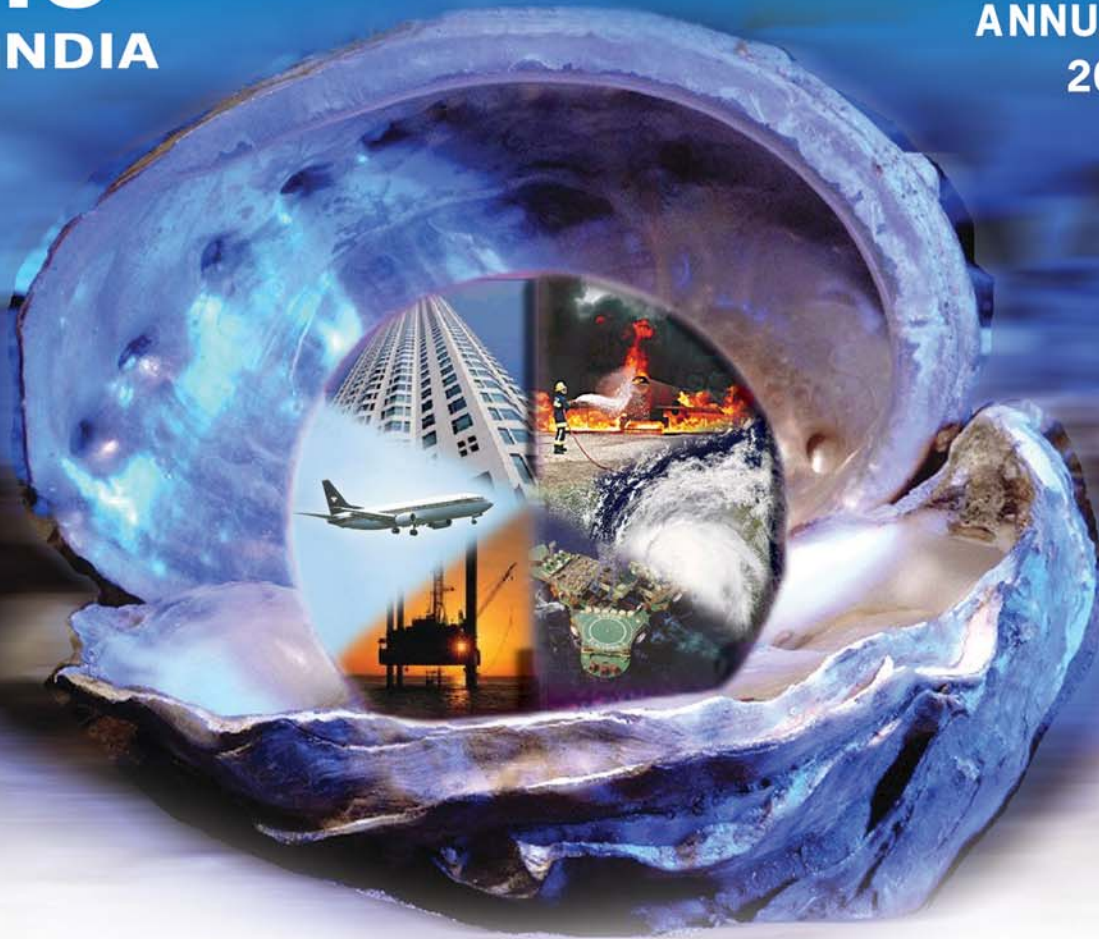


**GIC
OF INDIA**

**32nd
ANNUAL REPORT
2003-04**



आपत्काले रक्षिष्यामि

General Insurance Corporation of India



General Insurance Corporation of India

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CORPORATE INFORMATION

DIRECTORS

Shri P.C. Ghosh	Chairman
Shri P.B.Ramanujam	Managing Director
Shri G.C. Chaturvedi	
Shri S.B. Mathur	
Dr. Dalbir Singh	(upto 25.9.2003)
Shri V. Leeladhar	(w.e.f. 31.10.2003)
Shri H.S. Wadhwa	
Shri A.K. Purwar	

MANAGEMENT

Chairman	Shri P.C.Ghosh
Managing Director	Shri P.B. Ramanujam
General Managers	Shri M.Raghavendra Shri R.K.Joshi Shri P.K. Mor Shri B.P. Deshmukh (G.M. & Co. Secretary)
Financial Advisor	Shri Ami Lal Meena
Chief Vigilance Officer	Shri K. Sridhar
Assistant General Managers	Smt. Bhagyam Ramani Shri G.Krishna Rao Smt. Sushila Venkatraman Shri Gulam Muntaqua Shri R. Chandrasekaran

AUDITORS

M/s K.S.AIYAR & CO.,
Chartered Accountants,
Janmabhoomi Bhavan,
4th floor, Janmabhoomi Marg,
Fort, Mumbai – 400 001.

BANKERS

Bank of India
Central Bank of India
State Bank of India

REGISTERED OFFICE

“Suraksha”, 170, J.Tata Road,
Churchgate, Mumbai – 400 020.



BOARD OF DIRECTORS



*P.C. Ghosh
Chairman*



*P.B. Ramanujam
Managing Director*



*G.C. Chaturvedi
Director*



*S.B. Mathur
Director*



*A.K. Purwar
Director*



*V. Leeladhar
Director*



*H.S. Wadhwa
Director*



MANAGEMENT



*P.C. Ghosh
Chairman*



*P.B. Ramanujam
Managing Director*



*M. Raghavendra
General Manager*



*R.K. Joshi
General Manager*



*P.K. Mor
General Manager*



*B.P. Deshmukh
General Manager
& Company
Secretary*



*K. Sridhar
Chief Vigilance Officer*



*A.L. Meena
Financial Advisor*



*Bhagyam Ramani
Assistant General
Manager*



*G. Krishna Rao
Assistant General
Manager*



*Sushila Venkatraman
Assistant General
Manager*



*Gulam Muntaqua
Assistant General
Manager*



*R. Chandrasekaran
Assistant General
Manager*

NOTICE

NOTICE is hereby given that the 32ND ANNUAL GENERAL MEETING of the Members of the GENERAL INSURANCE CORPORATION OF INDIA will be held at the Registered Office of the Corporation at “Suraksha”, 170, J. Tata Road, Churchgate, Mumbai - 400 020, on Friday, the 23rd day of July, 2004 at 3 p.m. to transact the following business:

Ordinary Business

1. To receive and adopt the Directors' Report and Audited Statements of Account for the year ended 31st March, 2004.
2. To declare dividend on equity shares.
3. To fix remuneration of auditors for the year 2004-2005.

For and on behalf of the Board

B. P. Deshmukh
Company Secretary

Registered Office:
“Suraksha”,
170, J. Tata Road,
Churchgate,
Mumbai – 400 020
Dated : 19th July, 2004

Note :

1. A member entitled to attend and vote at the Meeting is entitled to appoint another person, whether a member or not, as his proxy to attend the meeting and vote thereat instead of himself.
2. The instrument appointing a proxy or other authority, if any, can be deposited at the Registered Office of the Corporation, not less than 48 hours before the time for holding the meeting.

**DIRECTORS' REPORT**

To the Members,

The Directors have pleasure in presenting the Thirty Second Annual Report on the working and affairs of the Corporation and the audited statements of account for the year ended 31st March, 2004.

FINANCIAL RESULTS:

The highlights of the financial results for the year under review are as under:

	(Rs in Crores)		(Rs in Crores)	
	2003-04	2002-03	2003-04	2002-03
1. Net Premium	4162.98	3832.79		
2. Net Earned Premium	3991.79	3186.33		
3. Net Incurred Claims	2895.36	2744.40		
	72.53%	86.13%		
4. Net Commission	1071.64	909.01		
	26.85%	28.53%		
5. Operating Expenses and Other Outgo less Other Income	42.15	21.91		
	1.06%	0.69%		
6. Investment Income Apportioned to Revenue less expenses	860.76	578.03		
7. Total Profit/Loss(-) (2+6-3-4-5)	843.40	89.04		
	21.13%	2.79%		
8. Interest, Dividends and Rents (gross)	491.67	371.18		
9. Other Income less Other Outgo	0.30	35.20		
10. Reserve for Doubtful Debts and Investment incl. Amortisation of Investments Written off	58.46	114.47		
11. Investments in erstwhile subsidiaries written off			-	38.05
12. Profit before Tax (7+8+9-10-11)			1276.91	342.90
13. Income-tax Deducted at Source and Provision for tax incl. deferred taxes			239.29	81.43
14. Profit after Tax (12-13)			1037.62	261.47
15. Amounts Written back			-	20.19
16. Profit available for appropriation (14+15)			1037.62	281.66
17. Balance of profit b/f from previous year			0.03	0.03
18. Proposed Dividend incl. Dividend tax			72.77	53.36
19. Transferred to General Reserves			964.80	228.30
20. Balance of Profit carried forward (16+17-18-19)			0.08	0.03

(Net Earned Premium is arrived after adjustments for Reserve for Unexpired Risks)

(Percentages relate to the net earned premium of the corresponding year)

PROPOSED DIVIDEND

The directors recommend declaration of dividend at the rate of 30 % for the year under review amounting to Rs. 64.50 crores, as against Rs.47.30 crores at the rate of 22% in the previous year. An amount of Rs. 8.27 crores has also been provided as dividend distribution tax on the dividend declared during the year.

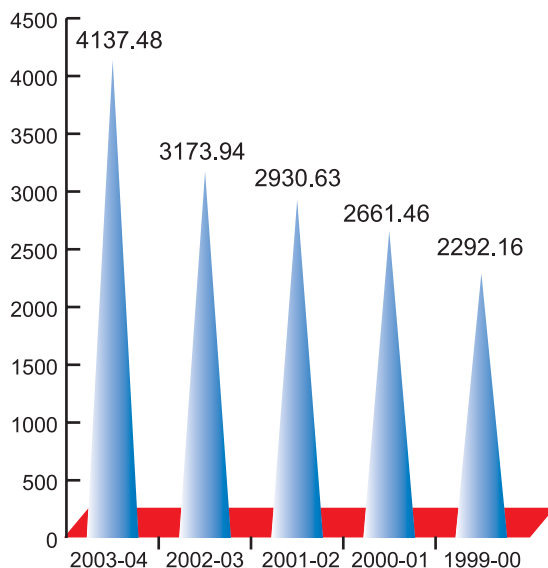
CAPITAL AND FUNDS

Capital and funds of the Corporation stood at Rs 10558.61 crores as on 31st March, 2004 as against Rs 9073.64 crores in the previous year, the details of which are given below:

(Rs. in Crores)

	As on 31.03.2004	As on 31.03.2003
Shareholders' Funds		
Paid up Capital	215.00	215.00
General Reserve	3917.11	2952.90
Deferred Tax Liability	5.29	6.01
Profit & Loss Account	0.08	0.03
	4137.48	3173.94
Policyholders' Funds	6420.55	5899.12
Other Funds	0.58	0.58
Total Funds	10558.61	9073.64

■ Net Worth (Shareholders' Funds) for the last 5 years (Rs. in Crores)



ASSETS

Total assets of the Corporation increased to Rs 16441.13 crores as on 31st March, 2004 from Rs.11695.11 crores as on 31st March, 2003.

INVESTMENTS

The year 2003-04 was marked by good performance in all the sectors of the economy. While equity market has been rewarding, yield on debt instruments moved in narrow range due to excess liquidity throughout the year.

Inspiring performance of the equity capital market was fully captured by the Corporation's portfolio with the growth of 50% in its market value.

The total investments of the Corporation in India, (representing investments & loans made in India) during the year 2003-04 amounted to Rs. 12927.41 crores as against Rs. 8622.98 crores in the previous year. Total investment income of the Corporation including profit on sale of investments/securities amounted to Rs. 1342 crores as against Rs. 949.88 crores for the previous year. As per accounting regulations, the income was apportioned between revenue and profit/loss accounts.

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (IRDA)

The Corporation being a Reinsurance Company, its working and functions, are governed by the Insurance Regulatory and Development Authority (IRDA). The Corporation's existing paid-up equity capital of Rs.215 crores conforms to the specifications of the IRDA. The accounts of the Corporation are drawn up according to the stipulations prescribed in the IRDA (Preparation of Financial Statements and Auditor's Report), Regulations, 2002.

AGRICULTURE INSURANCE COMPANY OF INDIA LIMITED

As stated in the last year's report, the new company registered under the Companies Act, 1956 called "Agriculture Insurance Company of India Limited" (AICIL) was set up to carry on Crop Insurance Business, with a paid up share capital of Rs 200 crores.

This company was jointly promoted by the Corporation in collaboration with NABARD and the four erstwhile subsidiary companies of the Corporation namely National Insurance Co. Ltd., The New India Assurance Co. Ltd., The Oriental Insurance Co. Ltd. and United India Insurance Co. Ltd.



The Corporation holds 35% equity of AICIL and NABARD holds 30% while the balance is held equally to the extent of 8.75% by the four public sector insurance companies. The assets and liabilities of various crop cells and Central Crop Insurance Department(CCID), Delhi was transferred to the new company based on the balances appearing in the audited books of accounts as on 1st April, 2004.

PERSONNEL AND INDUSTRIAL RELATIONS:

The particulars of remuneration payable to the employees in terms of Section 217(2A) of the Companies Act, 1956 are annexed in a separate statement.

The staff position in the Corporation as on 31st March, 2004 is as follows:

Class I	284
Class III	181
Class IV	66
Total	531

The relations between the management and employees were cordial. During the year meetings were held with unions/associations with the object of addressing issues concerning employees.

WELFARE OF SC/ST/OBC

In consonance with the National Policy on reservation for SC/ST & OBC, GIC has framed rules accordingly which

allow reservations and concessions/relaxation for SC/ST and OBC in recruitment and promotion wherever applicable. Special coaching classes for SC/ST employees are held in order to enable them to acquire knowledge so that they will be able to give a better account of themselves in written test and interview.

Dr. Ambedkar Welfare Trust of GIC has been established during the centenary year of Dr. B.R. Ambedkar. On behalf of the Trust, additional coaching classes apart from the regular coaching classes are also arranged for SC/ST & OBC employees who appear for written test for promotion to the cadre of Asst. Admn. Officer. Various other welfare schemes are also implemented by the Trust for the benefit of the SC/ST and OBC employees.

BOARD OF DIRECTORS

Dr. Dalbir Singh, Chairman, IBA and CMD, Central Bank of India ceased to be a Director of the Corporation w.e.f. 25.9.2003 as per terms of his appointment order.

The Directors wish to place on record the co-operation received from Dr. Dalbir Singh, during his tenure as Director on the Board.

Shri V. Leeladhar, Chairman, IBA and CMD, Union Bank of India was appointed as Director of the Corporation w.e.f. 31.10.2003.

The statement showing the Board Meetings attended by the Directors are reflected in table given below:

STATEMENT SHOWING NUMBER OF BOARD MEETINGS ATTENDED BY THE DIRECTORS DURING THE PERIOD APRIL 2003- MARCH 2004.

Name of Director	Dates of Meetings				
	18.06.2003	03.09.2003	30.09.2003	30.12.2003	22.3.2004
Shri P.C. Ghosh	Present	Present	Present	Present	Present
Shri G.C. Chaturvedi	Present	Present	Present	Present	Absent
Shri. A.K. Purwar	Present	Present	Absent	Present	Present
Shri V. Leeladhar	Not on Board			(*)Present	Present
Shri S.B. Mathur	Present	Present	Present	Present	Present
Dr. Dalbir Singh	Present	Present	Ceased (**)		
Shri H.S. Wadhwa	Present	Present	Absent	Absent	Absent
Shri P.B. Ramanujam	Present	Present	Present	Present	Present

(*) Appointed as Director with effect from 31.10.2003

(**) Ceased as Director with effect from 25.9.2003

FOREIGN EXCHANGE EARNINGS & OUTGO AND OTHER INFORMATION

The particulars of Foreign Exchange earnings/outgo as required by the Companies Act under Section 217(1)(e) is given below:

- i) Earnings Rs.562.34 crores
- ii) Outgo Rs 283.77 crores

The earnings included all receipts denominated in foreign currencies in respect of premium, recovery of claims, outward commission and investment earnings. The outgo comprised all payments in foreign currency in respect of outward premium, claims on reinsurance accepted, commission and expenses of management.

Expenses on (a) Entertainment (b) Foreign Tours and (c) Publicity and Advertisement amounted to Rs.727173/-, Rs 6141240/- and Rs 9151844/- respectively for the year under review.

ADDITIONAL INFORMATION REQUIRED UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

The Company is not engaged in any manufacturing activity and as such there are no particulars to disclose under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 as regards Conservation of Energy or Technology absorption.

IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY OF THE CENTRAL GOVERNMENT

During the year under review, the Corporation maintained the progress in performance and implementation of Official Language Policy of the Government of India and complied with guidelines issued by Ministry.

An inspection was carried out by Officials of Ministry of Home Affairs and they found that implementation of Official Language in the Corporation was found satisfactory.

VIGILANCE

The Corporation has a vigilance set-up headed by a Chief Vigilance Officer, who is in the rank of General Manager.

The Vigilance Department generally aims at preventive and directive vigilance. Vigilance Awareness Programmes were also conducted at officer levels as part of "Vigilance Awareness Week" so as to make employees understand the functioning of the department and the need for proper and preventive vigilance.

INTERNAL AUDIT DEPARTMENT

The Corporation has systems and controls in place which cover almost all areas of operations such as underwriting, investment and finance. For effective check and balance, back office functions are separated from front office operations in sensitive areas.

The Internal Audit Department conducts audit of business transactions from time to time as also reviews the prevalent systems and makes suitable recommendations for consideration of Audit Committee of the Board (ACB). Status of progress on the implementation of approved recommendation by the Audit Committee of the Board is reported to ACB from time to time.

Concurrent audit of investment operations as directed by RBI is conducted by a specially designated Concurrent Auditor and the audit reports are submitted to RBI.

In line with the directives of the Ministry of Finance, Insurance Division, the Corporation has a joint Audit-Vigilance Committee to examine areas prone to corruption based on internal audit findings. The Internal Audit Department is headed by Financial Advisor who is in the rank of General Manager and reports directly to Chairman.

ITMG

The Corporation has an installed base of upgraded hardware infrastructure consisting of industry standard desktop computers, servers and networking equipment. During the year the first phase of the 'Componentized Enterprise Software Architecture(CESA)' project was initiated with a view to redesign the Corporation's computerized framework in line with global standards. Prof. G. Barua, Director, IIT-Guwahati has been appointed as Consultant to facilitate the process.



TRAINING/HRD

Training was imparted to all levels of employees both internally and externally. Upgradation of skills was undertaken in insurance and non-insurance topics for officers and staff alike. The services of College of Insurance as well as NIA were availed for this purpose.

OVERSEAS OPERATIONS

The overseas operations of the Corporation is limited to participation in the share capital of joint venture/associate companies viz: Kenindia Assurance Company Ltd. in Kenya and India International Insurance Pte.Ltd. in Singapore. During the year under report, the Corporation also participated by subscribing to 30% holding in the initial share capital of LIC (Mauritius) Offshore Ltd., a joint venture company promoted by LIC of India at Mauritius. This newly promoted Company has recently started its business operations.

KENINDIA ASSURANCE CO.LTD., KENYA

The Kenindia Assurance Company Ltd., Nairobi, Kenya is an associate company of LIC, GIC and the four state-owned Indian non-life insurers. The company celebrated its Silver Jubilee in 2003 and in the process expanded its wings in the region by launching a subsidiary company in Tanzania viz: Tanzindia Assurance Company Limited where it holds 65% stake.

In the year 2003, the Company recorded a modest growth in its premium as a result of selective underwriting. The total gross premium of the Company (non-life) during the year amounted to Kshs.2408.68 million as against Kshs. 2350.70 million in 2002, a modest growth rate of 2.46%. The long term (life) recorded a gross premium income of Kshs.527.39 million as against a premium income of Kshs. 585.09 million in 2002. During the year, the Company issued bonus shares @ three shares for every twenty-three shares held. The Company maintained the dividend of 10% for the year.

INDIA INTERNATIONAL INSURANCE PTE.LTD., SINGAPORE

India International Insurance Pte.Ltd., had a share capital

of S\$ 25 million held by the Corporation and four state-owned Indian non-life insurers (20% each).

The Company wrote a gross premium of S\$ 163.48 million during the year 2003 as against S\$120.92 million written during the preceding year, thereby registering a growth of 35.20%. The net retained premium registered a growth of 5.08%, from S\$ 56.94 million in 2002 to S\$59.83 million in 2003. The net profit of the Company increased from S\$ 11.82 million in the previous year to S\$ 12.68 million for the year 2003. The Company paid a dividend of 7.5% net of tax for the financial year 2003.

DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that:

1. In the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanations relating to material departures;
2. Appropriate accounting policies have been selected and have applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Corporation at the end of the financial year 2003-04 and of the profit or loss of the Corporation for that period;
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Corporation and for preventing and detecting fraud and other irregularities;
4. The annual accounts have been prepared on a going concern basis.

AUDITORS

M/s K.S. Aiyar & Co., Chartered Accountants were appointed as Auditors to audit the accounts of the Corporation for the financial year 2003-04 by the

Comptroller & Auditor General of India under Section 619 of the Companies Act, 1956.

SUBMISSION OF ACCOUNTS BEFORE PARLIAMENT:

As confirmed by the Ministry of Finance, Insurance Division, the Annual Report of the Corporation for the year 2002-03 along with Directors' Report were placed before both the Houses of Parliament under Section 619(A) read with 619(B) of the Companies Act, 1956 as per details given below:

In LOK SABHA & RAJYA SABHA on 23rd December, 2003

ACKNOWLEDGEMENT:

The Board places on record its deep appreciation of the agents, brokers, staff and officers of the Corporation for

their valuable contribution in achieving its plans and goals. The Directors are thankful for the guidance and support extended by Ministry of Finance, IRDA, and Principal Director of Commercial Audit and Ex-Officio Member, Audit Board- I, Mumbai.

For and on behalf of Board

P.C.Ghosh
Chairman

30th June, 2004.
Pune.

**SEC. 217 (2A) (B) (ii) OF THE COMPANIES ACT, 1956
READ WITH COMPANIES (PARTICULARS OF EMPLOYEES)
RULES 1975 FOR THE YEAR ENDED 31 MARCH, 2004.**

Sr. No.	Name of the Employee	Designation	Remuneration * Rs.	Age	Qualification	Date of Commencement of Employment	Last Employment
1.	Shri R. Chandrasekaran	AGM	29,24,848.96	51	B.Com., CAIIB, FII	19.06.1978	Private Sector
2.	Shri J. Augustine	Manager	16,64,967.82	51	M. Com., LL.B., FII.	19.06.1978	Private Sector

* Including Gross Salary, Gratuity, Leave Encashment, Co.'s Contribution to Provident Fund and Mediclaim including all other perquisites i.e. Accommodation, LTS and reimbursement of expenses.

MANAGEMENT'S DISCUSSION & ANALYSIS REPORT

INTRODUCTION

At the end of 2003, reinsurance market looked likely to consolidate the gains and other positive aspects which characterized the preceding year. The technical results of reinsurance operations worldwide continued their positive developments leading to greater prospects of stability in the coming years. The inability of certain reinsurers to generate sufficient profits led to downgrading of many a reinsurer in the past year. Insurance companies are expected to place their reinsurance placement decisions on the financial strength rating of the reinsurance companies. These circumstances are producing a redistribution of reinsurance market shares leading to a rise of certain companies and decline of others, who have not been able to maintain adequate levels of results and solvency rating.

The year ending 31st March, 2004 being the third year of the Corporation's operations as an Indian reinsurer, saw a further consolidation and restructuring of the portfolio to suit the external business environment. The Corporation continued to increase its exposures in the international reinsurance market to its advantage, aided by a combination of sound ratings, rising awareness of the Indian Market and adequate solvency levels. The Corporation also maintained focus on the Indian market capitalizing on its core competence and inherent strengths.

The World Trade Centre losses of 2001 gave rise to a hardening market and the resultant shrinkage of capacity. GIC took the opportunity to procure businesses which would have been normally difficult to tap and emerged as a reliable and financially sound business partner particularly amongst Afro-Asian Markets. The future horizons look bright for the Corporation to set its goals higher.

The global economic environment was characterized by tepid economic growth in developed markets, falling interest rates, rising inflation fuelled by commodity prices and the continued weakening of the dollar. Stock indices continued to climb worldwide albeit with rising volatilities. However this resulted in improved yields on investment portfolios of insurers/re-insurers worldwide thereby improving returns.

The Indian economy, continued to be on a strong wicket with robust fundamentals. This was characterized by very strong growth in GDP due to good monsoons, current account surplus for a second year in succession, surging forex reserves of over US \$110 billion, inflation under control and the rising importance of India as a major provider of services. The Indian Insurance Industry is showing an impressive growth rate of 15% per annum and this could result in doubling of the premium base within a short period. However the competition in the industry benefitted the corporate sector which could get premium protection at reduced rates with extra benefits. This situation is expected to accentuate further with the proposed de-tariffing coming from 2005, starting with Motor. Motor Third Party continued to bleed and will continue to do so till realistic premiums are charged to cover the risks.

INDIAN ECONOMY- MACRO ECONOMIC OVERVIEW:

The Indian economy witnessed considerable economic acceleration in FY 2003-04. The key growth drivers were agriculture, improvement in infrastructure index, improved credit offtake with emphasis on retail lending. The international economic environment was also favourable for increased exports of goods and services. Preliminary estimates from the Central Statistical Organisation estimate GDP growth for FY 2003-04 at 8.1%, the highest in the last 5 years.

India's challenge will be to sustain the growth momentum by enhancing manufacturing quality, maintain its eminent position as a service provider especially in IT and allied sectors, improve agricultural outputs and rural incomes and to strengthen infrastructural facilities thereby ensuring all round economic development. This has been reiterated by the policy statements of the new government, which has favoured continuity with growth.

INDIAN INSURANCE REVIEW:

In the year under review, further amendments on the regulations pertaining to investments amongst others were

brought about by the Regulator (IRDA). The Mukherji Committee report on Brokers & Intermediaries was also brought out. The said report proposes scrapping of the composite license (direct & reinsurance) so as to avoid conflict of interests and market dominance.

The non-life general insurance industry, including the four public sector insurers grew at a rate of 15% for the year under review. The new private sector players increased their total market share to 15%, mainly concentrating on the lucrative property segment and not covering segments which were non-profitable such as motor. The concentration of insurers on profitable segments and competition amongst the same to grab profitable business resulted in low premiums. This also shrunk the premiums ceded for reinsurance, coupled with higher costs for reinsurance protection has shrunk margins. On one hand, the Corporation could offer its capacity to new players and attract good business, but on the other hand its margins were reduced because of increased costs and low premiums. Motor business is still not profitable, due to increasing third party claims and will continue to do so, till premiums are revised or a cap on liability is fixed.

OPPORTUNITIES

The Corporation took advantage of the competitive conditions to increase reinsurance support by participating/leading the reinsurance treaties of the players and also by extending facultative support. The Corporation also developed vertical capacity to cover a risk up to Rs 1500 Cr PML for the benefit of the Indian Market. GIC also diversified its operations and is accepting new lines like life reinsurance/financial reinsurance to avail of the new opportunities.

LIFE REINSURANCE

The Corporation has commenced full-fledged life reinsurance operations with effect from 1st April, 2003. A separate department has been set up with underwriting and technical assistance from a consulting appointed Actuary and a Chief Medical Officer. Treaties have been entered

into with domestic as well as overseas players. On the domestic front, GIC has been in dialogue with one of the new players to cover their group products. Efforts are on to forge relationships with new players on the domestic fronts in order to attract new business. The Corporation has taken a small step forward in this area and looks to expand its operations in this area. During the year we have sent our officials to neighbouring countries to seek business. Results are quite encouraging. Inward requests for reinsurance support have been received from Asian and African countries and are being looked into. We have also received good amount of enquiries for inward business during interactions with representatives from various countries during the ICDC Conference organized by the Corporation in New Delhi.

REVIEW OF PERFORMANCE

Reinsurance Programme for Indian Business

Since 2001-02 GIC has purchased reinsurance protection for its Net Account. Being the “Indian Reinsurer” GIC has also given support to the four Indian companies and the eight private companies. The GIC’s Reinsurance Programme has been designed accordingly keeping the following objectives:

1. optimizing the retention within the country
2. developing adequate capacity

Marine Hull Pool continues to operate with GIC as the Manager. In the aftermath of WTC loss of September 11, in USA insurance cover for Terrorism Risk has been withdrawn in the reinsurance market. To fulfill this urgent need of the Indian Market, GIC with active guidance from IRDA and support from the companies, have created a Terrorism Pool with a capacity of Rs. 200 crores per risk. With effect from 01.04.2004 the capacity has been increased to Rs. 300 crores.

During the year three major losses have been reported for the year ending 31st March, 2004; viz. Fire at Flex Industries, Noida, Uttar Pradesh where the total estimated loss is Rs. 65 crores and GIC's share is estimated at Rs. 26 crores. Another fire loss is at Gujarat Narmada Fertilisers where

the total loss is estimated at Rs. 65 crores and GIC's share is Rs. 39 crores Gujarat State Energy loss of Rs. 50 crores and GIC's share comes to Rs. 26 crores. These losses have not triggered GIC's Marine and Non-Marine XL protection covers for 2003-04.

There were no catastrophe losses during 2003-04.

As in the past, GIC had extended extensive reinsurance support to the Indian Market by participating/leading their treaties and also extending facultative support. GIC's Reinsurance Programme adequately protects the various exposures from the market.

GIC has developed vertical capacity to cover a risk upto Rs. 1500 crores PML for the benefit of Indian Market. Besides this, GIC has also availed of a new cover known as the Peak Risk Facility where mega policies after cessions to various automatic arrangements are ceded automatically to this facility. This increases the capacity of GIC to Rs. 3000 crores PML thereby increasing capacity. This will help cover mega risks, expected to come up in the near future.

Since aggregate exposures for each Area/State is not available, GIC has purchased an additional earthquake perils protection for Rs. 500 crores effective from 1.10.2003.

GIC had successfully organized the XIV Insurance Congress of Developing Countries (ICDC) from 7th March to 10th March, 2004 in New Delhi, India where nearly 300 delegates from Africa, Asia, Middle East and some European countries attended the Conference. GIC has also got the mandate to organize the FAIR (Federation of Afro-Asian Insurers & Reinsurers) Summit in Mumbai in September 2005 and it is expected that the event will be as successful as the one in New Delhi earlier.

Foreign Inward Treaty and Facultative Business

During 2003-04, it was noticed that the rates in the reinsurance market were softening when compared to 2002-03 which was due to the effect of WTC attack of September 2001. Although the rates had softened, major reinsurers continued to impose restrictions on the cover provided by them.

The Corporation continues to surge ahead and consolidate its position as a lead reinsurer in the Afro-Asian region. Exploiting the market conditions and capitalizing on the strong combination of its strengths viz. impressive Net Worth, "A" security rating by AM Best, well placed excess of loss protection and business development strategies, the Corporation ensured that it's lead reinsurer status is well maintained.

The portfolio did not have involvement in any large risk or catastrophe losses during year 2003-04.

GIC continues to lead the Reinsurance Programmes of companies in Maldives, Kenya, Nepal, Malaysia, Mauritius, Middle East, Africa and Sri Lanka.

To make its impact felt in the international insurance and reinsurance market, GIC had deputed a number of officials to attend conferences in Middle East and Africa. A number of officials also undertook various marketing tours for the purpose of increasing our foreign inward business.

The Asian Reinsurers Summit for the year 2003 was hosted and organised by GIC in Goa from 14th to 17th September, 2003. The purpose of the summit is to increase interaction and co-operation amongst the Asian Reinsurance Companies.

Our London and Moscow representative offices have made GIC's presence known in these areas.

AVIATION BUSINESS

During the year under review, GIC had extended increased reinsurance capacity to the Indian and International Aviation markets. Due to increased acceptance of business and better retrocession arrangement there has been a considerable increase in premiums. GIC also continued to be the leading reinsurer for SAARC Aviation business.

INVESTMENTS

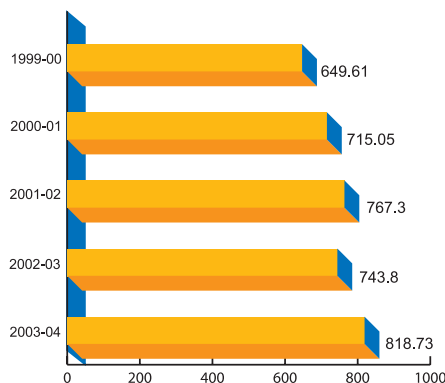
The year 2003-04 was marked by good performance in all the sectors of the economy, primarily led by agriculture and a sharp increase in manufacturing. This had an effect in

the stock markets with the sensex rising from 3048 as on 31st March 2003 to 5590 as on 31st March, 2004. The sensex touched an all time high of 6119 on 9th January, 2004. The main appreciation was in the equities belonging to banks, petroleum and PSU units. The Corporation took advantage of the conditions and realized profits to the extent of Rs. 522.55 crores in the year under review.

The money market conditions were characterized by more than adequate liquidity conditions in 2003-04 arising out of sustained capital inflows, contraction of food credit and easing of monetary conditions. This resulted in yields on debt instruments moving in narrow range due to excess liquidity throughout the year and consequently restricted the yields on debt instruments.

The total investments of the Corporation in India, (representing investments & loans made in India) during the year 2003-04 amounted to Rs. 12927.41 crores as against Rs. 8622.98 crores in the previous year. The Corporation also brought down the percentage of NPA's to advances from 7.3% in the last year to 3.21% in the year under review.

■ Investment-Income (Excluding profit on sale of Investments) for the past 5 years (Rs. in Crores)



CREDIT RATING:

The Corporation was rated as A(excellent) by A.M. Best for the third year in a row. AM Best has also affirmed the stable outlook of the Corporation on the basis of its financial strength, risk adjusted capitalization, business profile and operating performance.

Indian Credit Rating Agency CARE has assigned AAA (In) Claims Paying Ability rating to the Corporation. This reflects the solid financial strength, asset base and prudent underwriting policies.

RISKS AND CONCERNS

Reinsurance business itself is a riskier business than insurance. It is said that “SUNT QUAREDAM REMEDIA GRAVIORA PERICULAE” (Remedies are sometimes worse than the Diseases themselves). Reinsurance is riskier as demonstrated by the fact that IRDA insists on twice the level of entry level capital as against a direct insurer. This is because of various factors such as following the fortunes of the direct insurer, inability to benefit from prompt payment of premiums upfront, running credit risks as their payments are routed through intermediaries, currency fluctuation risks, hazards of blind treaties etc. Further the International Solvency/Claim Paying ability ratings either add or reduce the risks involved with reinsurance as a result of upgradation / downgradation of sovereign ratings. Failure to undertake a proper security analysis can also increase the level of risk undertaken. Newer techniques of risk transfer such as Alternative Risk Transfer(ART), Cat Bonds etc. have certain weaknesses associated with them and could also result in higher than expected losses.

The impending deregulation in terms of tariffs has brought about volatility in margins and returns. Pricing of insurance products have to reflect international trends in order to protect margins.

If “Uberrimae Fidei” (Utmost good faith) is essential in insurance, it becomes much more essential in reinsurance, as the reinsurer can only rely on the perceptions of the insurer in underwriting the risk.

The Corporation is aware of these risks and has put in place an elaborate systems and controls which mitigates the effect of these risks. The risk management system includes a need based protection for the Corporation's acceptance portfolio, retrocession of risks assumed, XL protection for the overall risks assumed(both Indian and Foreign) and a Catastrophe Cover to take care of catastrophic losses.

FINANCIAL RESULTS

The Corporation mainly transacts reinsurance business. The results of Fire, Miscellaneous and Marine Insurance Businesses for the year under review are summarized below: (Rs in Crores) #

	Fire		Miscellaneous		Marine		Total	
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
Net Premium	1365.93	1123.90	2500.88	2446.31	296.17	262.57	4162.98	3832.78
% growth	21.53%	77.0%	2.23%	33.78%	12.79%	26.48%	8.6%	43.48%
Reserve Strain	110.66	279.55	26.94	311.93	33.60	54.98	171.20	646.46
Net Earned Premium	1255.27	844.35	2473.94	2134.38	262.57	207.59	3991.78	3186.32
Net Claims	569.99	388.25	2130.45	2204.17	194.92	151.98	2895.36	2744.40
	45.41%	45.98%	86.12%	103.27%	74.23%	73.21%	72.53%	86.13%
Net Commission	391.45	337.69	610.12	508.79	70.06	62.53	1071.63	909.01
	31.18%	40.00%	24.66%	23.84%	26.68%	30.12%	26.85%	28.53%
Operating Expenses	11.47	9.20	19.41	17.64	2.02	2.28	32.90	29.10
	0.91%	1.09%	0.77%	0.83%	0.76%	1.10%	0.82%	0.91%
Other Outgo	5.90	-1.12	2.21	-3.34	1.14	-2.76	9.25	-7.21
	0.47%	-0.13%	0.09%	-0.16%	0.43%	-1.33%	0.23%	-0.23%
Underwriting Profit/Loss(-)	276.46	110.33	-288.25	-592.88	-5.57	-6.44	-17.36	-488.99
	22.02%	13.07%	-11.65%	-27.78%	-2.12%	-3.10%	-0.43%	-15.35%
Investment Income apportioned to Revenue	176.90	92.03	611.64	437.55	72.22	48.46	860.76	578.03
	14.10%	10.90%	24.72%	20.50%	27.50%	23.34%	21.57%	18.14%
Total Classwise Profit/Loss(-)	453.36	202.36	323.39	-155.33	66.65	42.02	843.40	89.04
	36.12%	23.96%	13.07%	-7.28%	25.38%	20.24%	21.13%	2.79%

Net Earned Premium is arrived at after adjustments for Reserve for Unexpired Risks

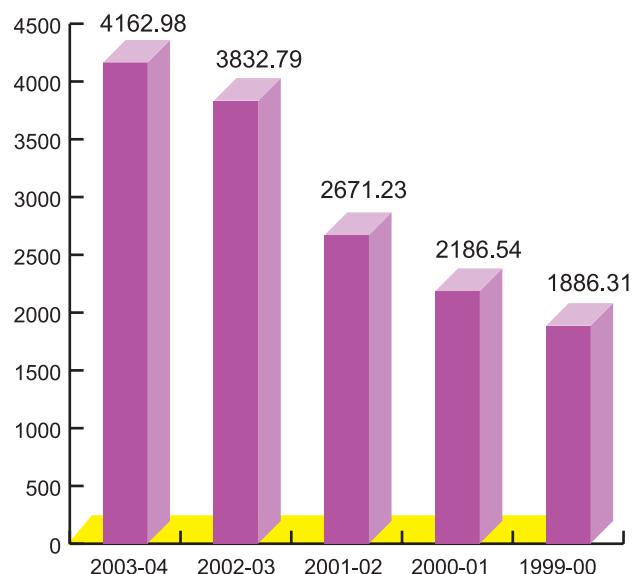
Percentages relate to net earned premium of the corresponding year # 100 Cr=1 Billion, 10 lakh = 1 Million, 1Cr= 100 lakh

Class-wise analysis of results reveal the growth in Fire business portfolio was 21.5%, Misc. business portfolio was 2.2%, while Marine business showed a growth of 12.8%.

The incurred claims in the respective segments of Fire, Misc. and Marine, as a percentage to net earned premiums were 45.4%, 86.1% and 74.2% as compared to 46.0%, 103.3% and 73.2% last year.

Total net premium income of the Corporation recorded a growth rate of 8.6% in the year under review as against 43.5% in the previous year. This is mainly due to the discontinuance of the crop insurance business which was taken over by Agriculture Insurance Company of India Ltd. The premium income of the Corporation consisted of premia accepted under obligatory cessions, other inward reinsurance arrangements by the four public sector insurance companies and the new private insurers and premia on reinsurances accepted from the international market.

■ Growth of Net Premium for the last 5 years (Rs. in crores)

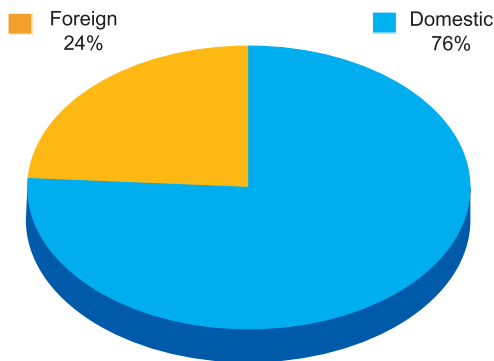


Break-up of Net Premium Income and Net Incurred Claims of the Corporation were as under:

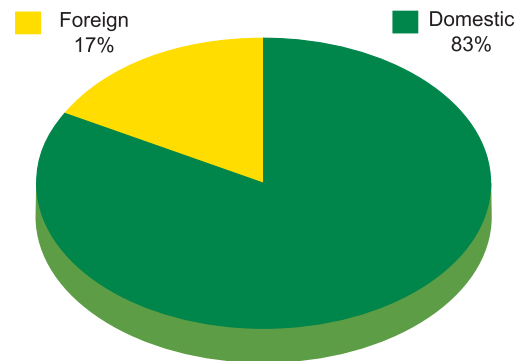
(Rupees in Crores)

Department	Premium		Claims	
	2003-04	2002-03	2003-04	2002-03
Crop	-	369.83	-	429.53
Indian Business	3172.64	2817.33	2396.17	1891.93
Foreign Inward	990.34	645.63	499.19	423.04
Total	4162.98	3832.79	2895.36	2744.50

NET PREMIUM



NET CLAIMS



The overall loss in underwriting operations has sharply come down from Rs.488.99 crores in the previous year to Rs.17.36 crores in the current year primarily due to the year being catastrophic free.

FUTURE OUTLOOK

The Corporation is confident of meeting the future challenges through affirmative action and strenuous efforts

in meeting the corporate objective of becoming a leading reinsurer in the years to come. The Corporation plans to leverage its collective strengths in the Indian Market with the opportunities available in the Foreign Market (Afro-Asian Countries) and its underlying financial strength and capacities to emerge as a major reinsurance player in the near future.

MANAGEMENT REPORT

In accordance with Part IV of Schedule B of the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2002, the management of the Corporation hereby:

1. Confirms that the Registration No. 112 granted by the Authority continues to be valid.
2. Certifies that all the dues payable to the statutory authorities have been duly paid.
3. Confirms that the shareholding pattern as well as transfer of shares during the year are in accordance with the statutory or regulatory requirements.
4. Declares that the funds of the holders of policies in India are not directly or indirectly invested outside India.
5. Confirms that the required solvency margins have been maintained
6. Certifies that the values of all the assets of the Corporation including that of Terrorism Pool business for which GIC is acting as Manager, have been reviewed on the date of the Balance Sheet and that in our belief the assets set forth in the Balance Sheet are shown in the aggregate at amounts not exceeding their realisable or market value under the several headings- "Loans", "Investments", "Interest, Dividends and Rents outstanding", "Interest, Dividends and Rents accruing but not due", "Amounts due from other persons or Bodies carrying on insurance business", "Sundry Debtors", "Cash" and the several items specified under "Other Accounts".
7. Confirms that the Corporation's risk exposure consists of a) Obligatory Cessions; b) Facultative support given to Indian Insurance companies; c) The Corporation's share in Indian Insurance companies through First/Second Surplus Treaties and Excess of Loss programme; d) The Corporation's share in Market Surplus Treaties and e) Foreign inward business accepted. All these exposures are adequately protected by the Corporation's reinsurance programme for 2003-04.
8. Certifies that the Corporation does not operate directly in any other country except through its representative offices at London and Moscow. However, the entire reinsurance strategy is adopted at the Head Office and no acceptance is done at the representative offices.
9. The Corporation being a reinsurance company does not settle claims directly to the insured except in the case of run off liabilities in aviation department. The portion of the claims recoverable under the reinsurance obligations of the Corporation are settled with the reinsured through periodical accounts statement. The position of outstanding claims under the categories of Indian, Foreign Inward and Aviation Business are as disclosed in Note No. 10.6 of the Disclosures forming part of Financial Statements.
10. This is to certify that the values as shown in the balance sheet, of the investments and stocks and shares have been arrived at as stated in Significant Accounting Policies No. 7.5 to 7.8, 7.13 and 7.14.
11. Declares that the review of asset quality and performance is as mentioned below for Loans and Investments:

Loans:

Loan assets as on 31st March, 2004 is at Rs.800.45 crores, as compared to Rs.795.82 crores in the previous year. Out of the total loan assets of Rs.800.45 crores, Rs.782.06 crores are either secured or guaranteed by the Government Bodies representing



97.77% and balance of Rs.18.39 crores are unsecured. Interest Income from Loans amounted to Rs.101.41 crores and the gross yield is 12.72%. Standard Performing Assets account for Rs.613.98 crores and the net Non-performing Assets (NPA) is Rs.70.40 crores after making a provision of Rs.116.08 crores.

Investments:

The book value of the investment as on 31st March, 2004 has increased to Rs.7972.86 crores from Rs.6677.48 crores showing an increase of Rs.1295.38 crores. The realisable value of the investment is Rs.12126.95 crores as at 31st March, 2004 showing an appreciation of 52.1% over book cost. Income from investment amounted to Rs.664.12 crores as against an income of Rs.530.58 crores in the previous year. Out of the total investments of Rs.7972.86 crores, Rs.3176.65 crores are invested in Government securities/guaranteed bonds. The Corporation has complied with the regulations of Investments prescribed by IRDA. For the purpose of investment limits in housing and infrastructure/social sector, the compliance has been made on aggregate basis. Profit on sale of investments booked during the year is Rs.523.77 crores as compared to Rs.206.07 crores during the previous year.

12. Confirms that :

- i. In the preparation of financial statements, the applicable accounting standards, principles and policies have been followed along with proper explanations relating to material departures.
- ii. The management has adopted accounting policies and applied them consistently (including those specifically required by various IRDA regulations) and made judgments and estimates that are reasonable and prudent so as to give a true and

fair view of the state of affairs of the company at the end of the financial year and of the operating profit and net profit of the company for the year.

- iii. Proper and sufficient care for the maintenance of adequate accounting records in accordance with the applicable provisions of the Insurance Act 1938/ Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities have been taken.
 - iv. The financial statements are prepared on a going concern basis.
 - v. The management has ensured that an internal audit system commensurate with the size and nature of the business exists and is operating effectively.
13. Certifies that no payment has been made to individuals, firms, companies and organisations in which the Directors of the Corporation are interested.

For and on behalf of the Board of Directors

P.C. GHOSH
Chairman

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT 1956, ON THE ACCOUNTS OF GENERAL INSURANCE CORPORATION OF INDIA, MUMBAI FOR THE YEAR ENDED 31ST MARCH, 2004.

I have to state that the Comptroller & Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act 1956, on the accounts of General Insurance Corporation of India, Mumbai for the year ended 31st March, 2004.

(B. B. Pandit)

Principal Director of Commercial Audit
& Ex-officio Member, Audit Board-I, Mumbai

Date : 23rd July, 2004



**REVIEW OF ACCOUNTS BY COMPTROLLER & AUDITOR GENERAL OF INDIA ON THE
ACCOUNTS OF GENERAL INSURANCE CORPORATION OF INDIA FOR THE YEAR
ENDED 31ST MARCH, 2004**

Note : The Review of Accounts has been prepared without taking into account comments under Section 619(4) of the Companies Act, 1956 and the qualifications contained in the Statutory Auditors' Report.

	2003-04	2002-03	2001-02
		(Rs. in crores)	
1. FINANCIAL POSITION			
Liabilities : (A)			
(a) Paid up Capital	215.00	215.00	215.00
(b) Reserves & Surplus			
(i) Free Reserves & Surplus	3917.78	2952.92	2716.21
(ii) Committed Reserves	269.84	256.54	193.15(*)
(iii) Fair Value Change Account	4154.09	1149.67	1539.03
(iv) Deferred Tax Liability	5.29	6.01	-
(c) Reserve for unexpired risks	2257.06	2085.87	1439.41
(d) Estimated Liabilities in respect of outstanding claims	4163.48	3813.25	3129.71
(e) Current Liabilities & Provisions			
(i) Provisions	513.53	254.11	329.26
(ii) Other current liabilities	945.06	961.73	817.06
	<u>16441.13</u>	<u>11695.10</u>	<u>10378.83</u>
Assets : (B)			
Gross Block	63.22	65.36	65.83
Less: Cumulative Depreciation.	25.28	24.38	24.73
(f) Net Block	37.94	40.98	41.10
(g) Investments & Loans @			
(i) Long Term Investments	11686.76	6698.46	6692.69
(ii) Short-term Investments	440.19	1128.71	440.15
(h) Current Assets, Loans & Advances	4276.24	3826.95	3204.89
	<u>16441.13</u>	<u>11695.10</u>	<u>10378.83</u>
Capital Employed [f+g(ii)+h-A(e)]	3295.78	3780.80	2539.82
Net worth [a+b(i)]	4132.78	3167.92	2931.21
Net worth/share (Rs.)	1922.22	1473.45	1363.35

(*) The Corporation does not have any committed reserves. Provisions for doubtful loans, investments and Debts (Rs.265.10 crores) and Provision for Leave Encashment (Rs 4.74 crores) shown in the Schedule 14 forming part of accounts have been considered as committed reserves as per the practice followed in previous years.

(@) The Balance Sheet format has been changed as at 31.03.2002. Consequently Long Term & Short Term investments and Current Assets, Loans & Advances have been re-grouped

	(Rs. in crores)		
	2003-04	2002-03	2001-02
2. RESERVES			
Free Reserves			
(i) General Reserve	3917.11	2952.31	2715.60
(ii) Investment Reserve	0.58	0.58	0.58
(iii) Profit and Loss Appropriation A/c	0.09	0.03	0.03
	3917.78	2952.92	2716.21
Committed Reserve			
(i) Capital Reserve	-	-	-
(ii) Reserve for doubtful debts.	265.10	253.40	190.40
(iii) Reserve for gratuity	-	-	-
(iv) Reserve for leave encashment	4.74	3.14	2.75
	269.84	256.54	193.15
Balance of Accounts	2257.06	2085.87	1439.41
Estimated Liability in respect of o/s claims whether due or intimated	4163.48	3813.25	3129.71
3. INVESTMENTS (SHORT-TERM)			
(i) To Banks under Certificate of Deposit Scheme	-	-	440.15
(ii) Short term loans with Non-banking Companies	-	1128.71	-
(iii) Cash at Bankers on FD A/c.	-	-	-
(iv) Cash at Bankers on Call Deposit	-	-	-
(v) Loan to Banks under Commercial Paper Scheme	-	-	-
(vi) Short term investments	440.19	-	-
	440.19	1128.71	440.15
4. CURRENT ASSETS, LOANS & ADVANCES			
(i) Sundry Debtors	1.13	55.98	37.66
(ii) Cash & Bank Balances	1787.91	1516.81	1110.80
(iii) Loans & Advances *	800.45	795.82	815.89
(Total of loans minus items(i),(ii) and (v) of investments)			
* Secured Loan is Rs. 258.49 crores and unsecured is Rs. 541.96 crores			
(iv) Current Assets:			
(a) Deposits with Foreign Governments as security for policy holders	-	-	-
(b) Foreign Agencies balances	-	-	-
(c) Agents balances	-	-	-
(d) Outstanding Premium	-	-	-
(e) Interest, Dividends & Rents o/s	-	-	-



	(Rs. in crores)		
	2003-04	2002-03	2001-02
(f) Interest, Dividends and Rents accruing but not due	216.45	175.64	171.18
(g) Amounts due from other persons or bodies carrying on Insurance Business	423.41	458.62	524.44
(h) Advances, Deposits & Prepaid expenses including taxes	805.69	569.29	388.88
(i) Reserve Deposit with Ceding Cos.	215.03	249.79	136.74
(j) Application money for Investments	26.17	5.00	19.30
(k) Vehicles on contribution basis and loans against vehicles	-	-	-
TOTAL CURRENT ASSETS	4276.24	3826.95	3204.89
Less : (iv)(f),(h) & (k)	1022.14	744.93	560.06
QUICK ASSETS	3254.10	3082.02	2644.83
5. CURRENT LIABILITIES & PROVISIONS			
Total Liabilities	16441.13	11695.11	10378.83
Less: Reserve & Surplus, Committed Reserves & Paid up capital	10823.16	9323.58	7693.48
	5617.97	2371.53	2685.35
Less: Provisions	513.53	254.11	329.26
Current Liabilities	5104.44	2117.42	2356.09

6. LIQUIDITY & SOLVENCY

- (a) The percentage of Current Assets to Total Net Assets increased from 30.88 in 2001-02 to 32.72 in 2002-03 and then decreased to 26.01 in 2003-04..
- (b) The percentage of Current Assets to Current Liabilities (including Provisions) increased from 119.35 from 2001-02 to 161.37 in 2002-03 and decreased to 76.12 in 2003-04.
- (c) The percentage of Total Assets to Total Liabilities (excluding paid up capital and free reserve) decreased from 139.36 in 2001-02 to 137.14 in 2002-03 and to 133.57 in 2003-04..
- (d) The percentage of Quick Assets (Sundry Debtors, Advances, Cash and Bank balances) to Current Liabilities (excluding provisions) increased from 112.26 in 2001-02 to 145.56 in 2002-03 and decreased to 63.75 in 2003-04.

7. SOURCES AND UTILISATION OF FUNDS

Funds amounting to Rs. 1500.48 crores from Internal and External Sources were generated and utilised during the year 2003-04 as given below :

	2003-04	2002-03	2001-02
			(Rs. in crores)
Sources of funds			
(a) Addition to Reserves and Surplus	964.86	236.71	269.17
(b) Increase in Insurance Funds	534.72	1393.39	777.74
(c) Addition to Cumulative Depreciation	0.90	-0.35	2.69
	1500.48	1629.75	1049.60
Utilisation of funds			
(a) Addition to Gross Block	-2.14	-0.47	17.89
(b) Addition to Investments	4299.78	694.34	2414.30
(c) Increase in Working Capital	-2797.16	935.88	-1382.59
	1500.48	1629.75	1049.60

8. WORKING RESULTS

The working results of the Company for the last three years are given below :-

(a) Net Premium	4162.98	3832.79	2671.23
(b) Expenses, Commission(Net), Claims, Increase in unexpired risk reserve and other outgo	4181.27	4322.45	3188.63
(c) Net underwriting Income (a-b)	-18.29	-489.66	-517.40
(d) Net of other Income(Investment, etc.)	1295.20	832.56	874.10
(e) Net Profit as per Accounts	1276.91	342.90	356.70
(f) Profit before tax	1276.91	342.90	356.70
(g) Provision for taxation (net)	239.30	61.23	44.53
(h) Profit after tax	1037.61	281.67	312.17
(i) Percentage of incurred claims to net premium	69.55	71.60	85.92
(j) Percentage of expenses of management to net premium	0.79	0.76	0.94

Net commission in the three years 2001-02, 2002-03 and 2003-04 was Rs 636.34 crores, Rs 909.01 crores and Rs.1071.63 crores respectively.

9. THE WORKING RESULTS OF FOREIGN OPERATIONS OF THE COMPANY FOR THE LAST 3 YEARS.

NOT APPLICABLE

The branch was closed down on 31.12.1996

(B. B. Pandit)

Principal Director of Commercial Audit
& Ex-officio Member, Audit Board-I, Mumbai

Date : 23rd July, 2004

AUDITORS' REPORT

To the members of General Insurance Corporation of India

1. We have audited the attached Balance Sheet of GENERAL INSURANCE CORPORATION OF INDIA, as at 31st March, 2004, and also the Revenue Accounts of Fire, Miscellaneous, Marine and Life reinsurance and the Profit and Loss Account and the Cash Flow statement for the year ended on that date annexed thereto, in which are incorporated the returns of two foreign representative offices certified by the local Auditors. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. We report that :

- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and found them satisfactory.
- (b) In our opinion, proper books of account as required by law have been maintained by the Corporation so far as it appears from our examination of those books.

- (c) In our opinion, proper returns, audited, from other offices have been received and were adequate for the purpose of our audit.
- (d) The Balance Sheet, Revenue Accounts, Profit and Loss account and Cash Flow Statement which is prepared adopting indirect method as detailed in note no.14 to the accounts dealt with by this report are in agreement with the books of account and returns.
- (e) The actuarial valuation of liabilities is duly certified by the appointed actuary including to the effect that the assumptions for such valuation are in accordance with the guidelines issued by the Actuarial Society of India to its members and as approved by IRDA.
- (f) As per General Circular No.8/2002 dated 22-3-2002 of the Department of Company Affairs, the Directors of the government Companies are exempt from the applicability of the provisions of Section 274 (1) (g) of the Companies Act, 1956.
- (g) In our opinion, the Balance Sheet, Revenue Accounts and Profit & Loss Account comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, to the extent applicable to the Corporation and are also in conformity with the accounting principles as prescribed in the IRDA Regulations.
- (h) In our opinion, the investments have been valued in accordance with the provisions of the Insurance Act, 1938 and the applicable IRDA Regulations.
- (i) The accounting policies selected by the Corporation are appropriate and are in compliance with the applicable accounting standards and with

the accounting principles as prescribed in IRDA Regulations or any order or direction issued by the authority in this behalf.

- (j) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the significant accounting policies and notes thereon are prepared and give the information as required by the Insurance Act, 1938 (4 of 1938), the Insurance Regulatory Development Authority Act, 1999 (41 of 1999) and the Companies Act, 1956 (1 of 1956) to the extent applicable and in the manner so required and *subject to following*:

- (i) *Note No.5 regarding properties of the cost of Rs.47.39 crores, for which conveyance deeds are yet to be executed/share certificates of the co-operative housing societies are yet to be received in the name of the Corporation.*
- (ii) *Regarding certain amounts due to/from other persons or bodies carrying on Insurance Business and Reserve deposits held are subject to confirmation and have not been fully identified/analyzed/reconciled including those referred to in note no.6 to the accounts. Pending such confirmation/reconciliation, its impact on the accounts is not ascertainable.*

give a true and fair view:

- (i) in the case of the Balance Sheet, of the state of affairs of the Corporation as at 31st March, 2004.

- (ii) in the case of the Revenue Accounts, of the surplus/deficit for the year ended on that date.
- (iii) in the case of the Profit and Loss Account, of the profit of the Corporation for the year ended on that date.
- (iv) In the case of Cash Flow Statement of the cash flow for the year ended on that date.

3. On the basis of our examination we certify that:

- (a) We have reviewed the management report and there is no apparent mistake or material inconsistency with the financial statements.
- (b) The Corporation has complied with the terms and conditions of the registration stipulated by the Insurance Regulatory and Development Authority.
- (c) We have verified the cash and bank balances, investments and securities relating to loans given by the Corporation, by actual inspection or by production of certificates or other documentary evidence except to the extent of investments of the value aggregating to Rs. 0.13 Crores as mentioned in note no.4(a) to the accounts.
- (d) No part of the assets of the policyholders' funds have been directly or indirectly applied in contravention of the provisions of the insurance Act, 1938 (4 of 1938) relating to the application and investments of the policyholders' funds.

For K. S. AYIAR & CO.
Chartered Accountants

Ramakrishna Prabhu
Partner

Place : Pune

Dated : 30th June, 2004



Registration No. 112

Date of Registration with IRDA : 2nd April, 2001

**Revenue Account for the year ended 31st March, 2004 in respect of
FIRE INSURANCE BUSINESS**

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Premiums earned (Net)	1	12552 699	8443 557
2. Profit on sale of Investments (Net)		685 399	199 896
3. Profit/-Loss on Exchange Fluctuation		(-) 59 002	11 162
4. Interest, Dividend & Rent - Gross		1085 582	721 526
Total (A)		14264 678	9376 141
1. Claims Incurred (Net)	2	5699 938	3882 487
2. Commission (Net)	3	3914 526	3376 925
3. Operating Expenses related to Insurance Business	4	114 705	92051
4. Expenses relating to Investments		1 913	1 074
Total (B)		9731 082	7352 537
Operating Profit from Fire Business C = (A-B)		4533 596	2023 604
APPROPRIATIONS			
Transfer to Shareholders' Account		4533 596	2023 604
Total (C)		4533 596	2023 604

As per our report of even date

For K.S. AIYAR & CO.
Chartered Accountants

Ramakrishna Prabhu
Partner

Pune,
Dated : 30th June, 2004

P.C. Ghosh
P.B. Ramanujam
S.B. Mathur
M. Raghavendra
B.P. Deshmukh

Pune,
Dated : 30th June, 2004

Chairman
Managing Director
Director
G.M. (Finance)
Company Secretary

Registration No. 112

Date of Registration with IRDA : 2nd April, 2001

**Revenue Account for the year ended 31st March, 2004 in respect of
MISCELLANEOUS INSURANCE BUSINESS**

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Premiums earned (Net)	1	24738 774	21343 783
2. Profit on sale of Investments (Net)		2369 679	950 342
3. Profit/-Loss on Exchange Fluctuation		(-)21 928	33 431
4. Interest, Dividend & Rent - Gross		3753 263	3430 266
Total (A)		<u>30839 788</u>	<u>25757 822</u>
1. Claims Incurred (Net)	2	21304 470	22041 669
2. Commission (Net)	3	6101 244	5087 866
3. Operating Expenses related to Insurance Business	4	192 308	176 481
4. Expenses relating to Investments		6 615	5 108
Total (B)		<u>27604 637</u>	<u>27311 124</u>
Operating Profit from Miscellaneous Business C = (A-B)		<u>3235 151</u>	<u>(-)1553 302</u>
APPROPRIATIONS			
Transfer to Shareholders' Account		3235 151	(-)1553 302
Total (C)		<u>3235 151</u>	<u>(-)1553 302</u>

As per our report of even date

For K.S. AIYAR & CO.
Chartered Accountants

Ramakrishna Prabhu
Partner

Pune,
Dated : 30th June, 2004

P.C. Ghosh
P.B. Ramanujam
S.B. Mathur
M. Raghavendra
B.P. Deshmukh

Pune,
Dated : 30th June, 2004

Chairman
Managing Director
Director
G.M. (Finance)
Company Secretary



Registration No. 112

Date of Registration with IRDA : 2nd April, 2001

**Revenue Account for the year ended 31st March, 2004 in respect of
LIFE INSURANCE BUSINESS**

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Premiums earned (Net)	1	658	-
2. Profit on sale of Investments (Net)		-	-
3. Profit/-Loss on Exchange Fluctuation		-	-
4. Interest, Dividend & Rent - Gross		-	-
Total (A)		658	-
1. Claims Incurred (Net)	2	-	-
2. Commission (Net)	3	-	-
3. Operating Expenses related to Insurance Business	4	1 862	-
4. Expenses relating to Investments		-	-
Total (B)		1 862	-
Operating Profit /Loss from Fire Business C = (A-B)		(-)1 204	-
APPROPRIATIONS			
Transfer to Shareholders' Account		(-)1 204	-
Total (C)		(-)1 204	-

As per our report of even date

For K.S. AIYAR & CO.
Chartered Accountants

Ramakrishna Prabhu
Partner

Pune,
Dated : 30th June, 2004

P.C. Ghosh
P.B. Ramanujam
S.B. Mathur
M. Raghavendra
B.P. Deshmukh

Pune,
Dated : 30th June, 2004

Chairman
Managing Director
Director
G.M. (Finance)
Company Secretary

Registration No. 112

Date of Registration with IRDA : 2nd April, 2001

**Revenue Account for the year ended 31st March, 2004 in respect of
MARINE INSURANCE BUSINESS**

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Premiums earned (Net)	1	2625 718	2075 872
2. Profit on sale of Investments (Net)		279 817	105 221
3. Profit/-Loss on Exchange Fluctuation		(-)11 529	27 654
4. Interest, Dividend & Rent - Gross		443 194	379 798
Total (A)		<u>3337 200</u>	<u>2588 545</u>
1. Claims Incurred (Net)	2	1949 153	1519 800
2. Commission (Net)	3	700 608	625 301
3. Operating Expenses related to Insurance Business	4	20 160	22 757
4. Expenses relating to Investments		781	566
Total (B)		<u>2670 702</u>	<u>2168 424</u>
Operating Profit from Marine Business C = (A-B)		<u>666 498</u>	<u>420 121</u>
APPROPRIATIONS			
Transfer to Shareholders' Account		666 498	420 121
Total (C)		<u>666 498</u>	<u>420 121</u>

As per our report of even date

For K.S. AIYAR & CO.
Chartered Accountants

Ramakrishna Prabhu
Partner

Pune,
Dated : 30th June, 2004

P.C. Ghosh
P.B. Ramanujam
S.B. Mathur
M. Raghavendra
B.P. Deshmukh

Pune,
Dated : 30th June, 2004

Chairman
Managing Director
Director
G.M. (Finance)
Company Secretary



Registration No. 112

Date of Registration with IRDA : 2nd April, 2001

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Operating Profit/-Loss			
(a) Fire Insurance		4533 596	2023 604
(b) Marine Insurance		666 498	420 121
(c) Miscellaneous Insurance		3235 151	(-)1553 302
(d) Life Insurance		(-)1 204	-
2. Income from Investments			
(a) Interest, Dividend & Rent - Gross		3013 856	2906 563
(b) Profit on sale of Investments (Net)		1902 843	805 252
3. Other Income:			
Profit on Exchange		-	161 053
Profit on sale of Assets (Net)		143	574
Interest on Income-tax Refund		30 717	173 417
Miscellaneous Receipts		96 084	23 482
Total (A)		<u>13477 684</u>	<u>4960 764</u>
4. Provision for Doubtful Loans, Investment & Debts		117 000	630 000
5. Amortisation of premium on Investments		232 896	128 571
6. Diminution in the value of investments written off		234 757	386 152
7. Investments written off in erstwhile subsidiaries		-	380 531
8. Other Expenses :			
Expenses relating to Investments		5 312	4 328
Loss on Exchange		116 687	-
Sundry Balances Written off (Net)		1 949	2 281
Total (B)		<u>708 601</u>	<u>1531 863</u>
Profit Before Tax		12769 083	3428 901
Provision for Taxation :			
Current Tax		2400 000	670 000
Wealth Tax		100	-
Deferred Tax		(-)7 224	144 212
Profit after Tax		10376 207	2614 689
Provision for Tax in respect of earlier years written back		(-) 65	201 901
Balance brought forward from last year		326	339
Profit available for appropriation		<u>10376 468</u>	<u>2816 929</u>
Appropriations			
(a) Proposed final dividend		645 000	473 000
(b) Dividend distribution tax		82 641	60 603
(c) Transfer to General Reserve		9648 000	2283 000
(d) Balance carried forward to Balance Sheet		827	326
		<u>10376 468</u>	<u>2816 929</u>

As per our report of even date

For K.S. AIYAR & CO.

Chartered Accountants

Ramakrishna Prabhu

Partner

Pune,

Dated : 30th June, 2004

P.C. Ghosh**P.B. Ramanujam****S.B. Mathur****M. Raghavendra****B.P. Deshmukh**

Pune,

Dated : 30th June, 2004

*Chairman**Managing Director**Director**G.M. (Finance)**Company Secretary*

Registration No. 112

Date of Registration with IRDA : 2nd April, 2001

BALANCE SHEET AS AT 31ST MARCH, 2004

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
Sources Of Funds			
Share Capital	5	2150 000	2150 000
Reserves and Surplus	6	39177 771	29529 270
Deferred Taxation Liability		52 889	60 113
Fair Value Change Account		41540 893	11496 764
	TOTAL	82921 553	43236 147
Application Of Funds			
Investments	8	121269 562	78271 594
Loans	9	8004 529	7958 217
Fixed Asssets	10	379 366	409 831
Current Assets:			
Cash and Bank Balances	11	17879 100	15168 120
Advances and Other Assets	12	16878 775	15143 384
Sub-Total (A)		34757 875	30311 504
Current Liabilities	13	51085 432	47749 714
Provisions	14	30404 347	25965 285
Sub-Total (B)		81489 779	73714 999
Net Current Assets (C)=(A-B)		(-)46731 904	(-)43403 495
	TOTAL	82921 553	43236 147

Contingent Liabilities

Claims against the Corporation not acknowledged
pending arbitration

5 000

5 000

As per our report of even date

For K.S. AIYAR & CO.
Chartered Accountants

Ramakrishna Prabhu
Partner

Pune,
Dated : 30th June, 2004

P.C. Ghosh
P.B. Ramanujam
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B.P. Deshmukh

Pune,
Dated : 30th June, 2004

Chairman
Managing Director
Director
G.M. (Finance)
Company Secretary



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2004**

Schedule 1

PREMIUM EARNED (NET)

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
A. FIRE INSURANCE		
Premium from Direct Business written	-	-
Add: Premium on Reinsurance accepted	15942 380	13905 175
Less: Premium on Reinsurance ceded	2283 089	2666 205
Net Premium	13659 291	11238 970
Adjustment for change in reserve for unexpired risks	(-)1106 592	(-)2795 413
TOTAL PREMIUM EARNED (NET)	12552 699	8443 557
B. MISCELLANEOUS INSURANCE		
(1) MOTOR		
Premium from Direct Business written	-	-
Add: Premium on Reinsurance accepted	12835 880	11260 955
Less: Premium on Reinsurance ceded	-	-
Net Premium	12835 880	11260 955
Adjustment for change in reserve for unexpired risks	(-)787 463	(-)1416 581
TOTAL PREMIUM EARNED (NET)	12048 417	9844 374
(2) AVIATION		
Premium from Direct Business written	1 393	(-)6 863
Add: Premium on Reinsurance accepted	2485 241	1731 723
Less: Premium on Reinsurance ceded	613 579	816 719
Net Premium	1873 055	908 141
Adjustment for change in reserve for unexpired risks	(-)482 457	(-)332 031
TOTAL PREMIUM EARNED (NET)	1390 598	576 110

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2004**

Schedule 1

PREMIUM EARNED (NET)

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
(3) ENGINEERING		
Premium from Direct Business written	-	-
Add: Premium on Reinsurance accepted	2765 703	2486 813
Less: Premium on Reinsurance ceded	713 306	824 172
Net Premium	2052 397	1662 641
Adjustment for change in reserve for unexpired risks	(-)191 427	(-)96 286
TOTAL PREMIUM EARNED (NET)	1860 970	1566 355
(4) CROP		
Premium from Direct Business written	-	3698 294
Add: Premium on Reinsurance accepted	-	-
Less: Premium on Reinsurance ceded	-	-
Net Premium	-	3698 294
Adjustment for change in reserve for unexpired risks	1849 147	(-)408 870
TOTAL PREMIUM EARNED (NET)	1849 147	3289 424
(5) OTHER MISCELLANEOUS		
Premium from Direct Business written	-	-
Add: Premium on Reinsurance accepted	8639 764	7488 328
Less: Premium on Reinsurance ceded	393 601	555 209
Net Premium	8246 163	6933 119
Adjustment for change in reserve for unexpired risks	(-)656 521	(-)865 599
TOTAL PREMIUM EARNED (NET)	7589 642	6067 520



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2004**

Schedule 1

PREMIUM EARNED (NET)

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
C. MARINE INSURANCE		
(1) MARINE CARGO		
Premium from Direct Business Written	-	-
Add: Premium on Reinsurance accepted	2012 602	2097 189
Less: Premium on Reinsurance ceded	228 374	325 732
Net Premium	1784 228	1771 457
Adjustment for change in reserve for unexpired risks	(-)12 771	(-)169 961
TOTAL PREMIUM EARNED (NET)	1771 457	1601 496
(2) MARINE HULL		
Premium from Direct Business Written	-	-
Add: Premium on Reinsurance accepted	1723 363	2486 467
Less: Premium on Reinsurance ceded	545 916	1632 206
Net Premium	1177 447	854 261
Adjustment for change in reserve for unexpired risks	(-)323 186	(-)379 885
TOTAL PREMIUM EARNED (NET)	854 261	474 376
D. LIFE INSURANCE		
Premium from Direct Business written	-	-
Add: Premium on Reinsurance accepted	1 316	-
Less: Premium on Reinsurance ceded	-	-
Net Premium	1 316	-
Adjustment for change in reserve for unexpired risks	(-)658	-
TOTAL PREMIUM EARNED (NET)	658	-

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2004**

Schedule 2

CLAIMS INCURRED (NET)

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
A. FIRE INSURANCE		
Claims Paid		
Direct	-	-
Add : Reinsurance accepted	5277 684	3758 056
Less: Reinsurance ceded	657 450	1213 823
Net Claims Paid	4620 234	2544 233
Add : Claims Outstanding at the end of the year	6517 977	5438 274
Less: Claims Outstanding at the beginning of the year	5438 273	4100 020
TOTAL CLAIMS INCURRED	5699 938	3882 487
B. MISCELLANEOUS INSURANCE		
(1) MOTOR		
Claims Paid		
Direct	-	-
Add : Reinsurance accepted	9520 013	9412 622
Less: Reinsurance ceded	-	-
Net Claims Paid	9520 013	9412 622
Add : Claims Outstanding at the end of the year	26064 205	22561 758
Less: Claims Outstanding at the beginning of the year	22561 758	20524 413
TOTAL CLAIMS INCURRED	13022 460	11449 967
(2) AVIATION		
Claims Paid		
Direct	17 557	139 351
Add : Reinsurance accepted	543 649	764 548
Less: Reinsurance ceded	114 238	561 930
Net Claims Paid	446 968	341 969
Add : Claims Outstanding at the end of the year	1050 520	544 173
Less: Claims Outstanding at the beginning of the year	544 173	218 494
TOTAL CLAIMS INCURRED	953 315	667 648



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2004**

Schedule 2

CLAIMS INCURRED (NET)

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
(3) ENGINEERING		
Claims Paid		
Direct	-	-
Add : Reinsurance accepted	1493 922	803 783
Less: Reinsurance ceded	466 148	169 568
Net Claims Paid	1027 774	634 215
Add : Claims Outstanding at the end of the year	2014 684	1083 631
Less: Claims Outstanding at the beginning of the year	1083 631	811 890
TOTAL CLAIMS INCURRED	1958 827	905 956
(4) CROP		
Claims Paid		
Direct	-	2031 634
Add : Reinsurance accepted	-	-
Less: Reinsurance ceded	-	-
Net Claims Paid	-	2031 634
Add : Claims Outstanding at the end of the year	-	3480 858
Less: Claims Outstanding at the beginning of the year	-	1217 145
TOTAL CLAIMS INCURRED	-	4295 347
(5) OTHER MISCELLANEOUS		
Claims Paid		
Direct	-	-
Add : Reinsurance accepted	4915 658	4485 886
Less: Reinsurance ceded	86 002	83 466
Net Claims Paid	4829 656	4402 420
Add : Claims Outstanding at the end of the year	3532 117	2991 905
Less: Claims Outstanding at the beginning of the year	2991 905	2671 574
TOTAL CLAIMS INCURRED	5369 868	4722 751

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2004**

Schedule 2

CLAIMS INCURRED (NET)

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
C. MARINE INSURANCE		
(1) MARINE CARGO		
Claims Paid		
Direct	-	-
Add : Reinsurance accepted	1098 970	1019 245
Less: Reinsurance ceded	35 624	56 961
Net Claims Paid	1063 346	962 284
Add : Claims Outstanding at the end of the year	1178 942	1046 732
Less: Claims Outstanding at the beginning of the year	1046 732	987 157
TOTAL CLAIMS INCURRED	1195 556	1021 859
(2) MARINE HULL		
Claims Paid		
Direct	-	-
Add : Reinsurance accepted	643 141	783 545
Less: Reinsurance ceded	180 719	504 395
Net Claims Paid	462 422	279 150
Add : Claims Outstanding at the end of the year	1276 367	985 192
Less: Claims Outstanding at the beginning of the year	985 192	766 401
TOTAL CLAIMS INCURRED	753 597	497 941



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2004**

Schedule 3

COMMISSION

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
A. FIRE INSURANCE		
Commission Paid		
Direct	-	-
Add : Reinsurance Accepted	4101 249	3598 405
Less: Commission on Reinsurance Ceded	186 723	221 480
NET COMMISSION	3914 526	3376 925
B. MISCELLANEOUS INSURANCE		
(1) MOTOR		
Commission Paid		
Direct	-	-
Add : Reinsurance Accepted	3161 716	2753 888
Less: Commission on Reinsurance Ceded	-	-
NET COMMISSION	3161 716	2753 888
(2) AVIATION		
Commission Paid		
Direct	-	-
Add : Reinsurance Accepted	353 305	198 941
Less: Commission on Reinsurance Ceded	84 567	85 708
NET COMMISSION	268 738	113 233
(3) ENGINEERING		
Commission Paid		
Direct	-	-
Add : Reinsurance Accepted	726 787	631 796
Less: Commission on Reinsurance Ceded	80 114	90 972
NET COMMISSION	646 673	540 824

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2004**

Schedule 3

COMMISSION

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
(4) CROP		
Commission Paid		
Direct	-	-
Add : Reinsurance Accepted	-	-
Less: Commission on Reinsurance Ceded	-	-
NET COMMISSION	-	-
(5) OTHER MISCELLANEOUS		
Commission Paid		
Direct	-	-
Add : Reinsurance Accepted	2047 876	1698 175
Less: Commission on Reinsurance Ceded	23 759	18 254
NET COMMISSION	2024 117	1679 921

C. MARINE INSURANCE

(1) MARINE CARGO

Commission Paid		
Direct	-	-
Add : Reinsurance Accepted	444 344	428 593
Less: Commission on Reinsurance Ceded	12 541	20 076
NET COMMISSION	431 803	408 517

(2) MARINE HULL

Commission Paid		
Direct	-	-
Add : Reinsurance Accepted	333 033	285 716
Less: Commission on Reinsurance Ceded	64 228	68 932
NET COMMISSION	268 805	216 784



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2004**

Schedule 4

OPERATING EXPENSES RELATED TO INSURANCE BUSINESS

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Employees' remuneration & welfare benefits	197 460	140 656
2. Travel, conveyance and vehicle running expenses	12 309	14 012
3. Training expenses	3 071	4 505
4. Rents, rates and taxes	12 249	15 547
5. Repairs	22 200	35 297
6. Printing & stationery	2 142	2 621
7. Communication	4 743	6 708
8. Legal & professional charges	6 334	3 816
9. Auditors' fees, expenses etc.		
(a) as auditor	842	424
(b) as advisor or in any other capacity, in respect of		
(i) Taxation matters	135	54
(ii) Insurance matters	-	13
10. Advertisement and publicity	9 152	9 478
11. Interest & Bank Charges	2 932	3 508
12. Others	30 272	28 142
13. Depreciation	25 194	26 509
TOTAL	329 035	291 290

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2004**

Schedule 5

SHARE CAPITAL

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Authorised Capital		
2,50,00,000 Equity Shares of Rs.100/- Each	2500 000	2500 000
2. Issued Capital		
2,15,00,000 Equity Shares of Rs.100/- Each	2150 000	2150 000
3. Subscribed Capital		
2,15,00,000 Equity Shares of Rs.100/- Each	2150 000	2150 000
4. Called-up Capital		
2,15,00,000 Equity Shares of Rs.100/- Each	2150 000	2150 000
(Includes 191,00,000 shares issued by capitalisation of Capital Redemption Reserve and General Reserve and 5,00,000 partly paid shares (Rs. 50/- per share paid) made fully paid-up shares by capitalisation of General Reserve)		
TOTAL	2150 000	2150 000

Schedule 5A

**SHARE CAPITAL PATTERN OF SHAREHOLDING
[AS CERTIFIED BY THE MANAGEMENT]**

Shareholders	Current Year		Previous Year	
	Number of Shares	% of Holding	Number of Shares	% of Holding
Promoters				
Indian	2,15,00,000	100%	2,15,00,000	100%



SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2004

Schedule 6

RESERVES AND SURPLUS

Particulars		Current Year (Rs. '000)	Previous Year (Rs. '000)
1. General Reserve	29523 099		
Add : Transferred from P/L a/c	9648 000		
		39171 099	29523 099
2. Investment Reserve		5 845	5 845
3. Balance of Profit in Profit & Loss Account		827	326
TOTAL		39177 771	29529 270

Schedule 7

BORROWINGS

Particulars		Current Year (Rs. '000)	Previous Year (Rs. '000)
	NIL		

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2004**

Schedule 8

INVESTMENTS - SHAREHOLDERS' FUND

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
Long Term Investments		
1. Government securities and Government guaranteed bonds including Treasury Bills	8969 851	7313 531
2. Other Approved Securities	1442 992	1004 369
3. Other Investments	-	-
(a) Shares	-	-
(aa) Equity	18573 689	11163 388
(bb) Preference	34 745	9 095
(b) Mutual Funds	-	-
(c) Debentures/ Bonds	2034 922	1770 512
(d) Guaranteed Equity	175	195
(e) Subsidiaries	-	-
(f) Associates	29 479	29 479
4. Investments in Infrastructure and Social Sector	6500 382	2568 758
5. Other than Approved Investments	3313 253	2333 753
Short Term Investments		
1. Government securities and Government guaranteed bonds including Treasury Bills	606 337	2046 683
2. Other Approved Securities	92 732	40 874
3. Other Investments	-	-
(a) Shares	-	-
(aa) Equity	-	-
(bb) Preference	-	-
(b) Mutual Funds	466 469	246 759
(c) Debentures/ Bonds	98 811	746 925
(d) Subsidiaries	-	-
4. Investments in Infrastructure and Social Sector	33 050	1228 084
5. Other than Approved Investments	242 373	101 252
TOTAL	42439 260	30603 657

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2004**

Schedule 8A

INVESTMENTS - POLICYHOLDERS' FUND

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
Long Term Investments		
1. Government securities and Government guaranteed bonds including Treasury Bills	16672 948	11402 463
2. Other Approved Securities	2682 200	1565 903
3. Other Investments	-	-
(a) Shares	-	-
(aa) Equity	34524 336	17404 742
(bb) Preference	64 583	14 180
(b) Mutual Funds	-	-
(c) Debentures/ Bonds	3782 466	2760 390
(d) Guaranteed Equity	325	305
(e) Subsidiaries	-	-
4. Investments in Infrastructure and Social Sector	12082 757	4004 929
5. Other than Approved Investments	6158 596	3638 533
Short Term Investments		
1. Government securities and Government guaranteed bonds including Treasury Bills	1127 045	3190 965
2. Other Approved Securities	172 368	63 726
3. Other Investments	-	-
(a) Shares	-	-
(aa) Equity	-	-
(bb) Preference	-	-
(b) Mutual Funds	867 061	384 720
(c) Debentures/ Bonds	183 667	1164 525
(d) Subsidiaries	-	-
4. Investments in Infrastructure and Social Sector	61 432	1914 694
5. Other than Approved Investments	450 518	157 862
TOTAL	78830 302	47667 937

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2004**

Schedule 9

LOANS

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Security-wise Classification		
Secured		
(a) On mortgagage of property		
(aa) In India *	2584 881	2315 878
(bb) Outside India	-	-
(b) On Shares, Bonds, Government Securities	-	-
(c) Others	-	-
Unsecured	5419 648	5642 339
TOTAL	8004 529	7958 217
2. Borrower-Wise Classification		
(a) Central and State Governments	3867 207	3555 205
(b) Banks and Financial Institutions	-	-
(c) Subsidiaries	-	-
(d) Industrial Undertakings	2517 137	2385 638
(e) Others	1620 185	2017 374
TOTAL	8004 529	7958 217
3. Performance-Wise Classification		
(a) Loans classified as standard		
(aa) In India	6139 777	5915 496
(bb) Outside India	-	-
(b) Non-performing loans less provisions		
(aa) In India	703 987	1049 303
(bb) Outside India	-	-
Provisions	1160 765	993 418
TOTAL	8004 529	7958 217
4. Maturity-Wise Classification		
(a) Short - Term	817 939	987 813
(b) Long - Term	7186 590	6970 404
TOTAL	8004 529	7958 217

* Includes Term Loans of Rs.14,85,25,078/- on which creation of security is pending (Previous year Rs.13,04,02,949/-)

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2004**

Schedule 10

FIXED ASSETS

(Rs. '000)

Particulars	Cost/Gross Block				Depreciation				Net Block	
	As at 01.04.2003	Additions	Deductions	As at 31.03.2004	Up to 31.03.2003	For the Year	On Sales/ Adjustment	Upto 31.03.2004	As at 31.03.2004	As at 31.03.2003
Leasehold Land	2 47 253	-	-	2 47 253	44 643	3 434	-	48 077	1 99 176	2 02 610
Buildings	2 74 121	-	6 420	2 67 701	99 189	10 072	1 868	1 07 393	1 60 308	1 74 932
Furniture & Fittings	18 241	107	2 191	16 157	15 403	385	1 471	14 317	1 840	2 838
Information Technology Equipments	64 072	-	12 498	51 574	46 596	9 645	11 098	45 143	6 431	17 476
Vehicles	14 087	1 221	1 459	13 849	6 109	2 092	950	7 251	6 598	7 978
Office Equipments	10 918	399	1 543	9 774	8 359	569	1 102	7 826	1 948	2 559
Air Conditioners & Water Coolers	11 330	-	1 038	10 292	10 427	131	656	9 902	390	903
Elevators	2 073	-	-	2 073	1 961	28	-	1 989	84	112
Canteen Appliances	257	-	19	238	225	7	14	218	20	32
Electric Fans	477	-	224	253	476	-	224	252	1	1
Electrical Installation	8 599	2 470	-	11 069	8 268	266	-	8 534	2 535	331
Fire Alarm Systems	933	-	-	933	899	9	-	908	25	34
Calculator	382	-	85	297	381	-	84	297	-	1
Typewriters	878	-	185	693	854	4	175	683	10	24
Total	6 53 621	4 197	25 662	6 32 156	2 43 790	26 642	17 642	2 52 790	3 79 366	4 09 831
Previous year's Total	6 58 338	29 065	33 782	6 53 621	2 47 268	29 423	32 901	2 43 790	4 09 831	

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2004**

Schedule 11

CASH AND BANK BALANCES

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Cash & stamps(includes cheques on hand of Rs.52907742/- pertaining to Terrorism Pool)	254 697	89 357
2. Bank Balances		
(a) Deposit Accounts - Short term (due within 12 months)	17352 669	14802 186
(b) Current Accounts (includes cash at Bank of Rs.104572/- pertaining to Terrorism Pool)	144 949	35 563
(c) Remittances in Transit	-	21 132
3. Money at Call and Short Notice with Banks	126 785	219 882
TOTAL	17879 100	15168 120

Balances with non-scheduled banks included in 2 and 3 above

Schedule 12

ADVANCES AND OTHER ASSETS

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
Advances		
1. Reserve Deposits with Ceding Companies	2150 315	2497 924
2. Application Money for Investments	261 693	50 000
3. Prepayments	10 107	8 602
4. Advances to Directors/Officers	1 891	2 147
5. Advance Tax Paid and Taxes Deducted at Source	3085 004	2699 537
6. Others	1 471	5 001
TOTAL (A)	5510 481	5263 211
Other Assets		
1. Income accrued on investments	2164 504	1756 390
2. Due from other entities carrying on insurance business (including reinsurers)	4234 126	4586 230
3. Deposit with Reserve Bank of India (S-7 of Insurance Act)	317 924	292 720
4. Sundry Debtors	11 275	559 824
5. Sundry Deposits	30 085	33 130
6. Terrorism Pool Assets	4610 380	2651 879
TOTAL (B)	11368 294	9880 173
TOTAL (A+B)	16878 775	15143 384



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2004**

Schedule 13

CURRENT LIABILITIES

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Balances Due to other insurance companies	4042 300	4454 172
2. Deposits held on re-insurance ceded	524 334	1450 266
3. Sundry Creditors	220 592	1060 873
4. Claims Outstanding	41634 813	38132 524
5. Terrorism Pool Liabilities	4663 393	2651 879
TOTAL	51085 432	47749 714

Schedule 14

PROVISIONS

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Reserve for Unexpired Risk	22570 649	20858 719
2. For Taxation	4407 697	2007 532
3. For proposed dividends	645 000	473 000
4. For dividend distribution tax	82 640	60 603
5. For Doubtful Loans, Investment and Debts	2651 000	2534 000
6. For Leave Encashment	47 361	31 431
TOTAL	30404 347	25965 285

Schedule 15

MISCELLANEOUS EXPENDITURE

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
NIL		

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES:

1. ACCOUNTING CONVENTION

The Balance Sheet, the Profit and Loss Account and the Revenue Accounts are drawn up in accordance with the provisions of Section 11(1) of the Insurance Act, 1938 read with the provisions of Sub-sections (1), (2) and (5) of Section 211 and Sub-section (5) of Section 227 of the Companies Act, 1956. The financial statements also conform to the stipulation specified under the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors Report of Insurance Companies), Regulations, 2002. The said statements are prepared on historical cost convention and on accrual basis except as otherwise stated and conform to the statutory provisions and practices prevailing in the General Insurance Industry in India.

2. REINSURANCE BUSINESS

2.1 Reinsurance returns

Reinsurance returns have been incorporated as follows:

- 1 Returns from Foreign insurance companies received up to 31st March.
- 2 Returns from Indian companies and State Insurance Funds received as of different dates up to the date of finalisation of accounts.
- 3 In respect of Indian business, acceptances and cessions thereon are accounted on the basis of estimates, where actual are not available.
- 4 Revenue transactions in respect of terrorism risk cover, through a market pool, where the Corporation is Manager of the pool are accounted by the Corporation for its share.

The assets and liabilities of the pool are shown in the books of the Corporation under Current assets and Current liabilities.

2.2 Outstanding Claims

- Estimated liability for outstanding claims in respect of direct business is provided based on intimations received up to the year end and are based on survey reports, information provided by clients and other sources, past experience and other applicable laws.
- Estimated liability for outstanding claims in respect of Reinsurance business carried out in India is based on advices received as of different dates up to the date of finalisation of accounts and wherever such advices are not received, on estimates based on available information, current trends, past underwriting experience of the management and actuarial estimation bases.
- Provision for claims incurred but not reported (IBNR) is made as certified by the appointed actuary.

3. FOREIGN CURRENCY TRANSACTIONS

- 3.1 Revenue transactions in foreign currencies during a quarter are converted at the average rate of exchange of the quarter in which accounts are received and transactions are booked.
- 3.2 Non-Monetary items including fixed assets and Investments abroad are reported using the exchange rate applicable on the date of acquisition.
- 3.3 Monetary items such as receivables, payables and balances in bank accounts held in foreign currencies are converted using the closing rates of exchange at the balance sheet date.



3.4 The exchange gain/ loss due to conversion of foreign currencies are accounted for as revenue.

4. RESERVE FOR UNEXPIRED RISK

Reserve for Unexpired Risk is made at 100% of net premium income relating to marine insurance business and terrorism risks in fire and engineering insurance business. Reserve for Unexpired Risk is made at 50% of net premium income for all other classes of insurance business.

5. OPERATING EXPENSES RELATING TO INSURANCE BUSINESS (EXPENSES OF MANAGEMENT)

5.1 Depreciation

- (i) Depreciation on fixed assets is charged on written-down value method at the higher of the rates specified in the Income Tax Rules, 1962 and those specified in Schedule XIV to the Companies Act, 1956. In respect of leasehold properties, amortization is made over the period of lease.
- (ii) Depreciation is provided on a pro-rata basis on additions to fixed assets and on assets sold/discarded/destroyed during the year.

5.2 Retirement Benefits to Employees

Liabilities on account of retirement benefits to the employees such as pension, gratuity and leave encashment are provided for on accrual basis, based on actuarial valuation.

5.3 Apportionment of Expenses:

Operating Expenses relating to Life re-insurance business are identified and allocated to that segment.

Balance of operating expenses relating to insurance business are apportioned to the Revenue Accounts on the basis of Gross Direct Premium plus Reinsurance Premium accepted,

giving weight of 75% for Marine business and 100% for Fire and Miscellaneous business.

Expenses relating to investment are apportioned between Revenue and Profit & Loss Account in the same proportion as stated in Significant Accounting Policy No.6.

6. APPORTIONMENT OF INTEREST, DIVIDENDS AND RENTS

The income from interest, dividends, rent is apportioned between Profit and Loss Account and Revenue Accounts in the ratio of Shareholders' Fund and Policyholder's Fund respectively at the beginning of the year. The same are further apportioned amongst the revenue accounts on the basis of the respective Policyholders' Fund at the beginning of the year. Shareholders' Fund consist of Share Capital and Free Reserves. Policyholders' Fund consist of provisions for outstanding claims and reserves for unexpired risks.

7. INVESTMENTS

7.1 Prudential norms prescribed by the Reserve Bank of India are followed in regard to:

- (i) Revenue recognition,
- (ii) Classification of assets into performing and non-performing, and
- (iii) Provisioning against performing and non-performing assets

7.2 Purchases and sales of shares are accounted for on the date of contracts.

7.3 The cost of investments includes premium on acquisition and other related expenses.

7.4 Certificate of Deposit and Commercial Paper which are discounted at the time of contract at the agreed rate are accounted at their discounted value.

- 7.5** Investment portfolio in respect of equity shares are segregated into actively traded and thinly traded as prescribed by the IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002.
- 7.6** [a] Investments in equity shares that are actively traded are valued at fair value. Fair value for this purpose is lowest of the last quoted closing price at NSE/BSE in the month of March.
- [b] Investment in units of mutual funds are valued at Fair value as per IRDA guidelines 2003-04. Fair value for this purpose is the last quoted NAV in the month of March.
- 7.7** a) Unrealized gain/losses arising due to changes in the fair value of listed equity shares and mutual fund units are taken under the head "Fair Value Change Account" and on realization reported in profit and loss account.
- b) Pending realisation, the credit balance in the "Fair Value Change Account" is not available for distribution.
- c) Provision is made for diminution in value of investments relating to thinly traded and unlisted shares equivalent to the amount of difference in average book cost and break-up value of the shares.
- Break up value is computed from the annual reports of companies not beyond 21 months in case of those companies which close their annual accounts on dates other than 31st March or beyond 12 months in case of those companies which close their accounts on 31st March.
- d) Provision is made for diminution in value of investment relating to units of venture capital funds equivalent to the amount of difference in book cost and Net Asset Value (NAV).
- 7.8** Investment in equity and preference shares of companies, the net worth of which has been fully impaired or where the latest available audited accounts are beyond 21 months in case of those Companies which close their annual accounts on dates other than 31st March or beyond 12 months in case of those Companies which close their annual accounts on 31st March, as on the date of Balance sheet are valued as under:
1. Actively traded equity shares: At their Market Value.
 2. Thinly traded equity shares: At nominal value of Re.1/-.
 3. Preference shares: At a value proportionate to the face value of the equity shares that bears to its market value.
- 7.9** Final Dividend is accounted for as income in the year of declaration and Interim dividend is accounted as income where the warrants are dated 31st March or earlier.
- 7.10** Dividends/interest on shares/debentures under objection/ pending deliveries is accounted for on realization/payment.
- 7.11** Profit or Loss on sale of investments is apportioned between Profit and Loss Account and Revenue Accounts in the ratio of Shareholders' Funds and Policyholders' Funds respectively at the beginning of the year. The same are further apportioned amongst the revenue accounts on the basis of the respective Policyholders' Fund at the beginning of the year. Shareholders' Fund consist of Share Capital and Free Reserves. Policyholders' Fund consist of provisions for outstanding claims and reserves for unexpired risks.



Profit/loss on sale of investments is computed at average book value of investments on the date of sale.

7.12 Expenses relating to safe custody, collection of interest/dividend, bank charges, etc., on investments are charged to Profit and Loss Account and Revenue Accounts as stated in accounting policy 5.3.

7.13 Debt securities including Government Securities and Redeemable Preference shares have been considered as 'held to maturity' and have been measured at historical cost subject to amortization of premium paid over the residual period.

7.14 In case of repos transaction, difference between the selling and buying value is treated as interest income.

8. FIXED ASSETS

Fixed assets are stated at cost less depreciation. Cost of shares in Co-operative Societies/Companies for property rights acquired is included under the head 'Buildings' under Fixed Assets.

9. TAXES ON INCOME

In accordance with Accounting Standard 22 "Accounting for Taxes on Income" the Corporation has recognized Deferred Tax arising out of timing differences between taxable income and accounting income.

II. NOTES FORMING PART OF THE ACCOUNTS:

1. The Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002 have been adopted for presentation of this year's accounts.
2. As mentioned in the last year's accounts, the assets and liabilities pertaining to Crop Insurance business, duly certified by the Auditors, have been transferred to

Agriculture Insurance Company of India Limited as at 01.04.2003.

3. During the year the Corporation has started underwriting life re-insurance business and this has been disclosed as a separate segment in the financial statements.
4. (a) Out of investment held in shares and debentures valued at Rs. 93084,299 thousands (Previous year Rs. 54317,953 thousands), confirmation regarding actual custody or other documentary evidence was not available in respect of investment valued at Rs. 1,300 thousands (Previous year Rs. 1,300 thousands).
(b) The number of shares/debentures actually held by the Corporation/Custodian of the Corporation is in excess of number held as per the books of the Corporation. The face value of such excess is Rs.526 thousands (Previous year Rs. 439 thousands).
(c) The aggregate amount of interest income not accounted for as per accounting Policy No. 7.1 as at 31st March 2004 is Rs. 4860,210 thousands (Previous year Rs. 4067,877 thousands).
(d) Sale of equity shares of a company contracted through public offer in 1995-96 for Rs. 4,000 thousands (Previous year Rs. 4,000 thousands) has not been accounted for till date, on account of the significant uncertainty regarding completion of the sale, as the matter is sub-judice.
5. Leasehold Land & Buildings under Fixed Assets includes 7 properties costing Rs. 473,901 thousands (Previous year 7 properties costing Rs.473,901 thousands) for which conveyance deeds are yet to be executed.
6. The amounts due to/from other persons or bodies carrying on insurance business include:
 - (a) Amounts due to/from Indian companies of Rs.5294

thousands credit (Previous year Rs.2 thousands credit) in suspense accounts which have not been confirmed.

The adjustment, if any, will be made upon analysis /reconciliation.

(b) Amounts due to/from foreign companies include Rs.31,815 thousands debit and Rs.42,677 thousands credit (Previous year Rs.1,288 thousands debit and Rs.85,218 thousands credit) in suspense account which are in the process of being reconciled and confirmed.

7. Taxes paid in advance include an amount of Rs.970,955 thousands (Previous year Rs. 970,955 thousands) pertaining to assessments completed but in appeal either by Corporation or by the Income Tax Department as at 31st March, 2004.

8. The break up of Net Deferred Tax liability is as under.

(Rs. in thousand)

Particulars	as on 31.03.2004		as on 31.03.2003	
	Deferred Tax		Deferred Tax	
	Asset(C.Y.)	Liability(C.Y.)	Asset(P.Y.)	Liability(P.Y.)
Timing difference on account of Difference in book depreciation & Depreciation under Income Tax Act, 1961.		1916,20		1950,04
Provision for leave encashment.	441,94		314,31	
TOTAL	441,94		314,31	1950,04
Net Timing Differences		1474,25		1635,73
Net Deferred Tax Liability		528,89		601,13

9. Figures relating to the previous year have been regrouped wherever necessary.

10. Disclosures forming part of financial statements as required by the IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies):

10.1 Contingent Liabilities:

(a) Partly paid up investments. Rs. 8,000 thousands

(b) Underwriting commitments outstanding: Nil

(c) Claims, other than under policies not acknowledged as debts:

A claim for an amount of Rs 5,000 thousands on account of a legal dispute with a building Contractor has been filed in the High Court against the Corporation.

(d) Guarantees given by or on behalf of the Corporation- Nil

(e) Statutory demand/liabilities in dispute, not provided for - Nil

(f) Reinsurances obligations to the extent not provided for in the accounts:

NIL, in view of accounting policy no. 2.1.

10.2 As at 31-03-2004 all the assets of the Corporation in and outside India are free from encumbrances except for:

- [a] The Government of India stock 12.3%, 2016 for Rs. 317,923 thousands (Previous year 12.3%, 2016 for Rs. 319,984 thousands) deposited with R.B.I. as security under Section 7 of the Insurance Act, 1938 and,
- [b] The Government of India stock 11.03% 2012 for Rs. 25,000 thousands (P.Y. Rs.25,000 thousands) and cash deposit of Rs.2,800 thousands (P.Y.Rs.2,800 thousands) with Clearing Corporation of India Limited as deposit towards Settlement Guarantee Fund.

10.3 The Commitments made and outstanding for Loans, Investments and Fixed Assets as at 31st March, 2004 is Rs. 81330,000 thousands (Previous year 1399,225 thousands)

10.4 Claims less reinsurance during the financial year 2003-04 paid in India are Rs.18571,195 thousands (Previous year Rs.18640,849 thousands) and outside India are Rs.3399,218 thousands (Previous year Rs.1967,677 thousands).

10.5 Actuarial assumptions for determination of claim liabilities in the case of claims where the claims payments period exceeds four years - Nil as there are no such liabilities reported.

10.6 Ageing of claims – distinguishing between claims outstanding for more than six months and other claims:

The Corporation being a reinsurance company does not settle claims directly with the insured. The companies after settling the claims with their insured would recover the claims from the Corporation as per the reinsurance obligations. Such recoveries are settled with the companies through periodical accounts statements. Nevertheless the outstanding losses as intimated by the companies in respect of facultative business are classified into less than 6 months and more than 6 months as per the details given below

(Rs. in thousands)

	2003-04		2002-03	
	Number	Amount	Number	Amount
A) Foreign Inward Business				
Claims o/s more than 6 months	670	234,466	462	166,218
Claims o/s less than 6 months	146	286,572	66	137,613
B) Indian Business				
Claims o/s more than 6 months	369	1445,645	133	144,781
Claims o/s less than 6 months	571	754,475	64	76,116
C) Aviation Business				
Claims o/s more than 6 months	426	1226,529	551	1025,902
Claims o/s less than 6 months	32	73,480	32	277,225

10.7 Premiums, less reinsurance, written from business during the financial year 2003-04 in India are Rs.31725,166 thousands (Previous year Rs. 31871,519 thousands) and outside India are Rs.9903,297 thousands (Previous year Rs. 6456,319 thousands).

10.8 The premium is recognised as income on the basis of returns received by the Corporation as per accounting policy No. 2.1 and reserve for unexpired risks as per accounting policy 4.

10.9 Value of contracts in relation to investments, for

- a) Purchases where deliveries are pending Nil
(Previous year Rs Nil)
- b) Sales where payments are overdue Nil
(Previous Year Nil)

10.10 The basis of apportionment of operating expenses to the Revenue Accounts has been stated in the Significant Accounting Policy No.5.3.

10.11 The historical cost of investments valued on Fair Value basis is Rs.20433,334 thousands (Previous year Rs. 19512,407 thousands)

10.12 Computation of Managerial Remuneration is as follows:

Sr. No.	Name	Designation	Gross Salary	Corp.'s P.F.	House Perquisite	Loan Perquisite	Vehicle Perquisite
1	Shri P.C. Ghosh	Chairman	Rs 4,98,900/-	Rs. 31,200/-	Rs. 31,560/-	Rs.2,068/-	Rs.14,400/-
2.	Shri P.B.Ramanujam	Managing Director	Rs. 4,73,069/-	Rs. 29,579/-	Rs. 29,935/-	Rs.414/-	Rs.14,400/-

10.13 The basis of amortisation of debt securities is as stated in accounting policy No. 7.13.

10.14 Provisions regarding unrealised gains/losses has been stated in the accounting policies No. 7.7.

10.15 The Corporation does not hold any properties for investment purposes.

10.16 Claims settled and remaining unpaid for a period of more than six months as on 31-03-2004: Nil

11. Segment Reporting as per AS-17 of ICAI, have been complied with as required by IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002.

12. Related party Disclosures as per AS-18 of ICAI:

- a) Associate Company:
 - Kenindia Assurance Co. Ltd, Nairobi, Kenya.
 - LIC Mauritius Limited.
 - India International Pte Limited.
 - Agriculture Insurance Company of India Limited

- b) Key Management Personnel:
 - Shri P.C.Ghosh - Chairman
 - Shri P B Ramanujam- Managing Director

Nature and volume of transactions:

With (a) above



Rs. in thousand

Name of the company	Premium	Commission	Claims Paid	Net Balance as on 31.03.2004
Kenindia Assurance Co. Ltd.	233685	58634	13573	64778
LIC Mauritius Limited.	NIL	NIL	NIL	NIL
India International Pte Limited.	534779	181668	36090	100162
Agriculture Insurance Company of India Limited	NIL	NIL	NIL	178398

With (b) above

Remuneration Paid:

The same is disclosed as per Note No. 10.12 of the Disclosures forming part of the Financial Statements.

13. Earnings per Share (EPS) as per Accounting Standards 20 of the ICAI:

	2003-04	2002-03
Basic and Diluted EPS:	Rs.482.62	Rs.131.00
Profit after Tax:	Rs.10376,142 thousands	Rs.2816,590 thousands
Number of equity shares:	2,15,00,000	2,15,00,000
Nominal value of share:	Rs.100/-	Rs.100/-

14. The Corporation has prepared Cash Flow statement adopting the indirect method.

15. Prior period items have not been separately disclosed.

16. The summary of the financial statements of the Corporation for the last five years is as per Annexure I.

17. The Accounting Ratios of the Corporation are stated in Annexure II.

18. Employees Remuneration and benefit include provision for Pension and Gratuity based on actuarial valuation report wherein anticipated voluntary retirement of 35 employees was considered and the actuarial assumptions have also been refined for discounting rates and rate of growth of pensionable salary. However the impact thereof is not ascertained individually.

As per our report of even date

For K.S. AIYAR & CO.
Chartered Accountants

Ramakrishna Prabhu
Partner

Pune,
Dated : 30th June, 2004

P.C. Ghosh
P.B. Ramanujam
S.B. Mathur
M. Raghavendra
B.P. Deshmukh

Pune,
Dated : 30th June, 2004

Chairman
Managing Director
Director
G.M. (Finance)
Company Secretary

Annexure - I

SUMMARY OF FINANCIAL STATEMENTS

(Rs. In lakhs)

Sr. Particulars No.	2003-04	2002-03	2001-02	2000-01	1999-00
Operating Results					
1. Gross Premium Written	464076	451481	328246	291259	266566
2. Net Premium Income	416298	383278	267123	218654	188631
3. Income from investments (net)	86169	57870	56933	51474	44978
4. Profit on Exchange Fluctuation	(-925)	722	69	-	-
5. Total Income	501542	441871	324125	270128	233609
6. Commissions	107164	90901	63634	49610	48642
7. Brokerage	-	-	-	-	-
8. Operating Expenses	3383	2980	2514	2351	2332
9. Claims, increase in Unexpired Risk Reserve and Other outgoes	306655	339086	252784	200047	160610
10. Operating Profit/loss	84340	8904	5193	18120	22025
Non-operating Result					
11. Total Income under Shareholders account (Net)	43350	25386	30477	29617	28957
12. Profit/(loss) before tax	127691	34289	35670	47602	50982
13. Provision for tax	23929	8142	5000	7538	8500
14. Profit/(loss) after tax	103762	26147	30670	40064	42482
Miscellaneous					
15. <u>Policy holders' Account :</u>					
Fire	135950	114087	72750	44677	44346
Miscellaneous	451928	429249	345867	303069	243553
Marine	54170	46576	38295	38338	41061
Total funds	642048	589912	456912	386084	328960
Total Investments	934387	616863	535337	486753	465321
Yield on Investments	9.0	9.4	10.6	10.6	9.7

**SUMMARY OF FINANCIAL STATEMENTS (Contd.)**

(Rs. In lakhs)

Sr. Particulars No.	2003-04	2002-03	2001-02	2000-01	1999-00
16. <u>Shareholders Account :</u>					
Total funds	413219	316735	293063	266146	229216
Total Investments	533148	395656	369034	339165	314489
Yield on Investments	9.0	9.4	10.6	10.6	9.7
17. Paid up Equity Capital	21500	21500	21500	21500	21500
18. Net worth	413219	316735	293063	266146	229216
19. Total assets	1644113	1169512	1037884	935608	875696
20. Yield on total investments	9.0	9.4	10.6	10.6	9.7
21. Earnings per share (Rs.)	483	131	145	186	197
22. Book Value per share (Rs.)	1922	1473	1363	1238	1066
23. Total Dividend	6450	4730	4300	4300	6450
24. Dividend per share (Rs.)	30	22	20	20	30

As per our report of even date

For K.S. AIYAR & CO.
Chartered Accountants

Ramakrishna Prabhu
Partner

Pune,
Dated : 30th June, 2004

P.C. Ghosh
P.B. Ramanujam
S.B. Mathur
M. Raghavendra
B.P. Deshmukh

Chairman
Managing Director
Director
G.M. (Finance)
Company Secretary

Pune,
Dated : 30th June, 2004

Annexure - II

RATIOS FOR NON-LIFE COMPANIES

Sr. No.	Performance Ratio	Ratio / Percentage	
		2003-04	2002-03
1	Gross Premium Growth Rate (segment wise) (Gross premium for the current year divided by the gross premium for the previous year)		
	Fire Insurance	14.7	40.0
	Motor Insurance	14.0	33.6
	Aviation Insurance	44.2	57.9
	Engineering insurance	11.2	41.5
	Crop Insurance	0.0	28.4
	Other Miscellaneous Insurance	15.4	28.0
	Marine Cargo	(-)4.0	13.4
	Marine Hull	(-)30.7	140.2
2	Gross Premium to shareholders fund ratio : (Gross premium for the current year divided by paid up capital plus free reserves)	112.3	142.1
3	Growth rate of shareholders' funds (Shareholders' funds as at the current balancesheet date divided by shareholders' funds as at the previous balance sheet date)	30.5	8.1
4	Net retention ratio (segment wise) (Net premium divided by gross premium)		
	Fire Insurance	85.7	80.8
	Motor Insurance	100.0	100.0
	Aviation Insurance	75.3	52.7
	Engineering insurance	74.2	66.9
	Crop Insurance	0.0	100.0
	Other Miscellaneous Insurance	95.4	92.6
	Marine Cargo	88.7	84.5
	Marine Hull	68.3	34.4

RATIOS FOR NON-LIFE COMPANIES (Contd.)

Sr. No.	Performance Ratio	Ratio / Percentage	
		2003-04	2002-03
5	Net commission ratio (segment wise) (Commission net of reinsurance for a class of business divided by net premium)		
	Fire Insurance	28.7	30.0
	Motor Insurance	24.6	24.5
	Aviation Insurance	14.3	12.5
	Engineering insurance	31.5	32.5
	Crop Insurance	0.0	0.0
	Other Miscellaneous Insurance	24.5	24.2
	Marine Cargo	24.2	23.1
	Marine Hull	22.8	25.4
6	Expenses of management to gross premium ratio (Expenses of management divided by the total gross premium)	0.7	0.6
7	Combined ratio : (Claims paid plus expenses divided by gross premium)	48.1	46.3
8	Technical reserves to net premium ratio (Reserve for unexpired risks plus premium deficiency reserve plus reserve for outstanding claims divided by net premium)	154.2	153.9
9	Underwriting balance ratio (Segment wise) (Underwriting profit divided by net premium for the respective class of business)		
	Fire Insurance	33.2	18.0
	Motor Insurance	1.1	(-)11.5
	Aviation Insurance	15.1	(-)18.8
	Engineering insurance	(-)22.9	18.4
	Crop Insurance	0.0	(-)18.6
	Other Miscellaneous Insurance	13.9	4.2
	Marine Cargo	31.8	28.3
	Marine Hull	8.4	(-)9.4

Annexure - II

RATIOS FOR NON-LIFE COMPANIES (Contd.)

Sr. No.	Performance Ratio	Ratio / Percentage	
		2003-04	2002-03
10	Operating profit ratio (Underwriting profit plus investment income divided by net premium)	32.1	12.0
11	Liquid assets to liabilities ratio (Liquid assets of the insurer divided by the policy holders' liabilities)	27.8	42.3
12	Net earnings ratio: (Profit after tax divided by net premium)	24.9	6.8
13	Return on net worth (Profit after tax divided by net worth)	25.1	8.3
14	Reinsurance ratio : (Risk reinsured divided by gross premium)	10.3	15.1

As per our report of even date

For K.S. AIYAR & CO.
Chartered Accountants

Ramakrishna Prabhu
Partner

Pune,
Dated : 30th June, 2004

P.C. Ghosh
P.B. Ramanujam
S.B. Mathur
M. Raghavendra
B.P. Deshmukh

Pune,
Dated : 30th June, 2004

Chairman
Managing Director
Director
G.M. (Finance)
Company Secretary

**CASH FLOW STATEMENT**

As per Indirect Method

(Rs. In thousands)

	31st March, 2004	31st March, 2003
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before taxation as per Profit & Loss A/c	12769 083	3428 901
Adjustments for:		
Exchange Loss/Gain charged	209 146	(-)233 300
Provision for diminution in value of investment	234 757	386 152
Provision for doubtful loans, investments & Debts	117 000	630 000
Amortisation of Premium on Investment	232 896	128 571
Investment Written off in erstwhile subsidiaries	-	380 531
Depreciation	25 194	26 509
Profit /Loss on sale of Assets	(-) 143	(-) 574
Provision for Leave Encashment	12 763	3 927
Sundry Balances Written off/ back	1 949	2 281
	833 562	1324 097
Operating Profit before working capital changes	13602 645	4752 998
Changes in Unexpired Risk Reserves	1711 930	6464 626
Changes in Provisions for Outstanding Claims	3502 289	6835 429
Changes in Income accrued on Investments	(-)408 115	(-)44 556
Changes in Balances with Insurance Companies	(-)638 091	(-)1338 725
Changes in Advance and Deposits	(-)1638 857	(-)59 283
Changes in other Current Liabilities	1171 232	(-)340 153
	3700 388	11517 338
Cash generated from operations	17303 033	16270 336
Income Tax Paid (Net)	(-)385 467	(-)454 459
Net Cash from Operating Activities	16917 566	15815 877

CASH FLOW STATEMENT (Contd.)

As per Indirect Method

(Rs. In thousands)

	31st March, 2004	31st March, 2003
B) CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(-)4 197	(-)29 065
Proceeds from sale of Fixed Assets	8 165	1 455
Changes in net Investments	(-)13467 805	(-)11531 469
Net Cash used in Investing Activities	(-)13463 837	(-)11559 079
C) CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend Paid	(-)473 000	(-)430 000
Dividend Tax Paid	(-)60 603	-
Net Cash from Financing Activities	(-)533 603	(-)430 000
D) Effect of Foreign Exchange rates on Cash & Cash equivalents(Net)		
	(-)209 146	233 300
Net increase in Cash and Cash equivalents (A+B+C+D)	2710 980	4060 098
Cash and Cash equivalents at beginning of period (As per Schedule No.11)	15168 120	11108 022
Cash and Cash equivalents at the end of period (As per Schedule No.11)	17879 100	15168 120

As per our report of even date

For K.S. AIYAR & CO.
Chartered Accountants

Ramakrishna Prabhu
Partner

Pune,
Dated : 30th June, 2004

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Pune,
Dated : 30th June, 2004

Chairman
Managing Director
Director
G.M. (Finance)
Company Secretary

**Balance Sheet Abstract and Company's General Business Profile****I. Registration Details**

Registration No. State Code
 Balance Sheet Date

II. Capital Raised during the year (Amount in Rs. Thousand)

Public Issue Right Issue
 Bonus Issue Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousand)

Total Liabilities Total Assets

Source of Funds

Paid-up Capital Reserves & Surplus
 Secured Loans Unsecured Loans
 Deffered Taxation Liability Fair Value Change Account

Application of Funds

Net Fixed Assets Investments
 Net Current Assets Misc. Expenditure
 Accumulated Losses

IV. Performance of Company (Amount in Rs. Thousand)

Turnover Total Expenditure
 Profit/Loss Before Tax Profit/Loss after Tax
 Earning per Share in Rs. Dividend @%

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No.
 Product Description

PERFORMANCE HIGHLIGHTS

(Rs. & US\$ in '000)

	2003-04		2002-03	
	Rs.	US \$	Rs.	US \$
Net Earned Premium	39917 849	921 890	31863 212	671 794
Net Claims	28953 561	668 673	27443 955	578 620
	72.53%	72.53%	86.13%	86.13%
Net Commission	10716 378	247 491	9090 092	191 653
	26.85%	26.85%	28.53%	28.53%
Operating Expenses and Other Outgo less Other Income	421 494	9 734	219 042	4 618
	1.06%	1.06%	0.69%	0.69%
Investment Income Apportioned to Revenue less Expenses	8607 625	198 790	5780 302	121 870
	21.56%	21.56%	18.14%	18.14%
Underwriting Profit	8434 041	194 782	890 423	18 773
	21.13%	21.13%	2.79%	2.79%
Interest, Dividends, Rent & Profit on sale of Investments	4916 699	113 550	3711 815	78 259
Other Income less Other Outgo	2 996	69	351 917	7 420
Reserve for Doubtful Debts, Investment Written off and Amortisation of Premium on Investments	584 653	13 502	1144 723	24 135
Investment in erstwhile subsidiaries written off	-	-	380 531	8 023
Profit before Tax	12769 083	294 898	3428 901	72 294
Provision for tax including deferred tax	2392 876	55 263	814 212	17 167
Profit after Tax	10376 207	239 635	2614 689	55 127
Assets:				
Investments	121269 562	2800 683	78271 594	1650 255
Loans	8004 529	184 862	7958 217	167 789
Fixed Assets	379 366	8 761	409 831	8 641
Cash and Bank Balances	17879 100	412 912	15168 120	319 800
Advances and Other Assets	16878 775	389 810	15143 384	319 278
Total Assets	164411 332	3797 028	116951 146	2465 763
Liabilities:				
Share Capital	2150 000	49 654	2150 000	45 330
Reserve and Surplus	39177 771	904 798	29529 270	622 586
Deferred Tax Liabilities	52 889	1 221	60 113	1 268
Fair Value Change Account	41540 893	959 374	11496 764	242 394
Current Liabilities & Provisions	81489 779	1881 981	73714 999	1554 185
Total Liabilities	164411 332	3797 028	116951 146	2465 763

1 US \$ = Rs.43.30 as on 31st March, 2004

1 US \$ = Rs.47.43 as on 31st March, 2003

(Percentage relate to the net earned premium of the corresponding year)

Solely for the convenience of readers, performance highlights have been converted into US\$.





SURAKSHA

170, J.Tata Road, Churchgate, Mumbai - 400 020, India