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Quarterly

Insurance Journal

April, May, June 2012

Inside:

- ★ Health Insurance Company's Risks
- ★ Leakage
- ★ The Destruction Cycle
- ★ Insurance and Claims
- ★ Insurance Fraud
- ★ Legal Section

IMPORTANT STATISTICS

Insurance and Takaful Companies of Pakistan 2011

(Rs. In Million)	General Insurance		Life Insurance	
	2011	2010	2011	2010
Paid up Capital	12,048.672	10,468.417	2,477.576	2,477.576
Gross Premium	43,154.990	39,062.153	21,585.100	16,321.857
Net Premium	24,233.079	22,076.332	20,438.157	15,362.112
Profit Before Tax	3,446.600	3,339.871	1,640.367	906.952
Profit After Tax	2,939.598	2,790.474	1,060.623	599.893
Total Assets	107,810.553	107,965.899	50,906.429	38,253.873
Claim Expense	20,893.607	27,143.884	5,802.782	4,908.382

(Rs. In Million)	Takaful (General)		Takaful (Family)	
	2011	2010	2011	2010
Paid up Capital	1,007.800	1,007.800	1,460.629	1,358.853
Gross Premium	1,138.001	985.255	2,191.640	1,246.796
Net Premium	517.845	474.006	743.051	480.896
Profit Before Tax	62.399	(19.393)	(119.905)	(211.041)
Profit After Tax	55.359	(5.066)	(99.771)	(137.588)
Total Assets	1,613.561	1,445.935	2,945.643	1,895.534
Claim Expense	607.033	530.133	283.340	178.549

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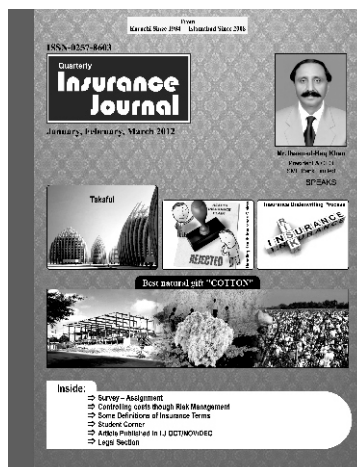
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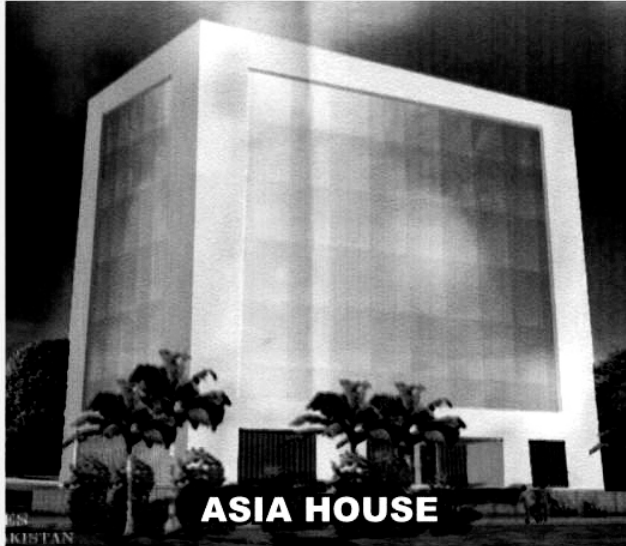
January, February, March 2012

	2011	2012	2011	2012
Paid up Capital	12,516,672	19,463,417	2,477,670	2,477,670
Policy Premiums	23,851,800	30,062,953	13,588,102	18,251,356
Net Premium	24,233,879	22,876,123	24,438,157	15,224,172
Profit Before Tax	2,442,290	2,790,824	1,048,237	895,303
Profit After Tax	2,123,898	2,790,824	1,048,237	895,303
Total Assets	107,113,223	127,263,189	58,308,421	38,222,823
Claim Expenses	246,211,897	275,942,816	4,102,786	4,769,392

	2011	2012	2011	2012
Paid up Capital	1,027,800	1,067,589	1,027,800	1,261,933
Policy Premiums	1,153,895	983,355	1,147,410	1,261,756
Net Premium	117,843	63,891	143,814	481,896
Profit Before Tax	12,386	13,843	131,802	201,617
Profit After Tax	11,346	12,619	121,771	187,811
Total Assets	1,139,691	1,461,933	1,153,843	1,891,534
Claim Expenses	927,437	638,859	352,341	479,549

April, May, June 2012

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**INSURANCE SECTOR ON
KARACHI STOCK EXCHANGE**
(Quarter: January, February, March, 2012)

Company	Paid up Capital (Rs. In Million)	Face Value Rs.	Highest Rate Rs.	Lowest Rate Rs.	Turnover of Shares	Announcement During the Quarter
Adamjee Ins. Co. Ltd.	1,237	10.00	62.90	59.35	2,038,499	
American Life Ins. Co. Ltd.	500	10.00	17.20	17.20	11	
Asia Ins. Co. Ltd	300	10.00	-	-	-	
Askari General Ins. Co. Ltd.	324	10.00	9.27	9.25	52,000	Bonus Issue = 5%
Atlas Ins.	532	10.00	30.30	29.75	5,400	Bonus Issue = 20%, Dividend = 40%
Beema Pakistan Co. Ltd.	417	10.00	-	-	-	
Business & Industrial Ins co.	86	10.00	-	-	-	
Century Ins. Co. Ltd.	457	10.00	10.10	10.10	100	Dividend = 10%
Crescent Star Ins. Co. Ltd	121	10.00	2.11	2.11	1	
Cyan insurance co. ltd	391	10.00	73.25	70.94	1,526	Dividend = 25%
Dadabhoy Ins. Co. Ltd	50	10.00	-	-	-	
EFU General Ins. Co.	1,250	10.00	83.00	77.33	18,014	Dividend = 27.50%
East West Ins. Co. Ltd.	302	10.00	-	-	-	
East West Life Assurance Co. Ltd.	500	10.00	6.00	6.00	3,000	
EFU Life Assurance Ltd.	850	10.00	73.00	69.75	5,309	Dividend = 50%
Habib Ins. Co. Ltd.	495	5.00	11.25	11.05	11,094	Bonus Issue = 10%, Dividend = 25%
Hallmark Ins.	5	10.00	-	-	-	
IGI Ins. Ltd	1,115	10.00	64.99	64.00	4,301	Dividend = 30%
Ittefaq General Ins. Co. Ltd	10	10.00	-	-	-	
Jubilee Life Ins. Co. Ltd	627	10.00	-	-	-	Dividend = 30%
Jubilee General Ins. Co. Ltd	1,186	10.00	54.75	53.50	285	Bonus Issue = 20%, Dividend = 30%
Pakistan General Ins. Co. Ltd	300	10.00	6.00	6.00	70	Dividend = 5%
Pakistan Guarantee Ins. Co. Ltd	25	10.00	-	-	-	
Pakistan ReIns. Co. Ltd	3,000	10.00	17.49	16.90	949,936	Dividend = 30%
PICIC Ins	350	10.00	4.30	4.30	75	
Platinum Ins. Co. Ltd.	120	10.00	-	-	-	
Premier Ins. Co. Ltd.	303	5.00	7.45	6.96	273	Dividend = 20%
Progressive Ins. Co. Ltd	85	10.00	-	-	-	
Reliance Ins. Co. Ltd	319	10.00	-	-	-	Dividend = 7.50%
Shaheen Ins. Co. Ltd	300	10.00	-	-	-	
Silver Star Ins. Co. Ltd	306	10.00	5.99	4.95	9	
Standard Ins. Co. Ltd	8	10.00	-	-	-	
TPL Direct Ins. Co. Ltd	460	10.00	10.95	10.10	34,634	Dividend = 5%
Union Ins. Co. Ltd	82	10.00	-	-	-	
United Ins. Co. Ltd	571	10.00	7.90	6.50	7,019	
Universal Ins. Co. Ltd	300	10.00	-	-	-	



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IMPORTANT STATISTICS 2011

INSURANCE COMPANIES OF PAKISTAN

GENERAL INSURANCE

TOTAL	(Rs. In Million)	
	2011	2010
Paid up Capital.....	12,048.672	10,468.417
Gross Premium.....	43,154.990	39,062.153
Net Premium.....	24,233.079	22,076.332
Profit Before Tax.....	3,446.600	3,339.871
Profit After Tax.....	2,939.598	2,790.474
Total Assets.....	107,810.553	107,965.899
Claim Expense.....	20,893.607	27,143.884

IMPORTANT STATISTICS OF INSURANCE COMPANIES OF PAKISTAN THE YEAR - 2011

ADAMJEE INSURANCE CO. LTD.

(Rs. In Million)

REGISTERED IN 1960

2011 (Restated) 2010

Paid up Capital.....	1,237.045	1,237.045
Gross Premium.....	11,064.312	11,546.169
Net Premium.....	7,775.294	7,098.887
Profit Before Tax.....	77.612	652.892
Profit After Tax.....	248.450	589.899
Total Assets.....	24,844.096	28,192.070
Claim Expense.....	7,171.655	10,598.852

ALFALAH INSURANCE CO. LTD.

(Rs. In Million)

REGISTERED IN 2006

2011 (Restated) 2010

Paid up Capital.....	300.000	250.000
Gross Premium.....	928.020	662.971
Net Premium.....	373.269	350.838
Profit Before Tax.....	75.634	49.507
Profit After Tax.....	69.238	42.649
Total Assets.....	1,510.881	1,302.405
Claim Expense.....	305.967	668.836

ALPHA INSURANCE CO. LTD.

(Rs. In Million)

REGISTERED IN 1950

2011 (Restated) 2010

Paid up Capital.....	303.600	303.600
Gross Premium.....	155.043	139.767
Net Premium.....	74.277	59.099
Profit Before Tax.....	4.876	(0.255)
Profit After Tax.....	17.848	(1.034)
Total Assets.....	718.557	643.374
Claim Expense.....	75.316	74.616

IMPORTANT STATISTICS OF INSURANCE COMPANIES OF PAKISTAN THE YEAR - 2010

ASKARI GENERAL INSURANCE CO. LTD

(Rs. In Million)

REGISTERED IN 1995

2011 (Restated) 2010

Paid up Capital.....	308.210	203.775
Gross Premium.....	1,106.539	1,350.017
Net Premium.....	633.283	639.901
Profit Before Tax.....	78.921	53.347
Profit After Tax.....	65.434	47.418
Total Assets.....	1,544.980	1,453.934
Claim Expense.....	547.467	616.816

ASIA INSURANCE CO. LTD.

(Rs. In Million)

REGISTERED IN 1980

2011 (Restated) 2010

Paid up Capital.....	300.000	250.000
Gross Premium.....	53.021	46.056
Net Premium.....	33.704	29.451
Profit Before Tax.....	11.545	9.043
Profit After Tax.....	9.665	4.461
Total Assets.....	539.269	456.013
Claim Expense.....	12.074	7.101

ATLAS INSURANCE CO. LTD.

(Rs. In Million)

REGISTERED IN 1934

2011 (Restated) 2010

Paid up Capital.....	442.938	369.115
Gross Premium.....	1,120.290	1,024.860
Net Premium.....	591.289	530.269
Profit Before Tax.....	400.084	327.130
Profit After Tax.....	301.168	242.658
Total Assets.....	2,078.085	2,034.734
Claim Expense.....	289.352	304.586

IMPORTANT STATISTICS OF INSURANCE COMPANIES OF PAKISTAN THE YEAR - 2011

CENTURY INSURANCE CO. LTD.

(Rs. In Million)

REGISTERED IN 1988

2011 (Restated) 2010

Paid up Capital.....	457.244	457.244
Gross Premium.....	534.752	449.674
Net Premium.....	225.191	219.070
Profit Before Tax.....	42.123	121.062
Profit After Tax.....	25.110	109.631
Total Assets.....	1,461.985	1,330.467
Claim Expense.....	182.130	201.235

CYAN INSURANCE CO. LTD.

(formerly Central Insurance Co. Ltd.)

(Rs. In Million)

REGISTERED IN 1960

2011 (Restated) 2010

Paid up Capital.....	390.851	279.179
Gross Premium.....	(17.720)	113.521
Net Premium.....	(4.503)	10.509
Profit Before Tax.....	(159.254)	110.272
Profit After Tax.....	(197.508)	108.312
Total Assets.....	3,202.647	4,064.279
Claim Expense.....	(14.815)	(1.095)

CRESCENT STAR INSURANCE CO. LTD.

(Rs. In Million)

REGISTERED IN 1957

2011 (Restated) 2010

Paid up Capital.....	121.000	121.000
Gross Premium.....	81.872	109.393
Net Premium.....	60.230	74.157
Profit Before Tax.....	2.220	4.605
Profit After Tax.....	1.428	3.744
Total Assets.....	202.378	214.606
Claim Expense.....	39.349	35.025

IMPORTANT STATISTICS OF INSURANCE COMPANIES OF PAKISTAN THE YEAR - 2011

EAST WEST INSURANCE CO. LTD.

(Rs. In Million)

REGISTERED IN 1983

2011 (Restated) 2010

Paid up Capital.....	301.655	251.379
Gross Premium.....	673.324	562.501
Net Premium.....	387.685	331.968
Profit Before Tax.....	47.871	15.548
Profit After Tax.....	34.750	8.443
Total Assets.....	713.955	633.642
Claim Expense.....	233.491	306.991

EFU GENERAL INSURANCE CO. LTD.

(Rs. In Million)

REGISTERED IN 1932

2011 (Restated) 2010

Paid up Capital.....	1,250.000	1,250.000
Gross Premium.....	12,042.667	10,231.650
Net Premium.....	6,224.495	5,846.591
Profit Before Tax.....	841.544	(359.763)
Profit After Tax.....	560.948	(413.321)
Total Assets.....	24,378.038	24,541.669
Claim Expense.....	4,809.747	8,176.868

HABIB INSURANCE CO. LTD.

(Rs. In Million)

REGISTERED IN 1942

2011 (Restated) 2010

Paid up Capital.....	450.454	400.403
Gross Premium.....	894.331	777.531
Net Premium.....	420.310	394.643
Profit Before Tax.....	149.044	192.188
Profit After Tax.....	126.296	168.482
Total Assets.....	1,878.076	1,666.985
Claim Expense.....	436.243	317.065

IMPORTANT STATISTICS OF INSURANCE COMPANIES OF PAKISTAN THE YEAR - 2011

IGI INSURANCE CO. LTD.

(Rs. In Million)

REGISTERED IN 1953

2011 (Restated) 2010

Paid up Capital.....	1,115.359	718.427
Gross Premium.....	1,747.015	1,296.765
Net Premium.....	852.329	720.733
Profit Before Tax.....	56.632	920.771
Profit After Tax.....	49.703	836.556
Total Assets.....	13,581.029	12,960.451
Claim Expense.....	1,388.264	473.625

NEW HAMPSHIRE INSURANCE CO. LTD.

(PAKISTAN BRANCH)

(Rs. In Million)

REGISTERED IN 1953

2011 (Restated) 2010

Paid up Capital.....	-	-
Gross Premium.....	1,338.447	1,100.283
Net Premium.....	443.395	405.937
Profit Before Tax.....	108.147	92.783
Profit After Tax.....	74.221	56.577
Total Assets.....	2,753.760	2,524.252
Claim Expense.....	470.519	413.470

JUBILEE GENERAL INSURANCE CO. LTD.

(Rs. In Million)

REGISTERED IN 1953

2011 (Restated) 2010

Paid up Capital.....	988.721	790.977
Gross Premium.....	5,180.399	4,285.248
Net Premium.....	2,764.204	2,451.227
Profit Before Tax.....	892.911	546.682
Profit After Tax.....	797.189	450.151
Total Assets.....	8,974.835	7,702.058
Claim Expense.....	2,089.885	2,297.773

IMPORTANT STATISTICS OF INSURANCE COMPANIES OF PAKISTAN THE YEAR - 2011

THE PAKISTAN GENERAL INSURANCE CO. LTD.

(Rs. In Million)

REGISTERED IN 1948

2011 (Restated) 2010

Paid up Capital.....	300.000	250.000
Gross Premium.....	423.522	312.207
Net Premium.....	142.680	110.546
Profit Before Tax.....	33.123	(1.658)
Profit After Tax.....	52.398	4.826
Total Assets.....	705.978	594.186
Claim Expense.....	217.510	181.579

PICIC INSURANCE CO. LTD.

(Rs. In Million)

REGISTERED IN 2004

2011 (Restated) 2010

Paid up Capital.....	350.000	350.000
Gross Premium.....	694.665	549.629
Net Premium.....	224.914	166.770
Profit Before Tax.....	8.424	5.090
Profit After Tax.....	11.770	5.027
Total Assets.....	1,066.732	919.922
Claim Expense.....	297.079	195.243

PREMIER INSURANCE CO. LTD.

(Rs. In Million)

REGISTERED IN 1952

2009 (Restated) 2011

Paid up Capital.....	302.821	302.821
Gross Premium.....	967.866	800.555
Net Premium.....	462.416	376.719
Profit Before Tax.....	90.009	141.746
Profit After Tax.....	71.056	120.983
Total Assets.....	3,301.649	3,101.280
Claim Expense.....	610.838	411.069

IMPORTANT STATISTICS OF

INSURANCE COMPANIES OF PAKISTAN THE YEAR - 2011

RELIANCE INSURANCE CO. LTD.

(Rs. In Million)

REGISTERED IN 1982

2011 (Restated) 2010

Paid up Capital.....	318.940	252.002
Gross Premium.....	543.398	529.544
Net Premium.....	238.706	267.920
Profit Before Tax.....	82.544	56.684
Profit After Tax.....	76.044	51.934
Total Assets.....	1,044.067	903.459
Claim Expense.....	224.614	233.442

SAUDI PAK INSURANCE CO. LTD.

(Rs. In Million)

REGISTERED IN 2005

2011 (Restated) 2010

Paid up Capital.....	325.000	325.000
Gross Premium.....	217.874	193.597
Net Premium.....	93.468	82.071
Profit Before Tax.....	25.338	(41.543)
Profit After Tax.....	24.403	(42.728)
Total Assets.....	428.873	401.967
Claim Expense.....	58.676	120.340

SECURITY GENERAL INSURANCE COMPANY LIMITED

(Rs. In Million)

REGISTERED IN 1996

2011 (Restated) 2010

Paid up Capital.....	680.625	680.625
Gross Premium.....	451.433	402.062
Net Premium.....	155.379	127.007
Profit Before Tax.....	457.157	410.754
Profit After Tax.....	389.330	373.657
Total Assets.....	7,921.179	7,953.216
Claim Expense.....	144.095	143.929

IMPORTANT STATISTICS OF INSURANCE COMPANIES OF PAKISTAN THE YEAR - 2011

SHAHEEN INSURANCE CO. LTD.

(Rs. In Million)

REGISTERED IN 1996

2011 (Restated) 2010

Paid up Capital.....	250.000	200.000
Gross Premium.....	644.326	553.084
Net Premium.....	482.963	417.389
Profit Before Tax.....	25.199	(23.476)
Profit After Tax.....	19.245	(29.033)
Total Assets.....	832.521	717.706
Claim Expense.....	332.393	343.555

SILVER STAR INSURANCE CO. LTD.

(Rs. In Million)

REGISTERED IN 1984

2011 (Restated) 2010

Paid up Capital.....	305.648	253.125
Gross Premium.....	310.728	249.604
Net Premium.....	188.429	154.114
Profit Before Tax.....	48.137	38.733
Profit After Tax.....	48.454	37.291
Total Assets.....	837.063	746.429
Claim Expense.....	97.102	119.445

TPL DIRECT INSURANCE CO. LTD.

(Rs. In Million)

REGISTERED IN 2005

2011 (Restated) 2010

Paid up Capital.....	452.313	310.000
Gross Premium.....	504.220	408.733
Net Premium.....	453.631	331.294
Profit Before Tax.....	42.869	(12.375)
Profit After Tax.....	29.833	(18.011)
Total Assets.....	775.976	564.082
Claim Expense.....	246.669	198.477

IMPORTANT STATISTICS OF INSURANCE COMPANIES OF PAKISTAN THE YEAR - 2011

UNITED INSURANCE CO. LTD.

(Rs. In Million)

REGISTERED IN 1959

2011 (Restated) 2010

Paid up Capital.....	496.248	400.200
Gross Premium.....	1,030.438	845.547
Net Premium.....	643.736	550.559
Profit Before Tax.....	114.473	133.537
Profit After Tax.....	97.933	118.387
Total Assets.....	1,444.772	1,238.126
Claim Expense.....	413.269	349.167

UNIVERSAL INSURANCE CO. LTD.

(Rs. In Million)

REGISTERED IN 1958

2011 (Restated) 2010

Paid up Capital.....	300.000	262.500
Gross Premium.....	464.208	503.185
Net Premium.....	292.305	328.663
Profit Before Tax.....	(110.583)	(103.433)
Profit After Tax.....	(64.808)	(86.485)
Total Assets.....	1,069.172	1,104.587
Claim Expense.....	214.718	355.874

LIFE INSURANCE

(Rs. In Million)

TOTAL

2011 2010

Paid up Capital.....	2,477.576	2,477.576
Gross Premium.....	21,585.100	16,321.857
Net Premium.....	20,438.157	15,362.112
Profit Before Tax.....	1,640.367	906.952
Profit After Tax.....	1,060.623	599.893
Total Assets.....	50,906.429	38,253.873
Claim Expense.....	5,802.782	4,908.382

IMPORTANT STATISTICS OF

INSURANCE COMPANIES OF PAKISTAN THE YEAR - 2011

AMERICAN LIFE INSURANCE COMPANY LIMITED

(Rs. In Million)

REGISTERED IN 1952

2011 (Restated) 2010

Paid up Capital.....	500.000	500.000
Gross Premium.....	2,993.466	1,893.849
Net Premium.....	2,905.583	1,806.525
Profit Before Tax.....	183.560	133.403
Profit After Tax.....	116.248	86.712
Total Assets.....	6,670.453	4,338.682
Claim Expense.....	758.431	524.643

EAST WEST LIFE ASSURANCE COMPANY LIMITED

(Rs. In Million)

REGISTERED IN 1992

2011 (Restated) 2010

Paid up Capital.....	500.456	500.456
Gross Premium.....	246.773	250.054
Net Premium.....	178.687	183.761
Profit Before Tax.....	(6.364)	5.246
Profit After Tax.....	(8.583)	3.194
Total Assets.....	418.304	403.874
Claim Expense.....	180.387	162.347

EFU LIFE ASSURANCE COMPANY LIMITED

(Rs. In Million)

REGISTERED IN 1932

2011 (Restated) 2010

Paid up Capital.....	850.000	850.000
Gross Premium.....	10,129.599	8,375.515
Net Premium.....	9,597.263	7,920.022
Profit Before Tax.....	880.815	551.035
Profit After Tax.....	578.365	363.235
Total Assets.....	28,030.064	22,162.735
Claim Expense.....	2,724.390	2,171.470

IMPORTANT STATISTICS OF INSURANCE COMPANIES OF PAKISTAN THE YEAR - 2011

JUBILEE LIFE INSURANCE COMPANY LIMITED

(Rs. In Million)

REGISTERED IN 1955

2011 (Restated) 2010

Paid up Capital.....	627.120	627.120
Gross Premium.....	8,215.262	5,802.439
Net Premium.....	7,756.624	5,451.804
Profit Before Tax.....	582.356	217.268
Profit After Tax.....	374.593	146.752
Total Assets.....	15,787.608	11,348.582
Claim Expense.....	2,139.574	2,049.922

TAKAFUL (General)

(Rs. In Million)

TOTAL

2011

2010

Paid up Capital.....	1,007.800	1,007.800
Gross Premium.....	1,138.001	985.255
Net Premium.....	517.845	474.006
Profit Before Tax.....	62.399	(19.393)
Profit After Tax.....	55.359	(5.066)
Total Assets.....	1,613.561	1,445.935
Claim Expense.....	607.033	530.133

PAK-KUWAIT TAKAFUL COMPANY LIMITED

(Rs. In Million)

REGISTERED IN 2003

2011 (Restated) 2010

Paid up Capital.....	400.000	400.000
Gross Premium.....	642.246	535.258
Net Premium.....	266.026	239.644
Profit Before Tax.....	49.318	64.352
Profit After Tax.....	42.895	59.000
Total Assets.....	681.037	606.714
Claim Expense.....	305.855	250.424

IMPORTANT STATISTICS OF INSURANCE COMPANIES OF PAKISTAN THE YEAR - 2011

PAK-QATAR GENERAL TAKAFUL LIMITED

(Rs. In Million)

REGISTERED IN 2006

2011 (Restated) 2010

Paid up Capital.....	307.800	307.800
Gross Premium.....	330.472	217.182
Net Premium.....	103.051	87.425
Profit Before Tax.....	11.247	(43.694)
Profit After Tax.....	8.557	(28.625)
Total Assets.....	443.622	375.371
Claim Expense.....	187.398	162.401

TAKAFUL PAKISTAN LIMITED

(Rs. In Million)

REGISTERED IN 2006

2011 (Restated) 2010

Paid up Capital.....	300.000	300.000
Gross Premium.....	165.283	232.815
Net Premium.....	148.768	146.937
Profit Before Tax.....	1.834	(40.051)
Profit After Tax.....	3.907	(35.441)
Total Assets.....	488.902	463.850
Claim Expense.....	113.780	117.308

IMPORTANT STATISTICS OF

INSURANCE COMPANIES OF PAKISTAN THE YEAR - 2011

TAKAFUL (Family)

TOTAL	(Rs. In Million)	
	2011	2010
Paid up Capital.....	1,460.629	1,358.853
Gross Premium.....	2,191.640	1,246.796
Net Premium.....	743.051	480.896
Profit Before Tax.....	(119.905)	(211.041)
Profit After Tax.....	(99.771)	(137.588)
Total Assets.....	2,945.643	1,895.534
Claim Expense.....	283.340	178.549

DAWOOD FAMILY TAKAFUL LIMITED

(Rs. In Million)

REGISTERED IN 2007

2011 (Restated) 2010

Paid up Capital.....	750.000	750.000
Gross Premium.....	326.254	203.653
Net Premium.....	34.103	19.179
Profit Before Tax.....	(115.532)	(105.270)
Profit After Tax.....	(90.376)	(65.561)
Total Assets.....	873.604	818.129
Claim Expense.....	20.949	19.716

PAK QATAR FAIMLY TAKAUL LIMITED

(Rs. In Million)

REGISTERED IN 2006

2011 (Restated) 2010

Paid up Capital.....	710.629	608.853
Gross Premium.....	1,865.386	1,043.143
Net Premium.....	708.948	461.717
Profit Before Tax.....	(4.373)	(105.771)
Profit After Tax.....	(9.395)	(72.027)
Total Assets.....	2,072.039	1,077.405
Claim Expense.....	262.391	158.833



Rana Naveed ur Rehman
MBA (HRM), Cert CII (UK)
Manager - Health (East West Insurance)

HEALTH INSURANCE

Company's Risks

Health insurance companies play a vital role to improve the quality of life of the common people in the world by providing health care facilities at a nominal charge. Through the health insurance policy, the policyholder can able to overcome the immediate financial burden in case of any illness or injury. In corporate environment, the entrepreneurs and organizations transfer their employee's health or medical risks to the health insurance companies. A certain amount of premium has to be paid to the health insurance company for the medical coverage of their employees and their families. As part of the health insurance company, other than medical risks, a lot of other risks have to be faced and strategies have to be made to minimize these different types of risks for running and developing the health insurance business smoothly. There are various types of risks which a health insurance company may experience. Some major types of risks are as follows:

Environmental Risks

Buyer Environment: The risk that the target market changes and that the buyers of health insurance will experience a positive or negative impact that strengthens or lessens their position relative to the private insurance industry. Examples might include the formation of purchasing groups or associations.

Competition: The risk that a competitor, such as another health insurer, will enter or leave the market, that a competitor will have a significant change in market position, perhaps due to a merger, or that substitutes to health insurance, such as self-funding, will become more or less attractive could be due to governmental changes. Additional impacts of competition include price wars or less market share to cover fixed expenses.

Economy: The risk that the condition of the economy has an adverse effect on the financial results of the health insurer. Health claims could go up in an economic recession due to unemployment risk or an increase due to stress claims. A poor economic position could also put pressure on the financial conditions of the health insurer's clients, resulting in an issue of affordability, clients may then elect to not purchase health insurance and take on the risk themselves. If a positive economic position increases the number of people with insurance, there may be problems of provider access if panel hospital network is overburdened due to unmanaged growth.

Fraud (External): One example is panel hospital's fraud or the risk that the panel hospitals are billing fraudulently. Another example is where insured are working the system to get services that they should not.

Legal: The risk that decisions of the legal system will negatively impact the financial results of the insurer. Establishment of precedents being set that an insurer should be aware of.

Regulatory/Governmental: The risk that regulators or government will pass rules or laws that inhibits a health insurance company's ability to operate according to sound insurance principles. Examples include community rating, premium increase limitations, further "commoditizing" the market i.e., Any Willing Provider laws, mandated benefits, make the purchase of health insurance more affordable/attractive, changes in rules regarding portability, tax credits, or premium subsidies that could result in unmanaged growth, or even eliminate the current private market (national health care).

Supplier Environment: The risk that suppliers or panel hospitals to the insurance market will experience a positive or negative operational impact that strengthens or lessens their position relative to the private insurance industry. Examples might include cost-shifting from insufficient Medicare / Medicaid payments, "walk-outs" due to rising medical malpractice increases, the formation of medical facility provider alliances, increasing their bargaining power, or the exit or entry of a large hospital from or into a market.

Financial Risks:

Asset Default: An asset loses all or part of its value if the company that issued the security is unable to make payments or investors lose confidence.

Data: Insufficient data or insufficient time to assess a given risk. This can result from bad or incomplete data. There is a materiality issue here; some

risks are small enough that very little data and analysis are required to measure them.

Financial Viability: A company can no longer fulfill its financial obligation to assume risk. Risk that you cannot pay your current obligation.

Interest Rate: Change in level of interest rates affects costs of health care services e.g. provider costs, business venture, utilization, as well as valuation of the assets.

Liquidity: Risk that asset is unable to be converted to cash at fair market value when required.

Reinvestment Risk: Risk that rates will fall causing cash flows from investment income (dividends or interest), upon reinvestment, to earn less than assumed. Reinvestment risk includes the risk of selling assets at a loss.

Reserve Adequacy: The risk that the level of reserves held is inadequate, a low probability that reserves can support the underlying liabilities or excessive overly conservative reserves have negative pricing, tax, and reputation implications.

Operational Risks:

Billing and Collections: The risk that expected cash inflows fail to materialize or are received late as a result of careless billing collection practices. E.g. cash flow problems with clients (A/R), external forces (postage strike).

Claims Processing: The risk that cash outflows will be processed incorrectly or unnecessarily quickly; includes disputes or complaints related to claims management, claims settlement, or case management. It

could lead to billing problems with health facility provider or network (e.g. double billing).

Policy / Contract Wording: The risk that contract wording is unclear or incomplete leading to law suits for interpretation and/or claims payment in excess of that intended.

Data Technology and Management: The risk that Management Information Systems (MIS) fail, lack adequate security or

insurer's operations which also includes delays in hiring.

Panel Hospital Management: The risks that panel hospitals give poor service, are inadequately monitored, or cannot be contracted under terms acceptable to the health insurer.

Reinsurance: The risk that reinsurance cannot be obtained at the level desired, or that the reliability and timing of cash flows to and from the reinsurer are unfavorable to the ceding company.

Marketing Force: The risk that the marketing force will be ineffective or use improper marketing techniques or representations to achieve sales results which include selection favoritism in clients as well as omitting required disclosures. It also involves the concern over the suitability of the health insurance plan to the client needs.

Staff Training: The risk that the health insurer's employees will be inadequately trained to perform their jobs or avoid making mistakes that result in adverse financial or legal consequences for the health insurer.

Pricing Risks:

Anti-selection: The risk that a health insurance company's pricing or benefit structure is misaligned with the market and attracts or keeps poorer risks, or repels better risks, than anticipated in the pricing.

Authority: The risk that the premium rate charged to the group insured deviates from pricing policies (which may or may not include discounting policies implemented due to competitive pressures).

Competition: The risk that an insurer will lower its rates in the face of



privacy, or are inadequate.

Fraud (Internal): The risk of adverse financial consequences (directly or indirectly) owing to internal fraudulent conduct. Also includes the risk that internal controls to detect and combat fraud are inadequately developed or enforced.

Human Resources: The risk that the firm cannot or does not hire or contract with person adequately skilled or experienced to perform the jobs necessary to carry out the

competition to the point that the premium generated by the rates is inadequate to cover expected claims, expenses, taxes, and profit or face a loss in new business with consequences for the marketing division. This may have the unpremeditated result of one line of insurance business subsidizing another. The risk that the company's sub-optimal performance, or benefit design, is driving the pricing structure.

Data: The risk that data used to price the health insurance plan is inadequate, incomplete, or inappropriate. It also includes the risk of misunderstanding the context of the data.

Benefit Plan: The risk that the benefit plan used to price the health insurance product fails to reflect the dimensions of pricing risk characteristic in the product reasonably and adequately.

Regulatory/Legislative: The risk that the health insurer will be prevented or delayed from charging an adequate rate, using the rate structure that most closely follows sound actuarial principles, or revising rates when sensible and to the degree necessary.

Reinsurance: The risk of adverse financial outcomes associated with the availability of reinsurance, the cost of reinsurance, the extent or form of reinsurance selected, and the reliability and timeliness of reimbursement for reinsured claims.

Inflation: The risk that the price of health insurance services significantly differs from the rate assumed in pricing due to increase in the prices of medical facilities.

Technology: The risk that pricing fails to anticipate the effect on claim costs of technologies that are developed and made available in the future, will be covered by the health insurance company and will be used by the insured.

Claim Utilization: The risk that the

frequency of health insurance services or claims significantly differs from the frequency assumed in pricing or reserving.

Underwriting: The risk that health insurer's underwriting policy fails to prevent the acceptance of a risk into an underwriting classification when that risk would make the pool of risks in that underwriting classification unrelated and would increase the average expected claim cost of risks in that underwriting classification.

Reputation Risks:

Discontented Policyholder: The risk that company resources are expended due to a policyholder bringing attention to a corporate decision that goes against the policyholder's (un) justified expectations, and in doing so, creates negative publicity / unfairness against the company. The risk is difficult to measure until the issue is raised.

Rating Agencies: The risk that certain industry and/or company actions result in a negative change in the company's rating i.e. PACRA and JCR-VIS.

Stock Analysts: The risk that industry analysts misinterpret corporate information or are impatient on the results of mid/long-term corporate strategies, resulting in excessive stock price instability.

Claims Settlement: The risk that claims is settled in a manner that negatively affects the expectations of policyholders or panel hospitals.

Corporate Governance: The risk that the corporate leaders / Board are viewed negatively by the public.

Distribution: The risk that misleading or overly forceful marketing tactics destroy or change the future policyholder, regulatory or legislative relations.

Fraud: The risk that internal control measures are insufficient in preventing ongoing or severe fraud

and as a result, places the company in a situation where its credibility comes into question.

Strategic Risk:

Capital Management: The risk that the structure of a company's assets inhibits the ability of the company to conduct its normal business. It also includes the inability to get capital to support the corporate strategy.

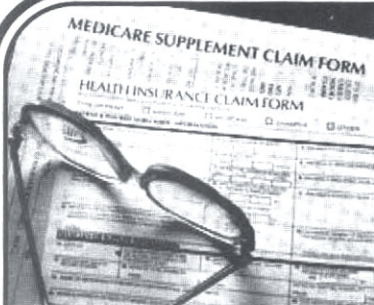
Growth: The risk that growth, whether intentional or not, is mismanaged such that the resources required to sustain the growth are exhausted.

Management Failure: The risk that incompetence or an unsuccessful management strategy places the corporation's future at risk.

Mergers and Acquisitions: Under the example of an expansion strategy, the risk that acceptable candidates are unavailable, or that insufficient due carefulness was performed to uncover problems that could delay a strategic fit.

Reinsurance: The risk that the reinsurance coverage is not available at an acceptable cost.





PAKISTAN INSPECTION CO. (Pvt.) LTD.

WE PROMPTLY
AND
EFFICIENTLY
ATTEND
TO ANY
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Haji Ashraf Dhedhi
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Leakage (over payment of claims) in insurance

relationship

- hard ship would be created
- exclusion is a border line one

Quantifying overpayment/Leakage is not a science but to control the same is the science, Leakage can be represented in a formula:

Leakage/overpayment=what was paid-what should have been paid

Claim In charge should review and identify the handling of claims through various stages to control leakage, such as;

- cause of loss falls within the policy scope
- the date of loss falls within policy date
- claim notified within time limit
- extent of loss
- c o r r e c t p o l i c y excess/deductibles
- contribution (if any) applied
- under insurance properly calculated
- all recoveries made/subrogation
- depreciation has been account for in claim
- repeat claim
- site of claim visited/re inspected
- settlement was appropriate

Above review is to be done before and at the time of settlement, after the claim payment following steps to be followed regularly after the claim filed is closed;

- an indemnity offer was made;
- the excess was taken into account;
- salvage was sold to the benefit of the insurers and subrogation rights exercised against third party
- proper approval

To prevent Leakage senior management could put emphasis on reducing claims payment in particular rather than expense in general, management should control all claims, not just the large ones, claim in charge should possess appropriate level of skills to control Leakage and train sub ordinate how to prevent Leakage or overpayment. Mr. George Bathurst, in his article, considers the main cause of leakage is poorly skilled, badly trained staff using ineffective, disparate systems. He maintains that an improvement in business processes will directly affect profitability. Process should be made at early stage; if it takes time to make a process the more money will be “leak” out of the company which will affect profitability.

It is very difficult to identify once payment against soft leakage is made like failure to negotiate proper/actual settlement but hard Leakage can easily be identified like failure in deducting excess in claim settlement etc.

In my opinion 8% to 12% of total claims paid in Pakistan General Insurance Industry is Leakage, what is Leakage in insurance?, over payment in claim is referred to in insurance context as Leakage, can also be defined as “Avoidable overspend in claim settlement” failure to negotiate proper adjustment against wear & tear, failure to deduct the policy excess, failure to make recoveries, oversight in applying average factor etc.,

Ex-gratia (out of Grace) is also amount which is paid other wise not payable, ex gratia is to be considered as Leakage or not is debateable issue, since ex gratia is considered for following reasons;

- genuine oversight by the Insured
- to preserve good business

**Leakage/overpayment=wh
at was paid-what should
have been paid**

Mr. George Bathurst, in his article, considers the main cause of leakage is poorly skilled, badly trained staff using ineffective, disparate systems. He maintains that an improvement in business processes will directly affect profitability. Process should be made at early stage; if it takes time to make a process the more money will be “leak” out of the company which will affect profitability.



Beeta

Romance with the Air

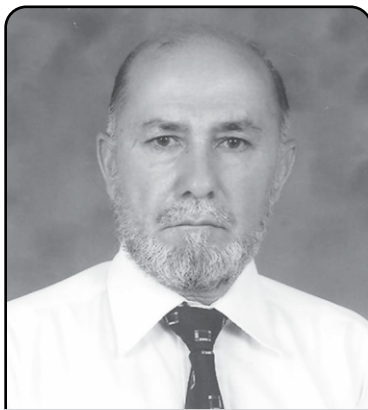
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Majid Khan Jadoon

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(PVT.) LTD.

THE DESTRUCTION CYCLE

Affected People would strive to make arrangements and Re-start their respective Businesses/Professions and, with strenuous efforts, would re-run the same. But after sometime, again their Properties/Assets, would be destroyed in alike Disturbances and this Destructive-cycle continues to repeat itself.

By alike cycle of destruction of the Properties/Assets, we not only lose precious capital, built over a long span of time, but also throw down the drain very expensive ingredients utilized in the Production of these Properties/Assets, as well as precious man-hours in human skills in articulating the same.

Concurrently we are witnessing very extensive and intensive Riots in the country, due to assorted reasons i.e. Power Load-shedding, Gas Load Shedding and frequent increases in Prices of Petroleum Products, and un-checked exorbitant increase in the prices of the basic necessities of life which has broken the back-bone of the common people.

It is as if, a person would start climbing-up a ladder and when he would have covered certain rungs thereof, he is pulled-down and when he would re-start climbing-up he is again pulled-down and the process is kept continued.

Thus, he is denied the opportunities to promote his Career / Profession /Business, leading him to an utmost frustration.

In case of the Destruction of Imported Properties/Assets, we lose everything, inclusive of our very hard-earned Foreign Exchange, while the Foreign-producers/Exporters of the same goods would be on the winning side, because it would mean further orders placed with them for production and export to us of the same Stocks/Assets.

Off and on, these Disturbances continue to Sprout-up, wherein Properties and Assets, worth Trillions of Rupees have been burnt/destroyed and the process is going-on. The Targets of these Disturbances have been Public and Private Transport Vehicles, Cars, Motor-bikes, as well as Markets and Shops, pertaining to Small Traders, besides Public-utility Infra-structures.

Public Transport Vehicles and most of the Small Businesses are generally not Insured and as such, the affectees would have to bear the brunt of their Losses by themselves which, at times, would prove ruinous for their entire families.

During Strikes in Developed Countries, people would very rarely resort to destroy Properties/Assets and, therefore, at their National-level, they would only lose the Production of Goods and Services, merely through the Loss of their Man-hours.

For the last some years, it has been observed that, at intervals, there would be very intensive Riots, due to one or another reason and, consequently, Properties and Assets, worth Trillions of Rupees would be destroyed during these disturbances. This vicious cycle would repeat itself on routine basis, wherein, apart from Private Properties, Public Properties too are being ruthlessly destroyed and, at times, coupled with the Loss of precious lives as well.

After these Destructive Riots, the





This phenomenon is prevalent mainly in the under-developed countries, especially Muslim Countries, which would continue to drag them down and destroy whatever would have been achieved.

Thus, being Economically-weak, they are also rendered Socially and Politically Weak which provide opportunities, again and again, for Foreign-investors to re-built their self-destroyed Infra-Structures /Properties/Assets and syphon away their wealth, leaving their people in miseries/poverty and also politically vulnerable.

The majority of the Rioting people are not aware of the afore-mentioned consequences of their acts of violently destroying the Properties/Assets/Infrastructure, due to being left un-educated ever since the creation of Pakistan.

Within their own way of thought, they may be considering that by their acts of destruction of the Public/Private Properties/Infrastructure, they are harming the Ruling-class. But they need to be made to realize that the same are not the personal and private Properties of the Rule against whom they are venting their anger.

To re-build and reproduce these Assets, the common people are burdened to pay therefore in the form of levying further Taxes on them which, consequently, results in their financial miseries.

Therefore, they are to be made to realize that these Losses are never going to be made-up from the personal kitty of those against whom they venting their anger, but from their own pocket and as such, they must desist from ruining only themselves.

It is of utmost importance that these ignorant people are educated accordingly and, in my opinion, the Medias, especially the Electronic Media, can play a crucial role in doing so.

Besides, we utterly need sincere Political-leader-ship to steer us out of this Destructives-cycle which, first of all, would require sacrifices by themselves and set examples which, however, is the forte of the leaders of Character and Integrity, with a knack of National Spirit, and, alas! we have an acute famine thereof.

When being constructed, everything need to be raised from the bottom, but it is the Law of Nature that the

foundations of Good Governance /Administration must be laid at the Top of Political Leadership which would keep-on filtering down to the bottom, consequently resulting in the creation of a Welfare State, by and large at peace with itself.

In Insurance Parlance, Losses can be categorized in Two (2) Classes i.e. Constructive Total Loss (C.T.L) and Actual Total Loss (A.T.L).

Both are Major Losses and the difference in-between the same pertains to the retrieve ability of some Salvage Proceeds in case of C.T.L., while in the case of A.T.L., the Subject-matter is destroyed beyond any retrievable Salvage Proceeds, e.g. Properties/Assets consumed by Fire.

It may be said that when Insured, the burden of the Loss is transferred to the shoulders of the Insurers, but we must under-stand that the Insurers' Fund does consist of the money pooled together by the Insured, contributed in accordance with the Risk placed with the Underwriters by each one. In such a case, the only difference is that the Loss is born collectively by the Policy-holders which does not mean that the same has been nationally out-sourced beyond our National Kitty or has been eliminated altogether.

Here, it appears appropriate to elaborate that even if the Risks would have been Re-Insured with certain Foreign Insurers, we do pay them in our Foreign Exchange which would, yet again, mean that they would pay back to us only a fraction from the same money which they have been collecting from us in the shape of Premiums over a period of years and that too after putting-in by us of strenuous efforts and investment of our further time to retrieve the Claims therefrom.

In any case, whether born by the Insured or by the Un-Insured Owners of the Properties/Assets, Direct Insurers or Re-Insurers, it is a great National Loss and we must devise ways and means to eliminate or, at least, minimize the same in our best National Interest.



Nasir Siddique
MBA (I&RM), Dip CII (UK)
Assistant Manager (Underwriting)
Askari General Insurance Co. Ltd



Claims must be settled promptly and expeditiously. This can be done only when the company lays down a specific procedure in the form of a drill to be followed and observed. All people concerned in the office and every one of the field staff must be fully conversant with the set procedure. This saves times and spares all concerned of heart burn.

The settlement of claims in a prompt manner brightens the image of any insurance company. After all in general insurance it is the company that is sold to the client rather than the policy. Policy he has to buy in any case. The question is which company to buy from? Handling of claims, therefore, forms a very important aspect of service.

If the underwriter has done his job well, if the agent has been properly trained and guided about his work there is no reason why an admissible claim should not be settled forthwith. But it is matter of every day experience that delays and bottlenecks do crop up in matters of settlement of claims. The main reason for delays and even eventual repudiation of claims. If the insured in the propensity of exuberance of establishing his claims indulges in terminological inexactitudes and insists on payment even when it is not due and fear of losing his business, the

agent usually tries to find ways to accommodate his client. Such a situation is created because of the fault primarily on the part of the agent who does not inform and educate the client as to extent of the cover, the exclusions and impact of many clauses. The insured on the other hand does not bother to learn anything about insurance. He simply sits back and relaxes in the false belief that all is well because of the mere fact the he has bought insurance.

In the above context for example warehouse to warehouse clause, change of voyage clause or bailee clause and the like which may render a claim prejudiced through sheer negligence or ignorance of the insured. The period of 60 days mentioned in warehouse to warehouse clause has a number of conditions attached to it. Take a common example to illustrate the point. Once a consignment has been unloaded at the jetty, cleared and removed to a warehouse where the insured finds shortage or breakage when he inspects his goods and then lodges a claim on the plea that he has reported the loss within 60 days. The claim may be repudiated by the company if it is found that the goods has been cleared without survey at the jetty prejudicing the insurer's right of recovery from the carriers or other bailee.

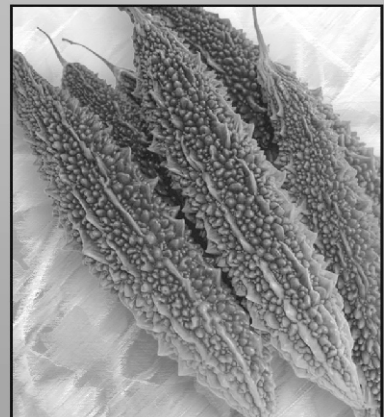
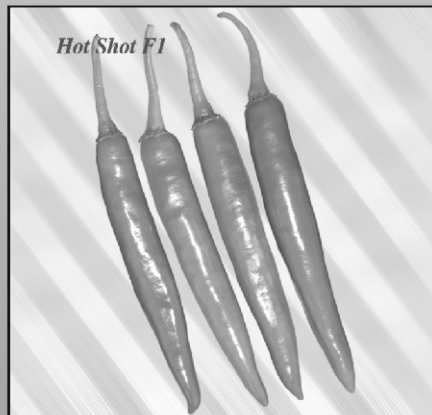
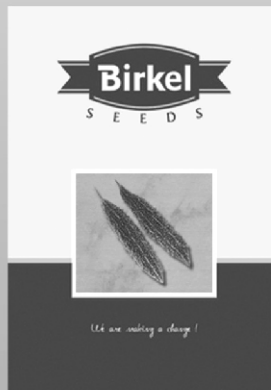
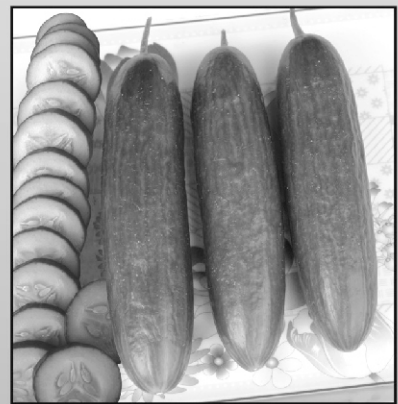
Such a situation would not arise if the insurer and the insured have both taken pains to teach and learn the relevant facts about the relevant contract of insurance. Of particular interest are the motor claims. Few cars owners really know about this insurance. It is only the comprehensive insurance policies that bring in the claims – claims demanding complete repainting for a scratch or a small replacement for minor damage etc. The insured seeks compensation because he has comprehensive policy and according to his belief comprehensive policy covers comprehensively. Only if the insurer informs of the meaning and extent of comprehensive policy the insured would not lodge the claim for losses suffered by the excluded causes.

People in our country, by and large, buy insurance because it is compulsory for them to do so and once they get the piece of paper called the policy, they think that all their financial worries are over because according to their belief, in case of loss, they would lodge a claim on the insurance company which would, in turn make good the loss. And so they relax till a loss really occurs and when their claim is rejected. The real sorrow and a gloom and sometimes anger and rage permeate through their body.

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Why does it happen so? What is the reason? It is simply lack of knowledge and information about insurance. Perhaps a couple of examples would bring home the point intended to be made.

For example a person buys a comprehensive insurance policy for his car. After having received a piece of document called insurance policy, he relaxes comfortably to think that in case of loss the insurance company would make good the loss. What to say of reading the contents of the policy documents. He does not even bother to take out the document and have a look at it. The fact is that comprehensive insurance of a car is not all comprehending and when there does occurs loss or damage and the expenses incurred by insured on

hired transport or having his damaged car removed to a safer place from out of a busy road. Insured takes refuge behind the word 'comprehensive' only to get a rude shock when the incidental expenses are not paid. The moral of the story is to read and assimilate the contents of the policy documents and all the endorsements attached hereto. All other perils can and must be got covered at a little extra cost to save utter disappointment and dejection when the loss has occurred.

Take another case where a person buys a burglary policy; Burglary is a theft by forceful entry by persons other than employees. Insured person lodges a claim with his insurer when he suffers losses consequent upon theft. Naturally the claim is not paid.

Once again the reasons are the ignorance of the insured.

Delays occur because:

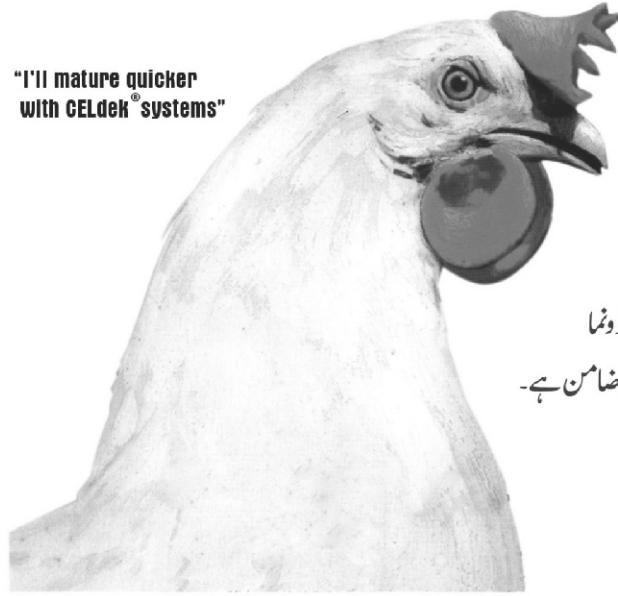
- 1) Ignorance of insured –in that claims are lodged for losses that are not covered.
 - 2) Late information- when a loss occur the insurer must be informed soonest by telephone or by fax and then confirmed by letter immediately with full particulars and details.
 - 3) In case of motor vehicle, non-submission of FIR. It must be noted that a copy of FIR is must without which no payment of theft claims can be made.
 - 4) Documents- the insured must ensure that all documents required by the insurer in support of claim are sent to him as soon as possible.
 - 5) Inflated and exaggerated claims by claimants impose unnecessary delays.
- If all the papers are received and found to be correct. The claims would be settled within less than no time.

The following drill is followed in processing the claims:-

- 1) Information is received by the insurer from the insured by fastest means.
- 2) Surveyors appointed by insurers
- 3) Surveyors reports received
- 4) All required documents received from insured
- 5) Claim settled

It may be remembered that insurance is based on good faith; there is no room for hoodwinking or playing knave. So, if the insured honestly and in good faith extends all co-operations to the surveyor and sends in all documents to the insurer in good time, there is no reason why his claim should immediately be not paid. Also remember that the claim is neither inflated nor exaggerated.

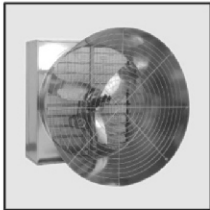
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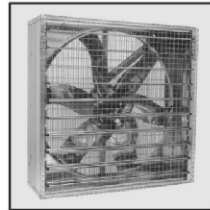
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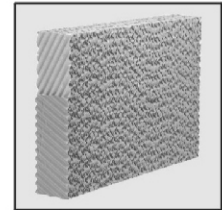
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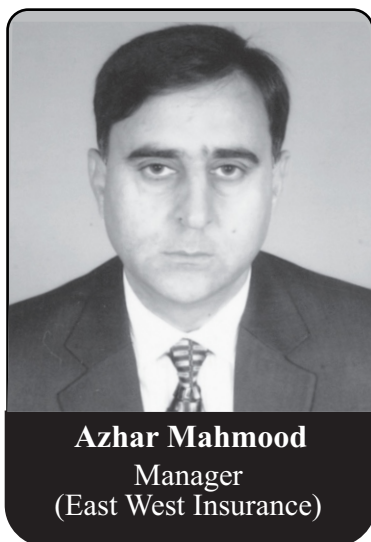


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Azhar Mahmood
Manager
(East West Insurance)

INSURANCE FRAUD

A BILLION DOLLAR DISASTER

TYPES OF FRAUD CLAIMS

Types of insurance fraud are very diverse and occur in all areas of insurance. Insurance crimes also range in severity, from slightly exaggerating claims to deliberately causing accidents or damages. Fraudulent activities also affect the lives of innocent people through accidental or purposeful injury.

There are two primary types of insurance fraud. The first is the submission of an exaggerated claim. For example, the person filing a motor accident claim may sustain damages to his vehicle, but tell the insurance company that additional damages occurred. In some cases, the additional damages may have occurred a long time ago.

The second type is the submission of a false claim. This occurs when a person files a claim for damages that never happened or theft claim of his vehicles which is still in his custody.

WHO IS COMMITTING FRAUD

Opportunistic fraud is usually committed by an individual who simply has a chance to inflate a claim or get an exaggerated estimate for losses or repairs from his or her insurance company. This person might know an insider but generally isn't operating with an insider's knowledge. Opportunistic fraud is commonplace, but the amount

involved is relatively low.

Professional fraud is often perpetrated by organizations that for some reasons are bound to insure their assets and vehicles. They consider insurance as an investment and always try to gain some profit against it. The incidence of professional or organized fraud is lower than ordinary insurance fraud, but the amount involved is on higher side.

COURSE OF ACTION

Fraud exists in all areas of insurance sector a quick look of which is given below:-

FRAUD IN MOTOR INSURANCE

There is a variety of types of auto fraud including

- 1- Staged accidents
- 2- False documentation
- 3- Opportunistic injuries
- 4- Staged thefts
- 5- Exaggeration of estimates for the adjustment of depreciation or deductibles
- 6- Claims of written-off (worthless) vehicles

FRAUD IN FIRE INSURANCE

Following are the ways of fraud in fire insurance

- 1- To obtain payment that is worth more than the value of the property destroyed
- 2- To destroy and subsequently receive payment for goods that could not otherwise be sold.
- 3- Exaggerations are also involved in fire claims for instance, if a thief

WHAT IS INSURANCE FRAUD

Insurance fraud means an act which someone commits with the intention to fraudulently obtain some money from an insurance company. Insurance fraud has no doubt existed wherever insurance policies are written. Insurance and fraud are together since the beginnings of insurance industry in 17th century. By this time, rising premiums especially for auto and health segments made fraud very popular. It has also turned out as a biggest issue which the insurance companies can not ignore.

Fraudulent activities cost insurance companies billions of dollars annually which also affects the premium which is being paid by the majority consist of honest policy holders. According to Federal Bureau of Investigation FBI, in late August 2005 hurricane Katrina made landfall. After this storm, approximately 1.6 million insurance claims were filed and an amount of billion \$34.4 was paid as compensation out of which fraud may have occurred for as much as \$ 6 billion.

It has been revealed during a survey that 10% Americans confess that they would commit insurance fraud if they knew they would get away with it.





has stolen a TV from somewhere, the insured will usually hide his computer also and will add this in his claim.

FRAUD IN HEALTH INSURANCE

Health insurance fraud puts patients at risk. Inaccurate or false diagnoses, wrong medical histories and unnecessary testing all negatively impact a patient's well-being.

Following are few types of fraud in health insurance

FRAUD BY INDIVIDUALS

An individual can commit insurance fraud on the following ways

- 1- Not taking a child off a policy when the child is no longer a dependent
- 2- Billing for a service that is covered instead of the actual service which is not covered in health insurance policy.
- 3- Allowing someone else to use his or her health card and insurance information to obtain health care services.
- 4- Using benefits to pay for prescription that were not prescribed by his or her doctor

FRAUD BY HOSPITALS

Following are few ways of fraud which hospitals and services providers can commit.

- 1- Billing for services or procedures that were never rendered
- 2- Providing unnecessary services for the purpose of financial

gain

- 3- Misrepresenting non-covered treatments as a medical necessity
- 4- Falsifying a patient's diagnosis to justify tests, surgeries or other procedures
- 5- Offering kickback for referring patients to them.

IMPACTS OF INSURANCE FRAUD

It is virtually impossible to determine an exact amount of money stolen through insurance fraud. In United States, Coalition Against Insurance Fraud estimates that a total of about \$80 billion is being stolen every year due to insurance fraud. In the United Kingdom, the loss due to insurance fraud is about \$3.08 billion. Similarly in Canada fraud costs about C\$500 million annually. Following are some impacts of insurance fraud.

- 1- Fraud contributes to higher insurance premiums because insurance companies will pass the costs of bogus claims onto the policyholders and businessmen.
- 2- In return, the businessmen will pass the cost of rising insurance premiums on to their customers by raising prices of goods and services.

At the same time insurance fraud is also a violent crime that can involve murder, personal injury and series property damage. In addition to financial losses, the following damaged may also happen due to insurance fraud.

- 1- It also imposes other personal costs such as disrupt lives and families, humiliation and depression.
- 2- The lives of innocent motorists are exposed when they are maneuvered into car accidents staged by criminals to collect large payments from their insurers.
- 3- Insurance fraud is also a reason of lost of jobs and bankruptcy.

DETECTION OF INSURANCE FRAUD

It is very difficult to detect insurance fraud because usually the fraudulent design it to be undetectable unlike visible crimes such as robbery or murder etc.

The detection of insurance fraud generally occurs in two steps the first step to identify suspicious claims that have a higher possibility of being fraudulent. Additionally, the public can also provide tips to insurance companies regarding suspected, observed, or admitted insurance fraud perpetrated by other individuals. Regardless of the source, the second step is to refer these claims to a specific department which is responsible for the analysis and investigations. If the claim is built up or there are certain symptoms of fraud, the insurance company can repudiate it or negotiate to minimize



CONCLUSION

The trend of blackmailing insurance companies is weakening this sector, reducing investments and triggering flight of capital.

The insurance companies in Pakistan never tried to establish a database of all customers to identify habitual offenders. The mechanism to deter such activities must be improved and empowered.

There must be some organization against insurance fraud in Pakistan. It is also suggested that insurance companies of Pakistan should form a coalition against fraudulent activities in insurance sector.

1997 M L D 1758

(Supreme Court of Bangladesh)

**Present: A.T.M. Afzal, C.J., Mustafa Kamal,
Latifur Rahman, Muhammad Abdur Rouf and
Bimalendu Bikash Roy Choudhury, JJ**

**SADHARAN BIMA CORPORATION-Appellant
BENGAL LINER LTD. And another-Respondents**

**Civil Appeal No. 25 of 1993,
decided on 4th July, 1996.**

(From the Judgment and order, dated:9-12-1991 passed by the High Court Division in Admiralty Suit No. 9 of 1988).

(a) Insurance—

---Marine insurance---Measure of indemnity in respect of claims for unrepaired damage to a ship caused by a peril insured against a Marine hull Policy of Insurance---to be followed in determining issues of marine insurance in general and the issue of unrepaired damages in particular---Insurance Policy postulated that insurance was subject to Bangladesh law and practice and in absence of the same English law and practice---No law on marine insurance existed in the statute book of Bangladesh---Effect---Held, in such a situation English law and practice will be applied for under private international law, the parties had the liberty to choose the law under which their contract will be governed---English Marine Insurance Act, 1906, S. 69 (3) as modified by Institute Time Clauses (Hull) C 1. (18)---{Private International Law}. {P. 1764} A
Eagle Star Insurance Co. Ltd. v. Rahmania Trading Co., Chittagong, 28 DLR (AD) 109 distinguished.

Cheshire's Private International Law, 7th Edn., pp. 213-214 and Compania Maritima Astra, S.A. v. Archdalf, known as the "Armar" Case, (1954) 2 Lloyd's Rep. 95 ref.

(b) Insurance—

---Marine Insurance Policy--- Interpretation---Measure of indemnity in respect of claims for unrepaired damage to a ship caused by a peril insured against a Marine Hull Policy of Insurance---Lapses on the part of insurance corporation in the filling up the columns of Marine Insurance Policy---Effect---Held, Commercial instrument must be construed against the party by whom same was drafted Insurance policy being the language of the Insurance Corporation must, if there be any ambiguity in it, be taken most strongly against the Corporation--- (Interpretation of document). {P. 1766} B

© Insurance—

---Marine insurance---Measure of indemnity in respect of claims for unrepaired damage to a ship caused by a peril insured against a Marine Hull Policy of Insurance---Dual valuation clause in Insurance Policy-- -Total loss, constructive total loss or partial loss---Manner of measuring the indemnity---Principles.

It does not stand to reason that in case of total loss, constructive total loss or partial loss, the indemnity will be measured only in respect of the different components of the insured vessel and not of the vessel herself. It is customary in Marine Policy to mention the lower insured amount for total loss of the vessel and a higher amount as insured value for partial loss (average) purposes, because the cost of repairs often exceeds the sound value of the vessel. The third amount mentioned in the Schedule of the Insurance Policy is the maximum amount that the insured can recover by way of one-time repair or several repairs during the currency of the policy. The question of unrepaired damage, when the ship has not been sold in her damaged state during the risk, as in the present case, arises only after the policy terminates. It is a matter of calculation and it can never be the subject-matter of a pre-determined amount in the policy.

On a true construction of the Schedule to the policy therefore, the first amount represents the maximum amount payable for partial loss caused to all or any of the subject-matters of the vessel insured, the second amount represents the maximum amount payable for total loss of vessel herself and the third amount represents the maximum amount payable for repairs done

during the currency of the policy. {P. 1766} C

In view of the attachment of a Dual Valuation Clause, the question arises, what is the value of this valued policy? The short answer is, it will be determined by the clauses of the Dual Valuation Clause, One valuation (the lower) determining total loss and the other (higher) determining other than total loss. {P. 1767} D

Admiralty Court is not required to determine whether "the insurer is liable to pay the compensation for damages for the accident of the vessel in question. A contract of marine insurance is a contract of indemnity, i.e., the amount recoverable is measured by the extent of the assured's pecuniary loss. It is never a contract of guarantee or a contract of "compensation for damages". {P. 1767} E

Clause (18) of the Institute Time Clauses (Hulls) however, will be applied in a single valuation policy. Where there is a Dual Valuation Clause, as in the present case, the provisions of section 69(3) (English) Marine Insurance Act, 1906 will apply.---English Marine Insurance Act, 1906, S. 69(3). {P. 1771} H

Analysis of Marine and other Insurance Clauses by Victor Dover, 8th Edn. H.F & G. Witherby Ltd., London, pp. 112-113; Irvine v. Hine (1950) 1 LR 555 K.B.= (1949) 2 All ER 1089; Marine Insurance Claims, 1st Edn., 1974, Witherby & Co. Ltd., P. 279 and Marine Insurance Law and Policy by Donald O'May (1993), p. 446 ref.

(d) Insurance---

---Marine insurance---Measure of indemnity in respect of claims for unrepaid damage to a ship caused by a peril insured against a Marine Hull Policy of Insurance---Vessel was

not repaired and was not sold in its damaged state during the risk while the insurance policy terminated--- Provision of S. 69(3) of the (English) Marine Insurance Act, 1906 would be applicable subject to Cl. (18) of the Institute Time Clauses (Hulls). {P. 1769} F

(e) (English) Marine Insurance Act, 1906---

---S. 69(3) read with Time Clauses (Hulls), Cl. 18---Departure from S.69(3) of the (English) Marine Insurance Act, 1906 by introducing Cl. 18 in the Institute Time Clauses (Hulls) --- Rational behind such departure elaborated and discussed. [P. 1770] G

(f) Insurance---

---Marine insurance---Measure of indemnity in respect of claims for unrepaid damaged to a ship caused by ay peril insured against a Marine Hull Policy of Insurance--- Termination of policy---"Market value" and the "insured value"--- Determination---Principles.

The market value and insured value of a vessel may be the same in some rare cases, as when a newly-built ship is insured for the first time and meets with an accident during the currency of the policy. But as the ship ages, her market value declines. The insured value will not represent her sound market value, because there are other consideration which weigh with both the insured and the insurer in putting an insured value on a vessel. The legal position is that the market value of a vessel will not be presumed to be her insured value, except in rare cases and the burden of proving the sound market value of the vessel at the termination of the policy will be on the party who claims on the policy. The burden is not discharged by just proving the insured value. [P. 1772] I

(g) Insurance---

---Marine insurance---Measure of indemnity in respect of claims for unrepaid damage to a ship caused by a peril insured against a Marine Hull Policy of Insurance ---Admiralty suit---Reports of surveyors and average adjusters---Admissibility--- Both sides of the suit had established telexes from Surveyors and Average Adjusters without objection from either side --- Plaintiffs in the plaint or P.W. in his evidence had not challenged the contents of such telexes and no case was made by plaintiff for cross-examination of the senders of or the feeders of the telexes---Admiralty Court's rejection of telexes etc. as not admissible, held, was illegal in circumstances. [P. 1773] J

(h) Insurance---

---Marine insurance---Measure of indemnity in respect of claims for unrepaid damage to a ship caused by a peril insured against a marine Hull Policy of Insurance --- Sound market value --- Determination --- Opinion of ship valuers --- Admissibility. [P. 1773] K

(i) (English) Marine Insurance Act, 1906---

---S. 57---Marine insurance--- Measure of indemnity in respect of clauses for unrepaid damage of a ship caused by a peril insured against a Marine Hull Policy of Insurance of Insurance---Actual total loss--- Omission to give finding by Admiralty Court on actual loss in terms of S.57 of the (English) Marine Insurance Act, 1906---Effect. [P. 1773] L

(j) Insurance---

---Marine insurance---Measure of indemnity in respect of claims for unrepaid damage to a ship caused

by a peril insured against a marine Hull Policy of Insurance---Admiralty suit---Reasonable cost of repairs is the second higher water mark in measuring the indemnity in respect of unrepaired damage---Such is a necessary and inevitable exercise, unless the parties had already arrived at a negotiated figure---Plaintiff, however, is entitled to inflate its claims if a lower amount claimed earlier before filing the suit is rejected by the insurer---Plaintiff has the burden of proving each and every item of the inflated claim--- Convenient mode of such claim is by procuring a report from an approved ship-repairer whose hypothetical estimates may have to be proved in Court, if challenged. [P. 1774] M

A.R. Yusuf, Senior Advocate (M. Hafizullah, Senior Advocate and Manzur-ur-Rahman, Advocate with him) instructed by Shamsul Haque Siddique, Advocate-on-Record for Appellant.

Asrarul Hussain, Senior Advocate and Ajmalul Hussain, Advocate instructed by Mvi. Md. Whidullah, Advocate-on-Record for Respondents.

Dates of hearing: 17th, 18th, 18th, 23rd, 24th, 25th, 26th, and 30th, June, 1996.

JUDGMENT

MUSTAFA KAMAL, J. ---The measure of indemnity in respect of claims for unrepaired damage to a ship caused by a peril insured against in a Marine Hull Policy of Insurance is the central theme of this appeal by leave by defendant Sadharan Bima Corporation from the judgment and decree of the Admiralty Court of the High Court Division dated 9-12-1991 in Admiralty Suit No. 9 of 1988. The suit was decreed for U.S \$ 16,20,000 against the appellant with cost.

The substance of the plaintiff-respondent's case in the plaint is that

the plaintiff, a limited liability company of Bangladesh, purchased the vessel M.V. Bengal Pride for U.S. \$ 2.5995 million (we were told by the learned advocate for the respondent that the actual figure is U.S. \$ 2.790 million) out of which U.S. \$ 2.3175 Million was financed by plaintiff No. 2, Sonali Bank through its London Office, with which the vessel was mortgaged. The vessel was insured with the defendant-Corporation under Marine Hull Policy No. SBC/M (Hull) HO/POL/04/86 dated 8-4-1986, effective for 3 months from 30-3-1986, which was extended till 29-9-1986 on due payment of further premium. The ship was agrounded from S-4 anchorage at the fore part on the west bank of Passur River at Chalna Port on 7-9-1986 at 20:50 hours when her anchor dragged in strong ebb tide. She was refloated using her engine and was re-anchored at S-5 anchorage. On 8-9-1986 at 08:15 hours she dragged both the anchors and went aground in the shallow water of the east side of the channel. She was further refloated using her engine but again went aground owing to undesirable response from her helm. Finally she was refloated using two tugs and her engine and was re-anchored at S-4. The accident caused damage to the rudder and rudder stock and as she had full cargo on board the Hull was badly damaged. She went out of commission altogether. There was no place of repair in Bangladesh or India. The nearest place of repair was in the Port of Singapore or Korea or Japan. The ship had no power of her own. She had to be towed to any of those places for repair. To keep her afloat some repairs were needed to be done locally as well. The plaintiff was advised that while towing the ship to a port of repair she might sink. The costs of maintenance being heavy the plaintiff finally with the leave of the Court sold the ship as scrap for U.S. \$ 6,10,000. The plaintiff filed a claim of total loss with the defendant. The defendant did not dispute the

accident, but it refused to pay the claim of total loss by telex dated 12-4-1987. By a further telex dated 17-4-1987 the defendant denied claims of total loss, constructive total loss or unrepaired damage.

The plaintiff therefore filed the suit with three alternative prayers:---(a) The vessel was a total loss and the claim for total loss is U.S. \$19,11,000 (vide paragraph 13 of the plaint). (b) Alternatively, the vessel, was a constructive total loss and on that account the claim is for U.S. \$18,25,000 (vide paragraph 14 of the plaint). (c) The claim is in the third alternative for unrepaired damage, counted by two alternative methods, viz. (i) value of the vessel less depreciation plus overhead costs incurred (vide paragraph 15 of the plaint). The amount calculated this way will be a claim for U.S. \$ 17,92,000. (ii) The alternative method of calculation in paragraph 16 of the plaint listed 22 heads of hypothetical expenditure if the vessel had been repaired amounting to U.S. \$ 24,42,174 (which figure is wrong on calculation. It shall be U.S. \$ 24,41,974).

Deducting the value of scrap U.S. \$ 6,10,000 therefrom, the claim on this method of calculation comes to U.S. \$ 18,12,174 (which is also a wrong sum arrived at. It should be U.S. \$ 18,31,974). In paragraph 17 of the plaint and in the prayer portion, however, the plaintiff claims U.S. \$ 18,21,000 on this method of calculation.

Alongwith these alternative claims the plaintiff prayed for interest at 10% with yearly rests from the date of accident till realization and costs.

Besides taking some usual defences like maintainability, lack of cause of action, bar of waiver, estoppel, acquiescence and limitation, the crux of the defendant's case is that the claim of the plaintiff is not covered by

the terms and conditions of the policy and hence the plaintiff is not entitled to any decree as prayed for. The ship was not a total loss as she was refloated and sold as scrap. The total repair costs submitted by the plaintiff was U.S. \$ 3,38,000. Other items of costs are not admissible under a Marine Hull Policy but even if crew wages and bunkers consumed during removal of the vessel from Chalna to a suitable port of repair and port charge at the port of repair are added to this sum, the total repair costs would not exceed U.S. \$ 2,25,00,000 and hence there could not be any constructive total loss of the vessel. In paragraph 21 of the written statement, the claim for unrepaid damage was rejected in the following terms:---

“The correct method in accordance to (sic) the policy condition is that the measure of indemnity in respect of claims for unrepaid damage shall be the reasonable depreciation in the market value of the vessel at the time the insurance terminates arising from such unrepaid damage. It may be stated that the vessel was built in 1962 and given the age of the vessel its sound market value at Chalna in December, 1986 (when the policy terminated) would be its scrap value.”

The defendant claimed that the sound value of the vessel in December, 1986 would be U.S. \$ 5,20,940 and its reduced value after damage would be U.S. \$ 5,08,130. The difference in value amounts to U.S. \$ 12,810 which was below the policy deductible of U.S. \$ 20,000 and therefore there could not be any claim for unrepaid damage either.

The Admiralty Court framed five issues. The plaintiff examined its Managing Director as P.W.1 and two other witnesses and the defendant examined one. Both sides exhibited some documents to which we shall refer in due course.

To compress the lengthy judgment of the Admiralty Court to its essentials, it does not appear to have decided, although urged by the plaintiff, that the vessel was either a total loss or a constructive total loss. The Court rested its considerations solely on unrepaid damage and proceeded on the assumption and maintained it throughout the judgment that in the insurance policy as well as in the plaint, the unrepaid insurance value was shown at U.S. \$ 22,50,000. It decided that “the only point (that) is to be considered and decided in this case (is) as to whether... the insurer is liable to pay the compensation for damage for the accident of the vessel in question”. The Court obliquely accepted the defendant's contention in paragraph 21 of the written statement, as quoted above, as to the correct method of measuring unrepaid damage. It rejected as “absurd” the defendant's contention that the market value of the vessel on the expiry of the policy will be its scrap value, namely, U.S. \$ 5,20,940. The defendant relied upon the telexes sent by Richard Hogg International, London, Average Adjuster, appointed by the plaintiff, Exhs. 7(5)-7(7), same as Exhs. E(2)-e(4) by the defendant, but the Admiralty Court held that the said telexes “cannot be taken as admissible and conclusive evidence for market value of the vessel as the so-called experts are not before this Court and cannot be put to cross-examination. However, it was their mere opinion upon certain reports”. M.V. Bengal Pride was a seaworthy vessel in running condition. P.E.1 stated that the market value of the vessel at the relevant time was the value as shown in the insurance policy. The Admiralty Court held, “There might be some variation in actual price, but of the purpose of insurance it should be presumed that value given in the policy itself shall be taken as the market value of the vessel in law”. Then again, “For all legal and reasonable purpose the

market value of the vessel will be determined from the value given in the insurance policy itself unless some other materials can be produced before the Court to the contrary”. It then held that the market value of the vessel was “the value shown for unrepaid damage in the policy”. i.e., U.S. \$ 22,50,000. The scrap value of the vessel was U.S. \$ 6,30,000. U.S. \$ 20,000 is to be compulsorily deducted as per policy “at the time of assessing the compensation”. So, a total sum of U.S. \$ 6,30,000 will be deducted from the insurance as well as the market value of the vessel and thus the plaintiff's suit was decreed for U.S. \$ 16,20,000 “with costs, but without interest”. There were other subsidiary findings on other disputed matters as well, but those findings are not necessary to be noticed for the disposal of this appeal.

We shall now advert to the grounds on which leave has been granted and at the same time explain certain preliminary postulates relating to the policy to avoid any misunderstanding in future litigations of this nature.

As to the law to be followed in determining issues of marine insurance in general and the issue of unrepaid damage in particular, until now, there is no law on marine insurance in the statute-book in Bangladesh. Although it has been held by this Division in the case of *Eagle Star Insurance Co. Ltd. v. Rahmania Trading Co., Chittagong*, 28 DLR (AD) 109, that “Marine Insurance contract is governed by the general principles of contract and also the English principles. The general principles embodied in English Marine Insurance Act, 1906 are also applicable”, no reason has been assigned therefore. We think that in this particular case, the English law and practice will be applied as the Institute Time Clause (Hull) attached to the policy clearly stipulates: “This Insurance is subject

to Bangladesh Law and Practice and in absence of the same English law and practice". Under Private International Law, the parties have the liberty to choose the law under which their contract will be governed. "See Cheshire's Private International Law, 7th Edn., pp. 213-214). In respect of marine insurance in general, the Courts of Bangladesh will follow the English law and practice, because, as an American Judge, Judge Rabin, pointed out in the American (New York Supreme Court) case of *Compania Maritima Astra, S.A. v. Archdalf*, known as *The "Armar"* Case, 1952 (2) Lloyd's Rep. 95 (101), "...in cases of marine insurance it is highly desirable that our decisions be kept in harmony with those of England, "the great field of this business".

It is necessary to examine the marine policy in question (Exh.1) to understand the assumption of the Admiralty Court that unrepaired damage was insured for U.S. \$22,50,000. The three relevant columns of the Schedule to the policy read as follows:-

"VESSEL:

M.V. "BENGAL PRIDE"

SUBJECT-MATER INSURED:

Hull and Materials, Engines and Machinery and every thing connected therewith.

**A M O U N T I N S U R E D
HEREUNDER:**

U.S. \$2,250,000
U.S. \$1,500,000
U.S. \$2,250,000"

Another Dual Valuation Clause amended (a altered to b) in second and third paragraphs"

And the attached Institute Dual Valuation Clause reads as follows:----

**"INSTITUTE DUAL VALUATION
CLAUSE:**

- (a) Insured value for purposes of Total Loss (Actual or Constructive).....AS
- (b) Insured value for purposes other than Total Loss.....Policy

In the event of a claim for Actual or Constructive Total Loss (a) shall be taken to be the insured value and payment by the underwriters of their proportions of that amount shall be for all purposes payment of a total loss.

In ascertaining whether the vessel is a constructive Total Loss (b) shall be taken as the repaired value and nothing in respect of the damaged or break-up value of the vessel or wreck shall be taken into account.

No claim for Constructive Total Loss based upon the cost of recovery and/or repair of the Vessel shall be recoverable hereunder unless such cost would exceed the insured value as in (b).

In no case shall underwriter' liability in respect of a claim for unrepaired damage exceed the insured value as in (a).

.....".

Unfortunately, the insured value for purposes of Total Loss and other than Total Loss have not been indicated either in the Policy or in the Dual Valuation Clause as can be clearly seen from the above, which is a serious lapse on the part of defendant and is an illustration callousness and negligence with which a serious business like Marine Insurance is being conducted by a statutory corporation. The defendant must realize that one of the canons of

construction is that commercial instruments must be construed against the party by whom they are drafted. In *Norman v. Anchor Insurance*, (1958) 4CB (NS) 476, Cockburn, L.C.J. said, "The policy being the language of the company must if there be any ambiguity in it, be taken most strongly against them".

For better or for worse, there is no ambiguity in the drafting of the policy, but only some omissions in filling up the columns, but that did not prevent Mr. Ajmalul Hussain, to argue the appeal on behalf of the respondents and who argued the case most eloquently, thoroughly and persuasively for several days), from submitting that in the absence of any indication in the policy and Dual Valuation Clause, U.S. \$ 2,250,000 in the Schedule represents the insured value for Hulls and Materials, U.S. \$ 1,500,000 represents everything connected therewith. We find that this submission militates against all canons of interpretation of a Marine Policy. The subject-matters insured in respect of the vessel M.V. "Bengal Pride" and it does not stand to reason that in case of total loss, constructive total loss or partial loss, the indemnity will be measured only in respect of the different components of the insured vessel and not of the vessel herself. It is customary in a Marine Policy (see Analysis of Marine and other Insurance Clauses by Victor Dover, 8th Edn. H.F. & G. Witherby Ltd., London, pp. 112-113 on Institute Dual Valuation Clause) to mention the lower insured amount for total loss of the vessel and a higher amount as insured value for partial loss (average) purposes, because the cost of repairs often exceeds the sound value of the vessel. Mr. A.R. Yusuf, learned

Advocate for the appellant, arguing briefly to the point, rightly submits that the third amount of U.S. \$ 2,250,000 mentioned in the Schedule is the maximum amount that the insured can recover by way of one-time repair or several repairs during the currency of the policy. The question of unrepaired damage, when the ship has not been sold in her damaged state during the risk, as in the present case, arises only after the policy terminates. It is a matter of calculation and it can never be the subject-matter of a pre-determined amount in the policy.

On a true construction of the Schedule to the policy, therefore, in our opinion, the first amount of U.S. \$ 2,250,000 represents the maximum amount payable for partial loss caused to all or any of the subject-matters of the vessel insured, the second amount of U.S. \$ 1,500,000 represents the maximum amount payable for total loss of the vessel herself and the third amount of U.S. \$ 2,250,000 represents the maximum amount payable for repairs done during the currency of the policy. Accordingly, in the Dual Valuation Clause the insured value in (a) is U.S. \$ 1,500,000 and the insured value in (b) in U.S. \$ 2,250,000. That is how both the plaintiff and the defendant understood the policy in their respective pleadings, written statement and evidence and it is too late in the day to put a different interpretation to it.

On the Admiralty Court's basic assumption that the insured value of unrepaired damage in the policy is U.S. \$ 22,50,000, learned advocates of both sides are unanimous that the assumption is fallacious, wrong and unwarranted, because it was neither the plaintiff's case in the pleadings, nor the defendant's in the

written statement. We refrain from proceeding further on this issue, as we have no doubt in our mind that the Admiralty Court was thoroughly mistaken in proceeding with this assumption. This is the second ground on which leave was granted and the appellant succeeds on this ground.

In view of the attachment of a Dual Valuation Clause, the question arises, what is the value of this valued policy? The short answer is, it will be determined by the Clauses of the Dual Valuation Clause, one valuation (the lower) determining Total Loss and the other (higher) determining other than Total Loss.

Was the Admiralty Court required to determine whether "the insurer is liable to pay the compensation for damages for the accident of the vessel in question"? The answer is, no. A contract of Marine Insurance is a contract of indemnity, i.e., the amount recoverable is measured by the extent of the assured's pecuniary loss. It is never a contract of guarantee or a contract of "compensation for damages".

These are some of the conceptual clouds hovering over the impugned judgment of the Admiralty Court and those were needed to be cleared to put the appeal in its true perspective.

Mr. A.R. Yusuf contends that the Admiralty Court wrongly interpreted section 69(3) and failed to read clause 18.1 of the Institute Time Clause and wrongly treated the insured value as the market value of the vessel. He submits that the measure of indemnity in respect of an unrepaired damage is contained in section 69(3) of the (English) Marine Insurance Act, 1906 and the entire section 69 runs as

follows: "69. Partial loss of ship.--
- Where a ship is damaged, but is not totally lost, the measure of indemnity, subject to any express provision in the policy, is as follows:

(1) Where the ship has been repaired, the assured is entitled to the reasonable cost of the repairs, less the customary deductions, but not exceeding the sum insured in respect of any one casualty.

(2) Where the ship has been only partially repaired, the assured is entitled to the reasonable cost of such repairs, computed as above and also to be indemnified for the reasonable depreciation, if any, arising from the unrepaired damage, provided that the aggregate amount shall not exceed the cost of repairing the whole damage, computed as above.

(3) Where the ship has not been repaired, and has not been sold in her damaged state during the risk, the assured is entitled to be indemnified for the reasonable depreciation arising from the unrepaired damage, but not exceeding the reasonable cost of repairing such damage, computed as above".

Mr. Yusuf next submits that the above statutory provision in section 69(3) has been modified by clause 18 of the Institute Time Clauses (Hulls) (introduced on 1-10-1983) which is as follows:---

"18.Unrepaired damages:

18.1 The measure of indemnity in respect of claims for unrepaired damage shall be the reasonable

depreciation in the market value of the vessel at the time this insurance terminates arising from such unrepaired damage, but not exceeding the reasonable cost of repairs.

18.2 In no case shall the Underwriters be liable for unrepaired damage in the event of a subsequent total loss (whether or not covered under this insurance) sustained during the period covered by this insurance or any extension thereof.

18.3 The underwriters shall not be liable in respect of unrepaired damage for more than the insured value at the time this insurance terminates.”

Mr. Yusuf submits that since section 69(3) of the English Act is “subject to any express provision in the policy”, clause 18 of the Time Clauses will prevail over section 69(3) if there is any inconsistency between them.

Mr. Ajmalul Hussain does not dispute the contention of Mr. Yusuf in the preceding paragraph, but he submits that the penultimate decision which the Admiralty Court arrived at does not suffer as a consequence of the preponderance of clause 18 over section 69(3), because the insured value of a vessel is still the market value, notwithstanding clause 18.1 Mr. Yusuf submits that it does, and does so because of the Admiralty Court's inability to understand the difference between the market value and the insured value of a vessel.

There is no dispute that subject to clause 18 of the Time Clauses section 69(3) is attracted in this case. It is agreed that M.V. Bengal Pride was not repaired and was not sold in her damaged state during the risk (the policy terminated on 29-10-1986).

Section 69(3) came to be interpreted in *Irvine v. Hine*, 1950(1) L.R. 555 K.B. = 1949 (2) All E.R. 1089 by Mr. Justice Delvin (Later Lord Delvin). A

damaged vessel as sold for £685 under an order of the Court which was accepted as her value after the damage. She was insured for £9,000. In an action by the owner on the policy evidence was given for the underwriters that her true value before the damage was £3,000 and it was found as a fact that the cost of repair of damages could have been £4,620. The case was decided on the basis of section 69(3). Relying upon section 27(3) of the Marine Insurance Act, 1906 which provides that the value fixed by the policy is conclusive of the insurable value of the subject intended to be insured, whether the loss be total or partial, the learned Judge held that either (i) the true damaged value must be subtracted from the conventional undamaged value (£9,000-£685 = £8315) or (ii) the proportion of her actual depreciation must be applied to her conventional value:-

$$\frac{3,000-685}{3000} \times 9,000 = £6944.99$$

The learned Judge refrained from making the second exercise, because in either case, the result exceeded £4,620, the reasonable cost of repairs. It was held that the assured was only entitled to recover that sum, viz. £ 4,620.

The second method of calculation was followed in some fire insurance cases, on the analogy of marine insurance. In the previously-cited American case of marine insurance, the *Armar Case*, the second method was followed, but the first method created dissatisfaction among the Underwriters, which can best be described in the language of J.K. Goodacre in his book 'Marine Insurance Claims', 1st Edn., 1974, Witherby & Co. Ltd., p. 279:---

“Since the reasonable cost of repairs can be claimed for damage which has been repaired without resort to the

insured value except for purposes of limiting the amount recoverable, the idea of relating unrepaired damage to the insured value seems strangely unrealistic. It is a recognised fact that the market value of a vessel is often different from her insured value and in an extreme case like the *Medina Princess* (1965(1) Lloyd's Rep. 961) the true value was £65,000 as compared with her insured value of £ 3,50,000. The disparity between these two figures is so large, that a simple deduction of the damaged value from the insured value, which was one of the alternatives propounded by Mr. Justice Delvin in *Irvine v. Hine*, can hardly be found to be acceptable to £ Underwriters whose contract is founded on the principle of indemnity.”

That comment was made in 1974. While the English Underwriters continued to doubt the soundness of section 69(3) and its interpretation in *Irvine v. Hine*, the American Underwriters stole a march on their English counterparts by introducing lines 117 to 119 in the American Institute Hull Clauses on June 2, 1977, incorporating the concept of market value and avoiding altogether the rigors of the decision in the *Armar's Case*. The English Case of the “*Star See*”, 1995 (1) Lloyd's Rep. 651, noticed these revised terms of American Hull Clauses.

We asked the learned Advocates of the parties to advise us as to why it was necessary to depart from section 69(3) and introduce clause 18 in the Time Clauses on and from 1-10-1983 and the enterprising Mr. Ajmalul Hossain produced before us a copy of “Marine insurance Law and policy” by Donald O' May (1993), at page 446 of which it is stated:

“Underwriters appeared to have a routed objection to paying the full estimated cost of repairs as the measures of indemnity for unrepaired damage in a market in which the

agreed or insured values were likely to be higher than true sound values, on the grounds that the assured may recover more than an indemnity for his loss and may never be out of pocket at all when he has no occasion to repair his vessel before relinquishing ownership of it”.

Further at page 448, the learned author says :

“High insured values are influenced by various features, not the least of which is the high replacement cost of new tonnage, the high cost of repairs, particularly of older tonnage and the need for owners to comply with the requirements of any mortgagees of vessels who invariably insist on the protection of insurance policies for not less than the amount of the outstanding loan.

The artificiality of insured value in Hull policies and need for certainty of interpretation of the Institute Clauses led to the decision to state specifically that the reasonable depreciation arising from unrepaired damage (to which the assured is entitled to be indemnified in accordance with section 69(3) of the Marine Insurance Act) is the reasonable depreciation in the sound market value---“.

That is then the rationale behind introducing clause 18 in the Time Clauses. The departure from section 69(3) is intentional and deliberate and is a product of protracted negotiations and conferences including UNCTAD Conference, as detailed by Donald O'May in his book. The effect of clause 18 is as follows:---

(1) Section 69(3) does not state at what time the calculation of the reasonable depreciation is to be made. Clause 18.1 resolves the problem. It will be “at the time the insurance terminates.”

(2) Section 69(3) does not state on

what date the reasonable cost of repairs is to be determined, Clause 18 is also silent in the matter, but Roskill, J. says in the *Medina Princess* (previously cited) that the date will depend upon the nature of the damage, the type of vessel and its trading patterns and the facilities available for repairs.

(3) Section 69(3) was interpreted by Mr. Justice Devlin in *Irvine v. Hine* to mean that the 'reasonable depreciation' means the difference between the insured value and the damaged value, but clause 18 completely eliminated the concept of insured value and introduced the concept of market value, making the second method of calculation in *Irvine v. Hine* even more inapplicable.

(4) Clause 18.3 sets the highest water-mark of the insurer's liability in respect of unrepaired damage at “the insured value at the time the insurance terminates”. Clause 18.1 sets the lowest water-mark at “the reasonable depreciation in the market value of the vessel at the time the insurance terminates arising from such unrepaired damage.” The assured will get the lowest of the sum thus arrived at.

Clause 18, however, will be applied in a single valuation policy. Where there is a Dual Valuation Clause, as in the present case, the provisions of the latter clause will apply. Read the fourth paragraph of the said clause, reproduced again as follows:---

“In no case shall Underwriters' liability in respect of a claim for unrepaired damage exceed the insured value as in (a)”.

We have already found that the insured value in (a) of the Dual Valuation Clause is U.S. \$ 1,500,000. That is the utmost limit of the plaintiff's claim in this suit for unrepaired damage. The Admiralty

Court decreed the suit for U.S. \$ 16,20,000 without taking this Dual Valuation Clause limit into consideration.

Although Mr. Ajmalul Hossain was persistent in his submission that the market value at the time the policy terminates is the insured value at the commencement of the risk, as held by the Admiralty Court, we have no hesitation in holding that given the history of introduction of Clause 18 in the Time Clauses and language employed therein, the submission is not correct. The market value and the insured value of a vessel may be the same in some rare cases, as when a newly-built ship is insured for the first time and meets with an accident during the currency of the policy. But as the ship ages, her market value declines. The insured value will not represent her sound market value, because there are other considerations which weigh with both the insured and the insurer in putting an insured value on a vessel. The Admiralty Court is basically wrong in holding that in law or for all legal and reasonable purpose the market value of a vessel will be presumed to be the insured value, unless some materials to the contrary are produced before the Court. On the contrary, the legal position is that the market value of vessel will not be presumed to be her insured value, except in rare cases as indicated above, and the burden of proving the sound market value of the vessel at the termination of the policy will be on the plaintiff who claims on the policy. The burden is not discharged by just proving the insured value. That disposes of the first ground on which leave has been granted and the point is decided in favour of the appellant.

The third ground on which leave has been granted is on the legality of the Admiralty Court's rejection of the defendant's reliance upon Exhs. 7(2) to 7(4), the telexes sent by the

plaintiff's own appointed. Average Adjusters Richart Hogg International estimating the sound market value of the vessel at US \$ 5,20,940 on the expiry of the policy. Mr. Yusuf submits that all over the world, insurers and the insured rely upon the reports of Surveyors and Average Adjusters. It is simply an unacceptable rewriting of standard international practice to reject their telexes, admitted into evidence by both the parties without any objection from the other and both sides waiving formal proof thereof. In these circumstances it is illegal to reject them as not admissible or conclusive evidence, being mere opinion of so-called experts not exposed to cross-examination. Mr. Ajmalul Hossain submits on the other hand that the Admiralty Court was entitled to reject the opinion expressed in the telexes, because, first, even though the telexes are from the plaintiff's own Average Adjuster's the plaintiff apparently cannot be fastened with the contracts thereof, not being the plaintiff's own previous opinion, secondly, the Average Adjusters in their telexes made factual mistakes on the date of expiry of the policy, referred to some reports of some consulting surveyors without disclosing their names and credentials and gave a damaged value of the vessel at US \$ 5,08,130 which proved to be wrong a year later when the vessel was sold as scrap for US \$ 6,10,000, thus rendering their figure of sound market value of the vessel at US \$ 5,20,940 on the expiry of policy unworthy of consideration and finally, the Admiralty Court was entitled to reject the evidence of experts, as it was not binding on it. Mr. Hossain submits further that the Admiralty Court made a finding of fact that the market value of the vessel on the expiry of the policy was US \$ 22,25,000 because it accepted the evidence of P.W.1 on this point. The defendant did not cross-examine him on his said assertion and did not lead any contrary evidence on market value. In the final analysis, he

submits, what the Admiralty Court found to be the market value of the vessel was a finding of fact based on evidence and not on surmise.

Upon the submissions of two sides we hold that the Admiralty Court's rejection of Exhs. 7(2) to 7(4) as not admissible and as not tested by cross-examination is illegal. Both sides exhibited the same telexes without objection from either side, waiving formal proof. The plaintiff in the plaint or P.W.1 in his evidence did not challenge the contents of these telexes and therefore no case was made out by the plaintiff for cross-examination of the senders on the feeders of these telexes, but the Admiralty Court's finding that the opinion expressed in the telexes is not conclusive and Mr. Hossain's submission that the expert's opinion is not binding on the Court are both correct. On giving reasons the Admiralty Court rejected the Average Adjuster's estimate of the sound market value of the vessel and accepted the oral evidence of P.W.1 who was a claimant, not an expert that its sound market value was U.S. \$ 22,25,000. P. W.1 was not cross-examined on this assertion and no contrary evidence, except the opinion given in the telexes, was adduced by the defendant. It is usual in such cases to obtain an opinion of a ship-valuer, a class apart from Average Adjusters and Surveyors and we were surprised to hear from Mr. A.R. Yusuf that he had never heard of a "Ship-valuer". If he has not, let him hear it for the first time from Roskill, J. in the *Medina Express* (previously cited) at p. 385, "the plaintiffs, in support of their case, called the ship-valuer, Mr. Geoffrey Cook." Then his evidence was summarised and Roskill, J. accepted his evidence on the sound value of the vessel. In the absence of any evidence of such height and stature what else the Admiralty Court could do but to accept the mere word of mouth yet unchallenged evidence of P.W.1? We therefore find that the

Admiralty Court committed no illegality in finding, in the facts, circumstances and evidence of the present case, that the market value of the vessel on the expiry of the policy was U.S. \$ 22,25,000. Our finding on the third ground of leave is therefore evenly distributed between the appellant and the respondent, the latter being the ultimate gainer.

But that does not help the plaintiff-respondent, because the fourth and last ground on which leave has been granted stands in its way of affirming the decree that it obtained in the Admiralty Court. Before the consideration of the last ground Mr. Ajmalul Hossain made a last-ditch attempt to save the Admiralty Court's decree in full by making the submission that even though the impugned judgment falls short of giving a specific finding that the vessel was an actual total loss, there are suggestive findings and observations to that effect which he read out. Mr. Yusuf on the other hand relied upon section 57 of the (English) Marine Insurance Act, 1906 which reads as follows:-----

"57. Actual total Loss.--- (1) Where the subject-matter insured is destroyed, or so damaged as to cease to be a thing of the kind insured, or where the assured is irretrievably deprived thereof, there is an actual total loss.

(2) In the case of an actual total loss no notice of abandonment need be given".

and then submits that no such finding has been made by the Admiralty Court. We accept the submission of Mr. Yusuf on perusal of the portions of the judgment relied upon by Mr. Hossain. Mr. Hossain submits that if actual total loss is accepted, which this Court has the liberty to find, in spite of non-filing of a cross-appeal by the plaintiff, then the Admiralty Court's decree will stand, taking US \$ 22,25,000 to be the market value of the vessel. That possibility is foreclosed by our finding to the impugned

judgment contains no element of finding under section 57.

The last ground of leave was that although the plaintiff claimed from the defendant US \$ 7,90,000 as unrepaired damage by Exh. 1(14) dated 31-1-1987, the Admiralty Court wrongly decreed the suit for US \$ 16,20,000. The purport of this ground is that under clause of the Time Clauses the claim cannot exceed the reasonable cost of repairs, which, according to the plaintiff's own showing, was only US \$ 7,90,000 and therefore no amount exceeding that sum could have been decreed.

Mr. Ajmalul Hossain submits that had the defendant accepted the plaintiff's claim as made on 31-1-1987, that would have been the end of the matter, but since the defendant refused, the plaintiff upon better advise was entitled to claim a higher amount, as it did not in paragraph 16 of the plaint. P.W.1 stated in his evidence that the cost of repair as detailed in paragraph 16 of the plaint would come to US \$ 1.81 million after deducting the scrap value. The Admiralty Court accepted the evidence of P.W.1 in full, without however giving a specific finding on the reasonable cost of repairs, and

since the reasonable depreciation of the vessel found by the Admiralty Court at US \$ 16,20,000 was lower than the reasonable cost of repairs at US \$ 1.81 million, there was no necessity to measure the reasonable cost of repairs, no issue was framed thereon, the defendant, too, did not urge before the Admiralty Court to make an exercise of this kind and therefore the decree cannot be frustrated by making a maiden exercise of this kind at the appellate stage.

As we observed before the reasonable cost of repairs is the second higher water-mark in measuring the indemnity in respect of unrepaired damage. This is a necessary and inevitable exercise, unless the parties had already arrived at a negotiated figure. The plaintiff is entitled to inflate its claim if a lower amount claimed earlier before filing the suit is rejected by the insurer. But the plaintiff has the burden of proving each and every item of this inflated claim. Again, a convenient mode of such proof is by procuring a report from an approved ship-repairer (we hope that the parties have heard of them) whose hypothetical estimates

(because the vessel has not been repaired) may have to be proved in Court, if challenged. The plaintiff has only listed 22 items of repair in paragraph 16 of the plaint without any supporting report and document, except in respect of one item, and contrary to Mr. Hossain's submission, we do not find that the Admiralty Court has accepted specifically anywhere in the judgment the assertion of P.W.1 with regard to his claims under paragraph 16 of the plaint. It was necessary for the Admiralty Court to do this exercise, under issue no. 4 ("Would there be any claim for unrepaired damage? If so, when and what will be the measure of indemnity?") and since the Admiralty Court to frame a specific issue on this point and retry the matter.

But our task has been made easier by the readiness of the appellant to consider the respondent's claim item by item in paragraph 16 of the plaint. Except a few items, the plaintiff's claim to the extent of U.S. \$ 5,16,662, as against the plaintiff's total claim of U.S. \$ 18,21,000, stands accepted by Mr. Yusuf, apparently under

Item No.	Head of Claim	Amount claimed by the plaintiff in US \$	Amount admitted by defendant in US \$	We allow in US \$
1.	Towing charge from Chalna to Singapore	1,00,000	1,00,000	1,00,000
2.	Cost of Rudder and Rudder Stock	98,000	98,000	98,000
3.	Cost of Dry Docking	1,40,000	1,40,000	1,40,000
4.	Since Rudder could not be made available on the spot had to give order and consequent supply eventually would have taken time for 80 days, 15 days, 104 days, @ 2800 per day	2,91,000	Nil	Nil
5.	Cost of Bunkers D.O 1.5 tons per day @ 295x142.5 L.O. p/day @ 900x95 days	50,112	Nil	25,000
6.	Chalna Port Tug charges	99,758	99,758	99,758
7.	Singapore expenses	15,000	Nil	Nil
8.	Temporary Repair at Chalna	15,000	15,000	15,000
9.	Superintendent's traveling (Dhaka/Khulna/Dhaka)	350	350	350
10.	Superintendent's Hotel Expenses at Khulna	300	300	300
11.	Daily allowance for 10 days for Superintendent	800	800	800
12.	Owner's expenses towards traveling Hotel and extra	2,000	Nil	2,000
13.	Agent's expenses at Chalna Including Commission	5,000	Nil	5,000
14.	Superintendent's traveling Air fair (Dhaka/Singapore/Dhaka)	563	563	563

15.	Superintendent's Hotel charges for 15 days	750	750	750
16.	Superintendent's daily allowance for 15 days	1,000	1,000	1,000
17.	Communication expenses	10,000	Nil	5,000
18.	Lloyd's Fee	10,000	10,000	10,000
19.	General expenses	50,000	50,000	50,000
20.	Bunkers after repairs	28,000	Nil	Nil
21.	Revenue loss arising out of casualty/damage leading to scrap of the vessel, informatively (sic) if there would have been no casualty/damage we would employ the vessel for next 5 years and thereby we would have earned a net revenue at the rate of US \$ 800.00 per day, total (1825 days plus 30 days) = 1905 days US \$ 800.00 per day	15,24,000	Nil	Nil
22.	Lloyd's register of shipping Tk. 4500	141	141	141
		24,42,174 (sic) Less Scrap 6,10,000	5,16,662 Less Policy Deductible 20,000	5,53,662 Less Policy deductible 20,000
		18,32,174 (sic) Claiming 18,21,000	4,96,662	5,33,662 Plus Costs at 10 % 53,366
				5,87,028

instructions from his client. Mr. Ajmalul Hossain has made elaborate submissions on the admissibility of the items now rejected by the appellant. The position, thus, including our own decision is best illustrated by the following chart: ---

We have sustained the appellant's rejection of the claim on item Nos. 4 and 21, because we do not think that these items are recoverable under a Marine Hull Policy. Mr. Hossain's submission that these items fall under insurance "against loss damage liability or expense in the proportions and manner hereinafter provided in the Schedule" contained in the policy is self-defeating, because the subject – matter insured is "Hull and Materials; Engines and Machinery and everything connected therewith" and the words "everything connected therewith" have to be read ejusdem generic with the preceding words.

The waiting time for purchase of rudder and revenue loss arising out of the accident are not of the same kind as loss, damage, liability or expense connected with Hull and Materials, engines and machinery. They are for damages than in the nature of reasonable cost of repairs, Mr. Hossain has invoked sections 73 and 124 of the Contract Act to justify the inclusion of these two items. The remedy under those sections of the Contract Act lies in the Civil Court, if at all, not under the Admiralty Jurisdiction on a Marine Hull Policy.

We have allowed cost of bunkers in item 5 partially, because in paragraph 20 of the written statement, the defendant acknowledges, referring to the plaintiff's claim of US \$ 7,90,000 dated 31-1-1987, that except for a claim of US \$ 3,38,000 "the claim for any other allowance would not be allowed to be added with the

aforesaid sums excepting crew wages and bunkers consumed during removal of the vessel from Chalna to a Suitable repair port and port charge at the suitable port". To keep the auxiliary engine of the vessel in operation for purpose of light, heat and communication with the towing vessel, bunker charges before repair are admissible, as we so find in the Medina Princess (previously cited). We, however, do not allow the full amount of US \$ 50,112 claimed on this item, as the plaintiff has failed to furnish any backup evidence for the same. We allow US \$ 25,000 on this item on a hypothetical basis. We, however, do not allow the plaintiff's claim in respect of item No. 20, bunkers after repairs, as there is no explanation why bunkers will needed after repairs so as to include it within reasonable cost of repairs.

We are not allowing the claim in

has to go to the port of repair to oversee the repair work and the agent's expenses and commission at Chalna are rightful expenditures in connection with repair.

In the Medina Princess case (previously cited), communication expenses have been allowed and we are allowing the same, but instead of US \$ 10,000, as claimed in item No. 17, we are allowing a hypothetical sum of US \$ 5,000.

Thus on admission by the appellant and on consideration on the submissions of both sides on the items not admitted by the appellant, we find that the gross reasonable cost of repairs comes to US \$ 5,53,662. Deducting the policy deductible sum of US \$ 20,000 therefrom, the net cost comes to US \$ 5,33,662. As this amount is lower than the reasonable depreciation figure of US \$ 16,20,000

decreed by the Admiralty Court, we hold that the decree should be modified and the plaintiff will be entitled to US \$ 5,33,662 as reasonable cost of repairs.

The plaintiff claimed for unrepaired damage, by letter dated 31-1-1987, but the defendant plainly refused to pay the same. It is only now that the defendant admits that the plaintiff is entitled to the reasonable cost of repairs and as such we hold that the defendant-appellant should be held responsible for costs which we assess at 10 % of the reasonable cost of repairs, viz. US \$ 53,366.

Mr. Asrarul Hossain winding up the respondent's case in his brief submission has prayed for awarding interest. Interest was specifically prayed for in the plaint and specifically refused by the Admiralty Court. The respondent filed no cross-

appeal. Hence the prayer is rejected.

The appeal is allowed in part. The decree passed by the Admiralty Court for US \$ 16,20,000 is modified and the suit is decreed for an amount of US \$ 5,87,028 including cost to the plaintiff-respondent which we assess at US \$ 53,366.

Order Accordingly

**This case was published
in the Insurance Journal
Oct, Nov, Dec 1998.**



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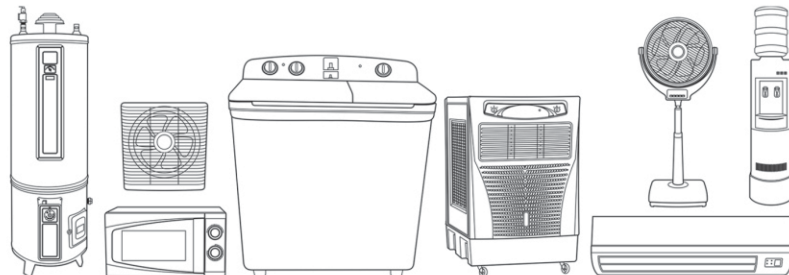
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