

Internal Audit Deptt.



PAKISTAN INSURANCE CORPORATION

28th Annual Report & Accounts

FOR THE YEAR ENDED 31st DECEMBER, 1980

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



PAKISTAN INSURANCE CORPORATION

BOARD OF DIRECTORS

M. YAKUB	<i>Chairman</i>
S.S.A. BUKHARI	<i>Director</i>
MALIK ASRAR AHMED	<i>Director</i>
NISAR-UN-NABI	<i>Director</i>
M. W. FAROOQUI	<i>Director</i>
KHAN AMIR ABDULLAH-KHAN	<i>Director</i>
I. H. QARNI	<i>Director</i>

AUDITORS:

RAO & CO.
EBRAHIM & CO.

HEAD OFFICE:

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

PAKISTAN INSURANCE CORPORATION

NOTIFICATION

The Twenty Eighth Annual General Meeting of the Shareholders of Pakistan Insurance Corporation will be held at Pakistan Insurance Building, M.A. Jinnah Road, (opp. Mereweather Tower,) Karachi-2 on Tuesday the 30th June, 1981 at 11.00 A.M. to transact the following business namely :—

- (1) Confirmation of the Minutes of the 27th Annual General Meeting held on Monday the 30th June, 1980.
- (2) The Balance Sheet as at 31st December, 1980, the Revenue Accounts and the Profit & Loss and the Profit and Loss Appropriation Accounts for the year ended 31st December, 1980 together with the report by the Board on the Working of the Corporation during the year and the Auditors' Report on the said Balance Sheet and Accounts will be read and considered.
- (3) The Chairman will announce the Dividend declared by the Board in respect of the 1980 Accounts.

The Share Transfer Registers of the Corporation will remain closed for 8 days with effect from the 23rd June 1981 to 30th June 1981 (both days inclusive).

By order of the Board
(SYED ZIAUDDIN AHMED)
Chief Manager
Accounts

PAKISTAN INSURANCE CORPORATION

KARACHI

Report of the Board of Directors on the working of the Corporation during the year ended 31st December, 1980

The Shareholders,
Pakistan Insurance Corporation,

Gentlemen,

Your directors take pleasure in presenting herewith their 28th Annual Report and the Accounts of the Corporation for the year 1980.

2. The Pakistan Insurance Corporation was set up under the PIC Act (Act No. XXXVIII) 1952 to provide reinsurance facilities in Pakistan and to assist in the development of national insurance industry.
3. In the earlier years, the Corporation limited its activities to the acceptance of 10% obligatory quota share cession of all direct insurance written in the country. Later in 1958, the quota of such compulsory cessions to PIC was increased to 30%. PIC has also been accepting voluntary cession on mutually agreed terms and w.e.f 1.1.1976 Government have decided that every insurer in Pakistan shall also offer to reinsure with PIC not less than 25% of its surplus which it intends to reinsure abroad.
4. The business under 30% statutory quota share cessions and 25% surplus cessions is pooled and a sizeable portion, duly protected by excess of loss covers is retroceded to the companies for their net account. This arrangement has been instrumental in strengthening the retention capacity and further growth of the home industry.
5. The Corporation also accepts insurance business from abroad and has by now developed a substantial foreign portfolio.
6. As the business available to PIC represents a cross section of the general insurance business of the country and is more balanced and widely spread, it is possible for PIC to make greater use of the more economical reinsurance arrangements as well as obtain reciprocal business from abroad.
7. Whilst the life insurance is nationalised in Pakistan, the general business is written by both Private Sector and Public Sector companies. The Government interests are covered by National Insurance Corporation exclusively. The business emanating from private enterprises is handled by 27 national companies and 11 foreign resident companies. The gross premium income of general insurance business has recorded an increase from Rs. 927 million in 1979 to Rs. 1197 million in 1980.
8. The table below shows the break-up of volume of business classwise written by different groups of insurers.

(In million of Rupees)

1980 Gross Premium

Class of Business	National		Foreign Resident					
	N.I.C.	%	companies	%	Cos.	%	Total	%
Fire	1367	31	2498	58	479	11	4344	36
Marine Cargo	1477	35	2151	51	585	14	4213	35
Marine Hull	522	97	18	3	—	—	540	5
Aviation	598	99	9	2	—	—	607	5
Engg.	477	68	198	28	23	3	698	6
Accident	348	22	1016	65	202	13	1566	13
	4789	40	5890	49	1289	11	11968	100

The gross figures are based on 30% quota share cessions declared to PIC in 1980.

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

(In million of Rupees)

Year	Gross Premium Income	Profit	Total Reserves/Provisions	Total Investment
1953	1.638	0.013	0.795	1.046
1958	20.734	1.069	8.704	8.993
1963	57.165	1.648	21.069	20.306
1968	131.942	7.397	63.364	42.256
1973	238.288	10.924	127.400	37.075
1978	578.556	33.550	390.044	251.465
1979	666.478	*6.975	474.789	249.973
1980	733.309	7.396	539.195	327.114

* After tax provision

10 While the gross premium of the Corporation increased by 10% (from Rs. 667 million in 1979 to Rs. 733 million this year), the net premium has shown a higher improvement by 18% from Rs. 315 million in 1979 to Rs. 370 million in 1980.

REVENUE ACCOUNTS:

(In million of Rupees)

	FIRE		MARINE		MISC.		TOTAL	
	1979	1980	1979	1980	1979	1980	1979	1980
Gross Premium	162	222	327	292	178	219	667	733
Retro. Premium	91	106	152	132	109	125	352	363
Net Premium	71	116	175	160	69	94	315	370
Net Commission	31	52	57	52	19	25	107	129
Net Claims	28	37	101	112	42	51	171	200
Prem. Res. Adj.	6	18	15	8	(1)	29	20	55
Management Exp.	2	3	5	5	1	3	8	11
Balance	4	6	(3)	(17)	8	(14)	9	(25)

The net claims paid during 1980 in terms of percentage of net premium decreased from 54.3% in 1979 to 54.1% in 1980. Net commission as a percentage of net premium has remained at 34.8%. Management expenses have increased from 2.5% in 1979 to 2.9% this year. The net underwriting profit has decreased by Rs. 34 millions mainly because of higher provision for premium reserve (see para 13 below).

11. The development and experience of individual classes of PIC business during 1980 has been as follows:—

FIRE:—The gross premium of Fire portfolio recorded a sizeable increase of 37% from Rs. 162 million in 1979 to Rs. 222 million in 1980 as compared to a growth of 6% in 1979, mainly due to larger cessions from National Insurance Corporation on account of a bumper cotton crop. These cessions were mostly retained to net account. The retained premium as a percentage of gross premium therefore, increased to 52% as against 44% in 1979. Like 1979, there was no major loss in 1980 and the claims ratio further decreased from 39% in 1979 to 31% this year.

MARINE:—The volume of Marine Cargo premium decreased by about 16% from Rs. 272 million in 1979 to Rs. 228 million in 1980 as compared to an increase of 34% in 1979. The decrease is attributable mainly to higher retention by National Insurance Corporation and reduction in the foreign portfolio. The results of our foreign business which constitutes 16% of the total gross premium has been showing negative results for some time reflecting the deteriorating trend of this business the worldover. This business has now been substantially pruned. The results of home marine cargo business has also been unsatisfactory due to occurrence of major losses through use of overage vessels.

Marine Hull gross premium increased by 17% from Rs. 55 million in 1979 to Rs. 64 million in 1980 as compared to 11% in 1979, mainly due to addition of new vessels to the fleet of PNSC.

MISCELLANEOUS:—Gross premium income of Aviation business has increased by 49% from Rs. 71 million in 1979 to Rs. 106 million in 1980 as compared to the increase of 2% in 1979. This high rate of growth is due partly to increase in PIA fleet premium but largely to foreign inward business, which contributed 46% of the total.

The gross premium of Engineering business shows a decrease of 7% from Rs. 53 million in 1979 to Rs. 50 million in 1980 compared to a growth of 1% last year. The decrease is because many high valued projects have been completed. Premium from comparatively smaller value projects current in 1980 were largely retained to the net account. The claims experience has been satisfactory in 1980.

The gross premium of Accident business has shown an above average growth of 19% from 53 million in 1979 to Rs. 63 million in 1980 as compared to 3% growth in 1979.

12. **PREMIUM RESERVE:** Hitherto, premium reserve has been provided in the accounts at the uniform rate of 40% of net premium for the year for all business. The Insurance Act 1938 and the Income Tax Act 1922 (replaced by Income Tax Ordinance 1979), however, permit of premium reserve being provided at 100% of premium in respect of Marine Hull and Aviation Hull portfolios. This business emanates in the home market from National Insurance Corporation who provide for premium reserve on these portfolios at 100%. Accordingly, premium reserve in respect of these portfolios is being provided in PIC's 1980 accounts at 100% of net premium. This has the effect of increasing the premium reserve by Rs. 33 million and a corresponding depression of profits.

13. **INVESTMENTS:** There was an appreciable increase in the investment made by the Corporation from Rs. 250 million in 1979 to Rs. 327 million in 1980. The increased investment was made mainly in Stocks & Shares in order to reduce incidence of interest in the income of the Corporation.

With the increase in investments, the investment income for the year substantially increased from Rs. 24 million in 1979 to Rs. 30 million in 1980.

14. **PROFIT AND LOSS ACCOUNT:** The Profit and Loss Account shows a net profit of Rs. 7.396 million arrived at as follows:—

Under-writing Profit	Rs.	(25.068)	million
Investment Income	Rs.	30.354	"
Other Income net of expenses	Rs.	2.110	"
	Rs.	<u>7.396</u>	"

15. **ALLOCATION OF PROFIT:**

Including a sum of Rs. 0.303 million brought forward from last year, the surplus has been appropriated as under:—

(a) Provision for taxation	Rs.	0.800	million
(b) Proposed Dividend	Rs.	0.800	"
(c) Balance carried forward	Rs.	6.099	"
	Rs.	<u>7.699</u>	"

16. **BALANCE SHEET:**

There has been an increase of 13% in the Reserves/Provisions of the Corporation which have gone up from Rs. 475 million at end of 1979 to Rs. 539 million at close of 1980. The increase is mainly in the premium reserve up from Rs. 129 million to Rs. 184 million (see para 13 above) and in provision for outstanding claims up from Rs. 159 million to Rs. 170 million.

17. **ACKNOWLEDGMENT:**

Since the last report Mr. Ahadullah Akmal left us as representative of Ministry of Finance and was succeeded by Mr. Mumtaz Abdullah. Later on Mr. Mumtaz Abdullah was succeeded by Malik Asrar Ahmed. The Directors wish to express their appreciation of the valuable services rendered by the outgoing Directors and welcome the new Director who brings with him rich and varied experience.

The Directors take this opportunity to express their appreciation of the good work done by the Management, Officers and Staff of the Corporation. The Directors also owe their gratitude to the Government of Pakistan, the Insurance Association of Pakistan, all insurers in Pakistan, the underwriters and the reinsurance brokers for the co-operation extended by them during the year under review.

The Directors are pleased to declare a dividend of 10% for the year 1980.

PAKISTAN INSURANCE CORPORATION

28 YEARS AT A GLANCE

(In Million of Rupees)

Year		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	4	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	6-1/2	6.424	6.030
1958	..	20.734	1.069	10	8.704	8.993
1959	..	25.012	1.592	10	0.995	10.455
1960	..	33.110	1.694	10	11.258	11.381
1961	..	37.663	1.509	10	13.624	12.299
1962	..	47.889	1.561	10	17.032	14.902
1963	..	57.165	1.648	10	21.069	20.306
1964	..	67.400	2.017	10	25.901	25.789
1965	..	72.298	2.334	10	35.547	31.040
1966	..	93.806	2.308	10	39.501	35.407
1967	..	108.431	3.621	10	49.117	38.709
1968	..	131.942	7.397	10	63.364	42.256
1969	..	156.291	6.728	10	77.448	47.762
1970	..	155.445	8.752	10	91.108	51.242
1971	..	166.767	7.079	10	107.060	52.084
1972	..	215.202	6.287	10	116,223	35.986
1973	..	238.288	10.924	7-1/2	127.400	37.075
1974	..	319.887	16.022	7-1/2	174,027	47.584
1975	..	399.717	19.865	10	207.712	92.798
1976	..	462.368	26.518	10	262.956	138.739
1977	..	554.482	18.069	10	330.725	212.265
1978	..	578.556	33.550	3:5B 10	390.044	251.465
1979	..	666.478	6.975	10	474.789	249.973
1980	..	733.309	7.396	10	539.195	327.114

PAKISTAN INSURANCE CORPORATION

KARACHI.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the annexed Balance Sheet of the PAKISTAN INSURANCE CORPORATION as at 31st December, 1980 and the Fire, Marine and Miscellaneous Insurance Revenue Accounts, the Profit and Loss Account and Profit and Loss Appropriation Account of the Corporation for the year ended on that date and we report that:

- (a) We have obtained all the information and explanations which we have required;
- (b) Subject to the contents of Notes 3, 5 and 6, such Balance Sheet, exhibits a true and correct view of the state of the Corporation's affairs according to the best of our information and explanations given to us and as shown by the books of the Corporation.
- c) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, has been deducted by the Corporation and credited to the Central Zakat Fund established under section 7 of that Ordinance.

EBRAHIM & COMPANY
Chartered Accountants

RAO & COMPANY
Chartered Accountants

Karachi, 10th June 1981

PAKISTAN INSURANCE

REVENUE ACCOUNT FOR THE
CONSOLIDATED FOR ALL

1979 Rupees	PARTICULARS	1980 Rupees
106,358,462	Commission paid (Less Retrocessions)	128,908,354
139,976,464	Claims (Less Retrocessions) paid during the year.	188,834,151
159,257,224	<i>Add:</i> Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated.	170,358,150
299,233,688		359,192,301
128,587,967	<i>Less:</i> Outstanding at the end of the previous year	159,257,224
170,645,721		199,935,077
7,867,277	Expenses of Management	9,499,189
128,608,615	Premium Reserve for the year	183,996,452
961,963	Difference in Exchange	1,454,982
7,941,306	Profit transferred to Profit & Loss Account	—
<u>422,383,344</u>		<u>523,794,054</u>

Auditors' report to the shareholders is annexed

EBRAHIM & CO.
Chartered Accountants
Karachi, 10th June 1981

RAO & CO.
Chartered Accountants

CORPORATION

YEAR ENDED 31ST DECEMBER, 1980

CLASSES OF BUSINESS

1979 Rupees	PARTICULARS	1980 Rupees
108,532,795	Premium Reserve brought forward from last year	128,608,615
666,477,778	Premium	733,309,068
352,627,229	Less: Retrocessions	363,191,709
313,850,549		370,117,359
	Loss transferred to Profit & Loss Account	25,068,080
<u>422,383,344</u>		<u>523,794,054</u>

M. W. FAROOQI

Director

NISAR-UN-NABI

Director

PAKISTAN INSURANCE

REVENUE ACCOUNTS FOR THE
FIRE

1979 Rupees	PARTICULARS	1980 Rupees
30,901,615	Commission paid (Less Retrocessions)	51,648,364
22,181,574	Claims (Less Retrocessions) paid during the year	29,117,257
24,184,866	Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated	31,571,967
46,366,440		60,689,224
18,659,135	Less: Outstanding at the end of the previous year	24,184,866
27,707,305		36,504,358
1,769,185	Expenses of Management	2,990,520
29,406,636	Premium Reserve for the year	47,783,187
216,325	Difference in Exchange	458,055
3,672,531	Profit transferred to Profit & Loss Account	6,541,907
<u>93,673,597</u>		<u>145,926,391</u>

Auditors' report to the shareholders is annexed

EBRAHIM & CO.
Chartered Accountants

Karachi, 10th June 1981

RAO & CO.
Chartered Accountants

CORPORATION

YEAR ENDED 31ST DECEMBER, 1980

BUSINESS

1979 Rupees	PARTICULARS	1980 Rupees
23,095,220	Premium Reserve brought forward from last year.	29,406,636
162,097,956	Premium	222,177,876
91,519,579	Less: Retrocessions	105,658,121
70,578,377		116,519,755
93,673,597		145,926,391

M. W. FAROOQUI

Director

NISAR-UN-NABI

Director

PAKISTAN INSURANCE

REVENUE ACCOUNT FOR THE MARINE

1979 Rupees	PARTICULARS	1980 Rupees
56,526,471	Commission paid (Less Retrocessions)	52,590,390
81,711,041	Claims (Less Retrocessions) paid during the year	105,277,404
90,292,781	<i>Add:</i> Total estimated liability in respect of out- standing claims at the end of the year whether due or intimated	97,053,765
172,003,822		202,331,169
70,709,413	<i>Less:</i> Outstanding at the end of the previous year	90,292,781
101,294,409		112,038,388
4,380,261	Expenses of Management	4,112,821
71,160,163	Premium Reserve for the year	79,412,045
535,592	Difference in Exchange	629,957
<u>233,896,896</u>		<u>248,783,601</u>

Auditors' report to the shareholders is annexed

EBRAHIM & CO.
Chartered Accountants

Karachi. 10th June 1981

RAO & CO.
Chartered Accountants

CORPORATION

YEAR ENDED 31ST DECEMBER, 1980

BUSINESS

1979 Rupees	PARTICULARS	1980 Rupees
56,091,742	Premium reserve brought forward from last year	71,160,164
326,870,322	Premium	292,255,540
152,127,843	Less: Retrocessions	132,007,469
174,742,479		160,248,071
3,062,675	Loss Transferred to Profit & Loss Account	17,375,366
<u>233,896,896</u>		<u>248,783,601</u>

M.W. FAROOQUI

Director

NISAR-UN-NABI

Director

PAKISTAN INSURANCE

REVENUE ACCOUNT FOR THE MISCELLANEOUS

1979 Rupees	PARTICULARS	1980 Rupees
18,930,376	Commission paid (Less Retrocessions)	24,669,600
36,083,849	Claims (Less Retrocessions) paid during the year	54,439,490
44,779,577	Add; Total estimated liability in respect of out- standing claims at the end of the year whether due or intimated	41,732,418
80,863,426		96,171,908
39,219,419	Less; Outstanding at the end of the previous year	44,779,577
41,644,007		51,392,331
1,717,831	Expenses of Management	2,395,848
28,041,816	Premium reserve for the year	56,801,220
210,046	Difference in Exchange	366,970
7,331,450	Profit transferred to Profit & Loss Account	—
<u>97,875,526</u>		<u>135,625,969</u>

Auditors' report to the shareholders is annexed.

EBRAHIM & CO.
Chartered Accountants

Karachi, 10th June 1981

RAO & CO.
Chartered Accountants

CORPORATION

YEAR ENDED 31ST DECEMBER, 1980

BUSINESS

1979 Rupees	PARTICULARS	1980 Rupees
29,345,833	Premium reserve brought forward from last year	28,041,815
177,509,500	Premiums	218,875,652
108,979,807	Less: Retrocessions	125,526,119
68,529,693		93,349,533
	Loss transferred to Profit & Loss Account	14,234,621
<u>97,875,526</u>		<u>135,625,969</u>

M. W. FAROOQUI

Director

NISAR-UN-NABI

Director

PAKISTAN INSURANCE

PROFIT AND LOSS ACCOUNT FOR THE

1979 Rupees	PARTICULARS	1980 Rupees
	Expenses of Management (Not allocable to any particular Revenue Account)	
17,791	Directors' Fee and T.A.	19,318
20,500	Auditors' Fee	20,500
12,093	Advertisement and Publicity	28,160
50,384		67,978
179	R.C.D. Expenses	89,903
2,450	Training & Research	—
23,000	Charity and Donation	15,500
7,448	Federation of Afro-Asian Insurers and Reinsurers	—
33,077		105,403
820,591	Interest paid on deposits retained from other companies	941,556
1,591	Loss on sale of Fixed Assets	—
—	Bad Debts	3,118
—	Net Assets Relating to Former East Pakistan written off	10,878
34,575,314	Net Profit for the year carried to Profit & Loss Appropriation Account	7,395,811
35,480,957		8,524,744

PROFIT AND LOSS APPROPRIATION ACCOUNT

6,000,000	Exceptional Loss Reserve	—
27,600,000	Provision for Taxation	800,000
800,000	Proposed Dividend — 1980	800,000
303,429	Un-appropriated Profit transferred to Balance sheet	6,099,240
34,703,429		7,699,240

These accounts should be read in conjunction with the annexed notes.

Auditors' Report to the Shareholders is Annexed

EBRAHIM & CO.
Chartered Accountants

RAO & CO.
Chartered Accountants

Karachi 10th June 1981

CORPORATION

YEAR ENDED 31ST DECEMBER, 1980

1979 Rupees	PARTICULARS	1980 Rupees
	Investment Income	
24,278,367	Interest and Dividends	30,353,995
	Profit (Loss) transferred from Revenue Account:	
3,672,531	Fire	6,541,907
(3,062,675)	Marine	(17,375,366)
7,331,450	Miscellaneous	(14,234,621)
7,941,306		(25,068,080)
	Other Receipts	
2,267,914	Interest received on deposits retained by other companies	2,514,438
—	Interest on short Terms Deposits	130,498
568,753	Profit on Sale of Assets	—
424,615	Miscellaneous Income	593,836
2	Share Transfer Fee	57
3,261,284		3,238,829
<u>35,480,957</u>		<u>8,524,744</u>

FOR THE YEAR ENDED 31ST DECEMBER, 1980

128,115	Balance brought forward from previous year	303,429
34,575,314	Net Profit for the year as per Profit and Loss Account.	7,395,811
<u>34,703,429</u>		<u>7,699,240</u>

M. W. FAROOQUI

Director

NISAR-UN-NABI

Director

PAKISTAN INSURANCE

BALANCE SHEET AS AT

1979 Rupees	CAPITAL & LIABILITIES	1980 Rupees
10,000,000	AUTHORISED CAPITAL : 100,000 shares of Rs. 100 each	10,000,000
	ISSUED AND PAID-UP CAPITAL:	
5,000,000 10,725	80,000 shares of Rs. 100 each fully paid up. Shares premium account	8,000,000 10,725
5,010,725		8,010,725
	RESERVES AND PROVISIONS:	
141,500,000 1,500,000 450,000 5,000,000 33,300,000 250,000 1,923,450	Exceptional Loss Reserve Exchange fluctuation reserve Investment fluctuaton reserve General Reserve Provision for Taxation Reserve for bad & doubtful debts Provision for Gratuity	141,500,000 1,500,000 450,000 5,000,000 34,100,000 250,000 2,039,882
183,923,450		184,839,882
800,000 3,000,000 303,429	Proposed Dividend Provision for issue of Bonus Shares Unappropriated profit	800,000 — 6,099,240
	RESERVE FOR OUTSTANDING CLAIMS-	
24,184,866 90,292,781 44,779,577	Fire Marine Miscellaneous	31,571,967 97,053,765 41,732,418
159,257,224		170,358,150
	PREMIUM RESERVE:	
29,406,636 71,160,163 28,041,816	Fire Marine Miscellaneous	47,783,187 79,412,045 56,801,220
128,608,615		183,996,452
28,913,601	Amount due to other persons and bodies, carrying on insurance business.	47,470,817
61,132,135	Deposits retained and/or received from other companies.	111,080,040
3,136,457	Sundry Creditors	3,123,860
574,085,636		715,779,166

These accounts should be read in conjunction with the annexed notes.

Auditors' report to the Shareholders is annexed,

EBRAHIM & CO.
Chartered Accountants

Karachi, 10th June 1981

RAO & CO.
Chartered Accountants

CORPORATION

31ST DECEMBER 1980

1979 Rupees	PROPERTY & ASSETS	1980 Rupees
	INVESTMENT (at cost)	
4,506,633	Government and other securities	4,906,633
159,516,117	G.T.D.R.	150,182,199
36,013,100	F.D.R.	25,981,346
37,881,900	Stock and Shares	135,052,448
12,055,150	Debentures	10,991,650
249,972,900	Market value as at 31-12-1980 (Rs. 330,714,217)	327,114,276
1,573,445	Land and Building at cost (Less Depreciation)	1,532,578
	CURRENT ASSETS :	
10,133,417	Cash in hand and at bank	5,511,158
119,350,778	Amount due from Persons and bodies carrying on insurance business	167,051,323
157,528,115	Deposits held by ceding companies	131,287,982
1,991,829	Sundry debtors	2,185,889
7,794,928	Interest accrued and outstanding	16,448,859
8,525,708	Advances/Loans, deposits & Prepaid Exp.	47,397,817
53,904	Stock of stationery etc.	114,879
305,378,679		369,997,907
	ADMINISTRATIVE FIXED ASSETS	
687,293	Furniture, Fixture, Office Equipment and vehicle— At cost (Less depreciation).	661,086
16,473,319	Net Assets Relating to Former East Pakistan	16,473,319
574,085,636		715,779,166

M. W. FAROOQUI

NISAR-UN-NABI

Director

Director

PAKISTAN INSURANCE CORPORATION

Notes to the accounts for the year ended 31st December 1980

	1979	1980
	Rupees	Rupees
1. PAID-UP CAPITAL	5,000,000	8,000,000

The paid up capital of the Corporation stands increased to Rs. 8 million on 31st December, 1980. The bonus shares of Rs. 3 million declared out of the profits of the Corporation for the year 1978 and approved by the Board of Directors on 4.6.1979, were issued on 29.4.1980.

2. EXCHANGE FLUCTUATION RESERVE—Rs. 1,500,000/-

It is only a token Provision which remains constant since 1975. No further provision was made in this Reserve thereafter and all the Exchange Losses are being written off to Revenue as and when paid.

3. RESERVE FOR OUTSTANDING CLAIMS:

a) This Provision includes an estimated sum of Rs. 9.8 million (1979 Rs. 12.6 million) in respect of Marine losses incurred but not reported (IBNR.)

b) It also includes an amount of Rs. 4,951,794 representing claims brought forward from the previous years which relate to Bangladesh (former East Pakistan) business: This is made up as follows:

	1979	1980
	Rupees	Rupees
Fire insurance	2,382,000	2,382,000
Marine insurance	1,469,794	1,469,794
Miscellaneous insurance	1,100,000	1,100,000
	<u>4,951,794</u>	<u>4,951,794</u>

No adjustment has been made in this Provision since 1973 pending ascertainment of actual liabilities in this regard.

4. LAND AND BUILDING	1979	1980
	Rupees	Rupees
Land and building comprises of the following:		
PIC Head Office Building (W.D.V.)	517,090	491,236
*PIC Building Plot, Moulvi Tamizuddin Khan Road, Leasehold (at cost)	760,197	760,197
PIC House, Moulvi Tamizuddin Khan Road (W.D.V.)	294,794	280,054
Lift (W.D.V.)	1,364	1,091
Total :	<u>1,573,445</u>	<u>1,532,578</u>

- * This plot No. 32-A on Moulvi Tamizuddin Khan Road was acquired on 25 years' lease from the Karachi Port Trust for construction of Corporations' building thereon. On request from Karachi Port Trust, however, this plot has been lent to the Karachi Port Trust for serving as a working yard in connection with the construction of Napier Mole Bridge. Karachi Port Trust has agreed not to charge the rent and extension fee for the period that it is so used by Karachi Port Trust.

5. ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN)

Assets relating to Bangladesh (former East Pakistan) comprise of fixed assets and investments:

	1979	1980
	Rupees	Rupees
East Pakistan Government Loans	499,700	499,700
Stock and Shares	7,111,374	7,111,374
Debentures	250,000	250,000
Land and Building	8,608,167	8,608,167
Furniture and fixtures	4,078	4,078
Total	<u>16,473,319</u>	<u>16,473,319</u>

The realisability of these assets is not determinable at the present time but no provision for the loss that may arise as a result of the Corporation losing control over these assets has been made.

6. DEVALUATION/DIFFERENCE IN EXCHANGE ACCOUNT :

a) There has been a net loss of Rs. 1,454,982 resulting from exchange fluctuations on remittances received and sent and/or adjustments of various foreign transactions and translation of currencies in respect of monthly cash balances. This amount has this year been charged by the management to the revenue accounts instead of Profit and Loss Account, and the relevant figures, of last year including revenue profit loss figures have been readjusted for Comparison purposes.

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

c) All balances in foreign currencies representing amounts due to and due from other companies, deposits held by ceding companies and deposits retained/received from other companies have been reflected at the rates prevailing on the date of the booking.

7. GENERAL :

a) Expenses of Management have been allocated to the various Revenue Accounts on the basis of net premium income earned.

b) Premium reserve for Aviation Hull and Marine Hull business has been provided this year at 100% of the premium income as admissible under the Insurance Act 1938 as against 40% of the "increase" in net premium income last year. Had the previous practice been followed, the net revenue of Marine and Aviation business and premium also the net profit (before tax) of the Corporation would have been more by Rs. 32.9 million.

The premium reserve of other business however, remain consistant with the past practice, i.e., the premium reserve brought forward has been increased to the extent of 40% of the "increase" in net premium income in respective Revenue Accounts.

c) Figures for last year have been re-arranged and/or readjusted for comparison purposes where necessary.

8. CONTINGENT LIABILITY:

The Corporation has received intimation from the Income Tax Department about their intention to add back provisions in respect of estimates for outstanding claims to its declared income. This is likely to result in an enhanced tax demand for Rs. 2 crores. The management has not admitted this liability and the same is being contested.

PAKISTAN INSURANCE CORPORATION

KARACHI

PROXY FORM

I/we _____ of _____ being
a Shareholder of the Pakistan Insurance Corporation holding Shares Nos. _____
_____ hereby appoint _____
of _____ or 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 _____
on the _____ day _____
and at any adjournment thereof.
Dated this _____ day _____

Signature of Shareholder

Affix Forty
Paisas Revenue
Stamp

IMPORTANT :

1. Signature must tally with the specimen filed with the Corporation.
2. No proxy shall be valid unless it is duly stamped and unless it is together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority is deposited at the Head Office of the Corporation not less than 4 clear days before the date fixed for the meeting.