Asian Development Bank.

1.3 Corporatization of the Corporation

The Ministry of Commerce, Government of Pakistan vide its letter 4(4)/97-Ins II dated 08 June 1999 has directed the Corporation to appoint qualified consultants for corporatization of Pakistan Insurance Corporation under the Companies Ordinance, 1984. To fulfill the said objective, the Corporation has appointed a firm of consultants for carrying out the above assignment.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost "convention".

2.2 Format of Accounts

The formats of the balance sheet, the Fire, Marine and Miscellaneous revenue accounts, profit and loss account and profit and loss appropriation account are as prescribed under regulation 50 and 51 of Pakistan Insurance Corporation (General) Regulations, 1953.

2.3 Staff retirement benefits

The Corporation operates general provident fund and contributory provident fund for all its eligible employees. The schemes are administered through trustees. Contributions are made monthly to cover the obligations under the schemes.

The Corporation also operates funded gratuity and pension schemes for employees who are entitled / opted for either of the above scheme. Provisions are made annually to cover obligation under the funded gratuity scheme. Provision for pensions are made on the basis of actuarial valuation. The last of such actuarial valuation was carried on 01 January 1984.

2.4 Taxation

Provision for taxation is based on taxable income at current rate of taxation. The Corporation accounts for deferred taxation, (if any) on all material timing differences using liability method. However, as a matter of prudence, the company does not account for deferred tax debits (if any) in the accounts.

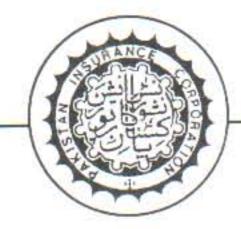
2.5 Fixed Assets

Fixed assets except leasehold lands are stated at cost less accumulated depreciation calculated on written down values. Leasehold land is stated at cost.

Full years depreciation is charged on addition during the year whereas no depreciation is charged on assets disposed off during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and assets so replaced, if any, are retired.

Gains and losses on disposal of fixed assets, if any, are included in current income.



2.6 Investments

nvestments are carried at cost. Investment Fluctuation Reserve (IFR) is maintained to cover possible diminution in value of investment.

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

2.7 Dividend and rental income etc.

- 2.7.1 Dividend income is recognized in the accounts as and when declared, except for preference shares and other investments, where it is recognized on an accrual basis.
- 2.7.2 Rentals of PIC Towers are recognized as income on an accrual basis.

2.8 Reserve for outstanding claims

Outstanding claims whether due or intimated at the end of the year are accounted for on the information received from the ceding companies and estimation of the underwriter with respect to the adequacy of reserve.

2.9 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. The percentages ascertain for the determination of premium reserve are:

	Percentage
Fire business	40
Marine Business: Marine Cargo Marine Hull	100
Miscellaneous business: Accident and Engineering Aviation	40 100

2.10 Provision for bad and doubtful debts

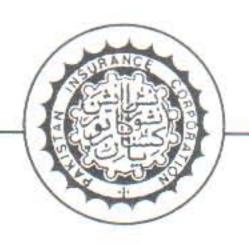
General provisions, as considered adequate by the management, are made to cover doubtful debts.

2.11 Expenses of management

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

2.12 Foreign currency transactions

Transactions in foreign currencies are translated into Pak Rupees at the exchange rates prevailing on the date of the transactions. Assets and liabilities in foreign currencies other than bank accounts are not translated into rupees at the rate of exchange prevailing at the balance sheet date and the exchange fluctuations are adjusted at the time of settlement. Gains and losses on transaction are taken to profit and loss account.



1998 (Rupees `000')

3. RENTAL INCOME - NET

Rental income	14,719	27,750
Less: Related expenses: - Property taxes - Staff salary and maintenance	11,683	18,546 2,689
	11,683	21,235
	3,036	6,515

The rental income represents income from letting out of PIC Towers.

4. RESERVE FOR OUTSTANDING CLAIMS - NET

This represents estimated liability in respect of outstanding claims intimated by the ceding companies to the Corporation at the end of the year. Out of the same, estimated recoveries are deducted to arrive at the net amount of such liability which would fall on the Corporation (net account). The Corporation, generally computes such liabilities on the basis of various forms received from the ceding companies including forms "H", "HH" and "HHH" (Annual statement of Estimated Liability for Outstanding Losses). In case where no information is received from the ceding companies, the estimate of the liability is made by the underwriter for the concerned class of business. At the end of the next accounting period /year, the reserve brought forward is reversed and a new reserve is created for the estimated liability in respect of the outstanding claims.

4.1 This includes an amount of Rs.4.952 million (1997: Rs. 4.952 million) representing brought forward claims from previous years which relate to Bangladesh (former East Pakistan). The businesswise breakup of such claims is as follows:

	1998	1997
	(Rupees	,000,
Fire insurance	2,382	2,382
Marine insurance	1,470	1,470
Miscellaneous insurance	1,100	1,100
	4,952	4,952

No adjustment, (if any) has been made since 1973, which is pending ascertainment of actual liabilities in this regard.



5. PREMIUM RESERVE - NET

	PREMIUM RESERVE - NET			(Rupees	`000')
		Fire	Marine	Miscellaneous	Total
	Opening balance	137,595	101,472	266,763	505,830
	Addition during the year				
	Acceptance Retrocession	34,367 26,652	9,876 5,167	(124,337) 154,172	(80,094) 185,991
		61,019	15,043	29,835	105,897
	Rupees	198,614	116,515	296,598	611,727
	1997 - Rupees	137,595	101,472	266,763	505,830
				1998 (Rupees	1997 (1900)
77 60 60	DEPOSITS RETAINED / RECE OTHER COMPANIES	IVED FROM			
	Premium reserve withheld Losses reserve withheld Cash losses received from retroce	essionaries		17,550 4,567 13,001	26,002 - 5,520 51,202
				35,118	82,724

7. This represents advance rent and deposits received from tenants in connection with letting of PIC Towers.

8. OTHER LIABILITIES

It includes an amount of Rs. 0.809 million (1997: Rs. 0.809 million) relating to Bangladesh creditors.

9. CONTINGENCIES

	1998	1997	
	(Rupees `000')		
9.1 Suit filed by the Corporation for the recovery of debts	28,579	28,579	
9.2 Claims not acknowledged as debt by the Corporation	7,211	7,211	



- 9.3 M/s. Mercantile and General Reinsurance Company Limited, London (M&G) has served a winding-up petition as per Insolvency Act, 1886 against the Corporation on 15 December 1997 in the High Court of Justice, Chancery Division, London. The winding-up petition was initiated by M&G on non-payment of Rs.49,708.562/- by the Corporation.
 - The Court therein has dismissed the petition on 18 June 1998. However, M&G has initiated Arbitration Procedure as per Arbitration Act, 1996 for the recovery of said amount. M/s. C. W. Roe was appointed to represent as Arbitrator from M&G and Mr. M.Q. Kazmi from the Corporation. The proceeding of arbitration has not yet started.
 - In September 1998, the Corporation had filed a suit for damages of Rs.3,333,000,000/- against M&G in the Honourable High Court of Sindh. The hearing for this case is fixed on 28 October 1999. However, M&G has expressed its inability to appear before the Court therein on the grounds that they does not submit to the jurisdiction of Pakistani Court.
- 9.4 The Corporation lodged a claim of Rs. 105.9 million against National Construction Company Limited (NCC) in the past for the breach of contract regarding construction of PIC Towers. A counter claim amounting to Rs. 133.6 million has been lodged by NCC against PIC for its financial and goodwill loss. Resolution of above claims has been referred to a committee comprising members of both the parties, however, no progress has been made in this regard.
- 9.5 Construction of PIC Towers includes civil construction, installation of lifts, air-conditioning, furniture, fixtures and electrical installations. Total work as certified by PIC's consultant amounts to Rs. 236.5 million against the total contract price of Rs. 245.5 million. However, the Corporation capitalized only Rs. 224.6 million, as it disputes with the consultant and contractors over certification of final bills. The Corporation has formed a committee to resolve the disputes.
- 9.6 The Central Excise and Taxation Department has levied Central Excise duty on the Corporation amounting to Rs. 253 million for the four years i.e. From 01 July 1994 to 31 December 1997 against gross premium. However, Recovery Officer, Central Excise and Taxation department has furnished a demand note of Rs.477.42 million in this respect. The Corporation has filed an appeal before the Custom, Excise and Sales Tax Appellate Tribunal and is of the view that on account of merit of the case, the same will be finally decided in favour of the Corporation.

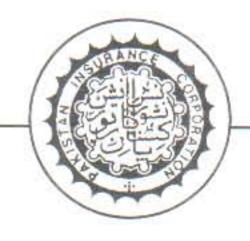
				1998	1997
			Note	(Rupee	es '000')
10.	INVESTMENTS				
	Investment in listed c	ompanies	10.1	284,988	282,964
	Investment in unlisted	l companies	10.2	15,584	15,584
	Term deposits			207,600	70,000
	NIT Units		10.3	645,091	623,098
	WAPDA Bonds			20,000	20,000
	Federal Investment Bo	onds		72,730	72,730
	Regular Income Certi	ficates		25,000	**************************************
	Debentures	Co. Harris	10.4	ALCO DE L'ALCONDO	
				1,270,993	1,084,376



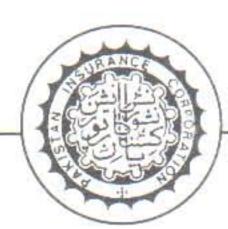
10.1 Investment in listed companies

Ordinary shares / certificates of Rs.10/- each unless stated otherwise:

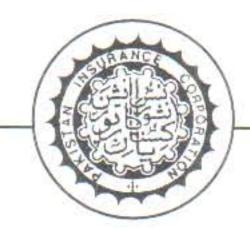
Name of Company	Number o certifi	No. of the Contract of the Con	Book value	Market value	
. value of Company	31 December 1997	31 December 1998	as on 31 December 1998	as on 31 December 1998	
Mutual Funds					
Confidence Mutual Fund ICP State Enterprise Mutual Fund	99,270	99,270 9,000,000	992,700 90,000,000	694,890 89,550,000	
Banks					
Muslim Commercial Bank Limited Pakistan Industrial Credit and	60,679	60,679	515,299	1,034,577	
Investment Corporation	2,237,896	2,237,896	15,846,389	19,022,116	
Insurance					
Adamjee Insurance Co. Ltd. Asia Insurance Co. Ltd. Central Insurance Co. Ltd. Crescent Star Insurance Co. Ltd. Habib Insurance Co. Ltd. (Rs.5/- each) National Security Insurance Co. Ltd. Pakistan Guarantee Insurance Co. Ltd. Sterling Insurance Co. Ltd. Union Insurance Co. of Pakistan Ltd. United Insurance Co. of Pakistan Ltd. Textile composite	124,791 25,000 50,160 197,597 142,196 87,500 22,029 23,250 55,125 87,360	155,988 25,000 50,160 399,995 170,635 87,500 22,029 23,250 55,125 91,728	10,000 250,000 50,000 2,933,156 256,787 100,000 173,000 232,500 500,000 455,000	5,264,595 620,000 2,006,400 4,295,946 1,876,985 288,750 286,377 162,750 926,100 834,725	
Burewala Textile Limited Gul Ahmed Textile Limited Hussain Industries Limited Towellers Limited Usman Textile Limited	1,400 7,366 15,820 315,790 300	1,400 7,366 15,820 315,790 300	35,338 88,768 192,017 6,000,010 3,888	35,000 86,182 174,020 5,178,956 3,375	
Textile spinning					
Regent Textile Limited	5,000	5,000	50,000	27,000	
Textile weaving				17%	
Nakshbandi Industries Limited	331	331	2,445	4,833	



Name of Company	Number o certifi	f shares / icates	Book value	Market value	
Name of Company	31 December 1997	31 December 1998	31 December 1998	as on 31 December 1998	
Synthetic and Rayon					
Ravi Rayon Limited Valika Art Fabric Limited (Rs.4/-each)	24,800	24,800 300	254,078 1,570	34,720 1,950	
Jute					
Amin Fabrics Crescent Jute Product	45.738 157,314	45,738 157,314	150,000 1,250,055	205,82 668,58	
Sugar and Allied					
Bawani Sugar Mills Limited Crescent Sugar Mills Limited Fecto Sugar Mills Limited Kohinoor Sugar Mills Limited Mirpur Khas Sugar Mills Limited Noon Sugar Mills Limited Pangrio Sugar Mills Limited Shahtaj Sugar Mills Limited Sind Abadgar Sugar Mills Limited Cement Dadex Eternit Limited	50,045 234,735 1,182 37,045 7,216 26,021 100,000 2,016 98,500	52,547 258,208 1,182 37,045 7,216 26,021 100,000 2,217 98,500	99,500 1,720,486 8,109 379,564 19,900 100,000 1,337,000 16,607 1,276,150	630,564 2,065,664 8,570 379,711 108,240 494,399 200,000 44,939 788,000	
Gharibwal Cement Industries Limited Jawedan Cement Limited Mustehkam Cement Limited Zeal Pak Cement Limited	53,337 14,666 2,400 39,130	53,337 14,666 2,400 39,130	109,891 133,330 19,364 1,360,269	186,680 124,66 26,400 551,733	
Tobacco					
Pakistan Tobacco Company Limited Lakson Tobacco Company Limited	70,140 6,763	70,140 7,439	234,209 36,893	841,680 401,706	
Fuel and Energy					
Haroon Oil Mills Limited K.E.S.C. Limited National Refinery Limited Pakistan State Oil Company Limited Sui Southern Gas Company Limited Sui Northern Gas Pakistan Limited	5,000 1,623,450 339,320 40,495 6,648,423 3,914,387	5,000 1,623,450 339,320 48,594 6,648,423 4,501,545	49,750 3,635,647 6,275,195 27,640 36,461,488 17,110,610	231,250 14,205,188 5,513,950 3,790,332 53,519,805 40,513,905	



	Number o		Book value	Market value	
Name of Company	31 December 1997	31 December 1998	31 December 1998	31 December 1998	
Engineering					
Metropolitan Steel Pakistan Engineering Huffaz Seamless	3,492 43,776 55,800	3,492 43,776 55,800	32,369 364,738 558,000	19,206 116,006 167,400	
Auto and Allied					
Pak Suzuki Motor Company Limited National Motors Limited Allied Motors Limited	688 43,431 58,333	688 43,431 58,333	14,780 342,683 334,000	17,888 130,293 52,500	
Transport					
Pakistan International Airlines Corp. "A"	2,497,778	2,497,778	9,875,646	10,116,001	
Chemical					
Imperial Chemical Industries Pakistan Ltd. Sardar Chemical Glaxo Welcome	7,857,060 500 1,848	7,857,060 500 1,848	78,570,600 10,000 12,997	95,070,426 1,000 83,160	
Paper and Board					
Crescent Board Limited Packages Limited Security Papers Limited	98,747 348,530 348,882	98,747 400,809 392,492	926,675 2,451,364 279,000	182,682 13,026,293 5,887,380	
Vanaspati and Allied					
Burma Oil Mills Limited Kohinoor Oil Mills Limited Universal Oil Mills Limited	861 8,800 30,000	8,800 30,000	6,470 95,748 300,000	6,027 62,040 202,500	
Food and Allied					
Lever Brothers Pakistan Ltd.(Rs.50/- each)	487	487	3,520	332,134	
Miscellaneous					
Hashmi Can Company Limited	5,250	5,250	53,786	94,500	
		Rupees	284,987,973	383,488,127	
		1997 - Rupees	282,963,922	832,821,185	



10.2 Other Investments

Ordinary shares / certificates of Rs.10/- each unless stated otherwise:

Name of Company	Number o certifi		Book value	Market value	
Name of Company	31 December 1997	31 December 1998	31 December 1998	31 December 1998	
Banks					
Allied Bank of Pakistan (Break-up value is Rs.28.24 per share based on accounts for the year ended 31 December 1998) Chief Executive (Chairman): Mr. Rashid M. Chaudhry	75,812	75,812	529,820	529,820	
Habib Bank Limited Break-up value is Rs. 33,18 per share based on accounts or the year ended 31 December 997) Chief Executive (President): Ar. Shaukat Tarin	131,050	131,050	1,266,136	1,266,136	
dustrial Development Bank of Pakistan Break-up value is Rs. 318.03 or share based on accounts or the year ended 30 June 1997) hief Executive (Chairman): or Tahir Abbas	6,213	6,213	618,227	618,227	
National Bank of Pakistan Limited Break-up value is Rs. 103.49 Ser share based on accounts or the year ended 31 December 998) Chief Executive (Chairman and President): Ar. Muhammad Mian Soomto	729,300	729,300	6,595,817	6,595,817	
The State Bank of Pakistan Break-up value is Rs. er share based on accounts or the year ended 30 June 1998) Chief Executive: Or. Mohammad Yaqoob	4,900	4,900	517,616	517,616	



	Number o		Book value	Market value
Name of Company	31 December 1997	31 December 1998	31 December 1998	31 December 1998
United Bank Limited (Break-up value is Rs. 3.59) per share based on accounts for the year ended 31 December 1998) Chief Executive (President): Mr. Zubyr I. Soomro	2,550	2,550	25,888	25,888
Development Financial Institutions NIT Shares	24,000	24,000	100,000	100,000
Investment Corporation of Pakistan (Break-up value is Rs. 306.77 per share based on accounts for the year ended 30 June 1997) Chief Executive: Mr. Asadullah Khawaja	50,000	50,000	4,565,000	4,565,000
			14,218,504	14,218,50
Insurance				
Indus Insurance	25,000	25,000	250,000	250,00
Cotton and Textile				0.05
Afsar Textile	1,000	1,000	9,950	9,95
Kohinoor Cotton	22,397	22,397	219,800	219,80
Chemical				200.00
Synthetic Chemical	20,000	20,000	200,000	200,00
Vanaspati and Allied			\	
Burma Soap	64	64	640	64
Miscellaneous			200 101	205 2
Arag Industries	133,333	133,333	685,404	
			1,365,794	1,365,79
		Rupees	15,584,298	15,584,29

^{*} Since the financial statements of the above companies are not available therefore, the break-up value and the name of the Chief Executive cannot be ascertained.



10.3 The Government of Pakistan (GOP) has issued a Letter of Comfort to PIC bearing No. F.4(4)Inv.III/98 dated 28 June 1999. GOP has agreed to encash the investment at the guaranteed price provided the Corporation hold such NIT units for the further period of five years from the date of issuance of such letter.

					1998 (R	Rupees 1000')	1997
10.4	Debentures Provision for doubtful debent	ure loans			264 264		264 264
11.	LAND AND BUILDING					===	
		Book Value as at 01 January 1998	Additions/ (Disposals)	Total as at 31 December 1998	Depreciation for the year	Book value as at 31 December 1998	Rate % per annum
	Building on leasehold land						
	PIC building -Karachi	184,481	-	184,481	9,224	175,257	5
	PIC House - Karachi	669,712	2,614,459	3,284,171	164,209	3,119,962	5
	Lift	146		146		146	20
	PIC Towers	854,339	2,614,459	3,468,798	173,433	3,295,365	
	Leasehold land	796,028		796,028		796,028	5
	Building	99,697,081		99,697,081	4,984,854	94,712,227	5
	Electrical Installation	13,507,898		13,507,898	2,701,580	10,806,318	20
	Air conditioning Plant	18,287,149	453,065	18,740,214	3,748,043	14,992,171	20
	Lifts	15,055,206		15,055,206	3,011,041	12,044,165	20
		147,343,362	453,065	147,796,427	14,445,518	133,350,909	
	Rupees	148,197,701	3,067,524	151,265,225	14,618,951	136,646,274	
	1997 - Rupees	164,600,692	617,742	165,218,434	17,020,733	148,197,701	
					The state of the s		



1997 1998 (Rupees '000') AMOUNT DUE FROM OTHER PERSONS AND BODIES 12. CARRYING ON INSURANCE BUSINESS 559,926 708,629 Amount due from 50,000 60,000 Provision for bad and doubtful debts 509,926 648,629 This includes Rs. 28.021 million (1997:Rs.27.931 million) receivable from certain ceding companies which are under liquidation or in various stages of litigation. DEPOSITS HELD BY CEDING COMPANIES 13. 28,909 22,900 Premium reserve withheld by ceding companies 32,881 27,518 Losses reserve withheld by ceding companies 10,324 10,793 Cash losses paid to ceding companies 72,114 61,211 CASH AND BANK BALANCES 29 70 Cash in hand Cash at banks - Current account 1,932 18,142 Foreign currency (1,542)1,245 Local currency 390 19,387 63,268 28,373 - Deposit account 63,658 47,760 63,687 47,830



15. FURNITURE, FIXTURE, OFFICE EQUIPMENTS, VEHICLES, BOOKS AND COMPUTERS

	Book Value as at C1 January 1998	Additions/ (Disposals)	Total as at 31 December 1998	Depreciation for the year	Book value as at 31 December 1998	Rate % per annum
Furniture, Fixture and	12,752,958	453,625	13,206,583	1,320,658	11,885,925	10
Office equipment	803,229	642,655	1,445,884	216,883	1,229,001	15
	13,556,187	1,096,280	14,652,467	1,537,541	13,114,926	
Vehicles	1,229,137	(35,330)	1,193,807	238,761	955,046	20
Books	169,244	124,132	293,376	29,318	264,058	10
Computers	6,604,349	-	6,604,349	1,320,870	5,283,479	20
Rupees	21,558,917	1,185,082	22,743,999	3,126,490	19,617,509	
1997 - Rupees	18,933,644	6,225,540	25,159,184	3,600,267	21,558,917	

15.1 Disposal of Fixed Assets

Particulars	Book value	Sale proceeds	Profit	Mode of disposal	Sold to
Nissan Sunny, Regn. GA-0195	25,666	173,000	147,334	By tender	Mr. Tahir Iqbal
Suzuki FX, Regn. GA-0268	9,664	68,000	58,336	By tender	Mr. S. Rahman Hyder
	35,330	241,000	205,670		



1998 (Rupees '000')

16. ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN)

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

Fixed assets

 Land and building Furniture and fixtures 	8,608	8,608 4
	8,612	8,612
Investments		
Stock and sharesDebentures	7,112 250	7,112 250
	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.

			(Ri	upees `000')	
1111	1998		1997		
Sidat Hyder Qamar & Co.	Rahman Sarfaraz & Co.	Total	Ford Rhodes Robson Morrow	Rahman Sarfaraz & Co.	Total

17. AUDITORS' REMUNERATION

Audit fee

61

61

122

61

61

122

18. GENERAL

- 18.1 Figures have been rounded off to the nearest thousand rupees.
- 18.2 Figures of previous year have been rearranged, wherever necessary, to facilitate comparison.

SAYED MUZAFAR ALI SHAH

Chief Exectuve

AFTAB AHMED KHAN

Director

Shareholders' Statistics for the Year ended 31st December, 1998



No. of Shareholders			No. of share			Total Shareheld
291 85 23 8 3 1 1	From From From From From From From From	1 501 1,001 5,001 20,001 50,001	To To To To To To	100 500 1,000 5,000 20,000 50,000 150,000 255,000	Shares Shares Shares Shares Shares Shares Shares	10.06- 20,386 8,796 19,926 29,38- 24,286 132,166 255,000
413						500,000
Catagories of Shareholder	rs .		Number	Sh	are Held	Parcentage
Individuals Investment Companies Insurance Companies Joint Stock Companies Government of Pakistan			386 1 14 8		43,497 390 183,867 16,396	8.70 0.01 36.78 3.28
(Ministry of Commerce) Administrator Abandone Modarba & Leasing Comp Other (Staff Provident Fu	panies		1 1 1	255,000 250 100 500		51.00 0.03 0.02 0.10
			413	5	000,000	100.00
CLASSIFICATION OF I	NVESTMENT					(Rs. '000) BOOK VALUE
Government Securities Bank/Financial Institution Ferm Deposits N.I.T. Units	18					117,730 25,915 207,600 645,090
SHARE & STOCK (LIST	ED COMPANI	ES)				0,13,030
Mutual Fund Insurance Cotton & Textile Synthetic & Rayor Insurance Synthetic & Rayor Insurance Synthetic & Rayor Allied Cement Tobacco Fuel & Energy Engineering Auto & allied Transport Chemical Auto & allied Miscellaneous Debentures			90.993 5.210 6.602 0.256 1.400 4.957 1.624 0.271 63.560 0.955 0.691 9.876 78.794 3.657 0.403 5.408			274.657
Development .				TOTAL INDEED	T (T') IT'S	0,264
				TOTAL INVEST	MENTS:	1,271,256

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
	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

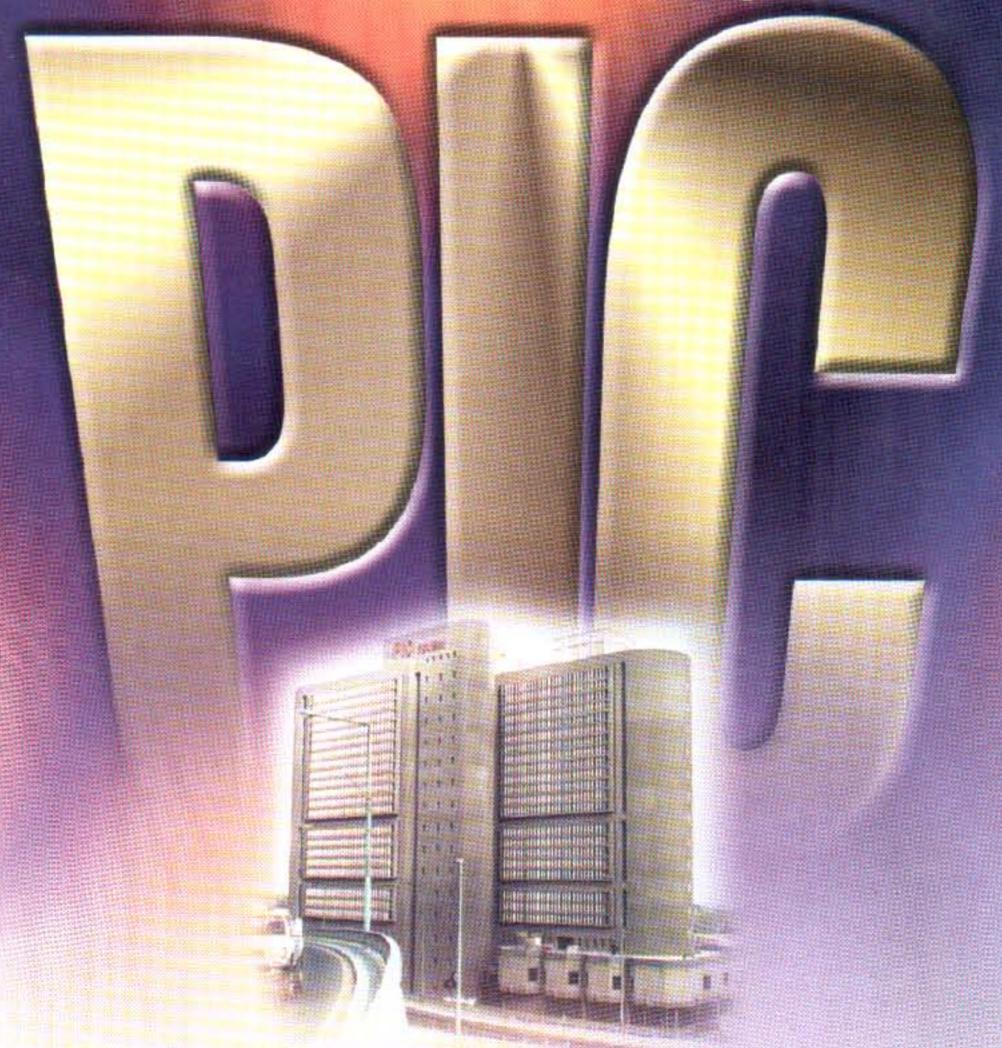
Affix Rupees Four Revenue Stamp

Important Notes:

- 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.
- 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 Corporation





HELPING THE INSURANCE INDUSTRY GROW

When risks outweigh securities, reinsurance provides the needed protection. Sharing liabilities of national companies for the last 47 years, Pakistan Insurance Corporation – forerunner in the business of reinsurance has helped the nation save in foreign exchange on insurance premia. Encouraging people to secure their future through insurance, providing grounds for growth of the insurance business.



Pakistan Insurance Corporation

Reassuring the safeguard of National interests PIC Towers, 32-A, Lalazar Drive, M. T. Khan Road, P.O. Box No. 4777, Karachi - Pakistan Telegrams: "REINSUCORP" Telex: 20428 PAKRE Telefax: (92-21) 9202921-22 Ph: 9202908-14 E-mail: pic@khi.compol.com Website: www.pakre.com.pk



Pakistan Insurance Corporation puts a few in it

Sharing liabilities is more than a business for us. Through reinsurance, we not only safeguard the interests of national companies but provide assurance for the country's stable economic development as well. The only National reinsurance organization in Pakistan, PIC also plays a significant role in developing the nation's insurance industry.



Pakistan Insurance Corporation Reassuring

Reassuring the safeguard of National interests

PIC Towers, 32-A, Lalazar Drive, M. T. Khan Road, P.O. Box No. 4777, Karachi - Pakistan Telegrams: "REINSUCORP" Telex: 20428 PAKRE Telefax: (92-21) 9202921-22 Ph: 9202908-14 E-mail: pic@khi.compol.com Website: www.pakre.com.pk

