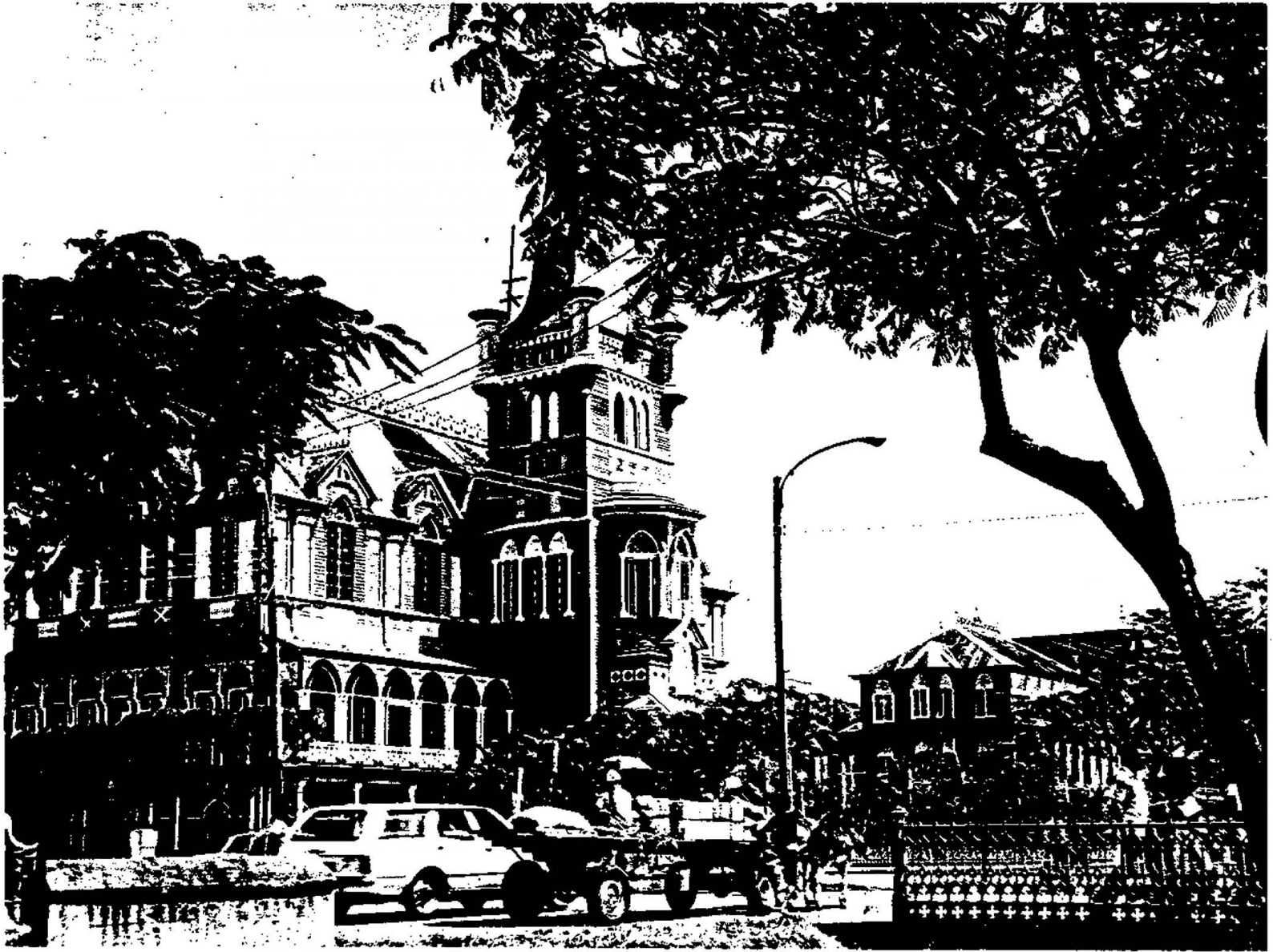




GUYANA
CO-OP INSURANCE
SERVICE



REPORT & ACCOUNTS

**FOR YEAR ENDED
31st. DECEMBER**

1978

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**3rd
Annual Report
and Accounts
of the
GUYANA
CO-OPERATIVE
INSURANCE
SERVICE
for the
year
ended
31st December
1978**



MARINE DEPARTMENT



FIRE UNDERWRITING

DIRECTORS AND GENERAL MANAGEMENT

Directors

HAROLD E. WILKINSON - A.A. *Chairman*

CLAUDE BONE - M.S. *Deputy Chairman*

YESU PERSAUD - F.C.C.A., F.R.S.A.

RONALD STEWART - B.Sc.

SHAMIR ALLY - A.S.C.A., A.M.B.I.M., M.I.S.M.

BASIL BLAIR

General Manager

RUDYARD D. FIELD-RIDLEY - B.Sc. (Econ), A.I.B.

Life Insurance Adviser

S. YOGARAJAH - B.Sc. (Hons), A.I.A.

Deputy Manager Non-Life

HAROLD BRASSINGTON

Deputy Manager Life

TERENCE EDWARDS, - B. Math. (Hon.) M.A.Sc.

Accountant

ASLIM RAHAMAN - A.C.I.S., A.M.B.I.M.

Company Secretary

DONALD D. COLE - B. Soc. Sc.

Agencies Controller

BRIAN PATOIR

Consulting Actuaries

LANE, CLARK & PEACOCK with BURTON & CO.

Medical Referee

DR. J. PAUL - M.B., B.S., Dip. Bac.

Auditors

AUDITOR GENERAL - Government of Guyana

Solicitors

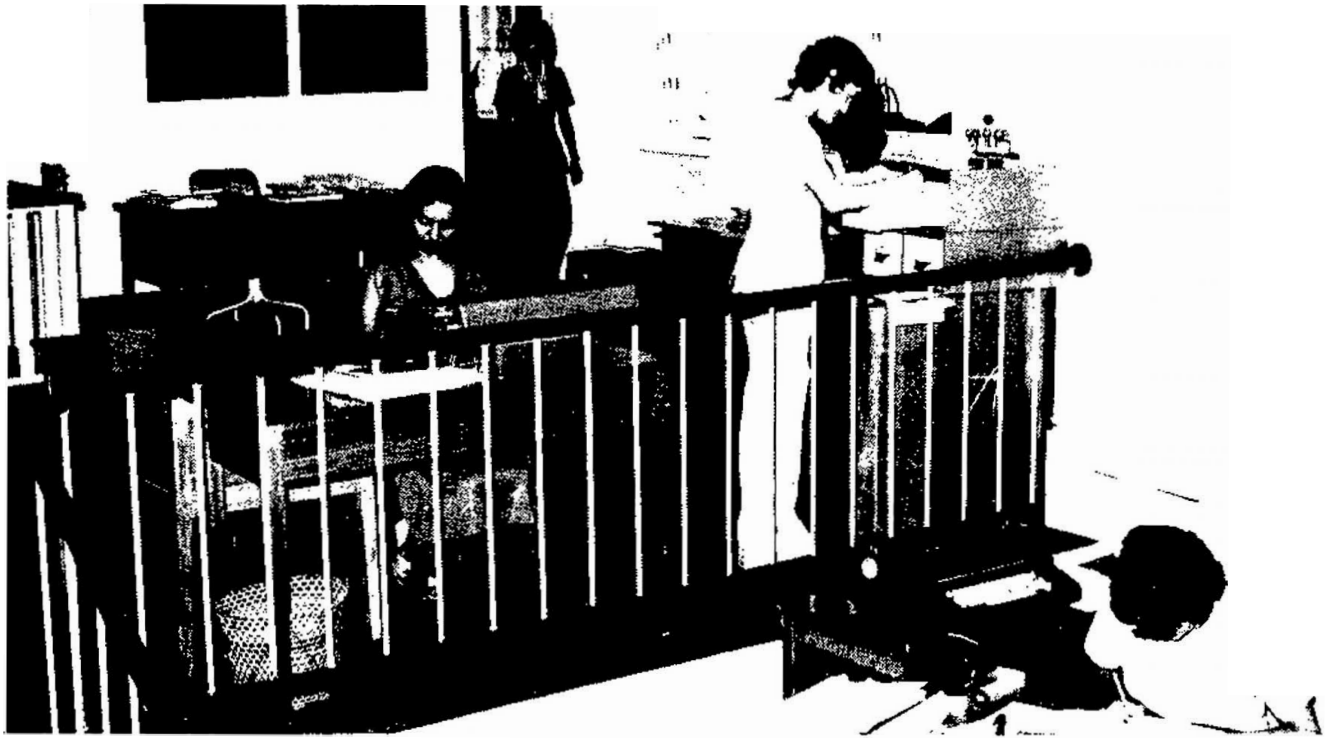
CLARK & MARTIN

Bankers

GUYANA NATIONAL CO-OPERATIVE BANK

Branch Office

**8 Strand, New Amsterdam,
Berbice, Guyana.**



A SECTION OF THE LIFE DEPARTMENT



BERBICE BRANCH OFFICE

CHAIRMAN'S STATEMENT

RESULTS

The year 1978 was again a year of rapid progress for the Service. Gross premium income more than doubled from \$4,018,675 in 1977 to \$8,945,383 in 1978 while, over the same period, profit after tax increased from \$264,185 to \$767,342.

The good results achieved enabled the Directors to recommend a final dividend of 7 per cent which, with the interim dividend of 5% paid in March, will bring the total distribution for the year to 12 per cent. Payment of this dividend will leave retained profits of \$404,320 as compared with \$46,622 in 1977.

Apart from our motor insurance business which, as predicted last year, again showed a loss, substantial profits were recorded in all the other classes of business engaged in by the Service.

It is particularly important that it should be recognised that we need to earn underwriting profits: the returns on investment are not themselves sufficient to provide us with the operating surplus which we must have if we are to be able to generate the increasing capacity which will be needed to meet the increasing demands for our services. In this context, we look upon our results in 1978 as the springboard for further advance in the future.

FIRE INSURANCE

Our portfolio of Fire business has maintained its strong growth rate with premium income increasing from \$1,704,449 in 1977 to \$5,777,120 in 1978. This growth stems in part from rising insured values, but a large proportion is attributable to an influx of new business.

As mentioned in my last Statement, 1978 saw an intensification of our efforts in the area of fire and accident prevention. In collaboration with two other local insurance companies and Universal Reinsurers Intermediaries Ltd., our Canadian Reinsurance Brokers, we sponsored a two week Fire Prevention Seminar at the Pegasus Hotel from 28th May to 8th June, 1978. Our sponsorship of this seminar, at which nearly all of the large industrial concerns in this country were represented, reflects the importance which we in Co-op Insurance have always attached to fire prevention. We believe that our efforts have helped to reduce the incidence of loss due to fire damage, but recognise that there is still a great deal more to be done in this area.

One of the points stressed by lecturers in the Fire Prevention Seminar was the need for policy holders to shoulder a much greater responsibility for their fire protection than they may have grown accustomed to of late. This is a responsibility which policyholders can no longer afford to abdicate, especially when one bears in mind the limited resources of the country's Fire Service.

We feel that one of the more important tasks facing client firms in their Risk Management work is to over-haul their fire-control systems. We are prepared in every way to support our clients in this all important task and urge them to make full use of the services of our Fire Prevention Officer, Cde. J. McPherson who would be only too willing to discuss with them methods of preventing and limiting fire loss.

MOTOR INSURANCE

Our Motor business gave rise again to a very considerable loss which adversely affected the over-all profitability of the institution. Corrective underwriting measures taken during the year proved insufficient to overcome the effect of rising claims cost and a sustained increase in the frequency of accidents. The average cost of both own damage and liability claims rose substantially and further increases in premium levels will be inevitable in 1979.

MARINE

The Service commenced direct underwriting of marine cargo risks on 1st September, 1978 and is the first Insurance Company in Guyana to write this class of business directly. The business showed modest development by the end of the year and our view of the market is very favourable. We expect this side of our activities to make a useful and significant contribution to our profit and loss account in future years.

OTHER CLASSES

The Miscellaneous account covers Contractors' All Risks, Householders' Comprehensive Cash-in-Transit, Personal Accident, Public and Employers' Liability and Fidelity insurances. The individual classes again showed very diverse results, but the combined results were appreciably better than in the previous year. The favourable results achieved were in the main attributable to the very low incidence of claims during the year.

LIFE

New life sums assured written in 1978 took a substantial leap forward. As a result of the increased new business, gross premium income rose from \$56,723 in 1977 to \$322,671 in 1978. The satisfactory experience of our life assurance portfolio emphasises the substantial need that exists for this protection and, with the planned expansion of our Sales Force, we have every reason to expect a substantial increase in business in 1979 and the years beyond.

PROSPECTS

In 1978 we continued to feel the impact of the strong inflationary trend that has been so marked a feature of this decade. As a result of inflation, motor claims in particular have risen to unprecedented heights and, perhaps, the most important problem which faces us presently is how to raise motor premiums to the level needed to strike a better balance between premiums and claims. It is with regret that we must accept that in future in Guyana motor insurance will cost more than it has in the past.

ACKNOWLEDGEMENTS

I should like to take this opportunity to thank Management and staff for their efforts during the past year. It is due to their hard work and dedication that we have been able to achieve the substantial improvement we have shown in profitability and I have every confidence that they will continue in their endeavours in the years ahead.

I also wish to thank most warmly our clients and friends at home and abroad for their continued patronage and support.

H. E. WILKINSON.

THE REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Annual Report and the Accounts for the financial year ended 31st December, 1978.

RESULTS

Net income before taxation was G\$1,845,990 and after deducting taxes of G\$1,078,648, the net profit after tax was G\$767,342.

DIVIDENDS

The Directors recommend a final dividend of 7% free of Company Tax which, with the interim dividend of 5% paid in March, will bring the total distribution for the year to 12%, the same rate of dividend paid in 1977.

NON-LIFE INSURANCE

The following is a summary of the development of the Service's non-life business in 1978:

INSURANCES IN FORCE

During the year, 1,382 policies were issued insuring a total of G\$474.4 million and yielding annual premiums of G\$1,190,332.

At the end of the year, there were 3,520 policies in force insuring a total of G\$2,472.3 million and earning annual premiums of G\$8,945,383.

CLAIMS

Total claims paid and provided for amounted to G\$3,086,406 of which G\$1,169,775 was recoverable from Reinsurers resulting in a net cost to the Service of G\$1,916,631.

INVESTMENTS

At 31st December, 1978, bank deposits and investment in short term Government securities totalled G\$9,029,265 representing an increase of G\$6,098,696 or 48.1% over the figure at the beginning of the year.

Interest on investment increased by G\$246,421 from G\$257,366 in 1977 to G\$503,787 in 1978.

LIFE INSURANCE

INSURANCES IN FORCE

At 31st December, 1978 there were 341 individual and group policies in force assuring G\$17,912,367 and yielding annual premiums of G\$322,671.

CLAIMS

Total claims paid and provided for amounted to G\$75,934. No sums were recoverable from Reinsurers.

LIFE ASSURANCE FUND

The Life Assurance Fund as at 31st December, 1978 stood at G\$161,214.

GENERAL

STAFF

The average number of persons employed during the year was 86.

DIRECTORS

The names of the persons who served as Directors in 1978 appear on page 3 of this report.

AUDITORS

In keeping with the provisions of Section 48 (2) of the Co-operative Financial Institutions Act, the Co-operative Financial Administration appointed the Auditor General auditor of the Service for the financial year ended 31st December, 1978.

By Order of the Board

DONALD D. COLE,
Company Secretary.

**GENERAL AND LIFE INSURANCE
REVENUE ACCOUNTS
for the year ended 31st December, 1978**

	Notes	General	Life	TOTAL	General 1977	Life 1977	TOTAL 1977
		G\$	G\$	G\$	G\$	G\$	G\$
Life Insurance Fund			14,422	14,422			
<i>Add</i>							
REVENUE							
Premiums (Net)	1	3,921,573	309,836	4,231,409	2,200,944	53,424	2,254,368
Income From Investments	2	503,787	36,455	540,242	257,366	14,064	271,430
Other Income	3	385,044		385,044	435,066		435,066
		4,810,404	360,713	5,171,117	2,893,376	67,488	2,960,864
<i>Deduct</i>							
EXPENDITURE AND OUTGO							
Claims (Net)	4	1,916,631	74,934	1,991,565	1,368,117	22,497	1,405,614
Surrenders			300	300			
Commissions		56,693	20,628	77,321	50,735	78	50,813
Management Expenses	5	958,265	84,228	1,042,493	742,176	23,720	765,896
Pension Fund Contributions		32,825	4,973	37,798	22,863	1,201	23,564
		2,964,414	185,063	3,149,477	2,195,391	47,496	2,245,687
Net Profit before Taxation		1,845,990		1,845,990	694,985		694,985
Life Insurance Before Taxation			175,650	175,650		19,992	19,992
<i>Less: Taxation</i>	6	1,078,648	14,436	1,093,084	430,300	5,570	436,370
Net Profit After Taxation		767,342		767,342	264,185		264,185
Life Insurance Fund at 31.12.78			161,214	161,214		14,422	14,422
		767,342	161,214	928,556	294,185	14,422	278,607

GENERAL INSURANCE DIVISION

PROFIT AND LOSS APPROPRIATION ACCOUNT

for the Year Ended 31st December, 1978

	Notes	G\$	1977 G\$
Net Profit for the Year After Taxation		767,342	264,165
<i>Less:</i>			
Transferred to Reserve Fund	7	191 836	66,046
		575,506	196,139
Balance Brought Forward		46 622	66,046
Available for Distribution		622,128	264,185
PROPOSED DIVIDEND			
Interim	80,100		
Final	137 708	217,808	217,563
Retained Profit at 31st December, 1978		404 320	<u>46,622</u>

STATEMENT OF SOURCE AND
APPLICATION OF FUNDS

	G\$	G\$	1978 G\$	1977 G\$
SOURCE OF FUNDS				
FUNDS FROM OPERATIONS				
Profit before Taxation			1,845,990	694,965
ADJUSTMENT NOT INVOLVING THE MOVEMENT OF FUNDS:				
Depreciation		56,222		33,724
Preliminary Expenses written off		<u>43,359</u>		<u>43,571</u>
			99,581	<u>77,295</u>
Total Generated from Operations			1,945,571	772,280
FUNDS FROM OTHER SOURCES				
Shares Issued		1,800		<u>100,200</u>
Increase in Insurance Funds	899,374			<u>356,637</u>
General Insurance	175,650	1,075,024	1,076,824	<u>456,837</u>
Life Insurance			3,022,395	<u>1,229,117</u>
APPLICATION OF FUNDS				
Purchase of Fixed Assets		240,897		136,442
Deposits		375		250,080
Investments		70,000		355,000
Tax Paid		413,157		786,749
Preliminary Expenses		2,771		37,256
			727,200	<u>1,565,527</u>
			<u>2,295,195</u>	<u>(336,410)</u>
INCREASE/DECREASE IN WORKING CAPITAL				
Decrease in Loans			(312,000)	1,006,873
Increase in Debtors and Prepayments			93,172	(714,510)
Increase in Outstanding Claims			(1,211,433)	(1,276,802)
Increase in Creditors			(2,448,768)	(489,617)
Increase in Pension Fund			(56,818)	(35,300)
MOVEMENT IN LIQUID FUNDS				
Increase in Cash and Bank Balances			<u>8,231,042</u>	<u>1,172,946</u>
Treasury Bills and Savings Account			<u>2,295,195</u>	<u>(336,410)</u>

NOTES TO THE REVENUE ACCOUNT

	General	Life	TOTAL	General	Life	TOTAL
	G\$	G\$	G\$	1977	1977	1977
	G\$	G\$	G\$	G\$	G\$	G\$
1 PREMIUMS						
Fire, Motor and Miscellaneous Insurance Written	7,587,858		7,587,858	3,270,776		3,270,778
Life Assurance		191,964	191,964		37,049	37,049
Health Insurance		130,707	130,797		19,674	19,674
	7,587,858	322,671	7,910,529	3,270,776	56,723	3,327,501
Net Cost of Reinsurance	3,666,285	12,335	3,679,120	1,069,884	3,299	1,073,183
	<u>3,921,573</u>	<u>309,336</u>	<u>4,231,409</u>	<u>2,200,944</u>	<u>58,424</u>	<u>2,254,368</u>
2 INVESTMENT INCOME						
GNCB - Fixed Deposit	163,323	17,913	181,736	178,727		176,727
<i>BANK OF GUYANA</i>						
Debentures		17,666	17,636	4,802	3,494	12,796
Defence Bonds	1,750		1,750	1,467		1,467
Treasury Bills	331,968	358	332,824	11,654		11,654
Other	6,246		6,246	61,016		61,016
	<u>503,787</u>	<u>36,455</u>	<u>540,242</u>	<u>257,266</u>	<u>3,494</u>	<u>265,560</u>
3 OTHER INCOME						
Agencies Commissions	266,160		266,160	395,239	—	395,232
Brokerage Fees				18,120		16,120
Miscellaneous	113,934		113,334	21,714		21,714
	<u>385,044</u>		<u>385,944</u>	<u>435,066</u>		<u>435,066</u>
4 CLAIMS PAID AND PROVIDED FOR						
Fire, Motor and Miscellaneous	3,086,406		3,086,406	3,209,416		3,209,416
Death Claim		12,000	12,000		15,000	15,000
Health Claims		52,934	62,934		7,497	7,497
	3,086,406	74,934	3,191,340	3,209,416	22,497	3,231,913
<i>Less: Reinsurance Recoveries</i>	1,169,775		1,169,775	1,626,999		1,696,299
	<u>1,916,631</u>	<u>74,934</u>	<u>1,991,565</u>	<u>1,368,117</u>	<u>92,497</u>	<u>1,405,614</u>

NOTES TO THE REVENUE ACCOUNT

	General	Life	TOTAL	General	Life	TOTAL
	G\$	G\$	G\$	1977	1977	1977
	G\$	G\$	G\$	G\$	G\$	G\$
MANAGEMENT EXPENSES						
Administration Expenses	888,121	75,010	963,131	683,320	16,451	709,771
Directors Fees	7,400		7,400	8,300		8,300
Audit Fees	7,500	1,000	8,500	7,500	350	7,850
Actuarial Fees		7,240	7,240		7,451	7,451
Dspreciation	55,244	978	56,222	33,056	669	33,725
	<u>956,265</u>	<u>84,226</u>	<u>1,042,493</u>	<u>742,176</u>	<u>24,891</u>	<u>767,067</u>
6 TAXATION						
Incoms Tax	377,515	14,436	391,951	147,991	5,570	159,791
Corporation Tax	660,651		660,651	257,637	—	257,637
Property Tax	40,482		40,462	25,943		25,943
	<u>1,078,648</u>	<u>14,436</u>	<u>1,098,084</u>	<u>430,800</u>	<u>5,570</u>	<u>430,870</u>

NOTES TO PROFIT AND LOSS APPROPRIATION ACCOUNT

7 RESERVE FUND

In accordance with section 50 (1) of the Co-operative Financial Institutions Act 1978 an amount of 25% of net surplus was transfrred to Reserve Fund before any declaration of Dividend.

NOTES TO THE BALANCE SHEET

	Furniture Fixtures Equipment G\$	Motor Vehicles G\$	Printing Machinery G\$	Land & Building G\$	TOTAL G\$
8 FIXED ASSETS					
Cost at 1st January, 1978	219,009	56,369	98,768		374,146
Additions	34,308	<u>12,109</u>	2,866	191,614	240,897
	253,317	68,478	101,634	191,614	615,043
Accumulated Depreciation at 1st January, 1978	25,052	18,686			43,738
Provision for Year	23,553	16,745	10,175	5,749	56,222
	48,605	35,431	10,175	5,749	99,960
Net Book Values at 31st December, 1978	204,712	33,047	91,459	185,865	515,083
Net Book Values at 31st December, 1977	<u>193,957</u>	<u>37,683</u>	<u>98,768</u>		<u>330,408</u>

	General G\$	Life G\$	TOTAL G\$	General 1977 G\$	Life 1977 G\$	TOTAL 1977 G\$
DEPOSITS						
Deposit with Insurance Authorities	250,000	250,000	500,000	250,000	250,000	500,000
Accountant General	50,000		50,000	50,000		50,000
Other	1,685		1,685	1,310		1,310
	301,685	250,000	551,685	<u>301,310</u>	<u>250,000</u>	<u>551,310</u>

NOTES TO THE BALANCE SHEET

	GENERAL		LIFE		TOTAL	1977		LIFE		TOTAL
	Face Value G\$	Ledger Value G\$	Face Value G\$	Ledger Value G\$		Face Value G\$	Ledger Value G\$	Face Value G\$	Ledger Value G\$	
10 INVESTMENTS										
Defence Bonds	50,000	50,000	—	—	50,000	50,000	50,000	—	—	50,000
Caribbean Investment Corporation	25,000	25,000	—	—	25,000	5,000	5,000	—	—	5,000
Debentures	—	—	350,000	350,000	350,000	—	—	300,000	300,000	300,000
	<u>75,000</u>	<u>75,000</u>	<u>350,000</u>	<u>350,000</u>	<u>425,000</u>	<u>55,000</u>	<u>55,000</u>	<u>300,000</u>	<u>300,000</u>	<u>355,000</u>

	General	Life	TOTAL	General	Life	TOTAL
	1977	1977	1977	1977	1977	1977
11 CASH ON HAND AND AT BANK						
Fixed Deposits	100,000	90,000	190,000	2,500,000	200,000	2,700,000
Pension Fund Savings Account	81,400	10,717	92,117	35,300	—	35,300
Cash and Bank Balances	136,948	19,545	156,493	134,571	31,531	166,402
Bank of Guyana Deposit Account	942,943	—	942,943	—	—	—
	<u>1,261,291</u>	<u>120,262</u>	<u>1,381,553</u>	<u>2,670,171</u>	<u>231,531</u>	<u>2,901,702</u>

12 PENSION FUND

Employer's and Employees' contributions totalling \$92,117 have been deposited temporarily in Pension Fund Savings Account.

ACCOUNTING POLICIES

INVESTMENT INCOME

Income on fixed return securities is recognised as it is earned, whilst Income on variable return security is dealt with on a Cash basis.

DEPRECIATION

Depreciation of fixed assets is on the straight-line method calculated to write down the cost of the assets to their residual values over their expected useful lives.

PRELIMINARY EXPENSES

Preliminary expenses incurred in the formation of General Insurance Division are being written off over a period of three years and those in respect of the Life Insurance Division are being written off over a period of five years.

ACCOUNTING FOR INFLATION

These accounts have been prepared on a historical cost basis, no attempt has been made to adopt replacement Cost Accounting or Current Cost Accounting procedures which will overcome the distorting effects of inflation.

**REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE GUYANA
CO-OPERATIVE INSURANCE SERVICE FOR THE YEAR ENDED 31ST DECEMBER,
1978.**

I have examined the Accounts set out on pages 9 to 17 which are in agreement with the books of the Service and have obtained all the information and explanations which I have required.

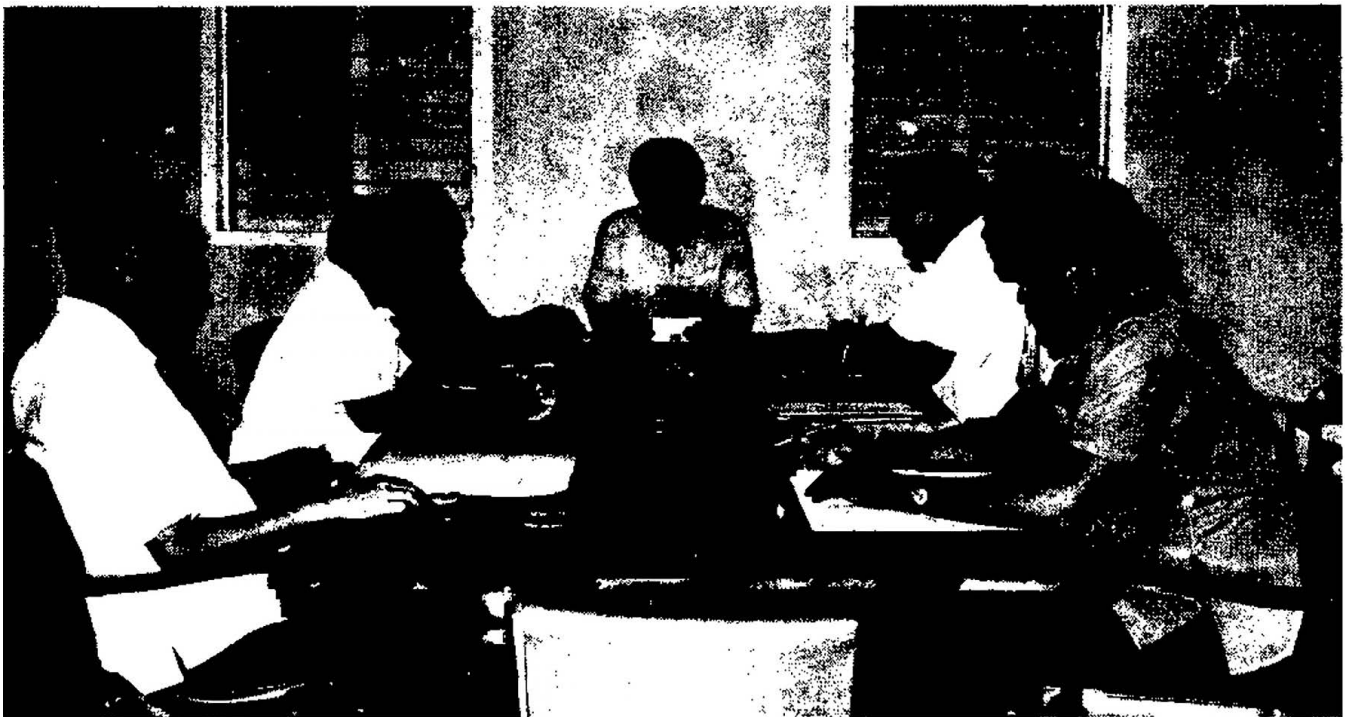
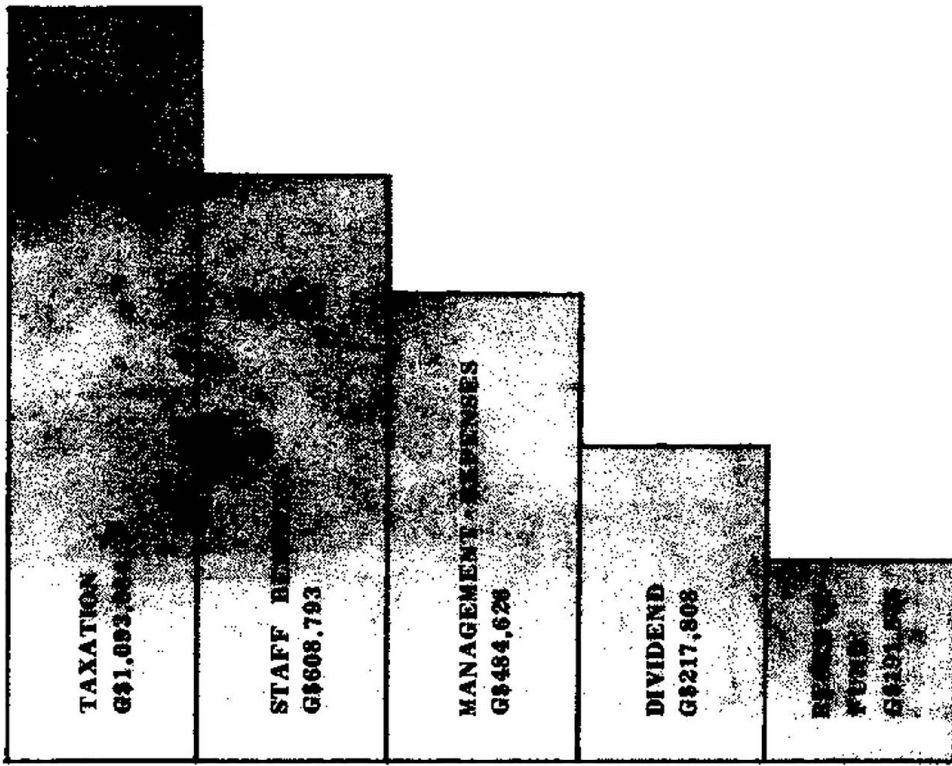
In my opinion, these accounts which have been prepared on the historical cost basis of accounting give on this basis, a true and correct view of the state of affairs of the Service at 31st December, 1978 and of the net income and source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

R. P. FARNUM, A.A.
Auditor General,

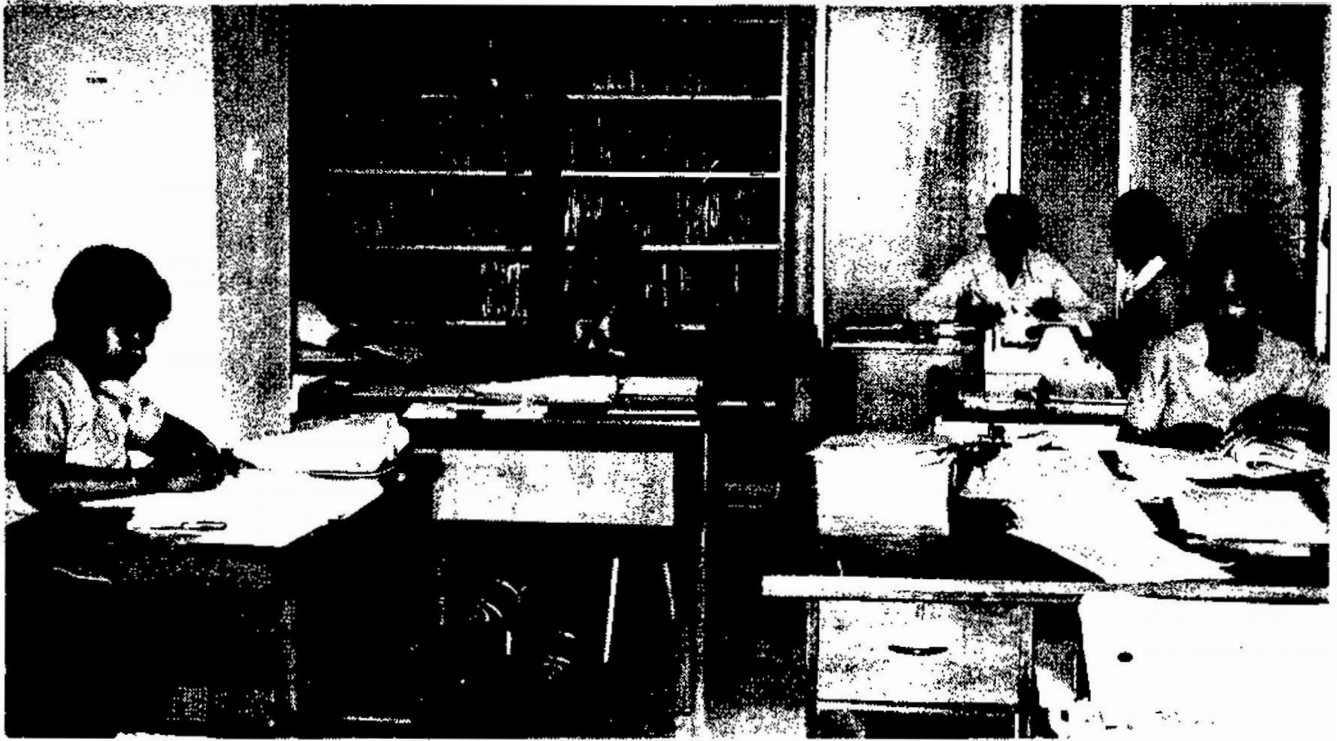
Office of the Auditor General
121, Parade Street,
Kingston, Georgetown,
Guyana.

Dated: 18th June, 1979.

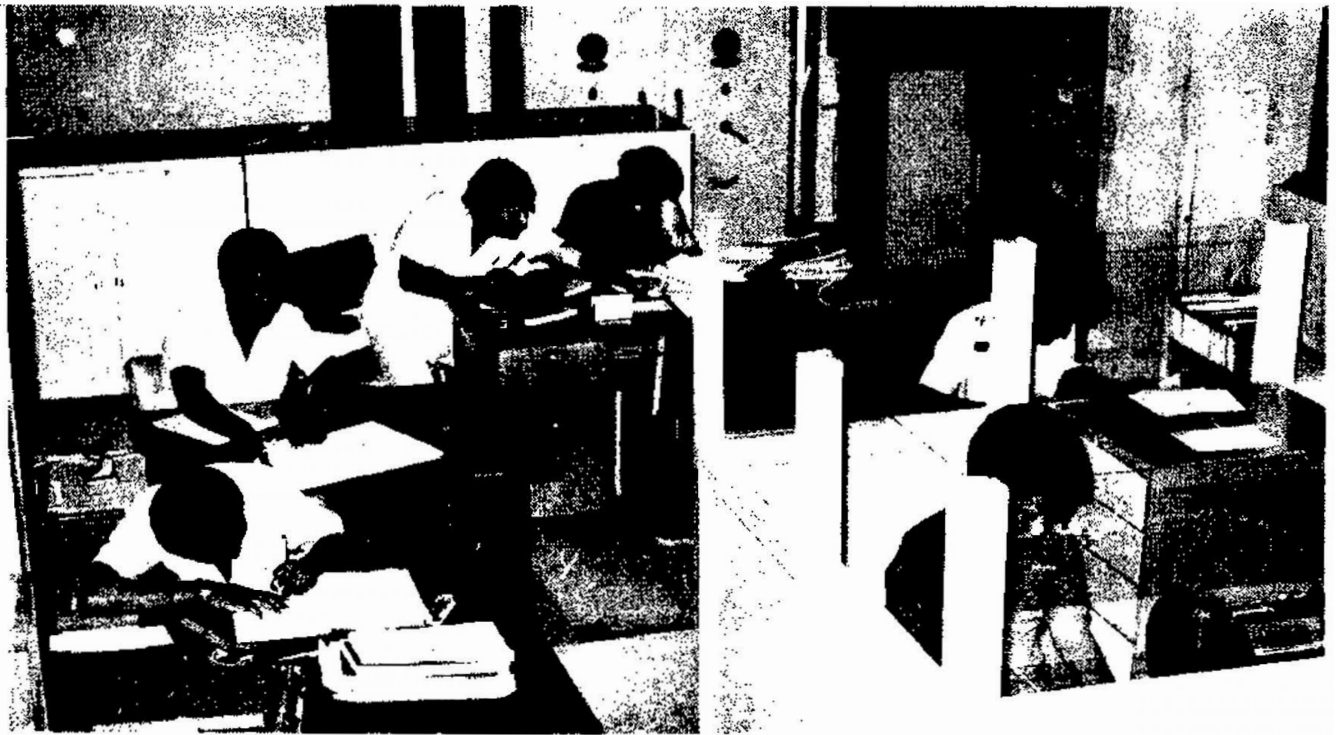
HIGHLIGHTS



THE MEN BEHIND IT ALL



MOTOR UNDERWRITING



MOTOR CLAIMS



GUYANA CO-OPERATIVE INSURANCE SERVICE

47, Main Street, Georgetown, Guyana