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GUYANA
CO-OP INSURANCE
SERVICE



REPORT & ACCOUNTS
FOR YEAR ENDED 31st DECEMBER
1977



GUYANA CO-OPERATIVE INSURANCE SERVICE

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.So.

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. (Eoon), A.I.B.

Life Insurance Adviser

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

Deputy Manager Non-Life

HAROLD BRASSINGTON

Accountant

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

Company Secretary

DONALD D. COLE - B. Soc. So.

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.**

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2nd
Annual Report
and Accounts
of the
**GUYANA
CO-OPERATIVE
INSURANCE
SERVICE**
for the
year
ended
31st December
1977

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GUYANA CO-OPERATIVE INSURANCE SERVICE

CHAIRMAN'S STATEMENT

RESULTS

1977 was the first full year of operation of the Guyana Co-operative Insurance Service. It was a year which witnessed the ravaging by fire of the Georgetown centre of the Guyana Rice Board. However, despite this set-back, business continued to show strong growth. Premium income from general insurance operations increased from \$3.8 m in 1976 to \$4m in 1977.

FIRE INSURANCE

Our fire insurance business showed reasonably satisfactory results and our general view of the market is favourable. Our experience in 1977 has brought home to us forcibly the full importance of loss prevention as a factor in underwriting and rating, and we propose to give greater attention to this matter in the future. There also seems to be a great need for insurance companies and mortgage-lending institutions to warn the public of the serious financial dangers of under-insurance. This, too, is a matter to which we shall give greater attention in coming years.

MOTOR INSURANCE

Premium income from motor insurance increased from \$1m in 1976 to \$2m in 1977. However, the increase in premiums did not keep abreast of the increase in the cost of claims. Consequently, the motor department recorded a loss of \$157,000.

A number of factors accounted for the poor performance of our motor insurance business in 1977. The most important among these were: rising repair costs, the increased cost of motor vehicle spare parts, a sharp increase in the amounts awarded as damages by the courts, a rise in the number of personal injuries and property damage claims under motor third party insurance and a substantial increase in the incidence of own damage and loss of use claims.

Present indications are that our motor insurance business will again record a loss in 1978. Even allowing for increases in premiums in that year, it might not be possible for this business to break even before possibly 1979 at the earliest.

OTHER CLASSES OF GENERAL INSURANCE BUSINESS

As in the previous year, the Service concentrated mainly on building up its motor and fire insurance portfolios. Nevertheless, the Service was able to offer cash-in-transit, contractors' all risks and employers' liability covers to members of the public. Predictably, premium income from these classes was small but we have every reason to expect that the volume of business will expand substantially in coming years.

GUYANA CO-OPERATIVE INSURANCE SERVICE

LIFE INSURANCE

We commenced direct underwriting of life insurance business on 1st July, 1977. At the end of the financial year, the experience of our life assurance portfolio was both satisfactory and encouraging. On the basis of present trends, we envisage that the business will grow rapidly and become an increasingly important contributor to the Service's earnings in future years.

PROSPECTS

We have a fairly sound financial position and a professional staff with good insight into the nature of the problems and our opportunities for expansion are excellent.

ACKNOWLEDGEMENTS

I wish to thank our clients at home and our friends abroad for their support and confidence. We are very conscious of the value of their patronage and friendship at this time.

Whatever progress the Service has made and whatever success it has achieved is attributable in large measure to the untiring efforts of the General Manager and his staff. To them go out my sincere thanks and those of my colleagues on the Board for their continued co-operation and support.

H. E. WILKINSON

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THE REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Annual Report and the Accounts for the financial year ended 31st December, 1977.

RESULTS

Net income before taxation was G\$694,985 and after deducting taxes of G\$430,800, the net profit after tax was G\$264,185.

DIVIDENDS

Based on the profit achieved during the year and on the balance brought forward from 1976, the Directors proposed a dividend of 12% after tax on the Ordinary Shares of the Service.

NON-LIFE INSURANCE

The Service's non-life business continues to progress. The following is a summary of the development of this business in 1977:

INSURANCES IN FORCE

During the year, 2,537 policies were issued insuring a total of G\$430.8 million and yielding annual premiums of G\$2,028,551. At the end of the year, there were 2,941 policies in force insuring a total of G\$536 million and earning annual premiums of G\$4,018,675.

CLAIMS

Total claims paid and provided for amounted to G\$3,209,416 of which G\$1,826,299 was recoverable from Reinsurers resulting in a net cost to the Service of G\$1,383,117.

INVESTMENTS

The Service continued to maintain a high degree of liquidity in its investment portfolios. At 31st December, 1977, bank deposits and investment in short term Government securities totalled G\$2,930,569 representing an increase of G\$906,115 or 44.8% over the figure at the beginning of the year.

LIFE INSURANCE

The Service commenced its life operations on 1st July, 1977 and engaged in the following classes of business: Mortgage Protection Assurance, Ordinary Life Assurance, Group Creditors Assurance, Group Life Assurance, Group Health Insurance and Group Personal Accident Insurance. The individual classes showed very diverse results but the business developed satisfactorily in the aggregate. The three classes of insurance with the largest premium income were, in order of size, Group Health Insurance (G\$19,674), Mortgage Protection Assurance (G\$19,543) and Group Life Assurance (G\$14,887).

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GUYANA CO-OPERATIVE INSURANCE SERVICE

INSURANCE IN FORCE

At 31st December, 1977 there were 37 individual policies in force assuring G\$460,007 and yielding annual premiums of G\$28,135.

CLAIMS

Total claims paid and provided for amounted to G\$22,497. No sums were recoverable from Reinsurers as individual claims were well within the Service's retention limits.

LIFE ASSURANCE FUND

The Life Assurance Fund now stands at G\$14,422

GENERAL

CAPITAL ISSUE

An issue was made of 1,002 Ordinary Shares of G\$100. each. The Issued Share Capital therefore increased from G\$1.5 million to G\$1,600,200.

STAFF

The average number of persons employed during the year was 63.

DIRECTORS

The names of the persons who served as Directors in 1977 appear on page 2 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, 1977.

By Order of the Board

DONALD D. COLE,
Company Secretary.

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GUYANA CO-OPERATIVE INSURANCE SERVICE

GENERAL AND LIFE INSURANCE

REVENUE ACCOUNT

for the Year Ended 31st December, 1977

	NOTES	GENERAL INSURANCE	LIFE INSURANCE	TOTAL	GENERAL INSURANCE 1976 (as restated)
		G\$	G\$	G\$	G\$
REVENUE					
Premiums (Net)	1	2,200,944	53,424	2,254,368	659,577
Income from Investments	2	257,366	8,494	265,860	25,091
Other Income	3	435,066		435,066	522,745
		<u>2,893,376</u>	<u>61,918</u>	<u>2,955,294</u>	1,207,413
<i>Deduct</i>					
EXPENDITURE & OUTGO					
Claims (Net)	4	1,383,117	22,497	1,405,614	47,334
Commissions		50,735	78	50,813	40,041
Management Expenses	5	742,176	24,921	767,097	316,247
Pension Fund Contributions		22,363		22,363	2,522
		<u>2,198,391</u>	<u>47,496</u>	<u>2,245,887</u>	406,144
Net Profit before Taxation		694,985		694,985	801,269
Less : Taxation	6	430,800		430,800	475,666
Net Profit after Taxation		264,185		264,185	325,603
Life Insurance Fund at 31.12.77			14,422	14,422	
		264,185	<u>14,422</u>	<u>278,607</u>	325,603



GUYANA CO-OPERATIVE INSURANCE SERVICE

GENERAL INSURANCE DIVISION

PROFIT AND LOSS APPROPRIATION ACCOUNT

for the Year Ended 31st December, 1977

	NOTES	GENERAL INSURANCE	GENERAL INSURANCE 1976 (as restated)
		G\$	G\$
Net Profit for the year after taxation		264,185	325,603
Less transferred to Reserve Fund	7	<u>66,046</u>	
		198,139	325,603
Balance brought forward from 1976			
		G\$ 325,603	
Less transferred to Reserve Fund	7	<u>259,557</u>	
Balance available for distribution		264,185	<u>325,603</u>
Less Proposed Dividend		<u>217,563</u>	
Retained Profit at 31. 12.77.		<u>46,622</u>	<u>325,603</u>

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GUYANA CO-OPERATIVE INSURANCE SERVICE

GENERAL AND LIFE INSURANCE

BALANCE SHEET

as at 31st December, 1977

	GENERAL INSURANCE	LIFE INSURANCE	GENERAL AND LIFE INSURANCE - TOTAL	GENERAL INSURANCE 1976 (as restated)
	G\$	G\$	G\$	G\$
FIXED ASSETS				
(at cost less depreciation)	8. 322,513	7,895	330,408	227,690
DEPOSITS	9. 301,310	250,000	551,310	301,230
INVESTMENT	10. 55,000	300,000	355,000	
PRELIMINARY EXPENSES	54,182	29,805	83,987	90,302
ADVANCES TO LIFE INSURANCE	742,923		742,923	
CURRENT ASSETS				
LOANS	1,312,000		1,312,000	305,127
DEBTORS AND PREPAYMENTS ETC.	2,718,637	4,469	2,723,106	3,437,616
CASH ON HAND AND AT BANK	11. 2,965,869	231,531	3,197,400	2,024,454
	6,996,506	236,000	7,232,506	5,767,197
<i>Less</i>				
CURRENT LIABILITIES				
OUTSTANDING CLAIMS	1,292,064	18,738	1,310,802	34,000
CREDITORS, ACCRUALS ETC.	3,796,202	42,047	3,838,249	3,348,632
TAXATION	50,787	5,570	56,357	412,306
PROPOSED DIVIDEND	217,563		217,563	
PENSION FUND	12. 35,300		35,300	
	5,391,916	66,355	5,458,271	3,794,938
NET CURRENT ASSETS	1,604,590	169,645	1,774,235	1,972,259
	3,080,518	757,345	3,837,863	2,591,481
<i>Financed By</i>				
	G\$	G\$	G\$	G\$
AUTHORISED SHARE CAPITAL				
100,000 shares at \$100 each	10,000,000		10,000,000	10,000,000
ISSUED AND FULLY PAID				
16,002 Shares at \$100 each	1,600,200		1,600,200	1,500,000
RESERVE FUND	325,603		325,603	
RETAINED EARNINGS	46,622		46,622	325,603
SHARE HOLDERS FUND	1,972,425		1,972,425	1,825,603
LIFE INSURANCE FUND AT 31st DECEMBER, 1977		14,422	14,422	
ADVANCES FROM GENERAL INSURANCE		742,923	742,923	
RESERVE FOR UNEXPIRED RISKS	1,108,093		1,108,093	765,878
	3,080,518	757,345	3,837,863	2,591,481

Date: 4th August, 1978.

H. E. WILKINSON,
R. D. FIELD-RIDLEY,

Chairman
General Manager/Director

GUYANA CO-OPERATIVE INSURANCE SERVICE

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

SOURCE OF FUNDS	G\$	1977	GENERAL INSURANCE 1976 (as restated)
		G\$	G\$
FUNDS FROM OPERATIONS			
Profit before Taxation		694,985	801,269
ADJUSTMENTS NOT INVOLVING THE MOVEMENT OF FUNDS:			
Depreciation	33,724		10,079
Preliminary Expenses written off	43,571		17,250
Total Generated from Operations		<u>77,295</u>	<u>27,329</u>
		772,280	828,598
FUNDS FROM OTHER SOURCES			
Shares Issued	100,200		1,500,000
Increase in Insurance Funds	356,637		765,878
		<u>456,837</u>	<u>2,265,878</u>
		1,229,117	3,094,476
APPLICATION OF FUNDS			
Purchase of Fixed Assets	136,442		237,769
Deposits	250,080		301,230
Investments	355,000		
Tax Paid	786,749		63,360
Preliminary Expenses	37,256		107,552
		<u>1,565,527</u>	<u>709,911</u>
		(336,410)	2,384,565
INCREASE/DECREASE IN WORKING CAPITAL			
Increase in Loans		1,006,873	305,127
Decrease in Debtors and Prepayments		(714,510)	3,437,616
Increase in Outstanding Claims		(1,276,802)	(34,000)
Increase in Creditors		(489,617)	(3,348,632)
Increase in Pension Fund		(35,300)	
MOVEMENT IN LIQUID FUNDS			
Increase in cash and Bank Balances, Treasury Bills and Savings Account		<u>1,172,946</u>	<u>2,024,454</u>
		(336,410)	2,384,565

GUYANA CO-OPERATIVE INSURANCE SERVICE

NOTES TO THE REVENUE ACCOUNT

	GENERAL INSURANCE G\$	LIFE INSURANCE G\$	TOTAL G\$	GENERAL INSURANCE 1976 (as restated) G\$
1. PREMIUMS				
Fire, Motor and Miscellaneous Insurance written	3,270,778		3,270,778	2,446,945
Life Assurance		37,049	37,049	
Health Insurance		19,674	19,674	
	3,270,778	56,723	3,327,501	2,446,945
Net cost of Reinsurance	1,069,834	<u>3,299</u>	1,073,133	<u>1,787,368</u>
	<u>2,200,944</u>	<u>53,424</u>	<u>2,254,368</u>	<u>659,577</u>
Re-stated figures for 1976 due to changes in the calculation of Re-insurance Commission				
2. INVESTMENT INCOME				
G.N.C.B. Fixed Deposit	178,727		178,727	15,466
BANK OF GUYANA				
Debentures	4,302	8,494	12,796	
Defence Bonds	1,467		1,467	
Treasury Bills	11,854		11,854	9,498
Other	<u>61,016</u>		<u>61,016</u>	127
	<u>257,366</u>	<u>8,494</u>	<u>265,860</u>	<u>25,091</u>
3. OTHER INCOME				
Agency's Commissions	395,232		395,232	185,994
Brokerage Fees	18,120		18,120	116,509
Miscellaneous	21,714		21,714	<u>220,242</u>
	<u>435,066</u>		<u>435,066</u>	<u>522,745</u>
4. CLAIMS PAID AND PROVIDED FOR				
Fire, Motor and Miscellaneous	3,209,416		3,209,416	47,334
Death Claim		15,000	15,000	
Health Claims		<u>7,497</u>	<u>7,497</u>	
	3,209,416	22,497	3,231,913	47,334
<i>Less:</i>				
Reinsurance Recoveries	1,826,299		1,826,299	
	<u>1,383,117</u>	<u>22,497</u>	<u>1,405,614</u>	<u>47,334</u>

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GUYANA CO-OPERATIVE INSURANCE SERVICE

NOTES TO THE REVENUE ACCOUNT

	GENERAL INSURANCE G\$	LIFE INSURANCE G\$	TOTAL G\$	GENERAL INSURANCE 1976 (as restated) G\$
5. MANAGEMENT EXPENSES				
Administration Expenses	726,376	17,120	743,496	310,147
Directors' Fees	8,300	-	8,300	3,100
Audit Fees	7,500	350	7,850	3,000
Actuarial Fees	<u>-</u>	<u>7,451</u>	<u>7,451</u>	<u>-</u>
	<u>742,176</u>	<u>24,921</u>	<u>767,097</u>	<u>316,247</u>
6. TAXATION				
Income Tax 20%	147,221	-	147,221	164,927
Corporation Tax 35%	257,637	-	257,637	288,623
Property Tax	<u>25,942</u>	-	<u>25,942</u>	<u>22,116</u>
	<u>430,800</u>	-	<u>430,800</u>	<u>475,666</u>

NOTES TO PROFIT AND LOSS APPROPRIATION ACCOUNT

7. RESERVE FUND

In accordance with section 50 (1) of the Co-operative Financial Institutions Act 1976 an amount of not less than 25% of net surplus was transferred to Reserve Fund before any declaration of Dividend.

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NOTES TO THE BALANCE SHEET

	FURNITURE FIXTURES EQUIPMENT	MOTOR VEHICLES	PRINTING MACHINERY	TOTAL
	G\$	G\$	G\$	G\$
8. FIXED ASSETS				
Cost at 1st January, 1977	181,400	56,369	—	237,769
Additions	37,674	—	98,768	136,442
Disposals	(65)	—	—	(65)
	<u>219,009</u>	<u>56,369</u>	<u>98,768</u>	<u>374,146</u>
Accumulated Depreciation at 1st January, 1977	5,485	4,594	—	10,079
Provision for Year	19,632	14,092	—	33,724
Disposals	(65)	—	—	(65)
	<u>25,052</u>	<u>18,686</u>	<u>—</u>	<u>43,738</u>
NET BOOK VALUES at 31st December, 1977	<u>193,957</u>	<u>37,683</u>	<u>98,768</u>	<u>330,408</u>
NET BOOK VALUES at 31st December, 1976	<u>175,915</u>	<u>51,775</u>	<u>—</u>	<u>227,690</u>

9. DEPOSITS	GENERAL INSURANCE	LIFE INSURANCE	TOTAL	1976
	G\$	G\$	G\$	G\$
GOVERNMENT OF GUYANA				
Deposited with Insurance Authorities	250,000	250,000	500,000	250,000
Accountant General	50,000	—	50,000	50,000
Other	<u>1,310</u>	<u>—</u>	<u>1,310</u>	<u>1,230</u>
	<u>301,310</u>	<u>250,000</u>	<u>551,310</u>	<u>301,230</u>

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GUYANA CO-OPERATIVE INSURANCE SERVICE

NOTES TO THE BALANCE SHEET

	GENERAL INSURANCE		LIFE INSURANCE		TOTAL	1976
	FACE VALUE	LEDGER VALUE	FACE VALUE	LEDGER VALUE		
10. INVESTMENTS						
Defence Bonds	50,000	50,000	-	-	50,000	-
Caribbean Investment Corporation	5,000	5,000	-	-	5,000	-
Debentures	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
	<u>55,000</u>	<u>55,000</u>	<u>300,000</u>	<u>300,000</u>	<u>355,000</u>	<u>-</u>

	GENERAL INSURANCE	LIFE INSURANCE	TOTAL	1976
	G\$	G\$	G\$	G\$
11. CASH ON HAND AND AT BANK				
Treasury Bills	295,698	-	295,698	295,698
Fixed Deposits	2,500,000	200,000	2,700,000	1,275,000
Pension Fund Savings Account	35,300	-	35,300	-
Cash and Bank Balances	<u>134,871</u>	<u>31,531</u>	<u>166,402</u>	<u>453,756</u>
	<u>2,965,869</u>	<u>231,531</u>	<u>3,197,400</u>	<u>2,024,454</u>

12. PENSION FUND

Employer's and Employees' contributions totalling \$35,300 have been deposited temporarily in a 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.

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GUYANA CO-OPERATIVE INSURANCE SERVICE

**REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE GUYANA
CO-OPERATIVE INSURANCE SERVICE FOR THE YEAR ENDED 31ST DECEMBER,
1977.**

I have examined the Accounts set out on pages 7 to 15 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, 1977 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.

Date: 5th August, 1978.

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