



Pakistan Insurance Corporation

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



FIRST ANNUAL REPORT

Accounts for the period
12th January 1953 to 31st December 1953



Head Office
Habib Bank Building
Crossing of Bunder & Victoria Roads
Karachi

PAKISTAN INSURANCE CORPORATION

KARACHI

NOTIFICATION

No. 43 (22) 53—It is hereby notified that the First Annual General Meeting of the Shareholders of the Corporation will be held at the Head Office of the Corporation (at Habib Bank Building, Crossing of Bunder and Victoria Roads, Karachi), on Thursday 16th September, 1954, at 4 p. m. when the following business will be transacted, namely:

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

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

BY ORDER OF THE BOARD

D. W. PURNELL
Managing Director

Karachi: 20th July, 1954.

PAKISTAN INSURANCE CORPORATION
KARACHI

**Report by the Board of Directors
for the period 12th January 1953 to 31st December 1953**

To the Shareholders,

The Directors are pleased to submit the Revenue Accounts and Profit and Loss Account for the period ended 31st December, 1953 and Balance Sheet as at 31st December, 1953, together with the Report of the Auditors.

The Corporation did not assume its function as Reinsurer of the general insurance business of Pakistan until 16th July 1953 and its income is, therefore, confined to 5½ months from 16th July to 31st December. Under Section 35 of the Act, the Corporation is required to close its accounts at the end of each calendar year.

By normal standards it is unrealistic to produce a surplus for an initial trading period of 5½ months and yet, as will be seen from the accounts, this has resulted due probably to the time lag in reporting losses. The Corporation can only take up as incurred losses such losses as insurers have paid during the period plus those they report as outstanding on 31st December 1953. There may, however, be losses especially under Marine policies which have occurred prior to 31st December, but which are unknown until 1954. In the circumstances there is no merit attaching to the extraordinary appearance of a profit except to say that it could not have occurred at all but for the care whereby expenses were kept to a minimum. Payment of a dividend for this brief earning period of 5½ months has not been recommended.

Revenue accounts have been prepared separately for Fire, Marine and Miscellaneous business as required by the Act but the purport of the figures may be seen at a glance from the following composite picture.

Consolidated Statement - Fire, Marine and Miscellaneous.

Premiums less returns & cancellations				Rs.	16,38,480	12	0
Less Commission deducted by Insurers.				Rs.	5,30,173	15	0
Less Treaty Retrocessions.				Rs.	11,08,306	13	0
				Rs.	1,91,124	2	0
LESS				Nett Premiums	Rs.	9,17,182	11 0
Losses Incurred	5,60,755	0	0				
Less Paid by Treaty	4,10,973	0	0	1,49,782	0	0	
Expenses of Management.				71,131	7	0	
Unearned Premium Reserve.				6,83,965	13	0	
				Rs.	9,04,879	4	0
				Rs.	12,303	7	0
Surplus.							

After deducting the Treaty recoveries the losses in relation to premiums give an unusually low percentage which is to be explained by the short period of accounting and the unavoidable delays in reporting. Claims were overshadowed by the total loss of the S.S. "TONGHAI" which vessel sank in collision off the coast of Spain, whilst carrying a cargo of Pakistan jute to Continental ports. In the Fire Department the low loss ratio is no indication of the experience of a normal year. Much of the Pakistan business is seasonal and the bulk of premium from cotton and jute occurs towards the end of the year, whereas fires are most likely to occur during the first half of the succeeding year. Thus it is to be anticipated that the fire loss ratio will rise steeply during the first half of 1954.

The expenses include not only the charges of the Corporation during the earning period of 5½ months but also the establishment charges. The establishment charges could have been written off over a period from three to five years but in consideration of the moderate spending throughout it was better to charge the full amount to the first year's account. Although the Corporation was not established until 12th January 1953, preliminary expenses were incurred from November 1952, so that from November 1952 to 16th July 1953 there was outgo but no income. This was necessarily so but the preliminary expenses would not be more than 42% of the total expenses including those items which have appeared in the Profit and Loss account.

The Unearned premium reserve of Rs. 6,83,965/13/- represents 74.6% of the nett premiums. At first glance it might appear excessive but on examining the composition of the premiums for 5½ months it will be seen that the provision is not out of the way. Fire and Miscellaneous business is principally made up of policies which are in force for 12 months which means that little more than 25% of this premium has been earned during the period of the account. In the Marine Department, comparatively speaking, the earned premium is much greater. Thus the provision for unearned Marine premium need not perhaps be as much as has been set aside but the overall effect is that 74.6% is fully adequate.

It is not proposed that the Corporation remain static by confining its activities to Pakistan business. The Corporation is able to perform a service in relation to the broad reinsurance requirements of the market, having as it does arrangements and connections overseas which, to an extent, place it in the position of an international reinsurance body. As the scope widens the Corporation should be able to extend its exchanges in such a way that it attracts a worldwide portfolio and proves generally beneficial to the Pakistan market.

Your Directors wish to record their appreciation of the assistance given by the Commonwealth countries under the Colombo Plan, as expressed through the sterling services rendered by Mr. J. H. Jerram. Also on behalf of the Corporation we thank the Insurance Association of Pakistan for their help and advice which at all times has facilitated the work of the Corporation. Finally we express our thanks to the Government of Pakistan, especially the Ministry of Commerce and Ministry of Finance, for their co-operation and to the small but specialised staff of the Corporation for good services rendered.

K. F. HAIDER *Chairman.*

M M JUNAID

KHAWAJA BASHIR BAKHSH

MEHER ALI SHAH BUKHARI

} *Directors*

D. W. PURNELL *Managing Director.*

PAKISTAN INSURANCE CORPORATION

Marine Insurance Revenue Account for the Period 12th January, 1953 to 31st December, 1953.

	Rs.	as. p.	Rs.	as. p.	Rs.	as. p.
Claims less retrocessions—						
Paid during the period	...	...	41,977	5 0	...	...
Total estimated liability in respect of outstanding claims at the end of the period, whether due or intimated	...	...	53,014	9 0	94,991	14 0
Commission	...	...	1,07,878	10 0		
Expenses of Management	...	...	18,733	7 0		
Profit transferred to Profit and Loss Account			15,104	11 0		
Balance of account at the end of the period as shown in the Balance Sheet—						
Reserve for Unexpired Risks, being 40% of the Premium Income of the period	...	...	1,57,805	12 0		
			Rs.	3,94,514	6 0	
					Rs.	3,94,514 6 0

As per our Report annexed.

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

Karachi, 20th July, 1954.

K. F. HAIDER

Chairman.

M. M. JUNAID
KHAWAJA BASHIR BAKHSH
MEHER ALI SHAH BUKHARI

Directors.

D. W. PURNELL

Managing Director.

Miscellaneous Insurance Revenue Account for the Period 12th January, 1953 to 31st December, 1953.

	Rs.	as. p.	Rs.	as. p.
Claims less retrocessions—				
Paid during the period ...	646	10 0		
Total estimated liability in respect of outstanding claims at the end of the period, whether due or intimated ...	3,003	<u>1 0</u>	3,649	11 0
Commission ...			32,920	6 0
Expenses of Management ...			4,083	10 0
Profit transferred to Profit and Loss Account			4,008	10 0
Balance of account at the end of the period as shown in the Balance Sheet—				
Reserve for Unexpired Risks, being 50% of the Premium Income of the period ...			44,662	6 0
			Rs.	89,324 11 0

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

Karachi, 20th July, 1954.

Chairman.

M. M. JUNAID
KHAWAJA BASHIR BAKHSH
MEHER ALI SHAH BUKHARI

D. W. PURNELL

Managing Director.

PAKISTAN INSURANCE CORPORATION

Profit and Loss Account for the Period, 12th January, 1953 to 31st December, 1953.

	Rs.	as. p.	Rs.	as. p.	Rs.	as. p.
Expenses of Management (not applicable to any particular Fund or Account)—						
Directors' Fees and Travelling Allowances	7,209	8 0				
Flotation Costs	6,493	14 9	13,703	6 9	19,734	3 0
Loss transferred from Fire Insurance Revenue Account	...	...	6,809	14 0	5,332	0 0
Balance, carried down	...	...	13,002	3 3	14,402	3 0
			Rs. 33,515	8 0	Rs. 33,515	8 0
Transferred to Reserve for Taxation	...	...	3,500	0 0	13,002	3 3
Balance at the end of the period as shown in the Balance Sheet	...	...	9,502	3 3		
			Rs. 13,002	3 3	Rs. 13,002	3 3

As per our Report annexed.

RAHIM JAN, MAMA & Co.,
FORD, RHODES, PARKS & Co.,

Chartered Accountants,
Registered Accountants.

Karachi, 20th July, 1954.

K. F. HAIDER

Chairman.

M. M. JUNAID
KHAWAJA BASHIR BAKHSH
MEHER ALI SHAH BUKHARI

Directors.

D. W. PURNELL

Managing Director.

PAKISTAN INSURANCE CORPORATION

Report of the Auditors to the Shareholders

We have audited the annexed Balance Sheet of the Pakistan Insurance Corporation as at 31st December, 1953, the Fire, Marine and Miscellaneous Insurance Revenue Accounts, and the Profit and Loss Account of the Corporation for the period ended upon that date, and we report that:—

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

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

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

Karachi : 20th July, 1954.