

41st ANNUAL REPORT 1993



PAKISTAN INSURANCE CORPORATION





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BOARD OF DIRECTORS



A B. SOOMRO	CHAIRMAN
AFTAB AHMED KHAN	DIRECTOR
M. JAMIL ERICKZADA	DIRECTOR
NAVEED HASAN	DIRECTOR
CH. SAJJAD ALI	DIRECTOR
S. Z. H. JAFRI	DIRECTOR
SHEIKH MOHAMMAD RAFIQ AKHTAR	DIRECTOR

AUDITORS:

AKBAR G. MERCHANT & CO
Chartered Accountants

RAHIM JAN & CO.
Chartered Accountants

HEAD OFFICE:

Pakistan Insurance Building M. A. Jinnah Road,
P.O. Box No. 4777, Karachi-2 (Pakistan)
Telephone No: 203071-9, Telefax No: 92-21-204290
Telex No: 2829 PAKRE, Telegrams "REINSUCORP"



NOTIFICATION

NOTICE is hereby given that Forty First Annual General Meeting of the Shareholders of Pakistan Insurance Corporation will be held on Thursday the 18th August, 1994 at 11.00 a.m. at Pakistan Insurance Building, M.A. Jinnah Road, Opposite Mereweather Tower, Karachi, to transact the following business:-

- (1) To confirm the minutes of the 40th Annual General Meeting held on Sunday the 1st August, 1993.
- (2) To receive and adopt the Audited Balance Sheet as at 31-12-1993, the Revenue Accounts, the Profit & Loss Account and the Profit & Loss Appropriation Account for the year ended 31-12-1993.
- (3) To declare Dividend as recommended by the Board of Directors for the year ended 31st December, 1993
- (4) To transact any other business with the permission of the Chair.

By Order of the Board

(MOHAMMAD ALI MEMON)
Secretary

Karachi, the 12th July, 1994.

- NOTES: (i) The Share Transfer Books of the Corporation shall remain closed from 9th August, 1994 to 18th August, 1994 (both days inclusive) to ascertain the entitlement of Dividend.
- (ii) A member eligible to attend and vote at 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 date of 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, 1993**



The Shareholders,
Pakistan Insurance Corporation,

Gentlemen,

Your Directors again feel pleasure in presenting herewith the 41st Annual Report on the Accounts of the Corporation for the year 1993.

2. The gross premium of General Insurance business excluding NIC premium, has recorded a decrease of Rs. 485 million i.e. from Rs. 4093 million in 1992 to Rs. 3608 million in 1993. The table below shows the break-up of the volume of business, class-wise, written by the various group of insurers.

1993 GROSS PREMIUM:

(In million of Rupees)

Class of Business	National Cos.	% Source Wise.	Foreign Resident Cos.	% Source wise.	Total	% Class wise
Fire	1058	88	139	12	1197	33
Marine Cargo	576	85	101	15	677	19
Marine Hull	37	100	—	—	37	1
Accident	1380	89	165	11	1545	43
Aviation	10	100	—	—	10	—
Engineering	134	94	8	6	142	4
TOTAL	3195	89	413	11	3608	100



3. The growth of PIC Business since 1968 is shown in the following table:-

Year	Gross Premium Income	Profit	Total Reserve	Total Investment
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
1991	1526.3	49.0	1175.4	724.3
1992	1735.4	116.1	1329.5	847.5
1993	1677.3	169.4	1447.6	840.7

Although there is a decrease in the gross premium of Rs. 58.1 million i.e. from Rs. 1735.4 million in 1992 to Rs. 1677.3 million in 1993 but there is a profit of Rs. 19.9 million in the underwriting profit in 1993 mainly due to improvement in net claim position and less premium Reserve strain in 1993.

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

(In million of Rupees)

	Fire		Marine		Misc.		Total	
	1992	1993	1992	1993	1992	1993	1992	1993
Gross Premium	632	482	351	310	753	885	1736	1677
Retro Premium	<u>294</u>	<u>210</u>	<u>207</u>	<u>139</u>	<u>315</u>	<u>403</u>	<u>816</u>	<u>752</u>
Net Premium	338	272	144	171	438	482	920	925
Net Commission	158	129	57	62	134	145	349	335
Net Claims	156	133	85	64	297	290	538	487
Prem. Resv. Adj.	<u>19</u>	<u>(27)</u>	<u>(1)</u>	<u>22</u>	<u>28</u>	<u>21</u>	<u>46</u>	<u>17</u>
Underwriting Surplus	5	37	3	23	(21)	26	(13)	86
Management Exp.	19	19	8	13	24	34	51	66
Balance:	(14)	18	(5)	10	(45)	(8)	(64)	20

The net commission as percentage of net premium has decreased in 1993 over 1992. The net claims in 1993 as a percentage of net premium have decreased from 58.4% in 1992 to 52.69% in 1993. Hence, there is an Underwriting Profit of Rs. 19.9 Million in 1993 against a loss of Rs. 64.1 Million in 1992.



5. The experience of individual classes of business during the year 1993 has been produced as follows:-

a) FIRE BUSINESS:

The Gross Premium of Fire portfolio has decreased from Rs. 632 Million in 1992 to Rs. 482 Million in 1993 by showing a decrease of 23.7%. The said decrease is mainly due to reduction of Compulsory Cession from 30% in 1992 to 20% in 1993. The percentage of Net Premium has slightly increased due to less retrocession under compulsory, FQSRT & Pak Treaty Pool in the year 1993. The Net commission percentage has proportionately increased in 1993.

b) MARINE BUSINESS:

The Gross Premium in the Marine Business (Cargo & Hull) has substantially decreased in the year 1993 due to direct impact of reduction in Compulsory Cession from 30% to 20%. The Net Premium has increased in the year 1993 as compared to 1992 due to less retrocession.

c) MISCELLANEOUS BUSINESS:

The overall increase in Gross Premium is Rs. 132.3 Million in 1993 as compared to 1992 is due to increase in NIC/PIA Fleet Insurance Business.

There is an overall increase in the net premium of Rs. 4.65 million mainly due to less retrocession.

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:

The PIC investment portfolio as at 31-12-1993 is Rs. 840.765 million as against Rs. 847.481 million in 1992. The main reason of this decrease is due to the heavy payment of our new building project which is nearly completed. During the year surplus funds were invested in Federal Investment Bonds, Treasury Bill (REPO Scheme) and Stock & Shares.



8. PROFIT & LOSS ACCOUNT:

The Profit and Loss Account for the year 1993 shows a net profit of Rs. 169.436 million before tax. The break-up of appropriation of net profit for 1993 including balance brought forward from last year is given below:-

(In million of Rupees)

Balance brought forward (1992)	17.3
Underwriting profit	20.0
Investment Income	150.4
Other Income	
(Net of Expenses)	(0.9)
TOTAL:	<u>186.8</u>

9. ALLOCATION OF PROFIT:

(i) General Reserve	60.0
(ii) Exceptional Loss Reserve	50.0
(iii) Provision for Taxation	36.0
(iv) Proposed Dividend	5.0
(v) Provision for Bad & Doubtful Debts	5.0
(vi) Balance carried forward	30.8
TOTAL:	<u>186.8</u>

10. BALANCE SHEET:

There has been an increase of Rs. 118 million in the reserves and provisions which have gone up from Rs. 1330 million in 1992 to Rs. 1448 million in 1993.

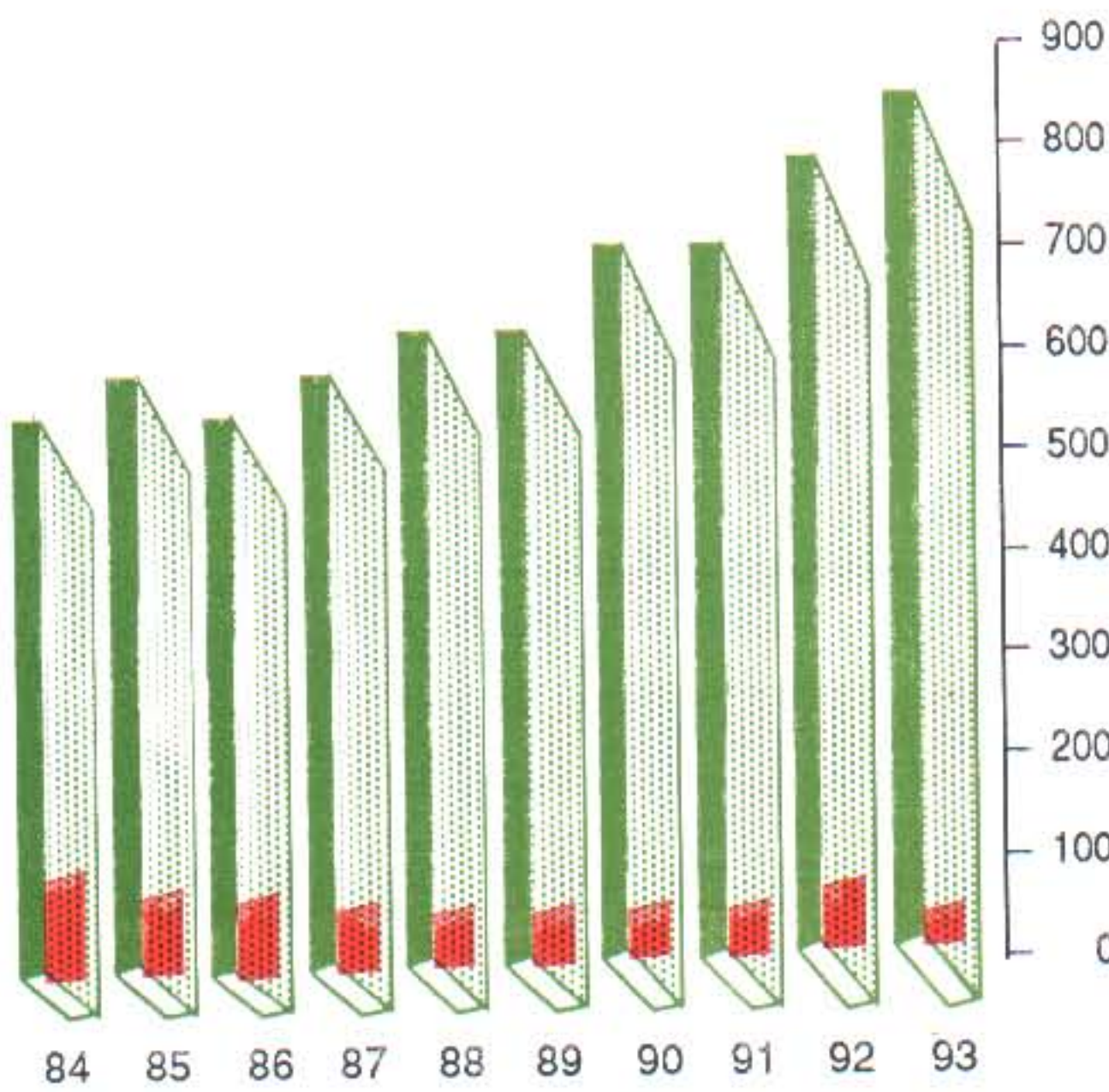
11. DIVIDEND:

The Directors are pleased to declare a dividend of Rs. 10% for the year 1993.



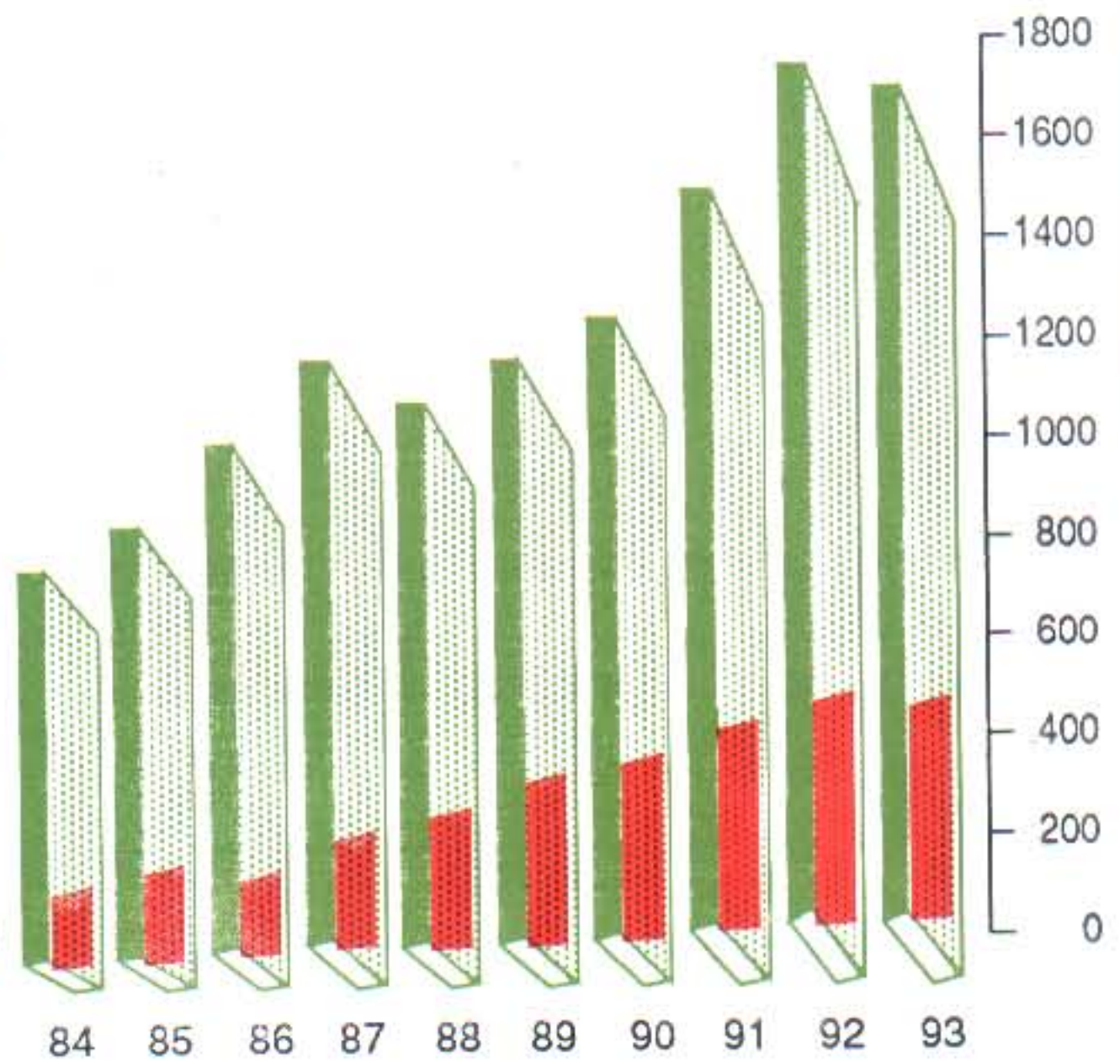
CASH & INVESTMENT

INVESTMENT
 CASH
 (Rs. in million)



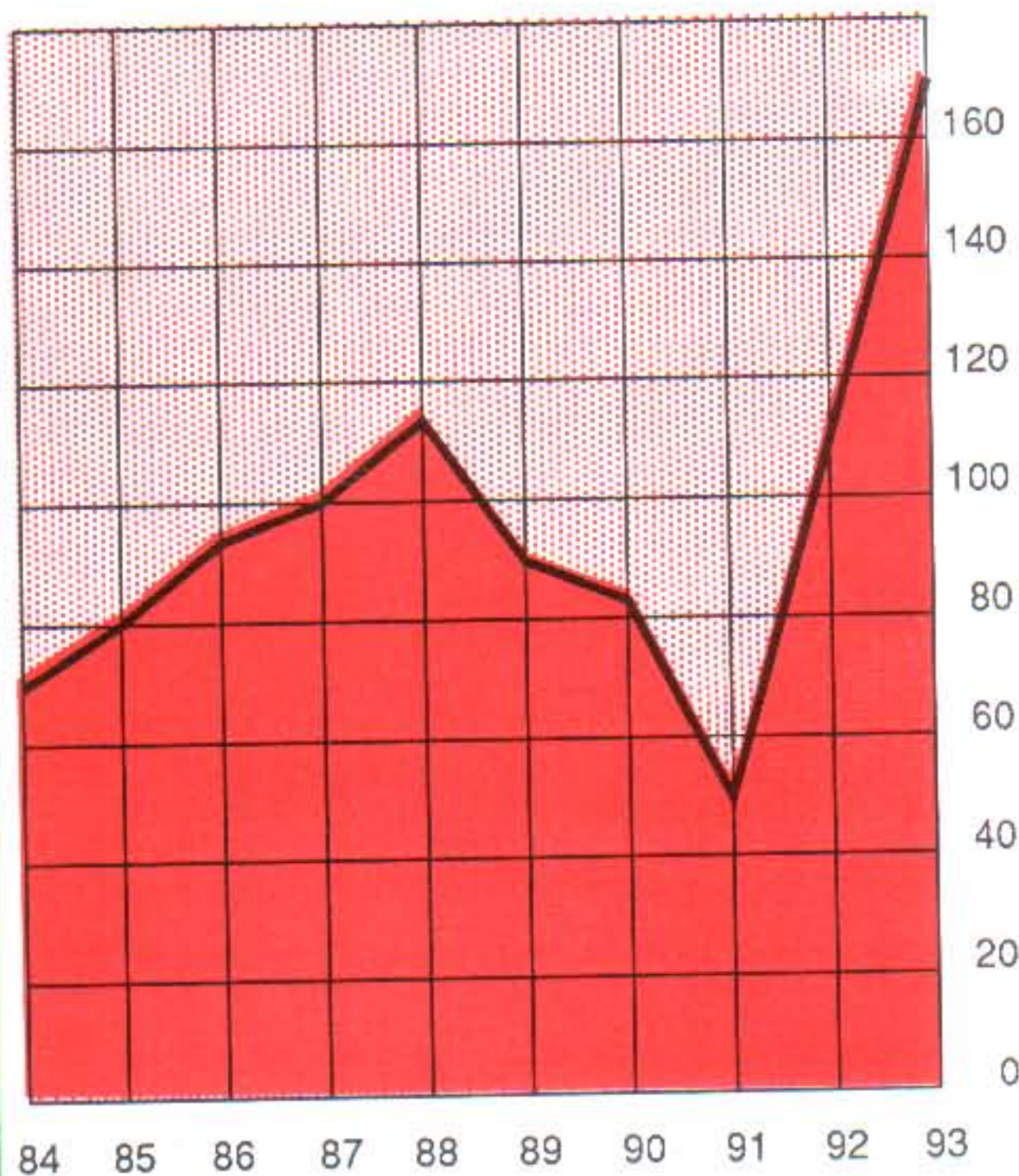
PREMIUM & CLAIMS

PREMIUM
 CLAIMS
 (Rs. in million)

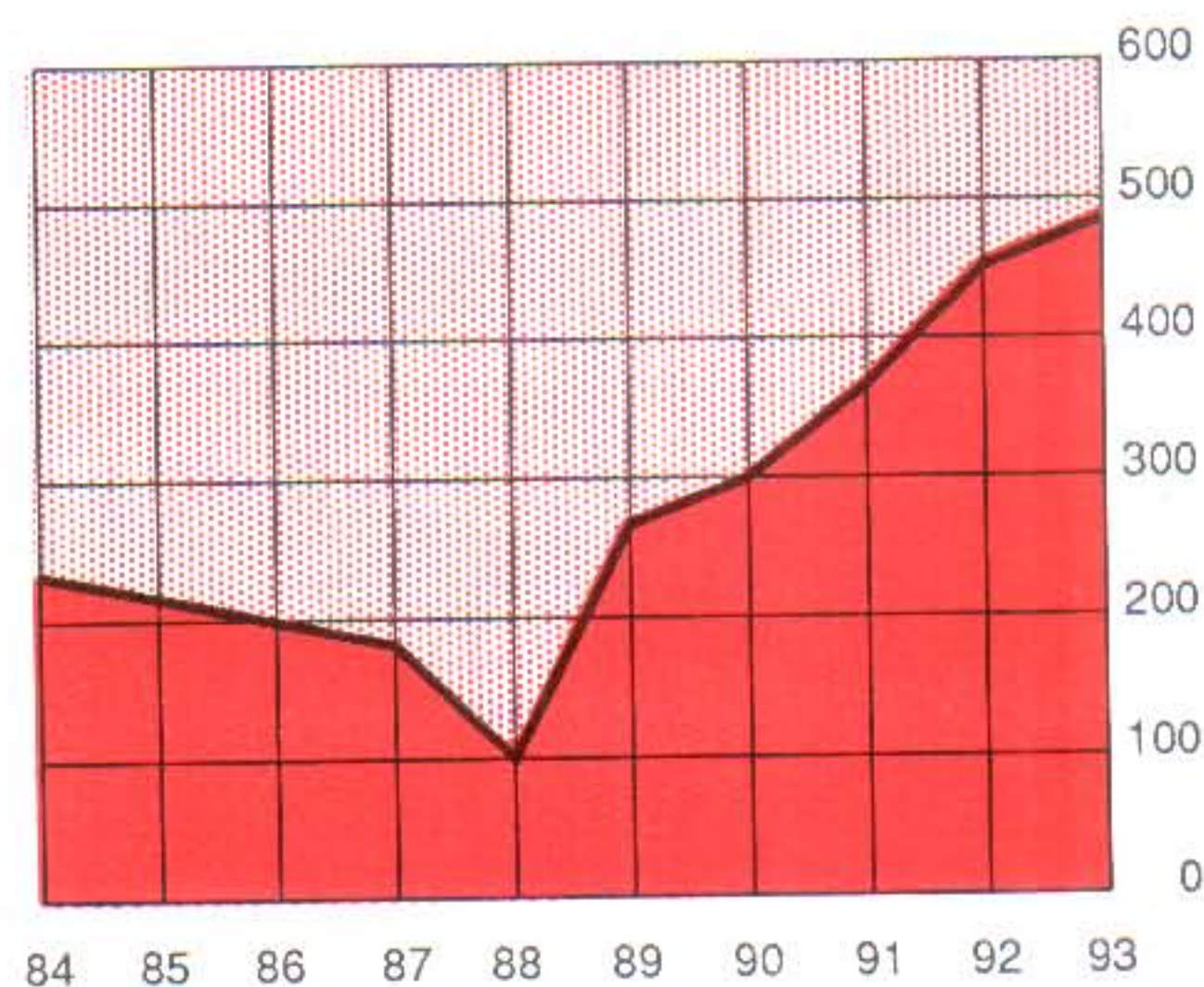




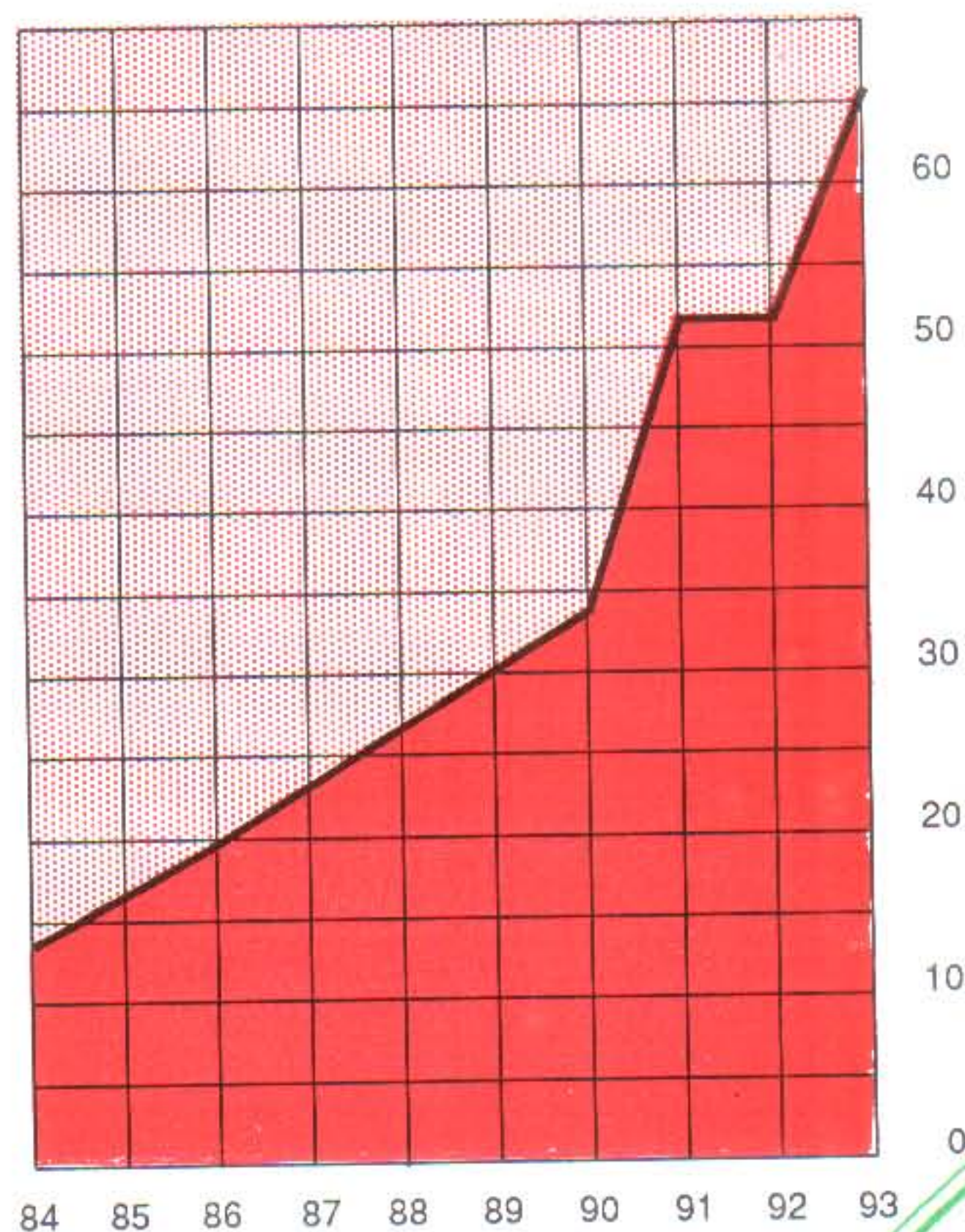
PROFIT BEFORE TAXATION
(Rs. in million)



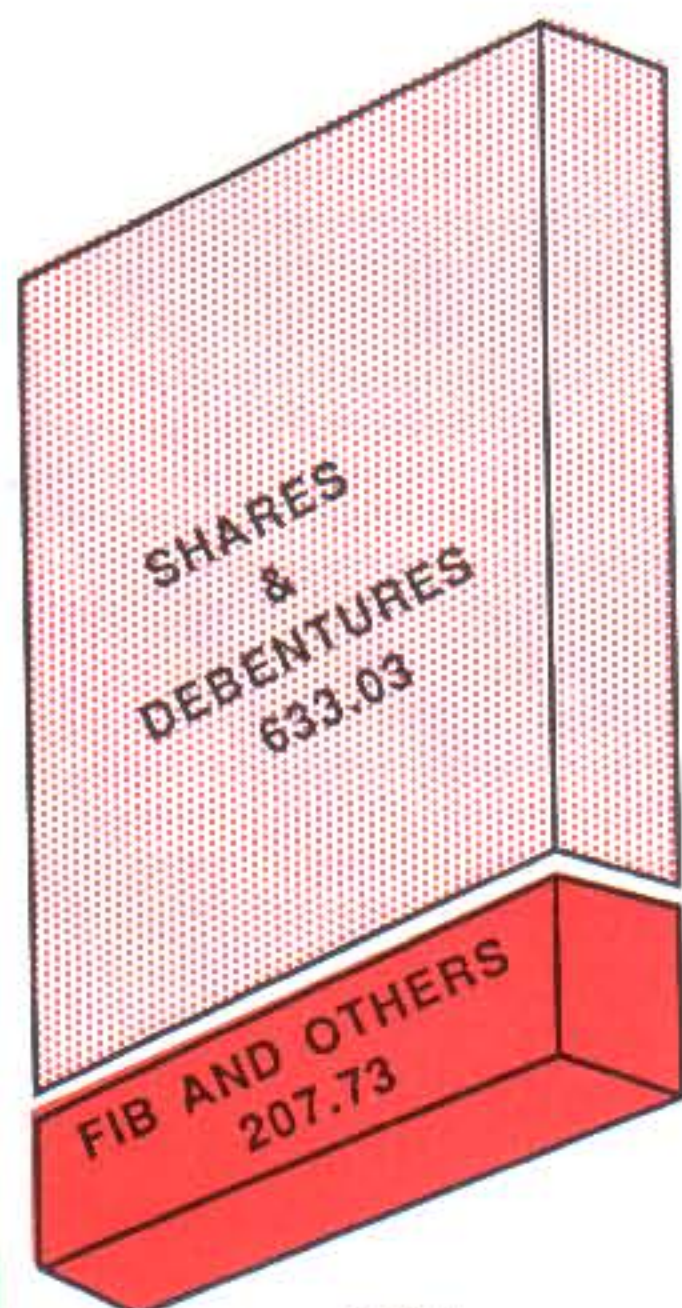
NET CLAIMS
(Rs. in million)



ADMINISTRATION EXPENSES
(Rs. in million)



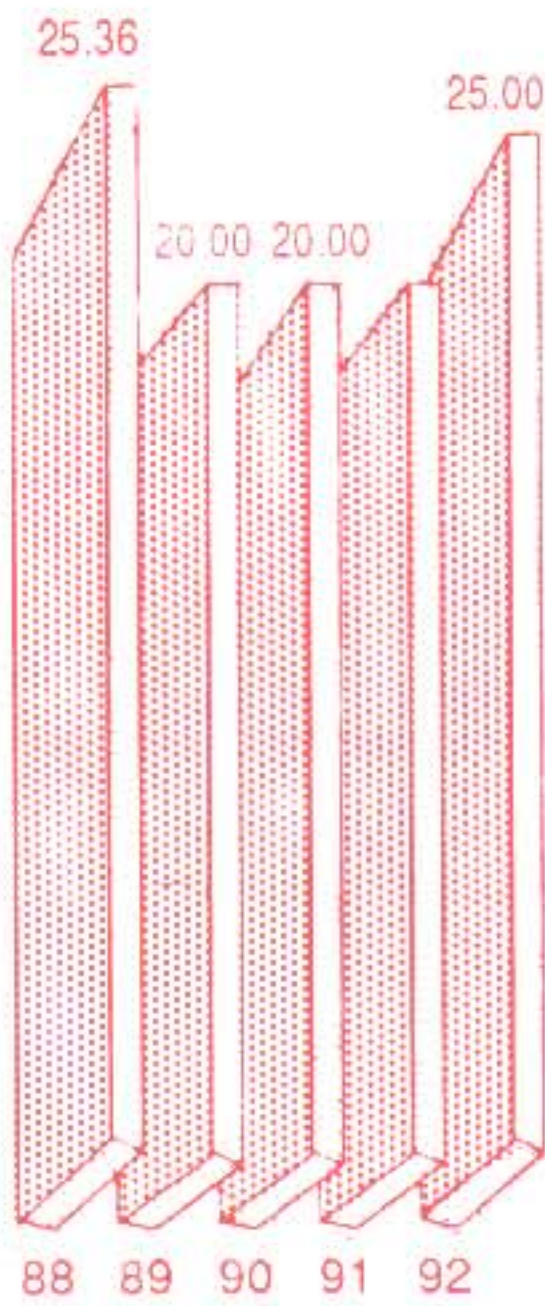
INVESTMENTS
(Rs. 840.764 million Mix)



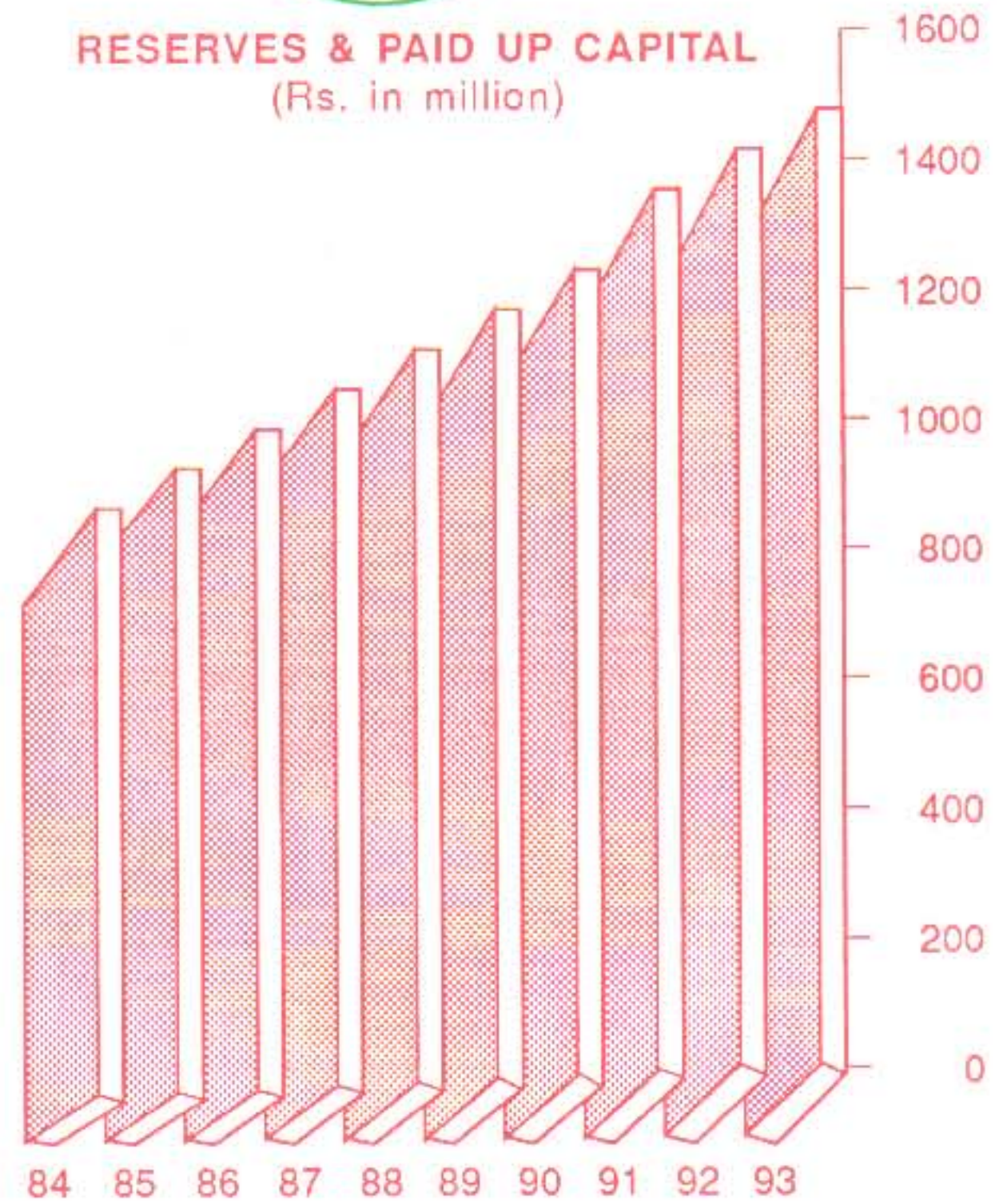
1993



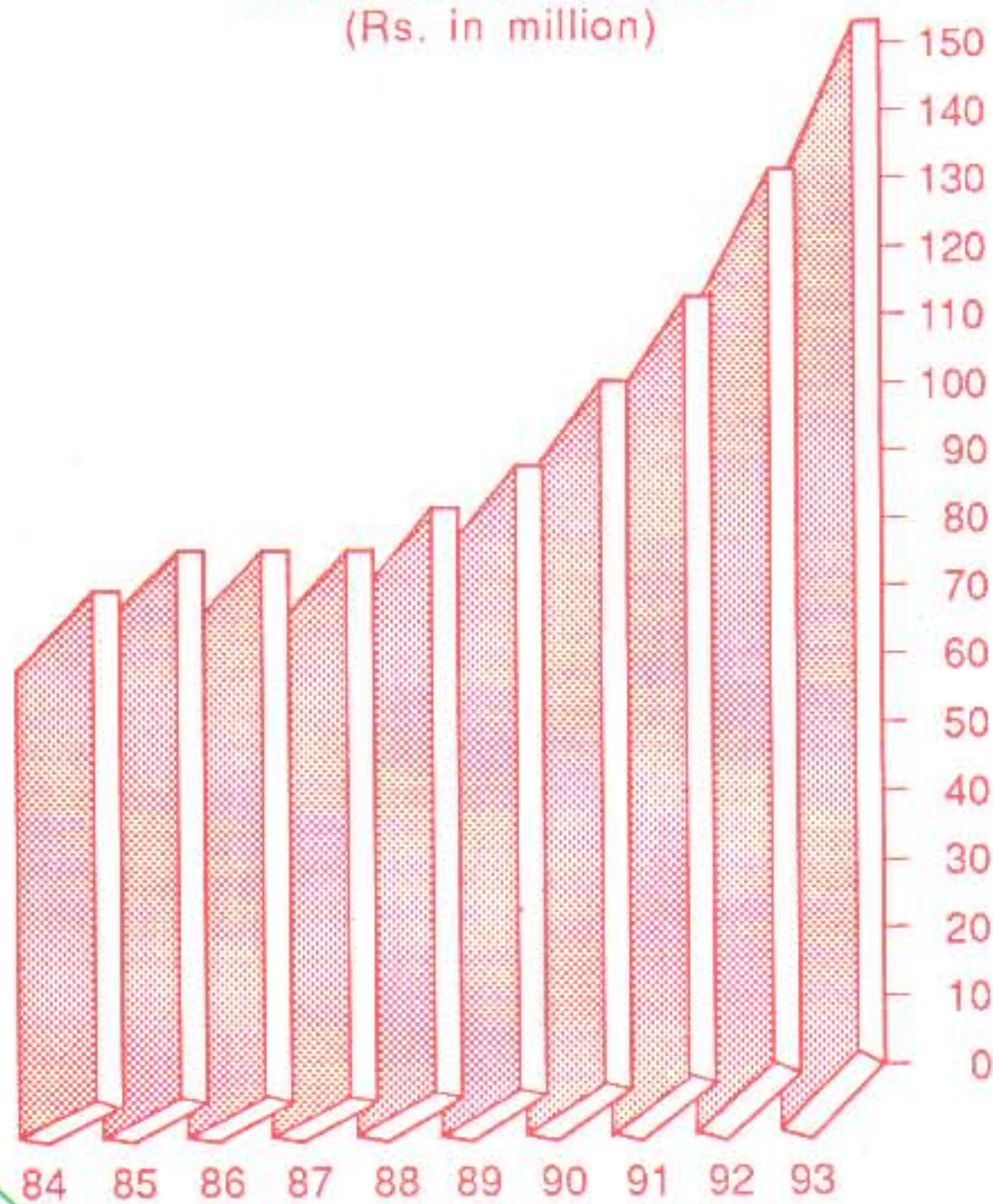
DIVIDEND/SURPLUS (CASH)
(Rs. in million)



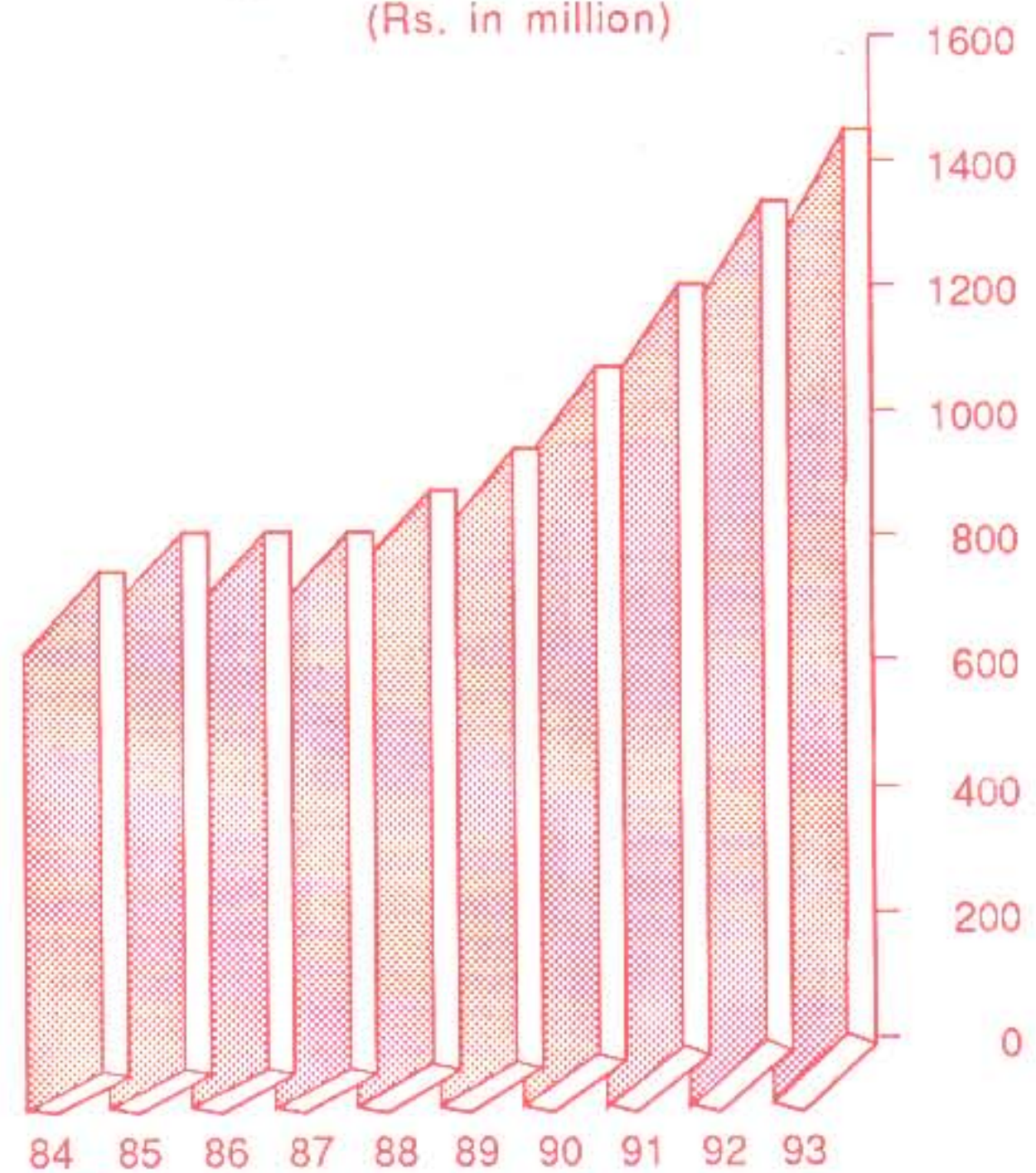
RESERVES & PAID UP CAPITAL
(Rs. in million)



INVESTMENT INCOME
(Rs. in million)



RESERVES & PROVISIONS
(Rs. in million)





41 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	92.768
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	1:4B10	588.358	387.655
1982	872.829	72.639	1:4B10	577.241	414.704
1983	897.624	66.580	2:5B10	640.010	476.642
1984	817.497	76.049	2:5B10	707.578	505.673
1985	903.596	90.760	3:7B10	730.558	620.673
1986	1,081.198	96.893	3:7B10	748.086	591.001
1987	1,165.766	102.836	10	815.746	623.446
1988	1,104.600	119.411	10	884.675	678.644
1989	1,156.986	88.889	30S10	958.312	719.463
1990	1,333.101	82.962	30S10	1,058.624	776.851
1991	1,526.299	48.971	30S10	1,175.438	801.015
1992	1,735.423	115.957	24S10	1,329.442	968.968
1993	1,677.307	169.491	10	1,447.679	1020.004

AUDITORS REPORT TO THE MEMBERS



We have audited the annexed Balance Sheet of PAKISTAN INSURANCE CORPORATION as at 31st December, 1993 and the Fire, Marine and Miscellaneous Insurance Revenue Accounts, the Profit and Loss Account, the Profit & 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 purpose 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 & 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, Fire Marine and Miscellaneous Insurance Revenue Accounts, the Profit and Loss Account, the Profit & 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 7.1, 8.2, 9, 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 statement 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, 1993 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 Corporation and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

RAHIM JAN & CO.
Chartered Accountants

Karachi. 7th July, 1994

AKBAR G. MERCHANT & CO.
Chartered Accountants



REVENUE ACCOUNT FOR THE CONSOLIDATED FOR ALL

PARTICULARS

	1993	1992
	(Rs. '000)	(Rs. '000)
Commission Paid (Less: Retrocessions)	334,900	348,841
Claims (less: Retrocessions) paid during the year	491,163	520,349
Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated	259,232	262,854
	<u>750,395</u>	<u>783,203</u>
Less: Outstanding at the end of the previous year	262,854	245,245
	487,541	537,958
Expenses of Management	65,995	51,545
Premium Reserve for the year	397,996	381,138
Profit for the year transferred to profit and loss account	19,964	—
	<u><u>1,306,396</u></u>	<u><u>1,319,482</u></u>

As per our report annexed

RAHIM JAN & COMPANY
Chartered Accountants

AKBAR G. MERCHANT & CO.
Chartered Accountants

Karachi, the 7th July, 1994

YEAR ENDED 31ST DECEMBER, 1993
CLASSES OF BUSINESS



PARTICULARS

	1993	1992
	(Rs. '000)	(Rs. '000)
Premium Reserve brought forward from last year	381,137	334,743
Premium	1,677,307	1,735,423
Less : Retrocessions	752,048	814,815
	925,259	920,608
Loss transferred to profit and loss account	—	64,131
	<u>1,306,396</u>	<u>1,319,482</u>

(A. B. SOOMRO)
 Chief Executive

(S. Z. H. JAFRI)
 Director



REVENUE ACCOUNT FOR THE FIRE

PARTICULARS

	1993	1992
	(Rs. '000)	(Rs. '000)
Commission Paid (Less: Retrocessions)	128,480	157,940
Claims (less: Retrocessions) paid during the year	131,376	149,025
Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated	80,600	78,837
	<u>211,976</u>	<u>227,862</u>
Less: Outstanding at the end of the previous year	78,837	71,566
	133,139	156,296
Expenses of Management	19,415	18,954
Premium Reserve for the year	110,056	136,588
Profit transferred to profit and loss Account	17,700	—
	<u>408,790</u>	<u>469,778</u>

As per our report annexed

RAHIM JAN & COMPANY
Chartered Accountants

Karachi, the 7th July, 1994

AKBAR G. MERCHANT & CO.
Chartered Accountants

**YEAR ENDED 31ST DECEMBER, 1993
BUSINESS**



PARTICULARS

	1993	1992
	(Rs. '000)	(Rs. '000)
Premium Reserve brought forward from last year	136,587	117,219
Premium	482,235	632,148
Less : Retrocessions	210,032	293,618
	272,203	338,530
Loss transferred to profit and loss account	—	14,029
	<u>408,790</u>	<u>469,778</u>

(A.B. SOOMRO)
Chief Executive

(S. Z. H. JAFRI)
Director



REVENUE ACCOUNT FOR THE MARINE

PARTICULARS

	1993	1992
	(Rs. '000)	(Rs. '000)
Commission Paid (Less: Retrocessions)	61,637	56,947
Claims (less: Retrocessions) paid during the year	80,811	76,541
Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated.	69,586	86,014
	<u>150,397</u>	<u>162,555</u>
Less: Outstanding at the end of the previous year	86,013	77,558
	64,384	84,997
Expenses of Management	12,172	8,044
Premium Reserve for the year	84,741	62,545
Profit transferred to profit and loss Account	10,255	—
	<u>233,189</u>	<u>212,533</u>

As per our report annexed

RAHIM JAN & COMPANY
Chartered Accountants

Karachi, the 7th July, 1994

AKBAR G. MERCHANT & CO.
Chartered Accountants

**YEAR ENDED 31ST DECEMBER, 1993
BUSINESS**



PARTICULARS

	1993	1992
	(Rs. '000)	(Rs. '000)
Premium Reserve brought forward from last year	62,545	63,692
Premium	309,911	350,383
Less : Retrocessions	139,267	206,723
	170,644	143,660
Loss transferred to profit and loss account	—	5,181
	<u>233,189</u>	<u>212,533</u>

(A.B. SOOMRO)
Chief Executive

(S.Z.H. JAFRI)
Director



REVENUE ACCOUNT FOR THE MISCELLANEOUS

PARTICULARS

	1993	1992
	(Rs. '000)	(Rs. '000)
Commission Paid (Less: Retrocessions)	144,782	133,954
Claims (less: Retrocessions) paid during the year	278,975	294,783
Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated.	109,047	98,003
	<u>388,022</u>	<u>392,786</u>
Less: Outstanding at the end of the previous year.	98,003	96,121
	290,019	296,665
Expenses of Management	34,408	24,547
Premium Reserve for the year	203,198	182,005
	<u>672,407</u>	<u>637,171</u>

As per our report annexed

RAHIM JAN & COMPANY
Chartered Accountants

Karachi, the 7th July, 1994

AKBAR G. MERCHANT & CO.
Chartered Accountants

**YEAR ENDED 31ST DECEMBER, 1993
BUSINESS**



PARTICULARS

	1993	1992
	(Rs. '000)	(Rs. '000)
Premium Reserve brought forward from last year	182,005	153,831
Premium	885,160	752,892
Less : Retrocessions	402,749	314,473
	482,411	438,419
Loss transferred to profit and loss account	7,991	44,921
	<u>672,407</u>	<u>637,171</u>

(A.B. SOOMRO)
Chief Executive

(S.Z.H. JAFRI)
Director



PROFIT AND LOSS ACCOUNT FOR THE YEAR

PARTICULARS

EXPENSES OF MANAGEMENT (NOT ALLOCABLE TO ANY PARTICULAR REVENUE ACCOUNT)

Directors' Fee and T. A.
Auditors' Fee
Advertisement & Publicity

E. C. O Expenses
Training and Research

Interest paid on deposits retained from other Companies
Exchange Loss/(gain)
Bad Debts written off
Zakat deducted at source
Loss on Sale of Assets

LOSS/(PROFIT) TRANSFERRED FROM REVENUE ACCOUNT

Fire
Marine
Miscellaneous

Net Profit for the year carried to Profit and Loss Appropriation Account

Note

1993

1992

(Rs. '000)

(Rs. '000)

3

	140	156
	68	68
	139	77
	347	301
	336	1,508
	167	200
	503	1,708
	354	189
	(3,663)	(7,832)
	90	—
	10,076	8,724
	—	23
	7,707	3,113
	—	14,029
	—	5,181
	—	44,921
	—	64,131
	169,436	115,957
	177,143	183,201

PROFIT AND LOSS APPROPRIATION ACCOUNT

Provision for Bad & Doubtful Debts
Provision for Taxation
General Reserve
Exceptional Losses Reserve
Proposed dividend
Unappropriated Profit transferred to Balance Sheet

	5,000	2,000
	36,000	5,200
	60,000	30,000
	50,000	58,000
	5,000	5,000
	30,815	22,379
	186,815	122,579

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

As per our report annexed

RAHIM JAN & COMPANY
Chartered Accountants

AKBAR G. MERCHANT & CO.
Chartered Accountants

Karachi, the 7th July, 1994

ENDED 31ST DECEMBER, 1993



PARTICULARS

Note

1993

1992

INVESTMENT INCOME

3

Interest and Dividends.

(Rs. '000)

(Rs. '000)

150,386

128,682

OTHER RECEIPTS

Interest received on deposits
retained by other companies

2,892

4,855

Interest on Short Term Deposits

3,112

2,206

Miscellaneous Income

778

386

6,782

7,447

Profit on Sale of Investments

11

46,974

Profit on Sale of Assets

—

98

6,793

54,519

**PROFIT/(LOSS) TRANSFERRED FROM
REVENUE ACCOUNTS.**

Fire

17,700

—

Marine

10,255

—

Miscellaneous

(7,991)

—

19,964

—

177,143

183,201

FOR THE YEAR ENDED 31ST DECEMBER, 1993

Balance Brought forward from Last year

22,379

6,622

Payments as approved by the

Federal Government

4

(5,000)

—

17,379

6,622

Net Profit for the year as per

Profit and Loss Account

169,436

115,957

186,815

122,579

(A.B. SOOMRO)

Chief Executive

(S.Z.H. JAFRI)

Director



BALANCE SHEET AS AT

CAPITAL AND LIABILITIES

AUTHORISED CAPITAL

500,000 Ordinary Shares of Rs. 100/= each
ISSUED SUBSCRIBED AND PAID-UP CAPITAL:

50,000 Ordinary shares of Rs. 100 each
fully paid up in cash
450,000 ordinary shares of Rs. 100 each
issued as fully paid bonus shares

Share Premium Account

RESERVES:

Exceptional Losses Reserve
Investment Fluctuation Reserve
General Reserve
Unappropriated Profit

PROVISIONS:

Provision for taxation
Provision for Bad and Doubtful Debts

PROPOSED DIVIDEND:

Proposed dividend

RESERVE FOR OUTSTANDING CLAIMS:

Fire
Marine
Miscellaneous

PREMIUM RESERVES:

Fire
Marine
Miscellaneous

Amount due to other persons and
bodies carrying on insurance business
Deposits retained/received from other companies
Sundry Creditors
Retention Money Payable

Note

1993

1992

(Rs. '000)	(Rs. '000)
50,000	50,000
5,000	5,000
45,000	45,000
11	11
50,011	50,011
566,000	526,000
5,950	5,950
189,500	129,500
30,815	22,379
792,265	683,829
195,202	159,202
29,000	24,000
224,202	183,202
5,000	5,000
80,600	78,838
69,586	86,014
109,047	98,003
259,233	262,855
110,057	136,587
84,741	62,545
203,198	182,005
397,996	381,137
141,194	194,430
74,222	28,123
25,362	13,328
3,404	2,325
244,182	238,206
1,972,889	1,804,240

Note: These accounts should be read in
Conjunction with the annexed notes.

RAHIM JAN & CO.
Chartered Accountants

AKBAR G. MERCHANT & CO.
Chartered Accountants

Karachi. the 7th July, 1994

31ST DECEMBER, 1993



PROPERTY AND ASSETS

	Note	1993 (Rs. '000)	1992 (Rs. '000)
INVESTMENTS:			
Stock and Shares		632,660	628,404
Debentures		374	409
WAPDA Bonds		—	938
Federal Investment Bond		156,730	156,730
Treasury Bill-REPO Scheme		30,000	40,000
NDFC (Standard Deposits Certificate)		15,000	15,000
Term Deposits		6,000	6,000
		840,764	847,481
Aggregate market value Rs. 1,747,527 (1992: Rs. 1,416,366)			
Land and Building (including capital work-in-progress)	10	179,240	121,487
CURRENT ASSETS:			
Amount due from persons and bodies carrying on insurance business		397,085	322,210
Deposits held by Ceding Companies		81,429	85,987
Cash in hand and at bank		49,389	43,840
Interest, Dividend and return accrued/outstanding		29,195	16,840
Sundry debtors		20,932	18,022
Advances including Taxation, Loans, Deposits and Prepaid Expenses		355,115	328,223
Stocks of stationery etc. - at cost		28	21
		933,173	815,143
ADMINISTRATIVE FIXED ASSETS:			
Furniture, Fixtures, Office Equipments, Vehicles and Books (cost less depreciation)		3,738	3,898
DEFERRED REVENUE EXPENDITURE:	11	—	257
ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN)	12	15,974	15,974
		<u>1,972,889</u>	<u>1,804,240</u>

(A.B. SOOMRO)
Chief Executive

(S.Z.H. JAFRI)
Director



STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED 31ST DECEMBER, 1993

FINANCIAL RESOURCES WERE PROVIDED BY OPERATIONS

Profit before taxation

Items not involving movement of Funds

Depreciation

Deferred revenue expenditure

Net profit on sale of investments

Increase in reserve for outstanding claims

Increase (Decrease) in premium reserve

Profit on Sale of administrative fixed assets

Loss on sale of fixed assets

Other Sources

Sale proceeds of investments

Sale proceeds of fixed assets

APPLICATION OF FUNDS:

Investments purchased

Land & building including capital work-in-progress

Additions to administrative fixed assets

and deferred revenue expenditure

Taxes

Dividend and Surplus

INCREASE/(DECREASE) IN WORKING CAPITAL

ANALYSIS OF INCREASE/(DECREASE) IN WORKING CAPITAL

(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

Advance, loans, deposits and prepaid expenses

Stock of Stationery

Decrease/(Increase) in current liabilities

Amount due to persons and bodies carrying
on insurance business

Deposits retained/received from other companies

Sundry debtors

(DECREASE)/INCREASE IN WORKING CAPITAL

	1993 (Rs. '000)	1992 (Rs. '000)
Profit before taxation	169,436	115,957
Items not involving movement of Funds		
Depreciation	826	822
Deferred revenue expenditure	257	256
Net profit on sale of investments	(11)	(46,974)
Increase in reserve for outstanding claims	(3,622)	17,610
Increase (Decrease) in premium reserve	16,859	46,394
Profit on Sale of administrative fixed assets	—	(98)
Loss on sale of fixed assets	—	23
	14,309	18,033
Other Sources		
Sale proceeds of investments	80,972	130,393
Sale proceeds of fixed assets	343	479
	81,315	130,872
	265,060	264,862
APPLICATION OF FUNDS:		
Investments purchased	74,256	206,577
Land & building including capital work-in-progress	57,753	44,795
Additions to administrative fixed assets and deferred revenue expenditure	821	771
Taxes	25,495	29,056
Dividend and Surplus	20,000	5,000
	178,325	286,199
INCREASE/(DECREASE) IN WORKING CAPITAL	86,735	(21,337)
ANALYSIS OF INCREASE/(DECREASE) IN WORKING CAPITAL		
(Decrease)/Increase in current assets		
Cash in hand and at banks	5,583	18,514
Amount due from persons and bodies carrying on insurance business	216,776	(8,729)
Deposits held by ceding companies	(968)	14,419
Sundry debtors	2,561	3,378
Interest dividend and returns accrued outstanding	12,355	(5,991)
Advance, loans, deposits and prepaid expenses	1,562	11,619
Stock of Stationery	7	3
	237,876	33,213
Decrease/(Increase) in current liabilities		
Amount due to persons and bodies carrying on insurance business	92,255	(55,916)
Deposits retained/received from other companies	46,099	(2,649)
Sundry debtors	1,078	(862)
	151,141	(54,550)
(DECREASE)/INCREASE IN WORKING CAPITAL	86,735	(21,337)

(A. B SOOMRO)
Chief Executive

(S. Z. H. JAFRI)
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 1993



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.

The 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 regulation 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 Engg.	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 accounts as and when declared, except for preference shares and other investments, where it is recognised on accrual basis.

(h) LAND AND BUILDING (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 accumulated depreciation. Depreciation calculated on the written down value 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 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, 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:-

	1993	1992
US\$	29,9910	25,5899
Pound Sterling	44,1831	38,5047

3. ZAKAT DEDUCTED AT SOURCE:

Investment income includes dividends paid on National Investment Trust units, which are shown at gross amounts and zakat deducted at source by National Investment Trust from time to time has been charged off to expense in the year of such deduction, on consistent basis, although Corporation has filed a constitutional petition against deduction of zakat by Administrator, Zakat and on basis of legal opinion, favourable decision is expected.

The aggregate amount of zakat so charged off upto 31-12-1993 amounts to Rs. 37,976 million of which Rs. 10,076 million is during the year.

In the event of a decision in favour of the Corporation, the aggregate amount will be reversed on realisation.

4. PAYMENTS AS APPROVED BY THE FEDERAL GOVERNMENT

	1993 (Rs. 000)	1992 (Rs. 000)
Transferred from Exceptional loss Reserve (Refer Note 5)	10,000	—
Transferred from unappropriated Profit and Loss Account	5,000	—
	<u>15,000</u>	<u>—</u>
Less: Paid to Federal Government @ Rs. 30/share of Rs. 100/- on 255,000 shares	7,650	—
Shareholders (Excluding Federal Government holding) @ Rs. 30/share of Rs. 100/- on 245,000 shares	7,350	—
	<u>15,000</u>	<u>—</u>



	1993 (Rs. 000)	1992 (Rs. 000)
5. EXCEPTIONAL LOSS RESERVE:		
Opening balance	526,000	—
Less: Transfer to payment as approved by Federal Government (Refer Note 4)	10,000	—
	<u>516,000</u>	<u>—</u>
Add: Transferred during the year	50,000	—
	<u>566,000</u>	<u>—</u>
6. GENERAL RESERVE:		
Balance as at 1st January	129,500	99,500
Add: Transfer from Profit and Loss Appropriation Account	60,000	30,000
	<u>189,500</u>	<u>129,500</u>
7. PROVISION FOR TAXATION:		

7.1 The Income tax assessments of the Corporation have been finalised upto and including assessment year 1990-91. The appeals against certain previous assessment years have yet to be disposed off by the Appellate Authorities. Further the Assessing Officer has not yet issued revised orders for certain assessment years which have been set aside by the Commissioner of Income-tax (Appeals). A net amount of Rs. 81.1 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 assessments for the assessment years 1991-92 and 1992-93 have not been finalised.

The Income-tax authorities have raised a demand of Rs. 10.52 million against the Corporation after treating the income of Export Credit Guarantee Scheme (ECGS) as part of taxable income of the Corporation for the assessment years 1984-85 to 1989-90. The demand was paid by the Corporation and so far recovered Rs. 8.59 million from the Export Credit Guarantee Scheme. The Corporation has filed a suit in the High Court of Sindh in this regard on behalf of ECGS.

7.2 The Corporation's original income tax assessments have been completed for and upto the accounting year ended December 31, 1989, wherein dividend income was taxed at the applicable reduced rates. During 1991 year the Assessing Officer had sent notices for the Re-opening of the Corporation's income tax assessments for the Corporation's financial years 1985 to 1989 in order to tax the dividend income, in these years at the normal rate of tax applicable to the Corporation's business income. The Assessing Officer had based his notices on a decision of the Hon'able High Court of Sindh on an issue other than dividend income. During the current year he proceeded to complete the assessments in respect of financial years 1985 to 1987 and taxed the dividend income at normal rates for these three years. The Corporation has filed constitutional petition before the Hon'able High Court of Sindh. In respect of the years 1987 and 1988 the Corporation's assessments originally completed were cancelled under Section 66A of the Income-tax Ordinance, 1979 with the intention to assess the dividend income at the normal rates. Against these orders the Corporation has filed another constitutional petition before the Hon'able High Court of Sindh. As an interim relief the Income-tax Department has been directed by the Hon'able High Court not to complete the fresh assessments. The management of the Corporation was confident that they will successfully contest this issue of taxing of dividend income and eventual outcome will be in the Corporation's favour. During the year 1992 the Hon'able Supreme Court of Pakistan, on certain appeals filed by some insurance companies, other than Pakistan Insurance Corporation, on the question of re-opening of the assessments for taxing interest income from Khas Deposit Certificates, has held that the Income-tax Department cannot re-open the past assessments on the basis of any circular instructions. Similarly the past assessments cannot be re-opened to tax dividend income at normal rates, instead of reduced rates, as it amounts to mere change of opinion.

In view of the above Hon'able Supreme Court Judgement no provision for taxation is required to be made in accounts on account of dividend income of past years.



- 7.3 No provision has been made in these accounts for minimum tax of 0.5% of the gross receipts in terms of Section 80D of the Income-tax Ordinance, 1979. The management is of the view that the provisions of this section are ultra vires to the Constitution of the Country and will eventually become inoperative. Presently the issue is pending before the Honourable High Court of Sindh and Punjab in the Constitutional Petition filed by a large number of affected organisations.

The minimum tax at the rate of 0.5 percent of gross receipts in accordance with the provisions of Section 80D of the Income-tax Ordinance, 1979 comes to Rs. 4.6 million, which is lower than the normal tax of Rs. 36 million. The provision for taxation is, therefore, being made for the normal tax of Rs. 35.5 million in this year.

8. RESERVES FOR OUTSTANDING CLAIMS:

- 8.1 This includes a sum of Rs. 13.0 million (1992 Rs. 13.0 million) in respect of Marine losses incurred but not reported, estimated on the basis of management experience.
- 8.2 It also includes an amount of Rs. 4.952 million (1992 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:-

	1993 (Rs. '000)	1992 (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 regards.

9. SUNDRY CREDITORS:

It includes an amount of Rs. 0.809 million (1992 Rs. 0.809 million) relating to Bangladesh creditors.

10. 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)

178,869 121,070

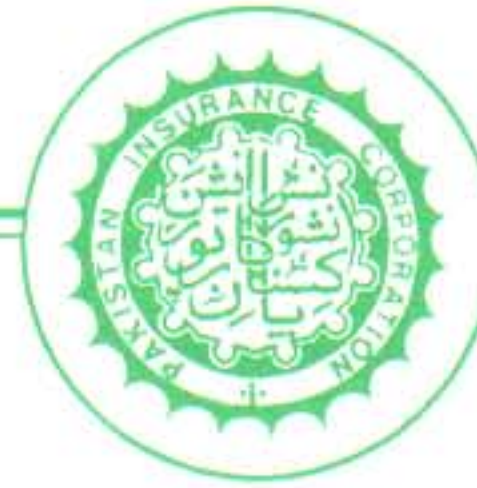
At written down value

PIC Head Office Building including Lift
PIC House (Residence)

227	266
144	151
<u>370</u>	<u>417</u>
<u>179,240</u>	<u>121,487</u>

11. DEFERRED REVENUE EXPENDITURE:

The software/systems development cost incurred is being deferred over a period of 5 years commencing from 1989, this being the fifth and last year.



12. ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN):

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

	1993 (Rs. '000)	1992 (Rs. '000)
FIXED ASSETS:		
Land and building	8,608	8,608
Furniture and 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.

13. 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 reinsurances accepted by PIC and commission and claims paid to NCS including bonus vouchers entitlement, and the final reconciled balance was agreed in February, 1989 to Rs. 1,019,839.78

This net liability of PIC to NCS remains subject to fully verification by their auditors.

14. CAPITAL COMMITMENTS:

The Corporation is constructing a building for its Head Office at an estimated cost of Rs. 240 million. The cost incurred upto 31st December, 1993 amounts Rs. 179 million (1992: Rs. 121 million).

Commitments outstanding as at December 31, 1993 in respect of Capital Expenditure is Rs. 42 million.

15. GENERAL:

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

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

15.3 Figures of previous years have been rearranged wherever necessary to facilitate Comparison.

(A. B. SOOMRO)
Chief Executive

(S. Z. H. JAFRI)
Director



SHAREHOLDERS' STATISTICS FOR THE YEAR ENDED 31ST DECEMBER, 1993

No. of Shareholders	No. of Share		Total Shares held
290	From 1	To 100	9,981
90	From 101	To 500	20,775
10	From 501	To 1,000	6,963
13	From 1,001	To 5,000	28,524
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	141,910
1	From 150,001	To 255,000	255,000
407			500,000

Categories of Shareholders	Number	Share Held	Percentage
Individuals	378	39,202	7.84
Investment Companies (ICP)	1	370	0.07
Insurance Companies	14	193,438	38.69
Joint Stock Companies	7	6,614	1.32
Government of Pakistan	1	255,000	51.00
Administrator Abandoned Properties Orgn.	1	250	0.05
Modaraba & Leasing Companies	3	4,620	0.93
Other (Staff Provident Fund)	2	506	0.10
(i) Adamjee Industries (500 Shares)			
(ii) Employees Contributory Provident Fund			
State Life Ins. Corp. of Pakistan (06)			
	407	500,000	100.00

CLASSIFICATION OF INVESTMENT

Government Securities
Banks/Financial Institutions.
N.I.T. Units

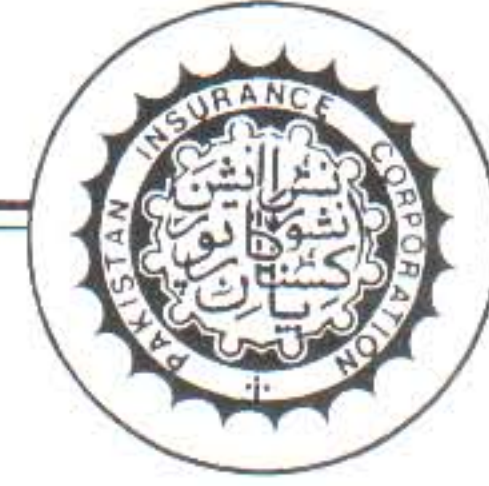
(Rs. '000)
BOOK VALUE
207,730
25,278
500,916

SHARES & STOCK (LISTED COMPANIES)

a) Insurance	2.277	
b) Cotton & Textile	0.520	
c) Synthetic & Rayon	0.256	
d) Jute	1.400	
e) Sugar & Allied	4.270	
f) Cement	0.450	
g) Tobacco	0.271	
h) Fuel & Energy	36.846	
i) Engineering	0.955	
j) Auto & Allied	0.683	
k) Transport	9.876	
l) Chemical	11.259	
m) Paper & Board	3.657	
n) Vanaspati & Allied	0.403	
o) Miscellaneous	33.343	106,466
Debentures		0,375
		840,765

TOTAL INVESTMENT

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 at a meeting of the shareholders of the Corporation to be held at _____
_____ Karachi on the _____ and at any adjournment thereof.
Dated this _____ day of _____

Signature of Shareholder

Affix Rupee one
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 of meeting.
3. In case of joint holders any one of the joint holders may sign the instrument of proxy.
4. The signature on the instrument of proxy must conform to the specimen signature filed with the Corporation.

Pakistan Insurance Building

M. A. Jinnah Road, P.O.Box. 4777. Karachi. Ph. Off: 203071 - 79. Fax: 2314290. Telex: 2829 PAK RE.