

38th

ANNUAL REPORT 1990



**Pakistan Insurance
Corporation**





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BOARD OF DIRECTORS



ALI MOHAMMAD G. SHEIKH	CHAIRMAN
CH. ASSADUR REHMAN	DIRECTOR
SARDAR MANSOOR HAYAT TAMMAN	DIRECTOR
M. JAMIL ERICKZADA	DIRECTOR
NAVEED HASAN	DIRECTOR
TAHIR ALI TAYEBI	DIRECTOR
S.Z.H. JAFRI	DIRECTOR
SHEIKH MOHAMMAD RAFIQ AKHTAR	DIRECTOR

AUDITORS:

R. M. BILIMORIA & CO
Chartered Accountants

FORD, RHODES, ROBSON, MORROW
Chartered Accountants

HEAD OFFICE :

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



NOTIFICATION

NOTICE is hereby given that the Thirty Eighth Annual General Meeting of the Corporation will be held on Thursday, the 27th June, 1991, at 11.00 a.m. at Pakistan Insurance Building, M.A.Jinnah Road, near Mereweather Tower, Karachi to transact the following business :-

- (i) To confirm the minutes of the 37th Annual General Meeting held on Thursday, the 28th June, 1990
- (ii) To adopt the Balance Sheet as at 31st December, 1990, the Revenue Accounts, the Profit & Loss Account and the Profit & Loss Appropriation Account for the year ended 31st December, 1990.
- (iii) To announce Dividend approved by the Board of Directors for the year ended 31st December, 1990, if any.

By Order of the Board

Karachi, the 21st May, 1991.

(ASIF ALI SHAIKH)
Secretary

Notes:

- (i) The Share Transfer Books of the Corporation will remain closed from 27th June, 1991 to 4th July, 1991 (both days inclusive) to ascertain the entitlement of dividend.
- (ii) A member eligible to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Corporation not less than 4 clear days before the time for holding the meeting.
- (iii) The Shareholders are requested to immediately notify the change in their address, if any.

REPORT OF THE BOARD OF DIRECTORS ON THE WORKING OF THE CORPORATION FOR THE YEAR ENDED 31ST DECEMBER, 1990



The Shareholders,
Pakistan Insurance Corporation,

Gentlemen,

Your Directors again feel pleasure in presenting herewith the 38th Annual Report on the Accounts of the Corporation for the year 1990.

2. The gross premium of general insurance business excluding NIC premium, has recorded an increase of Rs. 390 million i.e. from Rs. 2596 million in 1989 to Rs. 2986 million in 1990. The table below shows the break-up of the volume of business, class-wise, written by the various group of insurers.

1990 GROSS PREMIUM:

(In million of Rupees)

Class of Business	National Cos.	% Source wise	Foreign Resident Cos.	% Source wise	Total	% Class wise
Fire	1032	88	139	12	1171	39
Marine cargo	542	80	131	20	673	23
Marine Hull	30	100	-	-	30	1
Aviation	7	100	-	-	7	-
Engineering	75	95	4	5	79	3
Accident	919	90	107	10	1026	34
TOTAL:-	2605	87	381	13	2986	100

N.B. The gross figures are based on 30% Quota Share Cessions to PIC in 1990 and do not include the premium for Bond Business.



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

(In million of Rupees)

Year	Gross Premium Income	Profit	Total Reserves	Total Investments
1958	20.7	1.1	8.7	9.0
1963	57.2	1.6	21.1	20.3
1968	131.9	7.4	63.4	42.3
1973	238.9	10.9	127.4	37.1
1978	578.6	33.6	390.0	251.5
1983	897.6	66.6	640.0	476.6
1988	1104.6	119.4	885.0	620.0
1989	1157.0	88.9	958.0	659.9
1990	1333.1	83.2	1058.5	715.5

Although there is an increase in the gross premium of Rs. 176.1 million i.e. from Rs. 1157.0 million in 1989 to Rs.1333.1 million in 1990, but there is a deficit of Rs. 18 million in the Underwriting Profit in 1990 mainly due to strain of Premium Reserve adjustment of Rs. 49 million.

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

(In million of Rupees)

	FIRE		MARINE		MISC.		TOTAL.	
	1990	1989	1990	1989	1990	1989	1990	1989
Gross Premium	476	430	305	273	552	454	1333	1157
Retro. Premium	207	203	194	160	252	237	653	600
Net Premium	269	227	111	113	300	217	680	557
Net Commission	122	105	39	28	88	66	249	199
Net Claims	101	98	60	67	198	141	359	306
Prem. Res. Adj.	17	14	(4)	14	36	-	49	28
Underwriting Surplus	29	10	16	4	(22)	10	23	24
Management Exp.	16	13	7	6	18	13	41	32
Balance:	13	(3)	9	(2)	(40)	(3)	(18)	(8)

The net commission as a percentage of net premium shows a slight increase in 1990 over 1989. However net claims in 1990 as a percentage of net premium have decreased from 55% in 1989 to 52.8% in 1990. Due to strain of premium Reserve, the Underwriting loss has increased in 1990 to Rs. 18.4 million as against Rs. 8.3 million in 1989.



5. The experience of individual classes of business during the year 1990 has been produced as follows:-

a) Fire Business:

The Gross Premium of Fire portfolio has increased from Rs. 430 million in 1989 to Rs. 476 million in 1990 by showing an increase of 10.7%. The said increase is mainly due to increase in the business under Compulsory and Foreign Inward Business. The percentage of Net Premium has increased to 56.5% in 1990 as against 52.8% in 1989. The Net Commission percentage has decreased in 1990 due to booking of belated profit Commission in 1989. The reduction in net claim percentage in 1990 over 1989 is due to XL losses recovery.

b) Marine Business:

The Gross Premium in the Marine Business (Cargo & Hull) has increased by Rs. 32.4 million as against the increase of Rs. 6.2 million in 1989.

There is an increase of Rs. 3.3 million in the net premium in Marine cargo due to decrease in PIC retention under Compulsory Pool and decreased Cession under Foreign Inward Treaty Pool. In Marine Hull, the net premium shows a decrease of Rs. 5.3 million over last year. The overall increase of Rs. 9.1 million in Underwriting profit in 1990 is due to gain of Premium Reserve adjustment in Marine Hull.

c) Miscellaneous Business:

The overall increase in Gross Premium is Rs. 98 million in 1990 as compared to 1989 is due to (i) additional premium on account of Gulf War against PIA Fleet Insurance in Aviation business and (ii) increase in Motor Premium rates for Accident Portfolio.

There is an overall increase in the net premium of Rs. 123 million mainly due to (i) increase in the gross premium in Accident and Aviation Business and (ii) due to lower retrocession abroad in Engineering Business.

6. Premium Reserve:

Premium Reserve has been calculated as before as 100% of the net premium in respect of Marine Hull and Aviation, 50% of the net premium in the Marine Cargo and 40% of the net Premium in Fire, Accident and Engineering Business.

7. Investment:

Investments have increased from Rs. 659.9 million in 1989 to Rs. 715.5 million in 1990. During the year surplus funds were invested in NIT Units and Bearer National Fund Bonds.



8. PROFIT & LOSS ACCOUNT:

The Profit and Loss Account for the year, 1990 shows a net profit of Rs. 82.96 million before tax. The break-up of appropriation of net profit for 1990 including balance brought forward from last year is given below:-

(In million of Rupees)

Balance brought forward (1989)	30.19
Surplus Profit distribution. (as approved by the Federal Govt.)	(15.00)
	<u>15.19</u>
Transferred to Exceptional Reserve	(15.00)
	<u>0.19</u>
Underwriting Loss	(18.67)
Investment Income	93.53
Other Income (net of expenses)	8.10
	<u>TOTAL: 83.15</u>

9. ALLOCATION OF PROFIT:

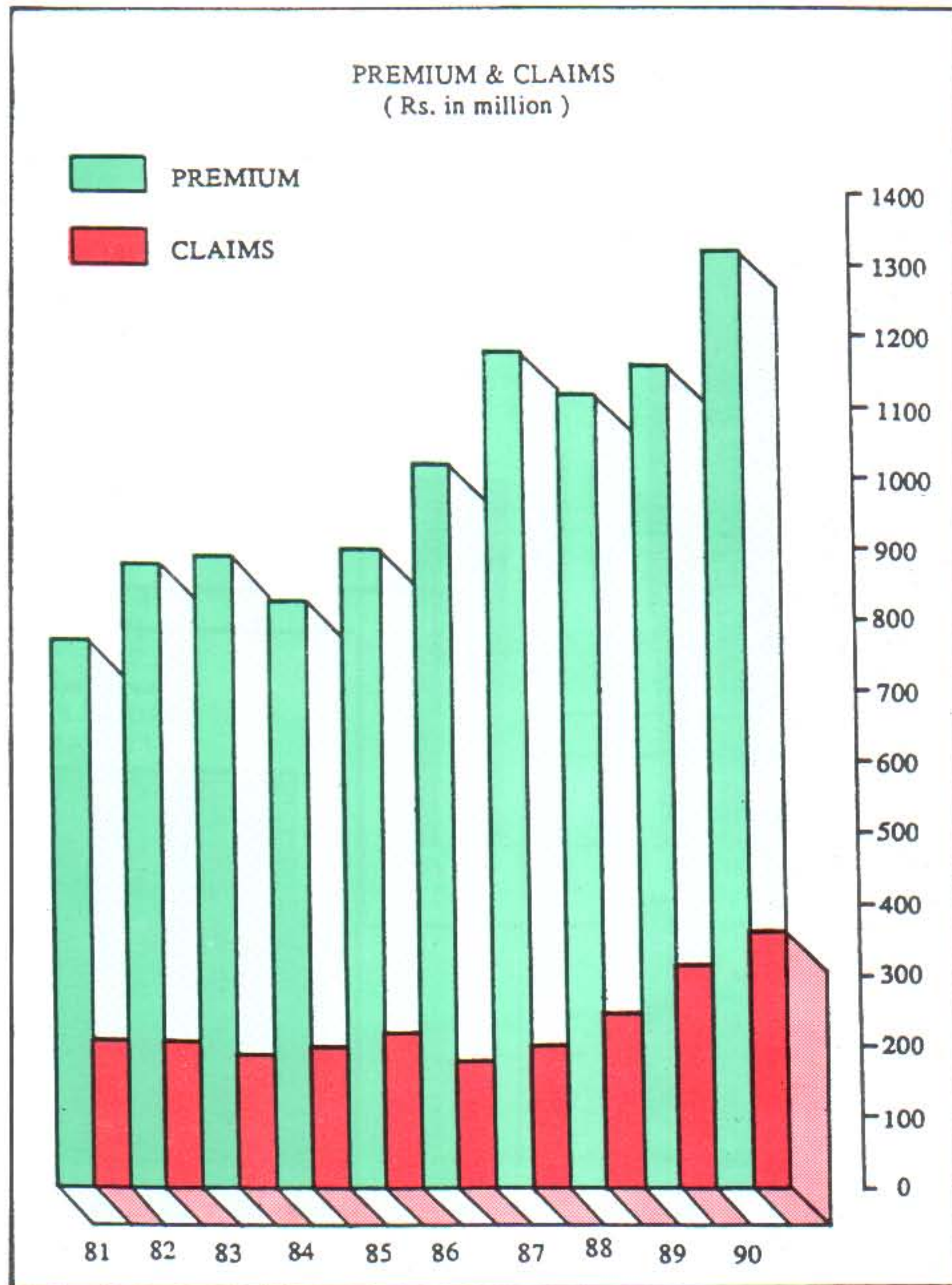
i) General Reserve	4.50
ii) Exceptional Loss Reserve	40.00
iii) Provision for Taxation	16.50
iv) Proposed Dividend	5.00
v) Provision for Bad & Doubtful Debts	2.00
vi) Balance Carried forward.	15.15
	<u>TOTAL: 83.15</u>

10. BALANCE SHEET:

There has been an increase of Rs. 101 million in the reserves and provisions which have gone up from Rs. 958 million in 1989 to Rs. 1059 million in 1990.

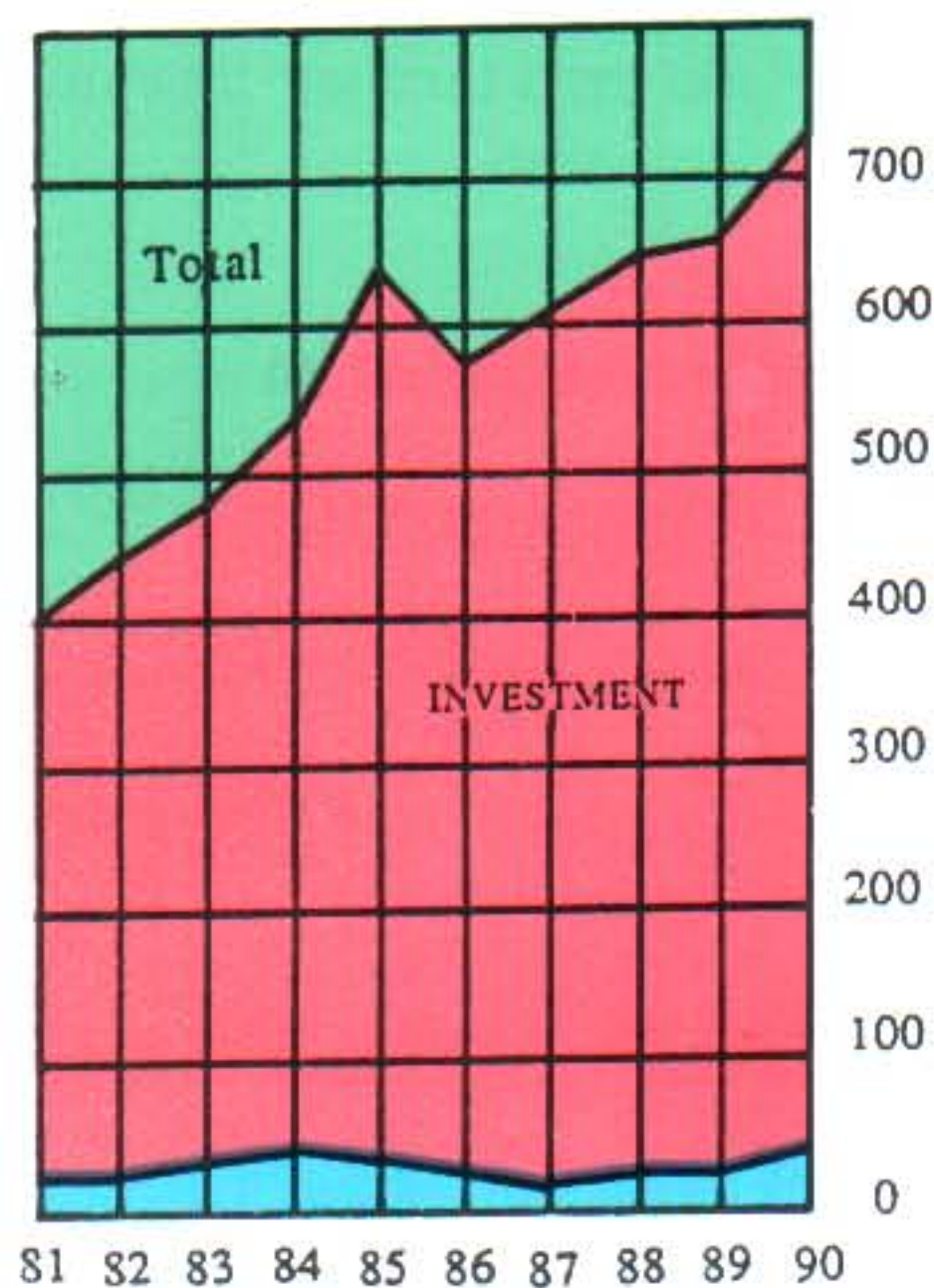
11. DIVIDEND & BONUS:

The Directors are pleased to declare a dividend of 10% for the year 1990.

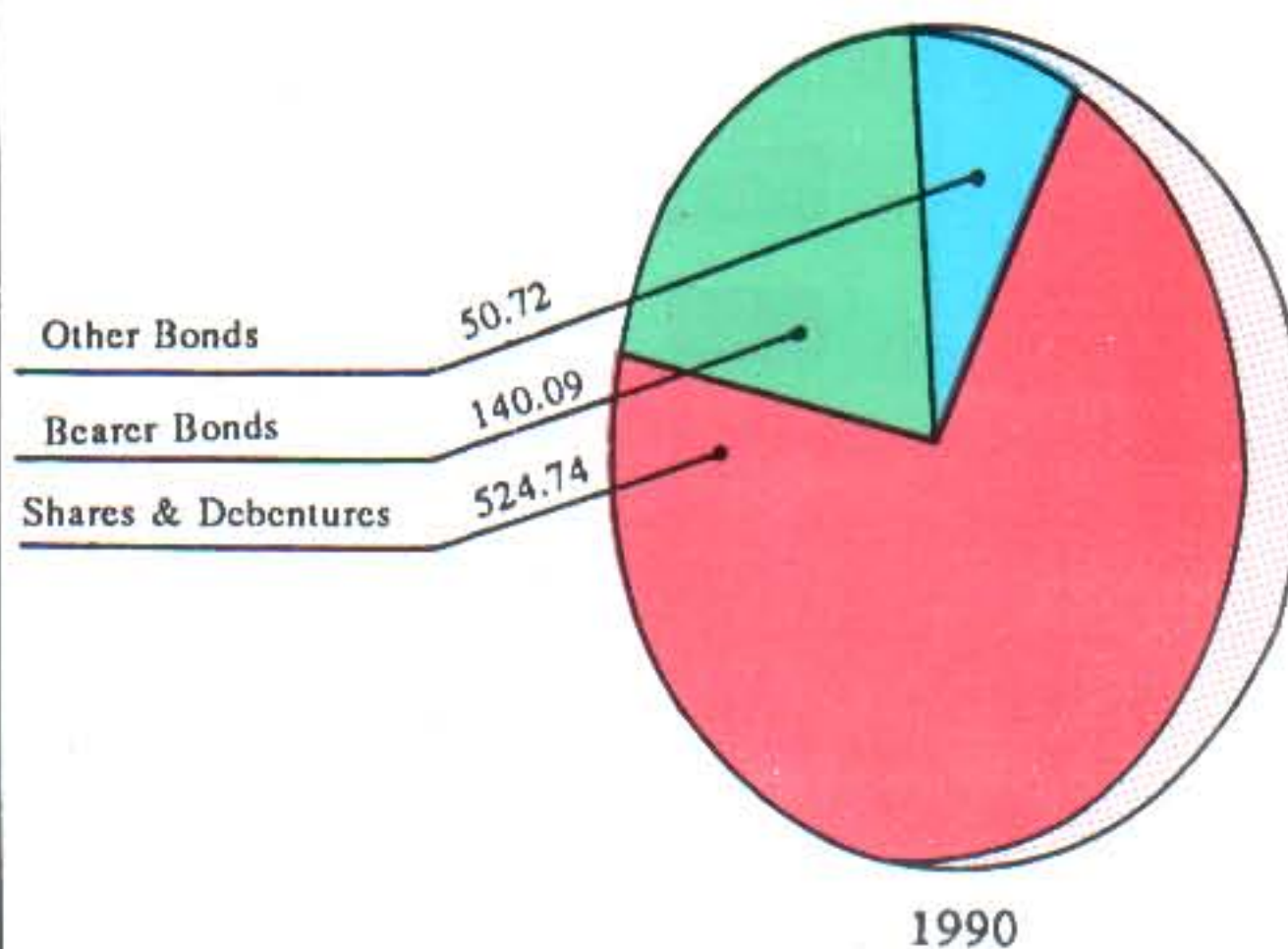




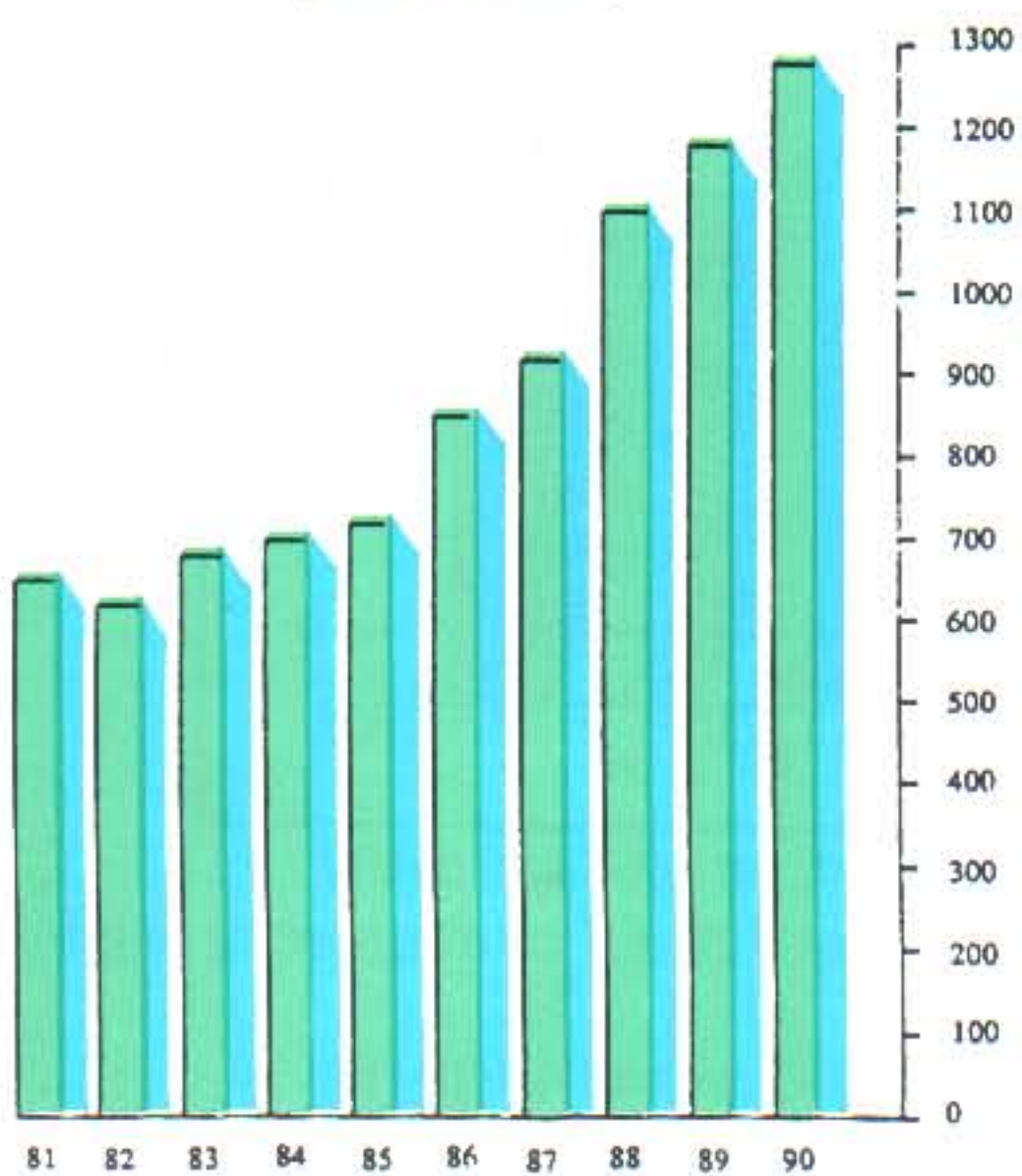
CASH & INVESTMENT
(Rs. in million)



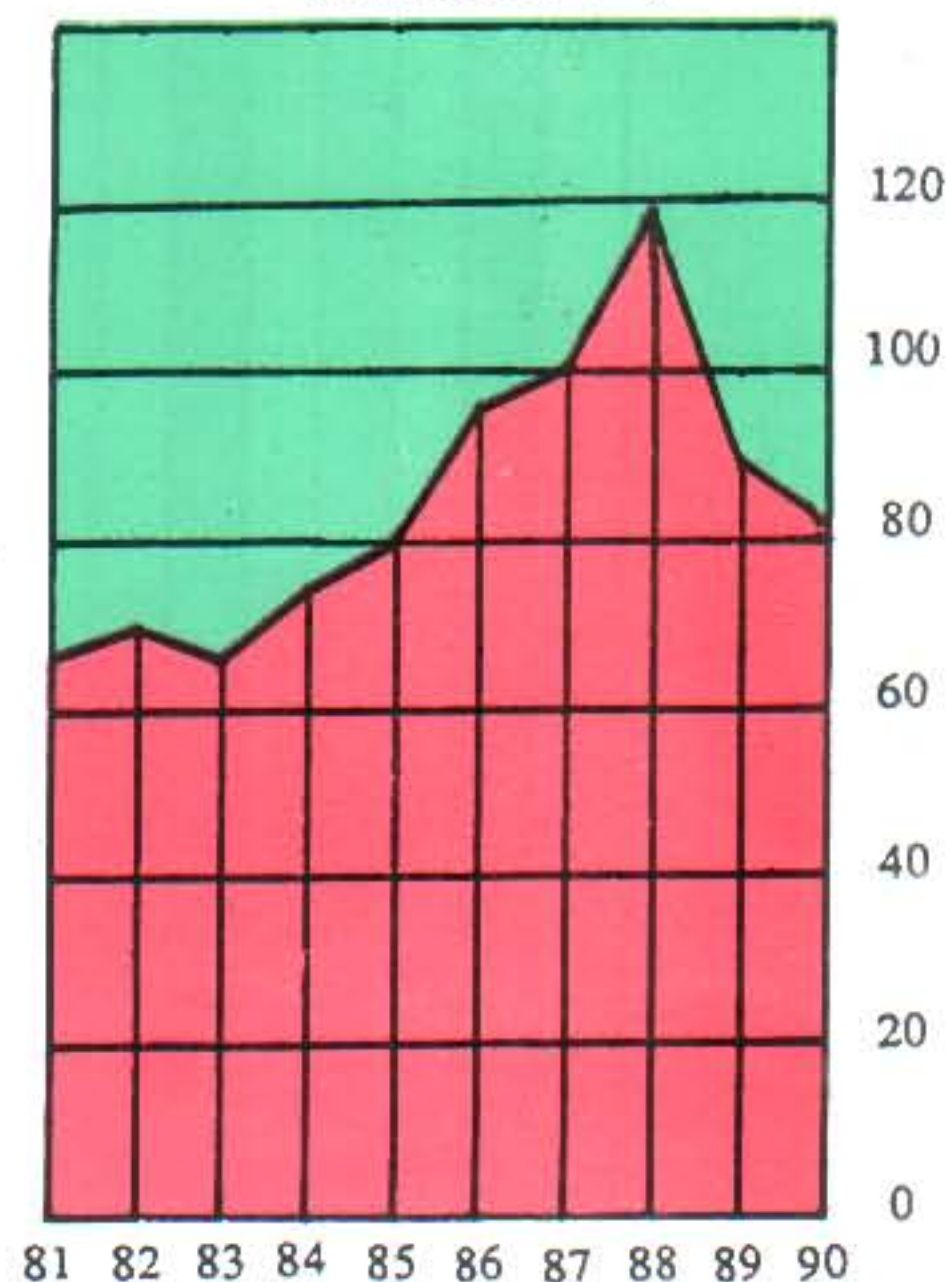
INVESTMENTS
(Rs. 715.55 million Mix)

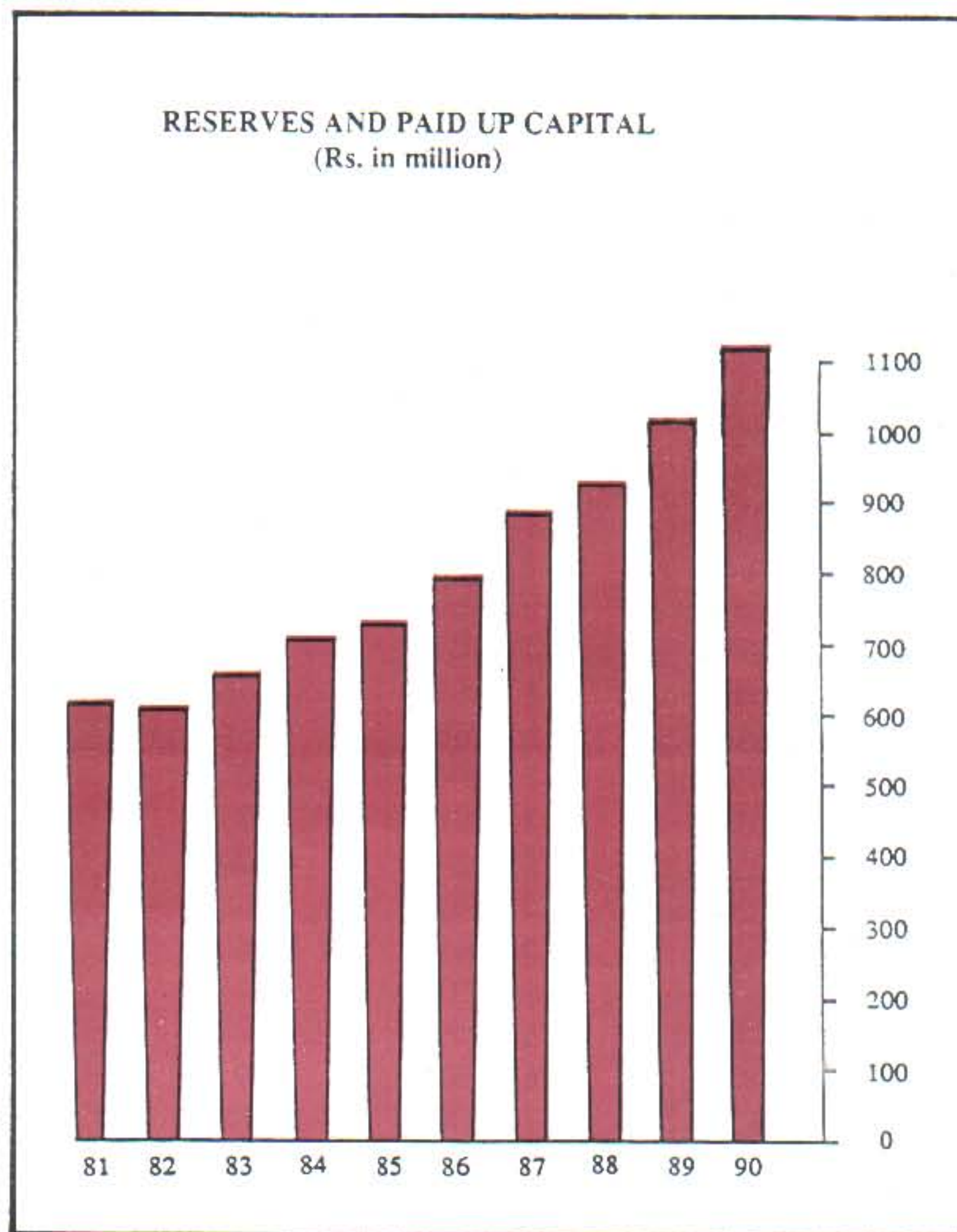
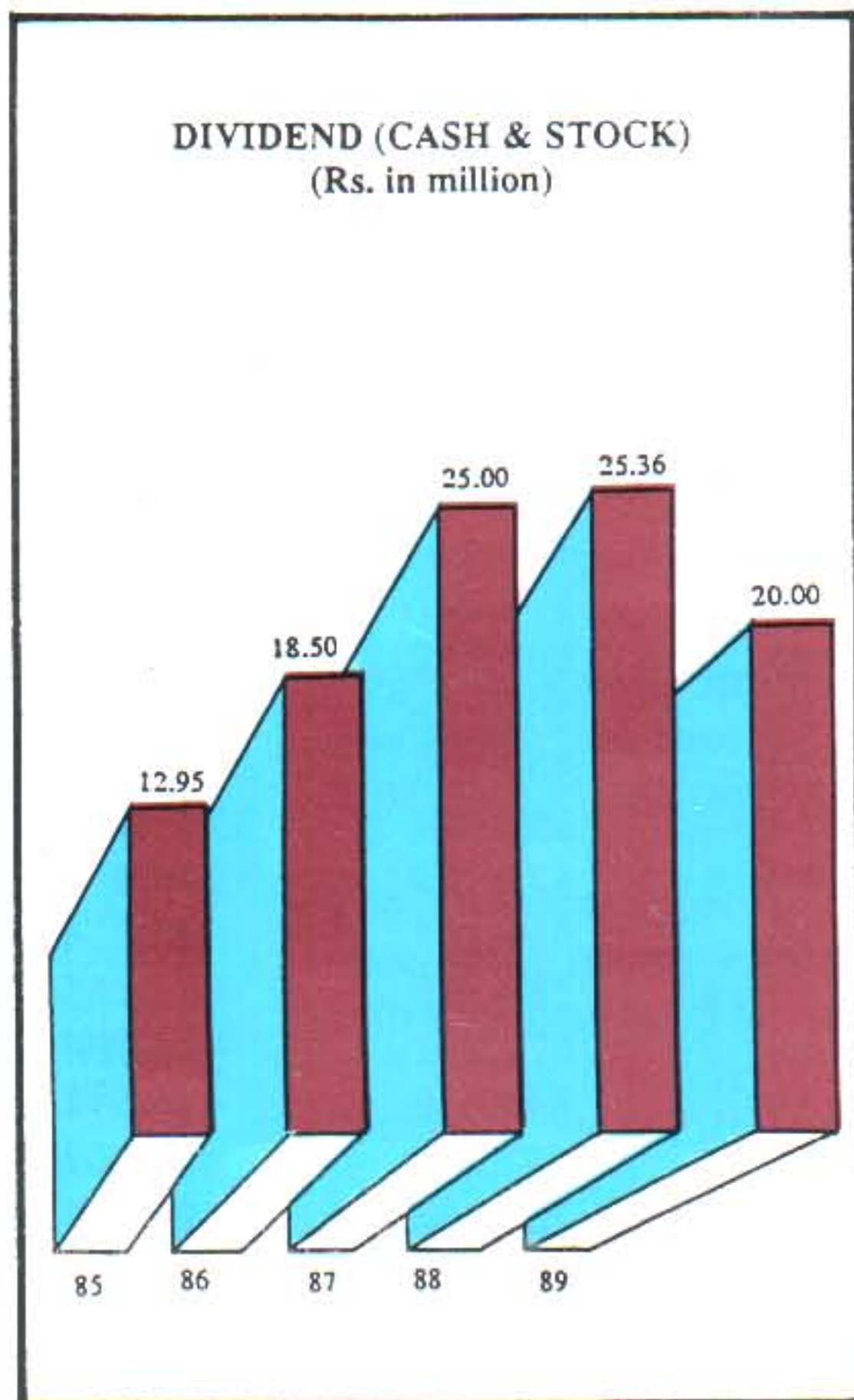


RESERVES AND PROVISIONS
(Rs. in million)



PRETAX PROFIT
PRETAX PROFIT
(Rs. in million)







38 YEARS AT A GLANCE

(In Million of Rupees)

Years	Gross Premium Income	Profit	Dividend declared %	Total Reserves/ Provisions	Total Investment including land & Building
1953	1.638	0.013	—	0.795	1.046
1954	4.492	0.106	5	3.202	3.514
1955	5.674	0.510	4	3.462	4.510
1956	8.045	0.575	5	4.844	5.099
1957	9.461	0.634	6-1/4	6.424	6.030
1958	20.734	1.069	10	8.704	8.993
1959	25.012	1.592	10	0.995	10.455
1960	33.110	1.694	10	11.258	11.381
1961	37.663	1.509	10.	13.624	12.299
1962	47.889	1.561	10	17.032	14.902
1963	57.165	1.648	10	21.069	20.306
1964	67.400	2.017	10	25.901	25.789
1965	72.298	2.334	10	35.547	31.040
1966	93.806	2.308	10	39.501	35.407
1967	108.431	3.621	10	49.117	38.709
1968	131.942	7.397	10	63.364	42.256
1969	156.291	6.728	10	77.448	47.762
1970	155.445	8.752	10	91.108	51.242
1971	166.767	7.079	10	107.060	52.084
1972	215.202	6.287	10	116.223	35.986
1973	238.288	10.924	7-1/2	127.400	37.075
1974	319.887	16.022	7-1/2	174.027	47.584
1975	399.717	19.865	10	207.712	92.798
1976	462.368	26.518	10	262.956	138.739
1977	554.482	18.069	10	330.725	212.265
1978	578.556	33.550	3:5B10	390.044	251.465
1979	666.478	6.975	10	474.789	249.973
1980	733.309	7.396	10	539.195	327.114
1981	780.507	70.606	1:4B 10	588.358	387.655
1982	872.829	72.639	1:4B 10	577.241	414.704
1983	897.624	66.580	2:5B 10	640.010	476.642
1984	817.497	76.046	2:5B 10	707.578	505.673
1985	903.596	90.790	3:7B 10	730.558	620.673
1986	1,018.198	96.893	3:7B 10	748.086	591.001
1987	1,165.766	102.836	50	815.746	623.446
1988	1,104.600	119.411	10	884.675	678.644
1989	1,156.986	88.889	10	958.312	719.463
1990	1333.101	82.962	10	1058.624	776.851

Dividend 10 %
Surplus Profit 40 %

AUDITORS' REPORT TO THE MEMBERS



We have audited the annexed Balance Sheet of PAKISTAN INSURANCE CORPORATION as at 31st December, 1990 and the Fire, Marine and Miscellaneous Insurance Revenue Accounts, the Profit and Loss Account, the Profit and Loss Appropriation Account and the Statement of Changes in Financial Position together with the notes forming part thereof 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 the Corporation;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Fire, Marine and Miscellaneous Insurance Revenue Accounts, the Profit and Loss Account, the Profit and Loss Appropriation Account and the Statement of Changes in Financial Position, together with the notes forming part thereof, give the information required by the law in the manner so required and subject to the effect of the matters contained in notes 5, 6(b), 7, 12 and 13 relating to taxation, outstanding claims, creditors, assets in Bangladesh and National co-insurance scheme, respectively and the fact that the foreign currency balances other than bank accounts have not been translated at the year end rates [note 2(j)] and that the statements for amounts due to/from persons and bodies carrying on insurance business have not been fully reconciled and confirmed, respectively give a true and fair view of the state of the Corporation's affairs as at 31st December, 1990 and of the Profit and the Changes in Financial Postion 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 Corporation and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

R. M. BILIMORIA & CO. **FORD, RHODES, ROBSON, MORROW**
Chartered Accountants Chartered Accountants

Karachi, 28th May, 1991.



REVENUE ACCOUNT FOR THE CONSOLIDATED FOR ALL

PARTICULARS

	1990 (Rs. '000)	1989 (Rs. '000)
Commission Paid (Less: Retrocessions)	248,762	199,236
Claims (Less: Retrocessions) paid during the year	369,769	293,180
Add : Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated.	207,764	218,394
	577,533	511,574
Less : Outstanding at the end of the previous year.	218,394	205,342
	359,139	306,232
Expenses of Management	41,482	32,399
Premium Reserve for the year	287,410	237,918
	936,793	775,785

As per our report annexed.

R. M. BILIMORIA & CO.
Chartered Accountants

FORD, RHODES, ROBSON, MORROW
Chartered Accountants

Karachi, 28th May, 1991

YEAR ENDED 31ST DECEMBER, 1990

CLASSES OF BUSINESS



PARTICULARS	1990 (Rs. '000)	1989 (Rs. '000)
Premium Reserve brought forward from last year	237,918	210,333
Premium	1,333,101	1,156,986
Less : Retrocessions	652,900	599,804
	680,201	557,182
Loss transferred to Profit and Loss Account	18,674	8,270
	936,793	775,785

(ALI MOHAMMAD G. SHEIKH)
Chief Executive

(S. Z. H. JAFRI)
Director



REVENUE ACCOUNT FOR THE FIRE

PARTICULARS	1990 (Rs. '000)	1989 (Rs. '000)
Commission Paid (Less: Retrocessions)	122,517	105,608
Claims (Less: Retrocessions) paid during the year	107,228	78,041
Add : Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated.	65,346	71,920
	172,574	149,961
Less : Outstanding at the end of the previous year.	71,920	52,010
	100,654	97,951
Expenses of Management	16,434	13,213
Premium Reserve for the year	108,973	92,061
Profit / (Loss) transferred to profit and loss account	12,977	(3, 739)
	<u>361,555</u>	<u>305,094</u>

As per our report annexed.

R. M. BILIMORIA & CO.
Chartered Accountants

FORD, RHODES, ROBSON, MORROW
Chartered Accountants

Karachi, 28th May, 1991

YEAR ENDED 31ST DECEMBER, 1990 BUSINESS



PARTICULARS

	1990 (Rs. '000)	1989 (Rs. '000)
Premium Reserve brought forward from last year	92,061	77,880
Premium	476,250	430,481
Less : Retrocessions	206,756	203,267
	269,494	227,214
	<u>361,555</u>	<u>305,094</u>

(ALI MOHAMMAD G. SHEIKH)
Chief Executive

(S. Z. H. JAFRI)
Director



REVENUE ACCOUNT FOR THE MARINE

PARTICULARS

	1990 (Rs. '000)	1989 (Rs. '000)
Commission Paid (Less: Retrocessions)	37,761	27,160
Claims (Less: Retrocessions) paid during the year	76,085	67,512
Add : Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated.	71,119	86,600
	147,204	154,112
Less : Outstanding at the end of the previous year.	86,600	86,539
	60,604	67,573
Expenses of Management	6,739	6,543
Premium Reserve for the year	46,850	50,528
Profit / (Loss) transferred to profit and loss account	9,056	(2,028)
	<u>161,010</u>	<u>149,776</u>

As per our report annexed.

R. M. BILIMORIA & CO.
Chartered Accountants

FORD, RHODES, ROBSON, MORROW
Chartered Accountants

Karachi, 28th May, 1991

YEAR ENDED 31ST DECEMBER, 1990 BUSINESS



PARTICULARS

	1990 (Rs. '000)	1989 (Rs. '000)
Premium Reserve brought forward from last year	50,528	37,247
Premium	304,903	272,540
Less : Retrocessions	194,421	160,011
	110,482	112,529
	<u>161,010</u>	<u>149,776</u>

(ALI MOHAMMAD G. SHEIKH)
Chief Executive

(S. Z. H. JAFRI)
Director



REVENUE ACCOUNT FOR THE MISCELLANEOUS

PARTICULARS	1990 (Rs. '000)	1989 (Rs. '000)
Commission Paid (Less: Retrocessions)	88,484	66,468
Claims (Less: Retrocessions) paid during the year	186,456	147,627
Add : Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated.	71,299	59,874
	257,755	207,501
Less : Outstanding at the end of the previous year.	59,874	66,793
	197,881	140,708
Expenses of Management	18,309	12,643
Premium Reserve for the year	131,587	95,329
	436,261	315,148

As per our report annexed.

R. M. BILIMORIA & CO.
Chartered Accountants

FORD, RHODES, ROBSON, MORROW
Chartered Accountants

Karachi, 28th May, 1991

YEAR ENDED 31ST DECEMBER, 1990 BUSINESS



PARTICULARS

	1990 (Rs. '000)	1989 (Rs. '000)
Premium Reserve brought forward from last year	95,329	95,206
Premium	551,948	453,965
Less : Retrocessions	251,723	236,526
	300,225	217,439
Loss transferred to Profit and Loss Account	40,707	2,503
	436,261	315,148

(ALI MOHAMMAD G. SHEIKH)
Chief Executive

(S. Z. H. JAFRI)
Director



PROFIT AND LOSS ACCOUNT FOR THE YEAR

PARTICULARS	Notes	1990 (Rs. '000)	1989 (Rs. '000)
EXPENSES OF MANAGEMENT (NOT ALLOCABLE TO ANY PARTICULAR REVENUE ACCOUNT)			
Directors' Fee and T.A.		85	70
Auditors' Fee		68	68
Advertisement & Publicity		54	96
		207	234
E.C.O. Expenses		166	—
Training & Research		154	97
Charity and donation		2	100
		322	197
Interest paid on deposits retained from other Companies		197	157
Bad Debts written off		64	—
Zakat deducted at source		4,328	3,732
		5,118	4,320
LOSS/(PROFIT) TRANSFERRED FROM REVENUE ACCOUNTS			
Fire		(12,977)	3,739
Marine		(9,056)	2,028
Miscellaneous		40,707	2,503
		18,674	8,270
Net Profit for the year carried to Profit and Loss Appropriation Account		82,962	88,889
		<u>106,754</u>	<u>101,479</u>
PROFIT AND LOSS APPROPRIATION ACCOUNT			
Provision for Bad & Doubtful Debts		2,000	2,000
Provision for Taxation		16,500	20,700
General Reserve		4,500	3,000
Exceptional Loss Reserve		40,000	28,000
Proposed dividend		5,000	5,000
Unappropriated Profit transferred to Balance Sheet		15,151	30,189
		<u>83,151</u>	<u>88,889</u>

These account should be read in Conjunction with the annexed notes.

As per our report annexed.

R. M. BILIMORIA & CO.

Chartered Accountants

FORD, RHODES, ROBSON, MORROW

Chartered Accountants

Karachi, 28th May, 1991

ENDED 31ST DECEMBER, 1990



PARTICULARS	Notes	1990 (Rs. '000)	1989 (Rs. '000)
INVESTMENT INCOME			
Interest and Dividends.		93,535	96,508
OTHER RECEIPTS			
Interest received on deposits retained by other companies		4,389	4,816
Interest on Short Term Deposits		611	1,661
Exchange gain/(loss)		1,390	(1,637)
Miscellaneous Income		3,750	131
		10,140	4,971
Profit on Sale of Investment		3,001	-
Profit on Sale of Assets		78	-
		13,219	4,971
		<u>106,754</u>	<u>101,479</u>
FOR THE YEAR ENDED 31ST DECEMBER, 1990			
Balance Brought forward from last year		30,189	20,356
Payments as approved by the Federal Government	3	(15,000)	(20,356)
Transferred to Exceptional loss reserve as approved by the Federal Government		(15,000)	-
		(30,000)	(20,356)
		189	-
Net Profit for the year as per Profit and loss account		82,962	88,889
		<u>83,151</u>	<u>88,889</u>
(ALI MOHAMMAD G. SHEIKH) Chief Executive		(S. Z. H. JAFRI) Director	



BALANCE SHEET AS AT

	Notes	1990 (Rs. '000)	1989 (Rs. '000)
CAPITAL AND LIABILITIES			
AUTHORISED CAPITAL:			
500,000 Ordinary Shares of Rs. 100/- each		50,000	50,000
ISSUED SUBSCRIBED AND PAID-UP CAPITAL			
50,000 Ordinary shares of Rs. 100 each fully paid up in cash		5,000	5,000
450,000 Ordinary shares of Rs. 100/-each issued as fully paid bonus shares		45,000	45,000
Share Premium Account		11	11
		50,011	50,011
RESERVES:			
Exceptional Loss Reserve		443,000	388,000
Investment Fluctuation Reserve		5,950	6,000
General Reserve	4	94,500	90,000
Un-appropriated Profit		15,151	30,189
		558,601	514,189
PROVISIONS:			
Provision for Taxation	5	148,502	132,002
Provision for Bad & Doubtful Debts		20,000	18,000
		168,502	150,002
PROPOSED DIVIDEND:		5,000	5,000
RESERVE FOR OUTSTANDING CLAIMS:	6		
Fire		65,346	71,920
Marine		71,119	86,600
Miscellaneous		71,299	59,874
		207,764	218,394
PREMIUM RESERVE:			
Fire		108,973	92,061
Marine		46,850	50,528
Miscellaneous		131,587	95,329
		287,410	237,918
Amount due to other persons and bodies carrying on insurance business		148,636	230,912
Deposits retained/received from other companies		30,159	29,099
Sundry Creditors	7	14,570	11,369
Retention money payable		1,463	2,562
		194,828	273,942
		<u>1,472,116</u>	<u>1,449,456</u>

These account should be read in Conjunction with the annexed notes.

As per our report annexed.

R. M. BILIMORIA & CO.

Chartered Accountants

FORD, RHODES, ROBSON, MORROW

Chartered Accountants

Karachi, 28th May, 1991

31ST DECEMBER, 1990



PROPERTY AND ASSETS	Notes	1990 (Rs. '000)	1989 (Rs. '000)
INVESTMENTS			
Bearer National Fund Bonds		140,094	256,242
Stock and Shares		524,233	353,317
Debentures		508	600
WAPDA Bonds		50,612	49,625
Foreign Exchange Bearer Certificates		110	110
Market value Rs. 882,080 (1989 Rs. 811,262)		715,557	659,894
Land and Building (including Capital Work-in-Progress)	8	61,294	59,569
CURRENT ASSETS :			
Amount due from persons and bodies carrying on insurance business		272,379	351,124
Deposits held by Ceding Companies		60,982	64,692
Cash in hand and at bank		44,578	25,428
Interest, Dividend and Return accrued/outstanding		30,999	70,425
Sundry Debtors		13,277	9,580
Advances including Taxation, Loans, Deposits and Prepaid Expenses		251,419	186,617
Stocks of Stationery etc, at cost		41	68
		673,675	707,934
ADMINISTRATIVE FIXED ASSETS:			
Furniture, Fixture, Office Equipments, Vehicles and Books (cost less depreciation)	9	4,847	5,060
DEFERRED REVENUE EXPENDITURE	10	769	1,025
ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN)	11	15,974	15,974
		<u>1,472,116</u>	<u>1,449,456</u>

(ALI MOHAMMAD G. SHEIKH)
Chief Executive

(S. Z. H. JAFRI)
Director



STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED 31ST DECEMBER, 1990

FINANCIAL RESOURCES WERE PROVIDED BY OPERATIONS.

Notes

1990
(Rs. '000)

1989
(Rs. '000)

Profit before taxation
Items not involving movement of funds
 Depreciation
 Deferred revenue expenditure
 Net profit on sale of investments
 (Decrease)/Increase in reserve for outstanding claims
 Increase in premium reserve
 Profit on sale of administrative fixed assets
 Investments written off

82,962
1,100
256
(3,001)
(10,630)
49,492
(78)
50

88,889
1,178
256
—
13,051
27,585
—
—

37,189

42,070

Other sources
 Sale proceeds of investments
 Sale proceeds of fixed assets

194,700
94

45,608
—

194,794

45,608

314,945

176,567

APPLICATION OF FUNDS

Investments purchased
Land and building (including capital
Work-in-progress)
Addition to administrative fixed assets
and deferred revenue expenditure
Taxes paid
Dividend paid

247,463
1,727
900
60,701
20,000

85,494
959
4,291
40,474
45,356

330,791

176,574

(DECREASE)/INCREASE IN WORKING CAPITAL ANALYSIS OF INCREASE/(DECREASE) IN WORKING CAPITAL

(15,846)

(7)

(Decrease)/Increase in current assets
Cash in hand and at banks
Amount due from persons and bodies carrying
on insurance business
Deposits held by ceding companies
Sundry debtors
Interest, dividend and returns accrued/outstanding
Advances, loans, deposits and
prepaid expenses
Stock of stationery

19,150
(78,745)
(3,710)
3,697
(39,426)
4,101
(27)

(14,975)
97,609
6,012
41
28,447
1,131
14

(94,960)

118,279

Decrease/(Increase) in current liabilities
Amount due to persons and bodies carrying
on insurance business
Deposits retained/received from other
companies
Sundry creditors
Retention money payable

82,276
(1,060)
(3,201)
1,099

(113,552)
(1,167)
(3,561)
(6)

79,114

(118,286)

(DECREASE)/INCREASE IN WORKING CAPITAL

(15,846)

(7)

(ALI MOHAMMAD G. SHEIKH)
Chief Executive

(S. Z. H. JAFRI)
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 1990



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 formats of the balance sheet, the revenue accounts and the profit and loss and appropriation account are as prescribed under section 50 and 51 of PIC general regulations 1953.

- (b) Taxation:

Provision for taxation is based on taxable income. Deferred taxation being immaterial has not been provided for.

- (c) Provision for bad and doubtful debts:

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

- (d) Premium reserve:

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

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

- (e) Staff retirement benefits:

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



Provision for pensions are made on the basis of actuarial valuation.

(f) Investments:

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

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

(g) Dividend income etc:

Dividend income is recognised in the account as and when declared, except for preference shares and other investments, where it is recognised on accrual basis.

(h) Land and buildings (including capital work-in-progress) and administrative fixed assets.

Land and capital work-in-progress are shown at cost. Other fixed assets are shown at cost less depreciation calculated on the written down values using the following rates:-

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

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

	1990	1989
U.S. \$	21.8062	21.3282
Pound sterling	41.8104	34.1667



3.	PAYMENTS AS APPROVED BY THE FEDERAL GOVERNMENT	%	1990 (RS. '000)	1989 (RS. '000)
	Federal Government @ Rs. 30.00 (1989 : Rs. 47.90) per share of Rs. 100/- on 255,000 shares	51 (1989:60)	7,650	12,214
	Shareholders (excluding Federal Government holding) @ Rs. 30 (1989: Rs. 33.23) per share of Rs. 100/- on 245,000 shares	49 (1989:40)	7,350	8,142
			<u>15,000</u>	<u>20,356</u>
4.	GENERAL RESERVE		1990	1989
	Balance as at 1st January		90,000	87,000
	Add: Transfer from profit and loss appropriation account		4,500	3,000
			<u>94,500</u>	<u>90,000</u>
5.	PROVISION FOR TAXATION:			
	<p>The income-tax assessments of the Corporation have been finalised upto and including assessment year 1989-90. The appeals against certain previous assessment years are still pending. Further, the Income-tax officer is yet to finalise orders for certain assessment years which have been set aside by the Commissioner of Income-tax (Appeals). A net amount of Rs. 54.56 million paid for various assessment years is shown under Advances and has not been debited to the Profit and Loss Appropriation Account as the Corporation expects that the appeals would be decided in its favour. The assessment for the assessment year 1990-91 has not yet been finalised.</p> <p>In regard to assessment for the years 1989-90, the Income-tax authorities have raised a demand of Rs. 8.59 million against the Corporation, after treating the income of Export Credits Guarantee Scheme (ECGS) as part of taxable income of the Corporation for the assessment years 1984-85, 1985-86, 1986-87, 1987-88 and 1988-89. The demand was paid by the Corporation and recovered from the Export Credits Guarantee Scheme. The Corporation intends to file a suit in High Court, in this regard on behalf of ECGS.</p>			
6.	RESERVE FOR OUTSTANDING CLAIMS:			
	(a) This includes a sum of Rs. 13.0 million (1989- Rs. 13.0 million) in respect of Marine losses incurred but not reported, estimated on the basis of management experience.			
	(b) It also includes an amount of Rs. 4.952 million (1989 Rs. 4.952 million) representing claims brought forward from previous years which relate to Bangladesh (Former East Pakistan) business. This is made up as follows:-			
	Fire insurance		2,382	2,382
	Marine insurance		1,470	1,470
	Miscellaneous insurance		1,100	1,100
			<u>4,952</u>	<u>4,952</u>

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



7. SUNDRY CREDITORS:

It includes an amount of Rs. 0.809 million (1989: Rs. 0.809 million) relating to Bangladesh creditors.

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

Capital work-in-progress including leasehold land (PIC Building at Moulvi Tamizuddin Khan Road) less realisation of contractor's bonds Rs. 9 million)

1990
(Rs '000)

1989
(Rs '000)

60,810 59,082

At writtend down value.

PIC Head Office Building including lift
PIC House (Residence)

308	310
176	177
484	487

61,294 59,569

9. ADMINISTRATIVE FIXED ASSETS:

This includes a vehicle purchased by the Corporation for Rs. 337,000 which was stolen before it could be registered. An insurance claim was lodged with the National Insurance Corporation and the matter was pending as at 31st December, 1990. The vehicle appears in the balance sheet under fixed assets and depreciation has been charged at the prescribed rate.

A substitute vehicle was purchased for Rs. 353,000 and for the time being is shown under sundry debtors and no depreciation has been charged.

10. DEFERRED REVENUE EXPENDITURE:

The software/systems development cost incurred is being deferred to be spread over a period of 5 years from the date of completion/implementation of computerisation activites.

11. 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 fixutres

8,608 8,608
4 4

8,612 8,612

INVESTMENTS.

Stocks and shares
Debentures

7,112 7,112
250 250

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.



12 NATIONAL CO-INSURANCE SCHEME (NCS):

The Bonus Voucher Scheme was introduced by the Government of Pakistan on 15th July, 1970 and remained in force till 11th May, 1972, when Pak Rupee was devalued. NCS was entitled to bonus voucher earnings on its foreign currency premium income and likewise had to incur expenses for bonus vouchers on its foreign currency payments.

The relevant foreign currency transactions of NCS with Pakistan Insurance Corporation (PIC) spread over the period from 15th July, 1970 to 11th May, 1972 were accounted for by NCS in their books.

The accounts of NCS & PIC were finally reconciled for all transactions upto 31st December, 1987 comprising all re-insurances accepted by PIC and commission and claims paid to NCS including bonus vouchers entitlement, and the final reconciled balance was agreed in February, 1990 to Rs. 1,019,839.78.

This net liability of PIC to NCS remains subject to full verification and authorisation by the management of NCS and is to be certified by their auditors.

13. CAPITAL COMMITMENT:

The Corporation is constructing a building for its head office at an estimated cost of Rs. 136 million. The cost incurred upto 31st December, 1990 amounts to Rs. 60.01 million (1989 — Rs. 58.29 million).

14. GENERAL:

14.1 The directors or their spouse do not have any interest in the donee fund.

14.2 Figures have been rounded off to the nearest thousand rupees.

14.3 Figures of previous year have been rearranged wherever necessary to facilitate Comparison

(ALI MOHAMMAD G. SHEIKH)
Chief Executive

(S. Z. H. JAFRI)
Director



No. of Shareholders	Number of Shares					Total Shares held
321	From	1	to	100	Shares	10,774
83	From	101	to	500	"	18,904
7	From	501	to	1,000	"	4,822
14	From	1,001	to	5,000	"	32,423
1	From	5,001	to	20,000	"	12,567
1	From	20,001	to	50,000	"	24,280
1	From	50,001	to	150,000	"	141,230
1	From	150,001	to	255,000	"	255,000
429						500,000

Categories of Shareholders	Number	Share held	Percentage
Individuals	405	45,196	9.04
Investment Companies. (ICP)	1	718	0.14
Insurance Companies.	12	191,629	38.33
Joint Stock Companies.	2	1,972	0.40
Government of Pakistan.	1	255,000	51.00
Administrator, Abandoned Properties Organisation, Government of Pakiztan	1	250	0.05
Private Limited Companies	5	4,711	0.94
Other (Staff Provident Fund).	2	524	0.10
	429	500,000	100.00

CLASSIFICATION OF INVESTMENT :

(IN MILLION OF RUPEES)

	BOOK VALUE
* Govt. Securities	190.817
* Bankers Financial Institution	13.664
* N. I. T. Units	368.709
* SHARES & STOCKS (LISTED COMPANIES)	
a) Insurance	2.277
b) Cotton & Textile	0.441
c) Synthetic & Rayon	0.256
d) Jute	0.976
e) Sugar & Allied	3.684
f) Cement	0.450
g) Tobacco	0.271
h) Fuel & Energy	28.301
i) Engineering	0.969
j) Auto & Allied	0.678
k) Transport	59.876
l) Chemicals	8.103
m) Paper & Board	1.849
n) Vanaspati & Allied	0.403
o) Miscellaneous	33.325
	141.859
* Debentures	0.508
TOTAL INVESTMENT	715.557

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 27th day of June, 1991, 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.