



34TH ANNUAL REPORT 1986

PAKISTAN INSURANCE CORPORATION

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





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BOARD OF DIRECTORS



M.G. HASAN

Chairman

M. JAMIL ERICKZADA

Director

S. M. HASAN

Director

S.A.Q. HAQQANI

Director

NAZIER AHMED JAJVI

Director

SHAMSHAD ASHRAF KHAN

Director

AHMED DAWOOD

Director

SHEIKH MOHAMMAD AIJAZ AKHTAR

Director

AUDITORS:

TASEER HADI KHALID & CO.
Chartered Accountants.

FEROZE SHARIF & CO.
Chartered Accountants.

HEAD OFFICE:

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



NOTIFICATION



The Thirty-fourth Annual General Meeting of the shareholders of Pakistan Insurance Corporation shall be held at Pakistan Insurance Building, M. A. Jinnah Road, (opposite Mereweather Tower), Karachi-2 on Sunday, the 28th June, 1987, at 11.00 a.m. to transact the following business, namely:-

- (i) To confirm the minutes of the 33rd Annual General Meeting held on Thursday, the 26th June, 1986.
- (ii) To adopt the Balance Sheet as at 31st December, 1986, the Revenue Accounts and the Profit and Loss Appropriation Accounts for the year ended 31st December, 1986; and
- (iii) Announcement of the Dividend declared by the Board in respect of 1986 Accounts.

2. The Share Transfer Registeres of the Corporation will remain closed for 8 days with effect from 21st June, 1987 to 28th June, 1987 (both days inclusive) for Annual General Meeting and payment of dividend.

By order of the Board

(S. HASINUDDIN AHMAD)
Secretary PIC.



REPORT OF THE BOARD OF DIRECTORS ON THE YEAR ENDED

The Shareholders,
Pakistan Insurance Corporation,

Gentlemen,

Your Directors again feel pleasure in presenting herewith the 34th Annual Report on the Accounts of the Corporation for the year 1986.

2. The gross premium of the general insurance business in the country excluding NIC has recorded an increase of Rs. 229 million i.e. from Rs. 1255 million in 1985 to Rs. 1484 million in 1986. The table below shows the break up of the volume of business class-wise written by the various groups of Insurers.

1986 GROSS PREMIUM:

(In million of Rupees)

Class of Business	National Cos.	% Source wise	Foreign Resident Cos.	% Source wise	Total	% Class wise
Fire	490.06	86	79.32	14	569.38	38
Marine Cargo	389.36	78	109.01	22	498.37	34
Marine Hull	10.75	99	0.03	1	10.78	1
Aviation	1.77	94	0.12	6	1.89	—
Engineering	46.50	94	2.68	6	49.18	3
Accident	310.80	88	43.96	12	354.76	24
TOTAL:-	1249.24	84	235.12	16	1484.36	100

N.B. The gross figures are based on 30% Quota Share cessions to PIC in 1986.

WORKING OF THE CORPORATION FOR THE 31 DECEMBER, 1986



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

(In million of Rupees)

Year	Gross Premium Income	Profit	Total Reserves/Provisions	Total Investment
1958	20.7	1.1	8.7	9.0
1963	57.2	1.6	21.1	20.3
1968	131.9	7.4	63.4	42.3
1973	238.9	10.9	127.4	37.1
1978	578.6	33.6	390.0	251.5
1983	897.6	66.6	640.0	476.6
1984	817.5	76.0	677.6	500.3
1985	903.6	90.8	696.7	598.5
1986	1018.2	96.9	748.0	546.5

With the increase in gross premium by 12.7% from Rs. 903.6 million to Rs. 1018.2 million, overall profit in 1986 showed an increase of 6.7% as compared to 1985 (from Rs. 90.7 million in 1985 to Rs. 96.9 million in 1986).

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

(In million of Rupees)

	FIRE		MARINE		MISC.		TOTAL	
	1986	1985	1986	1985	1986	1985	1986	1985
Gross Premium	245	220	310	327	463	357	1018	904
Retro. Premium	110	114	217	197	310	251	637	562
Net Premium	135	106	93	130	153	106	381	342
Net Commission	64	50	30	42	40	30	134	122
Net Claims	61	38	50	83	72	73	183	194
Prem. Res. Adj.	12	7	(23)	(10)	26	(3)	15	(6)
Underwriting Surplus	(2)	11	36	15	15	6	49	32
Management Exp.	7	5	5	6	8	5	20	16
Balance	(9)	6	31	9	7	1	29	16



Net claims incurred during 1986 in terms of percentage of net premium decreased from 56.7% in 1985 to 48% in 1986. Net commission as a percentage of net premium decreased slightly but the net underwriting balance improved substantially.

5. The experience of individual classes of business during 1986 has been as follows:-

(a) FIRE BUSINESS :

The gross premium of Fire Portfolio increased from Rs. 220 million to Rs. 245 million in 1986 showing an increase of 11.4%. This has been mainly due to increase in business of National Companies. As a consequence thereof the net retained premium also registered a sizeable increase of Rs. 28.6 million in 1986 as against Rs. 18 million in 1985. The commission and claim costs have increased in relation to the net premium because of major losses in Latif Jute Mills, Crescent Textile, riot and civil commotion losses in Karachi.

(b) MARINE BUSINESS :

The gross premium in the Marine Business (Cargo and Hull) decreased by Rs. 17.28 million as against Rs. 19 million during 1985.

While there was a decrease of Rs. 25.05 million in 1986 in the Marine Cargo premium, Marine Hull recorded an increase of Rs. 7.77 million. However, there was a decrease in the net premium both on account of Marine Cargo and Hull because of more retrocession and weeding out of loss giving treaties.

(c) MISCELLANEOUS BUSINESS :

Under Miscellaneous Portfolio the gross premium of Aviation, Accident and Engineering showed an increase of Rs. 106.78 million as compared to 1985. Aviation has contributed the most amounting to Rs. 77.10 million. This has been mainly due to favourable business trends in Pakistan and higher cession by NIC on PIA Account, as well as increase in foreign facultative business.

6. PREMIUM RESERVE :

Premium reserve has been calculated as before @ 100% of net premium in respect of Marine Hull and Aviation, 50% of the net premium in the Marine Cargo & 40% of the net premium in Fire and Miscellaneous Business.



7. **INVESTMENTS :**

There was a decrease in the investment of the Corporation from Rs. 598.5 million in 1985 to Rs. 546.5 million in 1986. However, income from various portfolio during the year under review remained more or less the same i.e. Rs. 64.2 million in 1986 compared to Rs. 64.5 million in 1985.

8. **PROFIT & LOSS ACCOUNT :**

The profit and Loss account for the year 1986, shows a profit before tax amounting to Rs. 96.89 million excluding Rs. 2.72 carry forward from last year arrived at as below :-

(In million of Rupees)

Underwriting Profit	Rs. 29.28
Investment Income	Rs. 64.21
Other Income (net of expenses)	Rs. 3.40
Balance brought forward	2.72
TOTAL :	Rs. 99.61

9. **ALLOCATION OF PROFIT :**

i) General Reserve	Rs. 16.00
ii) Exceptional Loss Reserve	Rs. 30.00
iii) Provision of Taxation	Rs. 33.00
iv) Proposed Dividend	Rs. 3.50
v) Proposed Bonus Share	Rs. 15.00
vi) Provision for Bad and Doubtful Debts	Rs. 2.00
vii) Balance carried forward	Rs. 0.11
Total:-	Rs. 99.61

10. **BALANCE SHEET :**

There has been an increase of Rs. 52 million in reserves and provisions of the Corporation which has gone up from Rs. 696 million to Rs. 748 million in 1986.

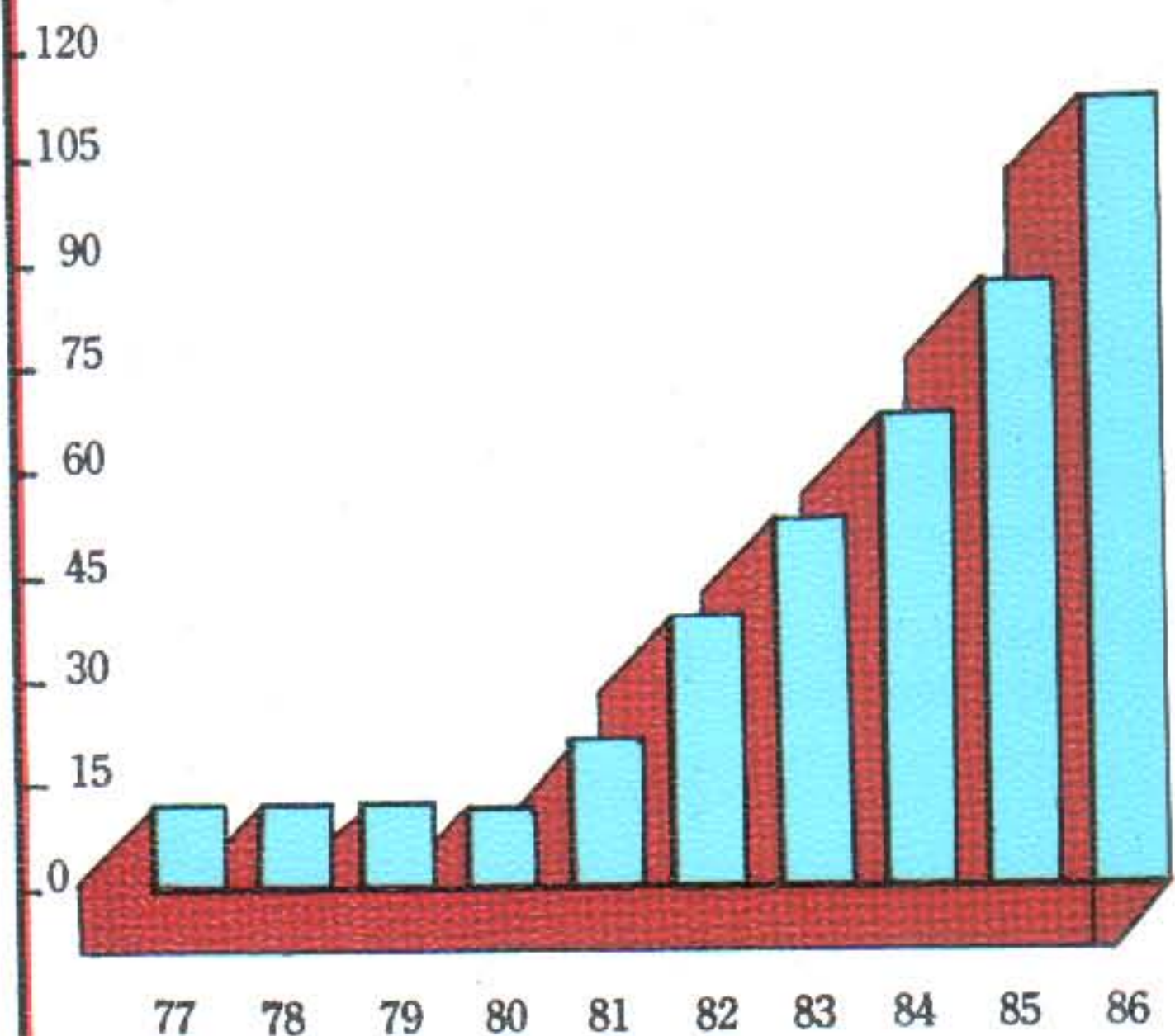
11. **DIVIDEND & BONUS :**

The Directors are pleased to declare a dividend of 10% for the year ended 1986. In addition, bonus shares in proportion of 3:7 are proposed to be issued subject to the approval of the Federal Government.



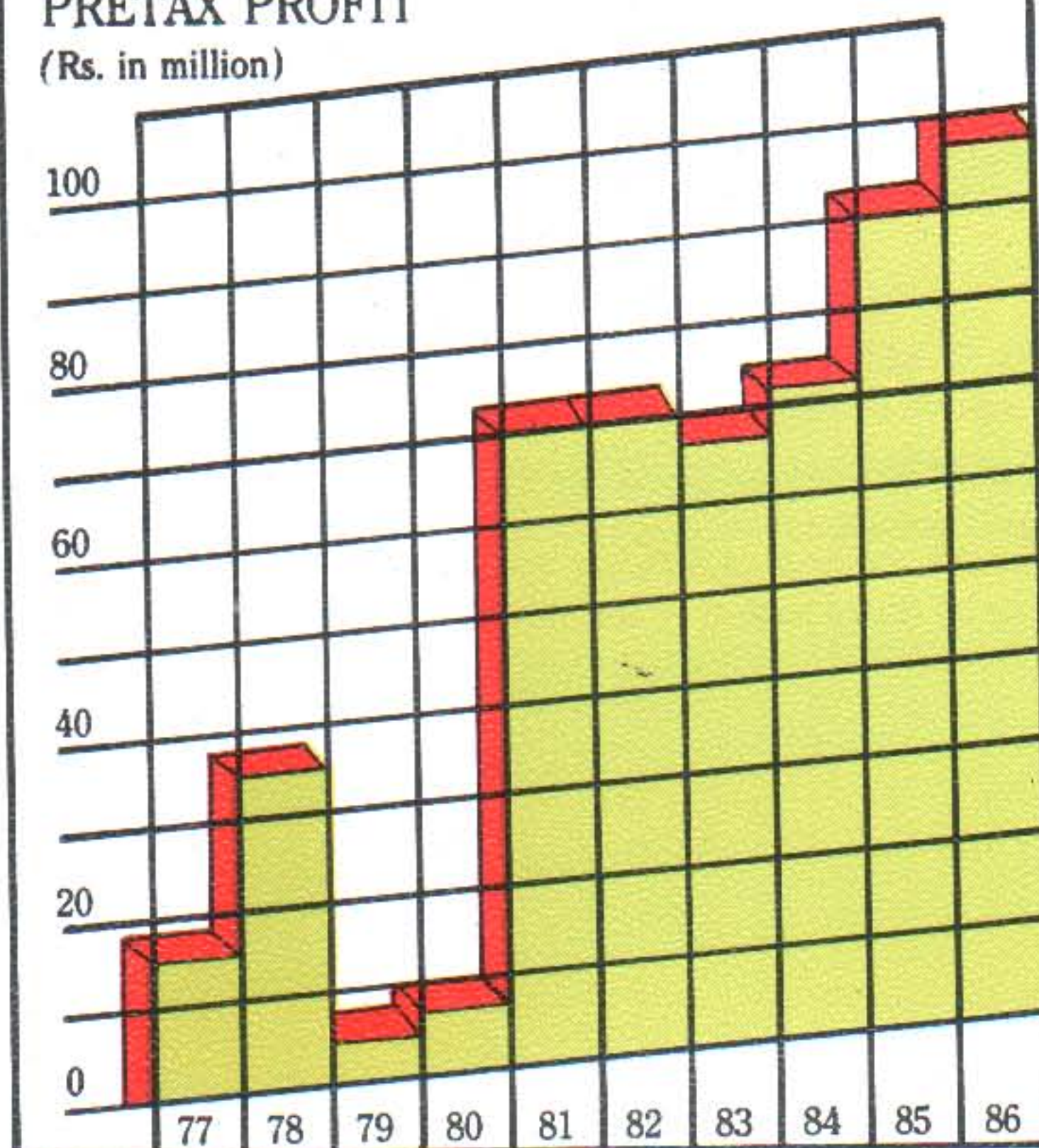
SHAREHOLDER'S EQUITY

(Rs. in million)



PRETAX PROFIT

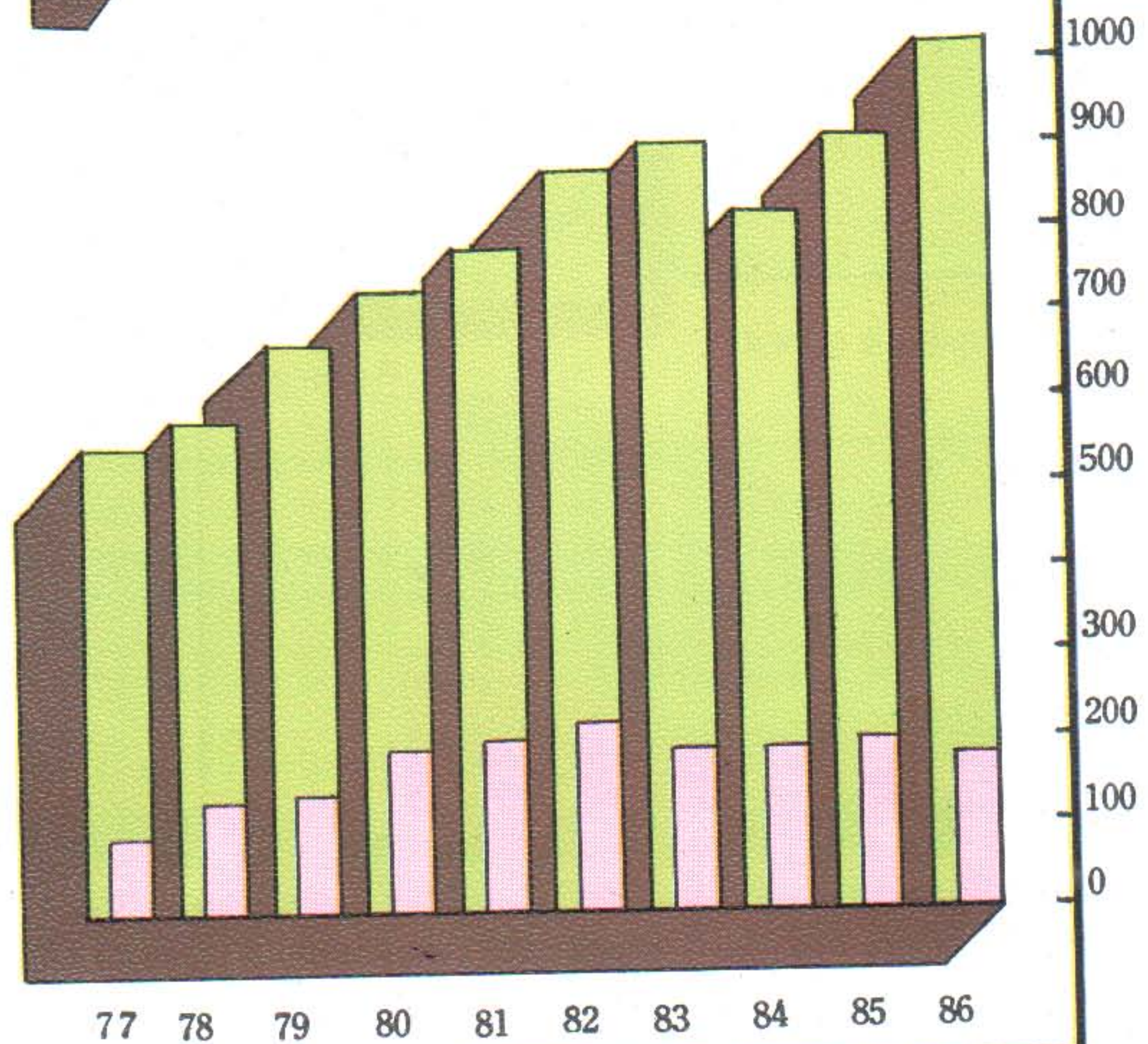
(Rs. in million)





PREMIUM & CLAIMS

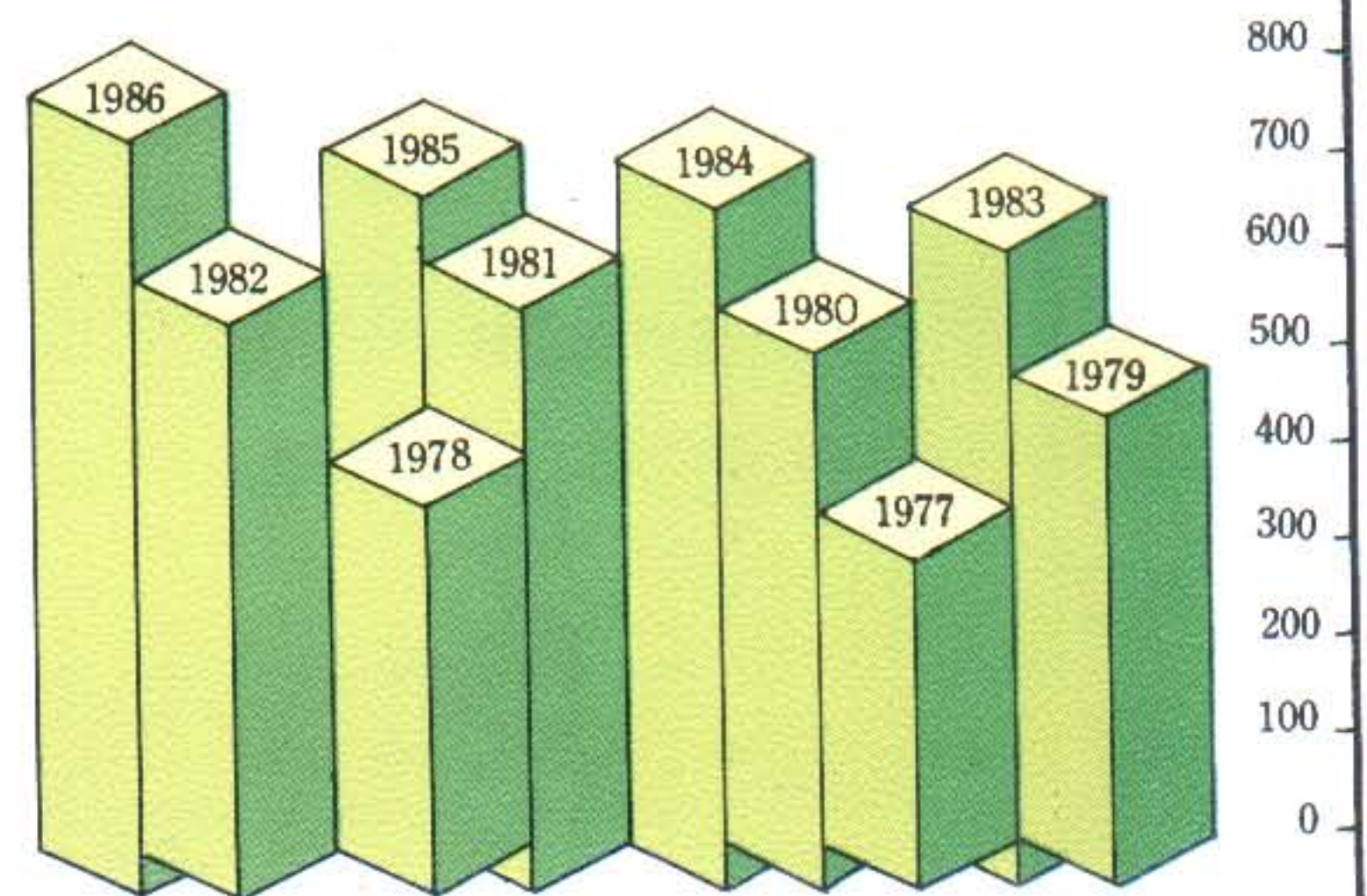
(Rs. in million)





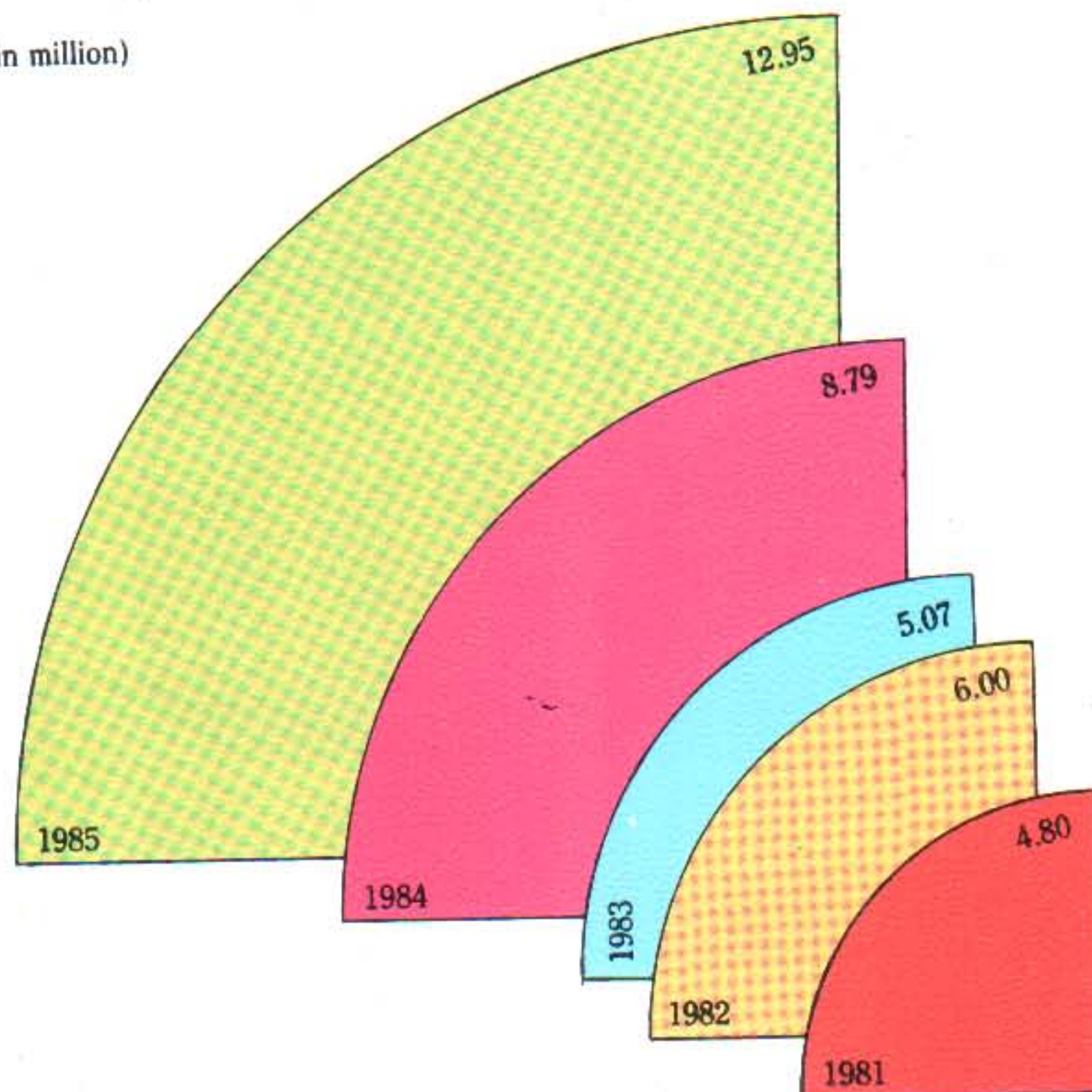
RESERVES AND PAID UP CAPITAL

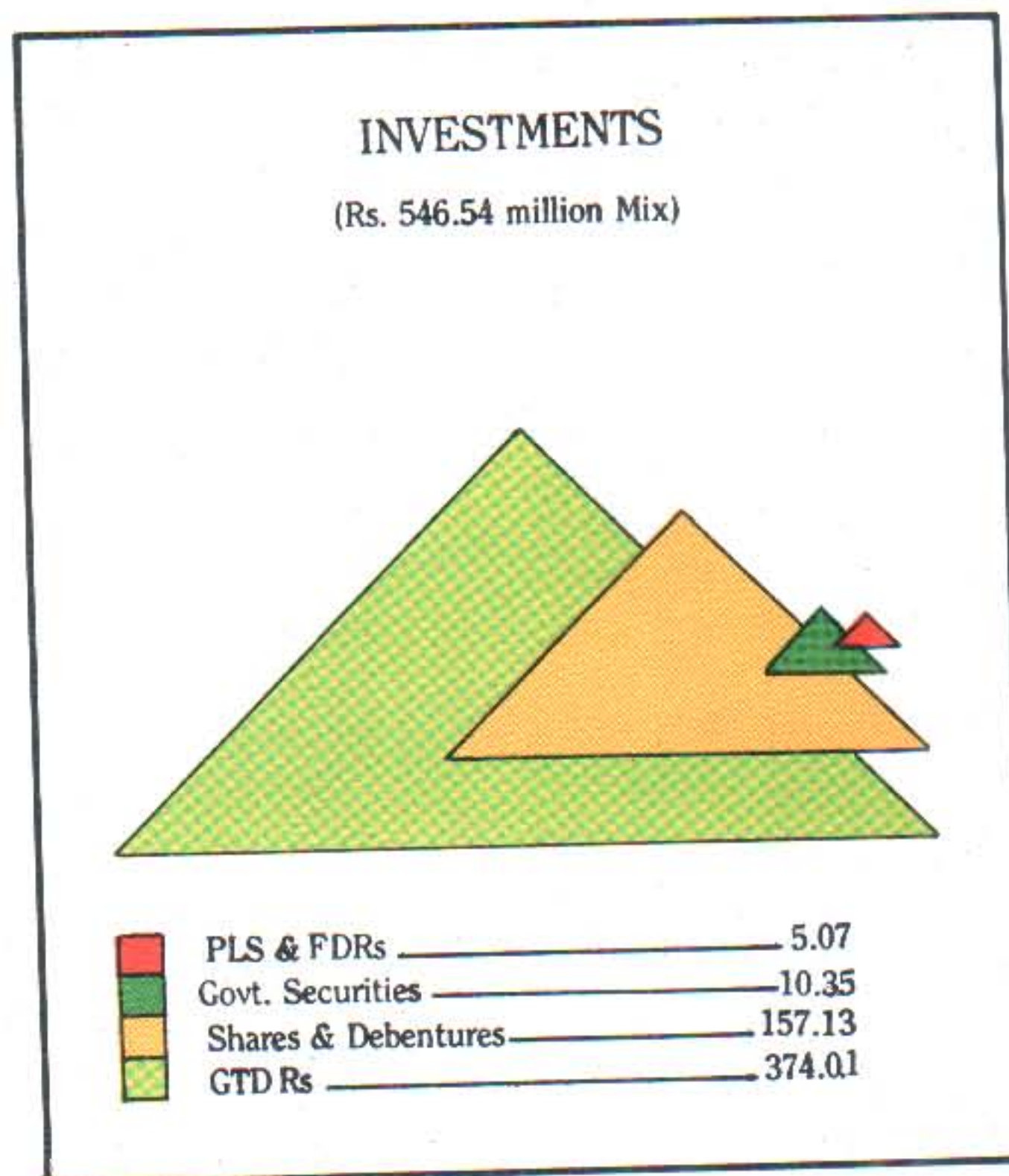
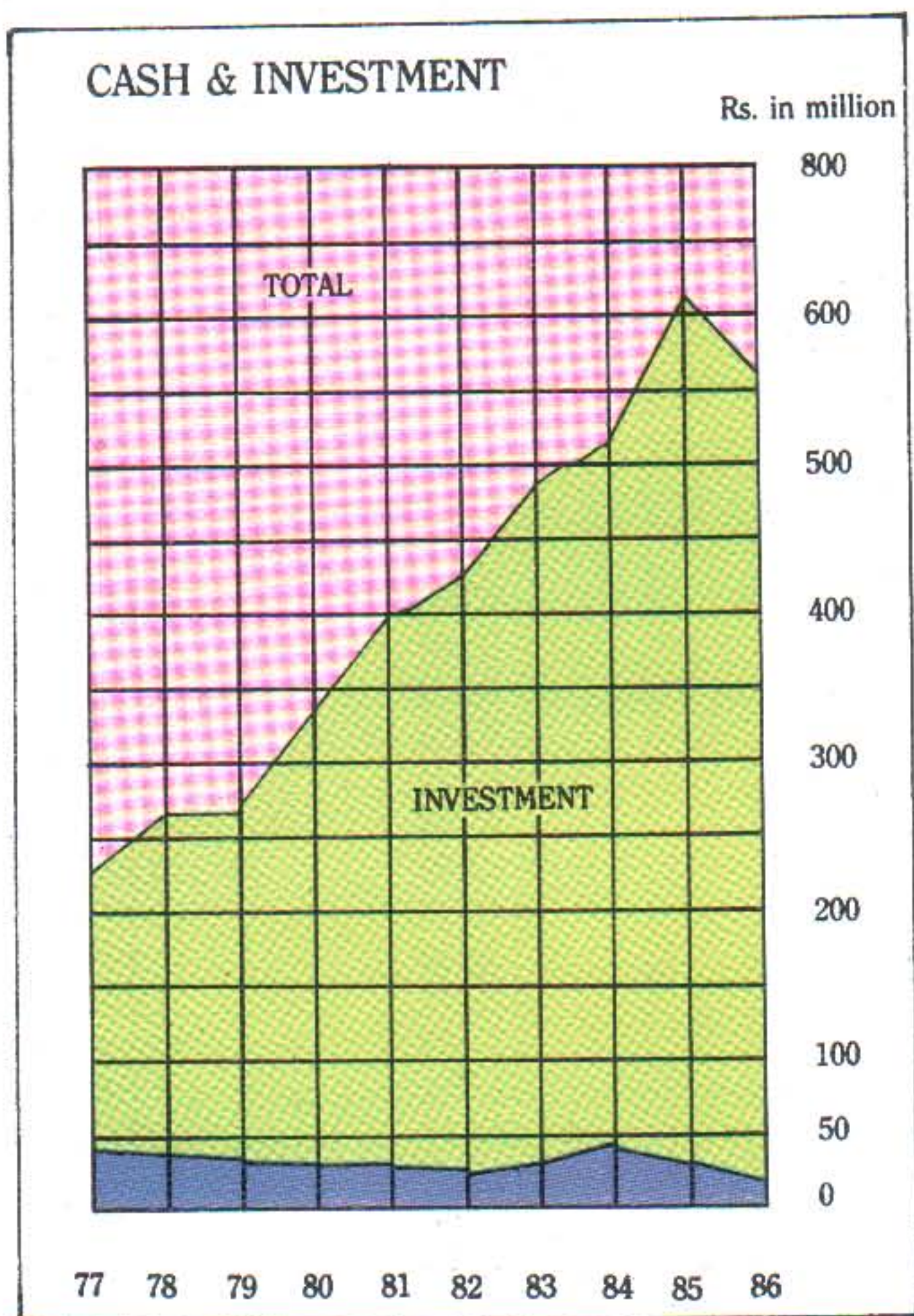
(Rs. in million)



DIVIDEND (CASH & STOCK)

(Rs. in million)







34 YEARS AT A GLANCE

(In Million of Rupees)

Years	Gross Premium Income	Profit	Dividend declared %	Total Reserves/ Provisions	Total Investment
1953	1,638	0,013	—	0,795	1,046
1954	4,492	0,106	5	3,202	3,514
1955	5,674	0,510	4	3,462	4,510
1956	8,045	0,575	5	4,844	5,099
1957	9,461	0,634	6-1/4	6,424	6,030
1958	20,734	1,069	10	8,704	8,993
1959	25,012	1,592	10	0,995	10,455
1960	33,110	1,694	10	11,258	11,381
1961	37,663	1,509	10	13,624	12,299
1962	47,889	1,561	10	17,032	14,902
1963	57,165	1,648	10	21,069	20,306
1964	67,400	2,017	10	25,901	25,789
1965	72,298	2,334	10	35,547	31,040
1966	93,806	2,308	10	39,501	35,407
1967	108,431	3,621	10	49,117	38,709
1968	131,942	7,397	10	63,364	42,256
1969	156,291	6,728	10	77,448	47,762
1970	155,445	8,752	10	91,108	51,242
1971	166,767	7,079	10	107,060	52,084
1972	215,202	6,287	10	116,223	35,986
1973	238,288	10,924	7-1/2	127,400	37,075
1974	319,887	16,022	7-1/2	174,027	47,584
1975	399,717	19,865	10	207,712	92,798
1976	462,368	26,518	10	262,956	138,739
1977	554,482	18,069	10	330,725	212,265
1978	578,556	33,550	3:5B 10	390,044	251,465
1979	666,478	6,975	10	474,789	249,973
1980	733,309	7,396	10	539,195	327,114
1981	780,507	70,606	1:4B 10	588,358	387,655
1982	872,829	72,639	1:4B 10	577,241	414,704
1983	897,624	66,580	2:5B 10	640,010	476,642
1984	817,497	76,046	2:5B 10	707,578	505,673
1985	903,596	90,790	3:7B 10	730,558	620,673
1986	1,018,198	96.9	3:7B 10	748,086	591,001

AUDITORS' REPORT TO THE MEMBERS



We have audited the annexed balance sheet of Pakistan Insurance Corporation as at 31 December 1986 and the Fire, Marine and Miscellaneous Insurance Revenue Accounts, the profit and loss account, the profit and loss appropriation account and statement of changes in financial position together with the notes forming part thereof for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that:

- (a) in our opinion, proper books of account have been kept by the Corporation as required by the law;
- (b) in our opinion :
 - (i) the balance sheet, the Fire, Marine and Miscellaneous Insurance Revenue accounts, the profit and loss account and the profit and loss appropriation account together with the notes thereon have been drawn up in conformity with the law and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Corporation's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Corporation;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet and the statement of changes in financial position, together with the notes forming part thereof, give the information required by the law in the manner so required and subject to the effect of the matters contained in notes 5(b), 6, 8 & 9 relating to outstanding claims, creditors and assets in Bangladesh and devaluation and the fact that the foreign currency balances other than bank accounts have not been translated at the year end rates (note 2(j)) and that the statements for accounts due to/from persons and bodies carrying on insurance business have not been fully reconciled and confirmed, respectively give a true and fair view of the state of the Corporation's affairs as at 31 December 1986 and of the profit and the changes in financial position for the year then ended; and
- (d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under section 7 of the Ordinance.

TASEER HADI KHALID & CO
Chartered Accountants

FEROZE SHARIF & CO.
Chartered Accountants.

Karachi, 7th June, 1987



REVENUE ACCOUNT FOR THE CONSOLIDATE FOR ALL

1985 (Rs. '000)	PARTICULARS	1986 (Rs. '000)
122,379	Commission paid (<i>Less</i> Retrocessions)	133,654
210,967	Claims (<i>Less</i> Retrocessions) paid during the year	194,910
226,765	<i>Add:</i> Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated	215,046
437,732		409,956
244,142	<i>Less:</i> Outstanding at the end of previous year	226,765
193,590		183,191
16,392	Expenses of Management	19,876
161,992	Premium Reserve for the year	177,040
15,929	Profit transferred to profit & Loss Account	29,278
510,282		543,039

TASEER HADI KHALID & CO.
Chartered Accountants

FEROZE SHARIF & CO.
Chartered Accountants

Karachi, 7th June, 1987

YEAR ENDED 31 DECEMBER, 1986
CLASSES OF BUSINESS



1985 (Rs. '000)	PARTICULARS	1986 (Rs. '000)
168,436	Premium Reserve brought forward from last year	161,992
903,597	Premium	1,018,198
561,751	Less: Retrocessions	637,151
341,846		381,047
<u>510,282</u>		<u>543,039</u>
(M.G. HASAN) Chief Executive		(S.M. HASAN) Director

REVENUE ACCOUNT FOR THE FIRE



1985 (Rs. '000)	PARTICULARS	1986 (Rs. '000)
50,068	Commission paid (Less Retrocessions)	64,231
47,011	Claim (Less: Retrocessions) paid during the year	49,814
32,997	Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated	43,759
80,008		93,573
42,056	Less: Outstanding at the end of previous year	32,997
37,952		60,576
5,085	Expenses of Management	7,023
43,593	Premium Reserve for the year	55,031
5,829	Profit transferred to Profit & Loss Account	—
<u>142 527</u>		<u>186 861</u>

TASEER HADI KHALID & CO.
Chartered Accountants

FEROZE SHARIF & CO.
Chartered Accountants

Karachi, 7th June, 1987

YEAR ENDED 31 DECEMBER, 1986
BUSINESS



1985 (Rs. '000)	PARTICULARS	1986 (Rs. '000)
36,484	Premium Reserve brought forward from last year	43,592
219,930	Premium	245,037
113,887	Less: Retrocessions	110,397
106,043		134,640
—	Loss transferred to Profit and Loss Account	8,629
<u>142,527</u>		<u>186,861</u>
(M.G. HASAN) Chief Executive		(S.M. HASAN) Director



REVENUE ACCOUNT FOR THE MARINE

1985 (Rs. '000)	PARTICULARS	1986 (Rs. '000)
42,463	Commission paid (Less Retrocessions)	29,397
81,210	Claim (Less: Retrocessions) paid during the year	58,709
109,054	Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated	101,276
190,264		159,985
107,515	Less: Outstanding at the end of previous year	109,054
82,749		50,931
6,237	Expenses of Management	4,865
63,751	Premium Reserve for the year	40,900
9,436	Profit transferred to Profit & Loss Account	30,924
204,636		157,017

TASEER HADI KHALID & CO.
Chartered Accountants

FEROZE SHARIF & CO.
Chartered Accountants

Karachi, 7th June, 1987

YEAR ENDED 31 DECEMBER, 1986
BUSINESS



1985
(Rs. '000)

PARTICULARS

1986
(Rs. '000)

74,572

Premium Reserve brought forward from last year

63,751

327,305

Premium

310,021

197,241

Less: Retrocessions

216,755

130,064

93,266

204,636

157,017

(M.G. HASAN)
Chief Executive

(S.M. HASAN)
Director



REVENUE ACCOUNT FOR THE MISCELLANEOUS

1985 (Rs. '000)	PARTICULARS	1986 (Rs. '000)
29,847	Commission Paid (Less Retrocessions)	40,026
82,746	Claims (Less: Retrocessions) paid during the year	86,387
84,714	Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated	70,011
167,460		156,398
94,571	Less: Outstanding at the end of previous year	84,714
72,889		71,684
5,070	Expenses of Management	7,988
54,649	Premium Reserve for the year	81,109
664	Profit transferred to Profit & Loss Account	6,983
163,119		207,790

TASEER HADI KHALID & CO.
Chartered Accountants

FEROZE SHARIF & CO.
Chartered Accountants

Karachi, 7th June, 1987

YEAR ENDED 31 DECEMBER, 1986
BUSINESS



1985 (Rs. '000)	PARTICULARS	1986 (Rs. '000)
57,380	Premium Reserve brought forward from last year	54,649
356,361	Premium	463,140
250,622	Less: Retrocessions	309,999
105,739		153,141
<u>163,119</u>		<u>207,790</u>

(M.G. HASAN)
Chief Executive

(S.M. HASAN)
Director



PROFIT AND LOSS ACCOUNT FOR THE YEAR

1985 (Rs. '000)	PARTICULARS	Notes	1986 (Rs. '000)
	Expenses of Management (Not allocable to any particular Revenue Account)		
25	Director's fee and T.A.		37
53	Auditor's Fee		48
108	Advertisement & publicity		59
186			144
1	E. C. O. expenses		—
319	Training & research		372
20	Charity & donation		125
340			497
817	Interest paid on deposits retained from other companies		583
1,217	Difference in exchange		4,153
7	Bad Debts written off		21
2,567			5,398
90,790	Net Profit for the year carried to Profit & Loss Appropriation Account		96,893
93,357			102,291

PROFIT AND LOSS APPROPRIATION ACCOUNT

3,000	Provision for bad & doubtful debts	2,000
33,800	Provision for taxation	33,000
10,000	General reserve	16,000
30,000	Exceptional loss reserve	30,000
10,500	Reserve for proposed issue of bonus shares	15,000
2,450	Proposed dividend	3,500
2,716	Unappropriated profit transferred to Balance Sheet	109
92,466		99,609

TASEER HADI KHALID & CO.
Chartered Accountants.

FEROZE SHARIF & CO.
Chartered Accountants.

ENDED 31 DECEMBER, 1986



1985 (Rs. '000)	PARTICULARS	1986 (Rs. '000)
	INVESTMENT INCOME	
64.525	Interest and dividends	64.210
	PROFIT/(LOSS) TRANSFERRED FROM REVENUE ACCOUNTS	
5.829	Fire	(8.629)
9.436	Marine	30.924
664	Miscellaneous	6.983
15.929		29.278
	OTHER INCOME	
4.484	Interest received on deposits retained by other companies	4.940
1.271	Interest on short term deposits	1.199
142	Miscellaneous income	435
5.897		6.574
6.998	Profit on sale of investment	211
8	Profit on sale of assets	—
—	Interest / compensation on advance tax (Prior years)	2.018
12.903		8.803
93.357		102.291
	FOR THE YEAR ENDED 31 DECEMBER, 1986	
1,676	Balance brought forward from previous year	2,716
90,790	Net Profit for the year as per Profit and Loss Account	96,893

92.466

(M.G. HASAN)
Chief Executive

(S.M. HASAN)
Director

99.609



BALANCE AS AT 31

1985 (Rs. '000)	PARTICULARS	Notes	1986 (Rs. '000)
	CAPITAL & LIABILITIES		
	AUTHORISED CAPITAL:		
50,000	500,000 Ordinary Shares of Rs. 100/- each		50,000
	ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
5,000	50,000 Ordinary Shares of Rs. 100/- each fully paid up in cash		5,000
19,500	300,000 Ordinary Shares (1985: 195,000) of Rs. 100/- each issued as fully paid bonus shares		30,000
11	Share Premium Account		11
24,511			35,011
	RESERVES		
230,000	Exceptional Loss Reserve		260,000
6,000	Investment Fluctuation Reserve		6,000
62,000	General Reserve	3	78,000
10,500	Reserve for proposed issue of Bonus Shares		15,000
2,716	Unappropriated Profit		109
311,216			359,109
	PROVISIONS		
33,800	Provision for Taxation	4	66,800
10,000	Provision for Bad and Doubtful Debts		12,000
43,800			78,800
2,450	PROPOSED DIVIDEND Proposed Dividend		3,500
	RESERVE FOR OUTSTANDING CLAIMS	5	
32,997	Fire		43,759
109,054	Marine		101,276
84,714	Miscellaneous		70,011
226,765			215,046
	PREMIUM RESERVE		
43,593	Fire		55,031
63,751	Marine		40,900
54,649	Miscellaneous		81,109
161,993			177,040
186,453	Amount due to other persons and bodies carrying on insurance business		207,536
53,750	Deposits retained and/or received from other companies		36,778
4,902	Sundry Creditors	6	7,616
—	Retention money payable		1,606
245,105			253,536
1,015,840			1,122,042

TASEER HADI KHALID & CO.
Chartered Accountants.

FEROZE SHARIF & CO.
Chartered Accountants.

Karachi, 7th June, 1987

SHEET
DECEMBER, 1986



1985 (Rs. '000)	PARTICULARS	Notes	1986 (Rs. '000)
	PROPERTY & ASSETS		
	INVESTMENTS:		
33,549	Government and Other Securities		10,350
399,815	Government Treasury Deposit Receipts		374,011
5,000	Fixed Deposits Receipts		—
150,331	Stock and Shares		156,309
2,888	Debentures		824
6,934	Profit and Loss Sharing Terms Deposits		5,075
	Market Value Rs. 646,598 (1985: 654,943)		
598,517			546,569
22,156	Land and Building (including Capital work-in-progress)	7	44,432
	CURRENT ASSETS:		
9,728	Cash in hand and at bank		15,798
247,551	Amount due from persons and bodies carrying on Insurance Business		297,376
31,356	Deposits held by Ceding Companies		70,716
6,710	Sundry Debtors		7,941
24,151	Interest, Dividend and Return accrued/outstanding		23,306
58,402	Advances including Taxatio, Loans, Deposits and Prepaid Expenses		98,512
103	Stock of Stationery etc. at cost		86
378,001			513,735
	ADMINISTRATIVE FIXED ASSETS:		
1,192	Furniture, Fixture, Office Equipment, Vehicles and Books (Cost less depreciation)		1,332
15,974	Assets relating to Bangladesh (Former East Pakistan)	8	15,974
<u>1,015,840</u>			<u>1,122,042</u>
(M.G. HASAN) Chief Executive		(S.M. HASAN) Director	



STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER, 1986

1985 (Rs. '000)		1986 (Rs. '000)
	FINANCIAL RESOURCES WERE PROVIDED BY OPERATIONS	
90,790	Profit before taxation	96,893
	Items not involving movement of funds	
252	Depreciation	278
(6,998)	Profit on sale of investments	(211)
(17,377)	Reserve for outstanding claims	(11,719)
(6,443)	Increase/(decrease) in premium reserve	15,048
(8)	Profit on sale of administrative fixed assets	—
<u>60,216</u>		<u>100,289</u>
	Other Sources	
218,422	Sale proceed of investments	308,449
10	Sale proceed of fixed assets	—
<u>278,648</u>		<u>408,738</u>
	Application of funds.	
309,665	Investments purchased	256,290
16,791	Land and Building including (Capital Work-in-Progress)	22,307
337	Additions to administrative fixed assets	387
46,505	Taxes paid	38,959
1,750	Dividend paid	2,450
<u>375,048</u>		<u>320,393</u>
<u>(96,400)</u>	Increase/(Decrease) in Working Capital	<u>88,345</u>
	Analysis of Increase/(Decrease) in Working Capital	
	Current Assets-Increase/(Decrease)	
(1,765)	Cash in hand and at bank	6,070
42,167	Amount due from persons and bodies carrying on insurance business	49,825
(83,739)	Deposits held by ceding companies	39,360
1,993	Sundry Debtors	1,231
(3,135)	Interest, Dividend and returns accrued/outstanding	(845)
61	Advances including Taxation, Loans, deposits and prepayments	1,150
51	Stock of Stationery	(16)
<u>(44,367)</u>		<u>96,775</u>
	Current Liabilities-(Increase)/Decrease	
(62,916)	Amount due to persons and bodies carrying on insurance business	(21,082)
11,540	Deposit retained and/or received from other Companies	16,972
—	Retention money payable	(1,606)
(657)	Sundry Creditors	(2,714)
<u>(52,033)</u>		<u>(8,430)</u>
<u>(96,400)</u>	Increase/(Decrease) in Working Capital	<u>88,345</u>

TASEER HADI KHALID & CO.
Chartered Accountants.

FEROZE SHARIF & CO.
Chartered Accountants.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER, 1986



1. STATUS AND NATURE OF BUSINESS

The Pakistan Insurance Corporation was established under the Pakistan Insurance Corporation Act No. XXXVIII of 1952 for the purpose of development of insurance and reinsurance business in Pakistan. Its shares are quoted on stock exchange in Pakistan.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting / format of accounts

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

The format of the balance sheet, the revenue accounts, and the profit and loss and appropriation account is prescribed under Section 50 and 51 of PIC general regulations 1969.

(b) Taxation

Provision for taxation is based on taxable income.

Deferred taxation, being immaterial has not been provided for.

(c) Provision for bad and doubtful debts

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

(d) Premium reserve

Premium reserve represents the balance brought forward plus/minus the increase/decrease of the following percentages of the amounts by which the net premium income for the year exceed/decline in relation to the net premium income of the respective classes of business of the previous year.

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

(e) Staff retirement benefits

The Corporation has established general provident fund and contributory provident fund for eligible employees which are administered through Trustees. Further, the Corporation also operates funded gratuity and pension scheme for employees entitled/opted for either of the schemes. Provisions/payments are made to cover obligations under the funded gratuity scheme. Provisions for pensions are made on the basis of actuarial valuation.

(f) Investments

Investments are carried at average cost. Investment fluctuation reserve is maintained to cover possible diminution in value of investments.

Profit or Loss on sale of investment is taken to the Profit and Loss Account.



(g) Dividend income

Dividend Income is recognized in the accounts as and when declared.

(h) Land, building and other administrative fixed assets and capital work in progress. Land and capital work in progress is shown at cost. Other fixed assets are shown at cost less depreciation calculated on the written down values using the following rates:

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

(i) Expenses of management

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

(j) Rate of exchange

Revenue transactions in foreign currencies are converted in rupees at the rates ruling on the date of the transactions. Assets and Liabilities in foreign currencies other than bank accounts as consistent with previous years are not translated into rupees at the rates of exchange prevailing at the balance sheet date and the exchange fluctuations are adjusted at the time of settlement. Exchange gains/losses are dealt with through the profit and loss account. The rates of conversion used for bank accounts at the year end were as follows:

The rates of conversion used for bank accounts at the year end were as follows:

	1986	1985
U.S. \$	17.1647	15.8989
Pound Sterling	25.1820	22.9873

(Rs. in '000)

3.	GENERAL RESERVE	1986	1985
	Balance as at 1 January	62.000	52.000
Add:	Transfer from:		
	Profit and Loss Appropriation	16.000	10.000
		<u>78.000</u>	<u>62.000</u>

4. PROVISION FOR TAXATION

The income tax assessments of the Corporation have been finalized upto and including assessment year 1985-86. However, the Corporation has preferred appeals for certain assessment years before the Appellate Tribunal. Further, the income tax officer is yet to finalize order for certain assessment years which have been set aside by the Commissioner of income tax appeal. The disputed demand of Rs. 45.8 million paid



for assessment years is shown under advances and has not been charged to the profit and loss account as the corporation expects that the appeal would be decided in its favour.

5. RESERVE FOR OUTSTANDING CLAIMS

- (a) This includes a sum of Rs. 26 million (1985: 36.4 million) in respect of fire, marine and miscellaneous losses incurred but not reported after making necessary adjustments for the year based on management experience to the amount determined by actuarial evaluation in 1983.
- (b) It also includes an amount of Rs. 4.952 million representing claims brought forward from the previous years which relate to Bangladesh (Former East Pakistan) business. This is made up as follows:

	1986 (Rs. '000)	1985 (Rs. '000)
Fire insurance	2,382	2,382
Marine insurance	1,470	1,470
Miscellaneous insurance	1,100	1,100
	<u>4,952</u>	<u>4,952</u>

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

6. SUNDRY CREDITORS

It includes an amount of Rs. 0.809 million (1985: Rs. 0.809 million) relating to Bangladesh creditors.

7. LAND AND BUILDINGS

	1986 (Rs. '000)	1985 (Rs. '000)
AT COST		
Capital Work in Progress including leasehold land (PIC Building at Moulvi Tamizuddin Khan Road)	43.864	21.558



AT WRITTEN DOWN VALUE

PIC Head Office Building	361	380
PIC House (Residence)	206	217
Lift	1	1
	568	598
	<u>44,432</u>	<u>22,156</u>

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

FIXED ASSETS

Land and Building	8,608	8,608
Furniture & Fixture	4	4
	<u>8,612</u>	<u>8,612</u>

INVESTMENTS

Stocks and Shares	7,112	7,112
Debentures	250	250
	<u>7,362</u>	<u>7,362</u>
	<u>15,974</u>	<u>15,974</u>

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

9. DEVALUATION

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

10. CAPITAL COMMITMENT

The Corporation is constructing a building for its head office at an approximate cost of Rs. 136 million. The cost incurred upto 31 December 1986 amounts to Rs. 43.8 million (1985: Rs. 21.5 million).

11. GENERAL

- (11.1) The directors or their spouse do not have any interest in the donee fund.
(11.2) Figures have been rounded-off to the nearest thousand rupees.
(11.3) Figures of previous year have been re-arranged wherever necessary to facilitate comparison.

SHAREHOLDERS' STATISTICS FOR THE YEAR ENDED 31 DECEMBER, 1986



No of Shareholders		No. of Shares			Total Shares held
105	1	to	100	Shares	3,860
32	101	to	500	"	6,104
11	501	to	1,000	"	8,321
5	1,001	to	5,000	"	11,708
3	5,001	to	10,000	"	19,883
1	20,001	to	25,000	"	23,057
1	95,001	to	100,000	"	98,567
1	175,001	to	180,000	"	178,500
<u>159</u>					<u>350,000</u>

Categories of Shareholders	Number	Shares held	Percentage
Individuals	135	15,803	4.52
Investment Companies (ICP)	1	5,435	1.55
Insurance Companies	10	135,775	38.79
Joint Stock Companies	2	2,501	0.71
Financial Institution (SBP)	1	700	0.20
Government of Pakistan	1	178,500	51.00
Administrator, Abandoned Properties			
Organization, Government of Pakistan	1	175	0.05
Private Limited Companies	5	10,685	3.05
Other (Staff Provident Fund)	2	367	0.11
Bonus Fractions	1	59	0.02
	<u>159</u>	<u>350,000</u>	<u>100.00</u>



PAKISTAN INSURANCE CORPORATION
KARACHI



PROXY FORM

I/We of
being a Shareholder of the Pakistan Insurance Corporation holding Shares Nos
..... hereby appoint
of of failing him
of as my/our proxy to vote for me/us and on my/our behalf
to a meeting of the shareholders of the Corporation to be held at
Karachi on the 28th day of June, 1987, and at any adjournment thereof.

Dated this day of

Signature of Shareholder

Affix Fifty
Paisas Revenue
Stamp

IMPORTANT NOTES:

1. No person shall be appointed a proxy who is not a Shareholder of the Corporation and qualified to vote, save that a Corporation being member of the Corporation may appoint as its proxy any officer of such Corporation whether a member of the Corporation or not.
2. The instrument appointing proxy and the power of attorney or other authority (if any) under which it is signed shall be deposited with the Corporation not less than 4 clear days before the date fixed for the meeting.
3. In case of joint holders any one of the joint holders may sign the instrument of proxy.
4. In case of a Company/Corporation, the instrument of proxy must bear its common seal or should be signed by its constituted Attorney in which case a notarially certified copy of the instrument of power should be deposited at the Head Office of the Corporation not less than 4 clear days before the date fixed for the meeting.
5. The signature on the instrument of proxy must conform to the specimen signature filed with the Corporation.