

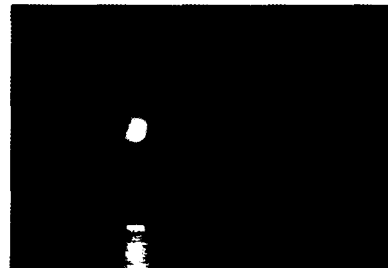
34वां वार्षिक प्रतिवेदन 2005-06  
**34th ANNUAL REPORT 2005-06**



अपकारणे रक्षित्वाणि  
GIC Re

भारतीय साधारण बीमा निगम  
**General Insurance Corporation of India**

# Reinsuring across the globe



## Security Ratings

'A' (Excellent) Financial Strength rating by AM Best

'AAA'(In) Claims Paying Ability rating by CARE



# General Insurance Corporation of India

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**Note:** Key to Indian Numbering System 10 Lakhs = 1 Million; 1 Crore = 10 Millions.



## CORPORATE INFORMATION

### DIRECTORS

Shri.R.K.Joshi	Chairman-cum-Managing Director
Shri.G.C.Chaturvedi, IAS	
Shri.A.K.Purwar	
Shri.R.N.Bhardwaj	Upto 31.05.2005
Shri.R.Beri	Upto 31.10.2005
Shri B. Chakrabarti	w.e.f. 25.11.2005
Shri A.K. Shukla	Upto 30.04.2006
Shri T.S. Vijayan	w.e.f. 11.05.2006

### MANAGEMENT

<b>Chairman-cum-Managing Director</b>	Shri.R.K.Joshi
<b>General Managers</b>	Shri. T. V. Viswanathan Smt. Bhagyam Ramani Shri R. Chandrasekaran
<b>Chief Vigilance Officer</b>	Smt. Gopa Ray
<b>Deputy General Managers</b>	Smt.Sushila Venkatraman Shri H.G. Rokade Shri P.N. Gandhi Shri J. Augustine Shri K. Raghunath
<b>COMPANY SECRETARY</b>	Smt. Suchita Gupta

### AUDITORS

M/s. K.S. AIYAR & CO.,  
Chartered Accountants,  
F-7, Laxmi Mills,  
Shakthi Mills Lane,  
Off. Dr. E. Moses Road,  
Mahalakshmi,  
Mumbai - 400 011.

### BANKERS

Bank of India  
State Bank of India  
Bank of Baroda  
Central Bank of India

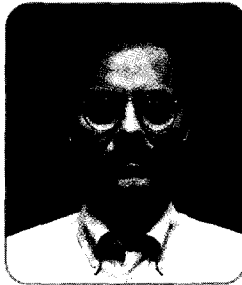
### REGISTERED OFFICE

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

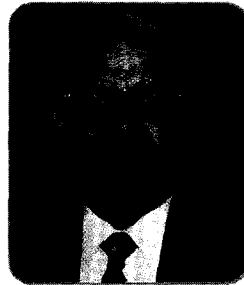
## BOARD OF DIRECTORS



**Shri R.K. Joshi**  
Chairman-cum-Managing Director



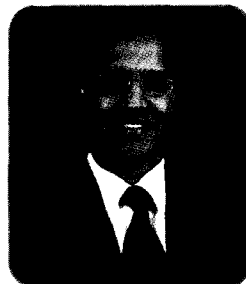
**Shri G.C. Chaturvedi**  
Director



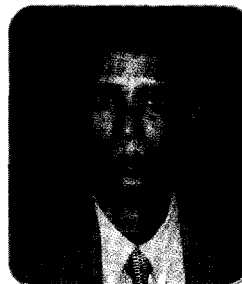
**Shri A.K. Purwar**  
Director



**Shri A.K. Shukla**  
Director



**Shri T.S. Vijayan**  
Director



**Shri B. Chakrabarti**  
Director

## MANAGEMENT



**R.K. Joshi**  
Chairman-cum-Managing Director



**T.V. Viswanathan**  
General Manager



**Bhagyam Ramani**  
General Manager



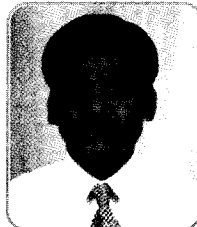
**R. Chandrasekaran**  
General Manager



**Gopa Ray**  
Chief Vigilance Officer



**Sushila Venkatraman**  
Deputy General  
Manager



**H.G. Rokade**  
Deputy General  
Manager



**P.N. Gandhi**  
Deputy General  
Manager



**J. Augustine**  
Deputy General  
Manager



**K. Raghunath**  
Deputy General  
Manager



**Suchita Gupta**  
Company Secretary

**NOTICE**

NOTICE is hereby given that the 34<sup>th</sup> 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 9<sup>th</sup> day of June, 2006 at 12.30 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 31<sup>st</sup> March, 2006.
2. To declare dividend on equity shares.
3. To fix remuneration of auditors for the year 2006-2007.

For and on behalf of the Board

**Suchita Gupta**  
Company Secretary

Registered Office:

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

Dated : 1<sup>st</sup> June, 2006

**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 Fourth Annual Report on the working and affairs of the Corporation and the audited statements of account for the year ended 31<sup>st</sup> March, 2006.

**FINANCIAL RESULTS:**

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

	(Rs in Crores)		(Rs in Crores)	
	2005-06	2004-05	2005-06	2004-05
1. Net Premium	4234.88	4613.87		
2. Net Earned Premium	4458.84	4373.68		
3. Net Incurred Claims	4573.07	3702.80		
	102.56%	84.66%		
4. Net Commission	1102.93	1207.49		
	24.74%	27.60%		
5. Operating Expenses and Other Outgo less Other Income	43.01	35.67		
	0.96%	0.82 %		
6. Investment Income Apportioned to Revenue less expenses	1095.70	850.51		
7. Total Profit/Loss (-) (2+6-3-4-5)	(-)164.48	278.23		
	(-)3.69%	6.36%		
8. Interest, Dividends and Rents (gross)	622.92	548.10		
9. Other Income less Other Outgo	-25.26	55.22		
10. Reserve for Doubtful Debts and Investment incl. Amortisation of Investments Written off	-9.76	81.47		
11. Profit before Tax (7+8+9-10)	442.94	800.08		
12. Income-tax Deducted at Source and Provision for tax incl. deferred taxes	-155.58	600.06		
13. Profit after Tax(11-12)	598.52	200.02		
14. Balance of Profit b/f from previous year	0.06	0.08		
15. Profit available for appropriation	598.58	200.02		
16. Proposed Dividend incl. Dividend tax	98.06	73.54		
17. Transferred to General Reserves	500.50	126.50		
18. Balance of Profit carried forward(14+15-16-17)	0.02	0.06		

*(Net Earned Premium is arrived after adjustments for Reserve for Unexpired Risks)  
(Percentages relate to the net earned premium of the corresponding year)*

**CAPITAL**

In April 2005, the Authorized Capital of the Corporation has been increased from Rs.250 crores to Rs.1,000 crores consisting of 1,000 lakh equity shares of Rs.100/- each.

At an Extra Ordinary General Meeting of the members held on 27<sup>th</sup> April, 2005, it was decided to issue, fully paid-up bonus shares in the ratio of 1:1, which on allotment would rank pari-passu with the existing shares of the Corporation and would be entitled to dividends for the year ending 31<sup>st</sup> March, 2005. These Bonus shares were issued on 10<sup>th</sup> June, 2005. Consequently, the paid-up capital of the Corporation has increased to Rs.430 crores.



**PROPOSED DIVIDEND**

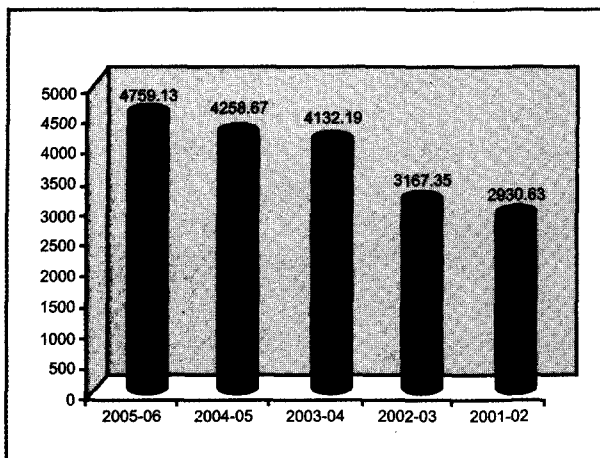
The directors recommend declaration of dividend at the rate of 20 % for the year under review amounting to Rs.86.00 crores, as against Rs.64.50 crores at the rate of 15 % in the previous year. An amount of Rs 12.06 crores has also been provided as dividend distribution tax on the dividend declared during the year.

**CAPITAL AND FUNDS**

Capital and Funds of the Corporation stood at Rs.14228.21 crores as on 31<sup>st</sup> March, 2006 as against Rs. 11763.07 crores in the previous year, the details of which are given below:

(Rs. in Crores)

	As on 31.03.2006	As on 31.03.2005
<b>Shareholders' Funds</b>		
Paid up Capital	430.00	215.00
General Reserve	4329.11	4043.61
Profit & Loss account	0.07	0.06
	<b>4759.13</b>	<b>4258.67</b>
<b>Policyholders' Fund</b>	<b>9469.09</b>	<b>7504.41</b>
<b>Total Funds</b>	<b>14228.21</b>	<b>11763.07</b>

**Net worth (Shareholders' Funds) for the last 5 years (Rs. in Crores)**

**ASSETS**

Total assets of the Corporation increased to Rs.26424.03 crores as on 31<sup>st</sup> March, 2006 from Rs. 18784.67 crores as on 31<sup>st</sup> March, 2005.

**INVESTMENTS**

During 2005-06, all the sectors in the economy performed well except Infrastructure Sector where the performance was sluggish. This was reflected in the stock markets with the sensex rising from 6493 as on 31.3.2005 to an all time high of 11357 on 31.3.2006. Some of the Sectors viz. steel, metal, engineering, cement and FMCG contributed a great extent to the appreciation. The Corporation took advantage of the boom and realized profit on sale of equity to the extent of Rs.778.63 crores during the year under review.

Monetary and liquidity conditions remained comfortable during 2005-06 though there was tightness in liquidity conditions during the last four months of 2005-06. This was due to impact of redemption of India Millennium Deposits. The Reserve Bank of India injected enough liquidity through unwinding of Market Stabilisation Scheme and repo operations under the Liquidity Adjustment Facility along with private placement of Government of India Securities.

The inflation outcome during 2005-06 was influenced mainly by the price movement of petroleum products. Headline inflation, based on the movement in the wholesale price index (WPI) was 4% as at March, 2006 compared to 5.1% a year ago. Inflation initially increased to an intra year high of 6% in April, 2005. The average WPI inflation rate eased to 4.5% during 2005-06 from 6.4% in the previous years.

During the year under review, Government of India raised Rs.1, 31,000 crores through issuance of dated securities (excluding issuance under the Market Stabilisation Scheme) as against Rs.1,41,000 crores envisaged during the year.

The total investment of the Corporation in India (representing investments and loans made in India) during the year 2005-06 amounted to Rs.22,134.06 crores as against Rs.15,434.31 crores in the previous year. The net NPA in respect of Investments and Loans to Corporate stood at 1.82% as on 31.3.2006.

**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.430 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.

**PERSONNEL AND INDUSTRIAL RELATIONS**

**I. STATEMENT UNDER SECTION 217(2A) OF COMPANIES ACT, 1956**

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.

**II. WAGE REVISION:**

Under Section 17A of the General Insurance Business (Nationalisation) Act, 1972, the Central Government notified Amendment Scheme, 2005 on 21<sup>st</sup> December, 2005 revising the scales of pay and allowances of Officers and Supervisory, Clerical and Subordinate Staff with effect from 1<sup>st</sup> August, 2002.

The above Schemes are applicable to Class I Officers and Supervisory, Clerical and Subordinate Staff who:-

- (i) were in service as on 1<sup>st</sup> August, 2002 and continue to be in service as on the date of the subject Notification; or who were appointed on any date after 1<sup>st</sup> August, 2002 ; or
- (ii) were in service as on 1<sup>st</sup> August, 2002, and have died, or retired on reaching the age of superannuation, or opted for voluntary retirement, other than the Special Voluntary Retirement under the General Insurance Officers'/Employees' Special Voluntary Scheme, 2004 in the month of April, 2004.

**III. STAFF POSITION AS ON 31.03.2006:**

Class I	236
Class III	155
Class IV	57
<b>Total</b>	<b>448</b>

**IV. GIC – LPA MERGER – ABSORPTION OF EMPLOYEES:**

As per the Merger Scheme approved by the Board in principle, 75 employees of LPA will be deployed to GIC and four Public Sector General Insurance Companies. 10 LPA employees will be absorbed in GIC.

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, training on Personality Development for SC/ST and OBC employees was arranged in Daman and Mumbai. Training was imparted to 89 SC/ST/OBC employees in 3 batches. Various other Welfare Schemes are also implemented by the Trust for the benefit of SC/ST/OBC employees.

**BOARD OF DIRECTORS**

Shri A.K. Shukla, Chairman, Life Insurance Corporation of India was appointed as a Director on the Board of the Corporation w.e.f. 18.07.2005.

Shri B. Chakrabarti, Chairman GIPSA & CMD New India Assurance Co. Ltd. was appointed as a Director on the Board of the Corporation w.e.f. 25.11.2005.

Shri R.N. Bhardwaj, Chairman, Life Insurance Corporation of India ceased to be a Director of the Corporation w.e.f. 31.05.2005 on attaining the age of superannuation.

Shri R. Beri, Chairman, GIPSA & CMD, New India Assurance Co. Ltd. ceased to be a Director of the Corporation w.e.f. 31.10.2005 on attaining the age of superannuation.

The Directors wish to place on record the co-operation received from Shri R.N. Bhardwaj and Shri R. Beri during their tenure as Directors on the Board and also for their valuable contribution to the cause of the General Insurance Industry.

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

**STATEMENT SHOWING NUMBER OF BOARD MEETINGS ATTENDED  
BY THE DIRECTORS DURING THE PERIOD APRIL 2005 TO MARCH 2006**

Name of Director	Dates of Meetings					
	27.06.2005	16.08.2005	28.10.2005	28.11.2005	17.01.2006	31.03.2006
Shri R.K. Joshi	Present	Present	Present	Present	Present	Present
Shri G.C. Chaturvedi	Present	Absent	Present	Present	Present	Present
Shri A.K. Purwar	Present	Absent	Present	Present	Present	Present
Shri R. Beri	Present	Present	Present	Ceased		
Shri A.K. Shukla	-	Present(*)	Absent	Present	Present	Present
Shri B. Chakrabarti	Not on Board				Present(**)	Present

(\*) Appointed as Director w.e.f. 18.07.2005

(\*\*) Appointed as Director w.e.f. 25.11.2005

**COMMITTEE OF THE BOARD**

General Insurance Corporation of India has two Board level Committees, viz. Audit Committee and Investment Committee.

**AUDIT COMMITTEE**

In compliance with Section 292(A) of the Companies Act, 1956, the Corporation has an Audit Committee of the Board of Directors with the following Members for the financial year 2005-06:

1. Shri G.C. Chaturvedi
2. Shri A.K. Purwar (from 17.06.2005 to 19.12.2005)
3. Shri R. Beri (upto 31.10.2005)
4. Shri A.K. Shukla (from 16.08.2005)
5. Shri B. Chakrabarti (from 19.12.2005)

**STATEMENT SHOWING NUMBER OF AUDIT COMMITTEE MEETINGS ATTENDED  
BY THE MEMBERS DURING THE PERIOD APRIL 2004 TO MARCH 2005**

Names of Members	Dates of Meetings		
	27.06.2005	28.11.2005	31.03.2006
Shri G.C. Chaturvedi	Present	Present	Present
Shri A.K. Purwar	Present	Present	Not in Committee
Shri R. Beri	Present	Ceased	
Shri A.K. Shukla	-	Present	Present
Shri B. Chakrabarti	Not in Committee		

**INVESTMENT COMMITTEE**

The Corporation has an Investment Committee of the Board of Directors with the following Members for the financial year 2005-06:

1. Shri R.K. Joshi	2. Shri G.C. Chaturvedi
3. Shri A.K. Purwar (from 17.06.2005 to 19.12.2005)	4. Shri R. Beri (upto 31.10.2005)
5. Shri A.K. Shukla (from 16.08.2005)	6. Shri B. Chakrabarti (from 19.12.2005)

**STATEMENT SHOWING NUMBER OF INVESTMENT COMMITTEE MEETINGS ATTENDED  
BY THE MEMBERS DURING THE PERIOD APRIL 2005 TO MARCH 2006**

Name of Director	Dates of Meetings				
	27.06.2005	28.10.2005	28.11.2005	17.01.2006	31.03.2006
Shri R.K. Joshi	Present	Present	Present	Present	Present
Shri G.C. Chaturvedi	Present	Present	Present	Present	Present
Shri A.K. Purwar	Present	Present	Present	Ceased	
Shri R. Berl	Present	Present	Ceased		
Shri A.K. Shukla	-	Absent	Present	Present	Present
Shri B. Chakrabarti	Not in Committee			Present	Present

**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. 833.91 crores
- ii) Outgo Rs. 467.88 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.5, 70,423/-, Rs.64, 30,404/- and Rs.1, 44, 81,593/- respectively for the year under review.

**DONATIONS:**

During the year under review the Corporation made a donation of Rs 40,00,000/- to Chief Ministers Relief Fund ( Govt. of Maharashtra ), towards relief work for the loss of lives and property caused due to the flood which hit Mumbai on 26<sup>th</sup> July 2005. The Corporation also made a donation of Rs.10.00 lakhs for flood relief to Gujarat Chief Minister's Relief Fund.

**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.

For Official Language Implementation, inspections of departments of Corporation were carried by officials of Official Language Department. Four in-house workshops and four meetings of Official Language Implementation Committee were conducted. During Hindi week celebrations, various competitions were organized.

CMD's Shield was awarded to the best performing Department of the Corporation with regard to Official Language Implementation. Third prize for Official Language Implementation was awarded to Corporation by a non government Organisation 'Ashirwad' working in the field of Official Language propagation.

In-house journal "Kshitij" was published on Quarterly basis. An inspection was carried out by Research Officer (Implementation) Department of Official Language, M.H.A., Regional Implementation Office (west), Mumbai and he found that Implementation of Official Language in the Corporation is satisfactory.

**VIGILANCE**

The Vigilance Set-up of the Corporation is headed by a Chief Vigilance Officer who holds additional charge of GIC apart from being CVO of New India Assurance Co.Ltd. The Vigilance Department generally aims at preventive and punitive vigilance.

Various Vigilance awareness programs are conducted during "Vigilance Awareness Week" by Vigilance Department. As an integral part of training modules for all employees of GIC, the Vigilance department constantly conveys the importance of preventive vigilance. A Vigilance Training session

on "Preventive Vigilance" was conducted for the officials of the Corporation. Apart from this Vigilance Dept. makes suggestions for improvisation of systems and procedure of the Organisation.

To improve vigilance administration CVO and other officers also participate in the vigilance training conducted by reputed organisation like Delhi Productivity Council (DPC), National Insurance Academy (NIA) and CBI Academy, Ghaziabad.

Periodical discussions are being held with the officials of various departments to ensure financial & office discipline and imbibe a culture of value & ethics in daily office work.

#### **INTERNAL AUDIT DEPARTMENT**

The Corporation has systems and controls in place which covers 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.

During the year 2005-06, special emphasis was laid on core business activities and audit-cum-review exercises were carried out, of Reinsurance underwriting operations, settlement of accounts & reconciliations and Investment operations covering period from delinking in 2003. Besides major expenditures incurred, both Revenue and Capital, having financial implications were also subjected to audit.

Investment operations were audited on a concurrent basis as directed by Reserve Bank of India. The concurrent audit reports are submitted to RBI. Also in line with RBI directions, SGL/CSGL Accounts are subjected to concurrent audit and confirmation of correctness of balances, at the end of each month is sent to RBI.

With the restructuring exercise of various departments which is currently on, the Internal Audit and Concurrent Audit functions have been outsourced to an external professional Audit firm so as to best ensure that adequate systems checks and balances are put in place. The audit firm

M/s. Contractor, Nayak and Kishnadwala has taken up the assignment beginning from 1<sup>st</sup> April, 2006.

#### **ITMG**

The SAP project implementation in the Corporation has been progressing well. The HR module has gone live and the Investment module is ready to go-live. The migration of fifteen years reinsurance and accounts data is posing a challenge in implementing the Reinsurance module. This task is expected to be completed shortly.

All computer systems have been upgraded. User level training programs are being organized in phases for over 300 employees of the Corporation. The corporate email system has been strengthened. Data center for housing the advanced computer servers has been set up. An e-learning center with modern facilities created for computer based learning. Computer based reinsurance training software 'Taurus' is acquired and employees are being imparted training. The Corporation's website has been redesignated as [www.gicofindia.in](http://www.gicofindia.in), as per Government's policy.

#### **TRAINING/HRD**

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

Organisation	No. of Programs	No. of employees trained
In-house Programs	7	136
National Insurance Academy, Pune	28	89
College of Insurance, Mumbai	29	53
Other reputed Institutes	44	109
Seminars / Conferences in foreign countries	14	32

To familiarize the employees with SAP based information management; SAP Awareness Program and SAP – End User Training Program was imparted to all officers / employees. Employees were made available Reinsurance E-learning Program package in the specially designed e-learning centre.

GIC sponsored 2 officers for the National Management Program conducted by Management Development Institute at Gurgaon.

**INVESTMENT IN INSURANCE COMPANIES  
DOMESTIC OPERATIONS**

**AGRICULTURE INSURANCE COMPANY OF  
INDIA LIMITED**

This company was jointly promoted by the Corporation in collaboration with NABARD and the four erstwhile subsidiary companies of the Corporation. 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.

**OVERSEAS OPERATIONS**

The overseas operations of the Corporation are limited to participation in the share capital of: Kenindia Assurance Company Ltd, Kenya, India International Insurance Pte Ltd, Singapore and LIC (Mauritius) Offshore Ltd, Mauritius and Representative Offices in UK, Moscow and Dubai.

**KENINDIA ASSURANCE CO.LTD., KENYA**

The Kenindia Assurance Company Ltd, Nairobi, Kenya has a share capital of Kshs 310 million and the Corporations' share is 9.20%

The Company declared a dividend of 10% for the year 2005.

**INDIA INTERNATIONAL INSURANCE PTE. LTD.,  
SINGAPORE**

India International Insurance Pte. Ltd., has a share capital of S\$ 25 million and the Corporations' share is 20%.

The Company is expected to maintain the dividend of 7.5% for the financial year 2005 also, as in the previous years.

**LIC (MAURITIUS) OFFSHORE LTD, MAURITIUS**

The Corporation has a 30% holding in the share capital of LIC (Mauritius) Offshore Ltd., a joint venture company promoted by LIC of India in Mauritius. The Company has just started business operations and expected to do well.

The Corporation also has its presence in UK, Moscow and Dubai through Representative Offices. Necessary steps are being taken to upgrade the offices in UK and Dubai into Branch.

**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 judgments 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 2005-06 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 2005-06 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 2004-05 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 RAJYA SABHA & LOK SABHA on 23<sup>rd</sup> December 2005

**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 the Board**

**R.K. Joshi**  
Chairman-cum-Managing Director

19<sup>th</sup> May 2006  
New Delhi

**U/S 217 (2A) (B) (ii) OF THE COMPANIES ACT, 1956  
READ WITH COMPANIES (PARTICULARS OF EMPLOYEES)  
RULES 1975 FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2006.**

Sr. No.	Name of the Employee	Designation	Remuneration*	Age	Qualification	Last Employment	With Effect From
<b>Employees Employed Throughout the Year</b>							<b>Statement - I</b>
1	SHRI J. AUGUSTINE	Dy.General Manager	3004808.02	52	M.Com.,LL.B. FIII	N.A.	19-06-78
2	SHRI ANIL SANT	Chief Manager	4758789.61	43	B.Sc.,B.Sc(T) FIII	N.A.	01-07-86
3	SHRI D.R. ARYA	Senior Manager	2616850.02	41	M.Sc(Agri) Master Degree in HRDM	N.A.	27-11-89

PART OF THE YEAR

\* Including Gross Salary, Gratuity, Leave Encashment, Co's contribution to Provident Fund and Medclaim but excludes all other perquisites i.e. Accommodation, LTS and reimbursement of expenses

## MANAGEMENT'S DISCUSSION & ANALYSIS REPORT

### ECONOMIC SCENARIO

The momentum and resilience of the global economy in financial year 2005-06 continued to exceed expectations. Despite higher oil prices and onslaught of natural disasters, there was increase in the economic activity level, particularly among the emerging markets. The global GDP growth for the period is estimated at 4.8%, 0.5% higher than projected. Global industrial production picked up from mid 2005; the service sector remained resilient; global trade growth was close to double-digit levels; consumer confidence and labour market conditions strengthened further. Among industrialised countries, despite a weak fourth quarter, the United States remained the main growth engine and Japanese expansion is well established now. Euro zone has also given signs of sustained recovery. Growth in most emerging markets remains solid with the buoyancy of activity in China, India and Russia. Oil prices have been very high and volatile as well hovering well above US\$ 60 per barrel with comfortable inventory levels – particularly in the United States – counterbalancing rising geopolitical uncertainties in Iran and Iraq and threats to oil production in Nigeria.

Global financial market conditions remain very favourable, characterized by unusually low risk premiums and volatility. Global short-term interest rates have continued to rise during the year. Despite some recent increase, long-term interest rates remain below average and the yield curve has flattened. Interest rate spreads- in both industrial and emerging economies – remain close to historic lows, reflecting both improved fundamentals but also a search for yield in an environment of easy liquidity, accompanied by buoyant inflows to the emerging markets.

The Indian economy posted a growth of 8.4% in 2005-06. The growth momentum was driven

by a dynamic industrial resurgence, a pick-up in investments, modest inflation despite increasing global oil and metal prices, rapid growth in imports and exports, steps towards enhanced physical infrastructure, progress in fiscal consolidation and like. The advance estimates for 2005-06 show that the agricultural sector grew by 2.30%, industrial sector grew by 9% and the service sector grew by 9.80%. The foreign exchange reserves crossed US\$ 150 billion mark to touch US\$ 151.62 billion as of March 31st, 2006 as stated by Reserve Banks weekly statistical supplement. Financial services (comprising banking, insurance and real estate services) maintained their growth momentum with progressive maturing of Indian financial markets and the ongoing financial boom. The Sensex crossed the 11,000 mark touching an all time high of 11,357 as of March 31, 2006.

### INDIAN INSURANCE SECTOR 2005-06

Life insurance premiums grew at 41% during year ended 31st March 2006. The trend of single premium option being preferred continued in 2005-06 for life insurance. Indian life insurance industry underwrote individual single premium of INR 10,999 Crores and group single premium of INR 4,406 Crores. About 45% business came from unit linked products and the rest from conventional business.

Non life insurance business recorded growth of 16.2% with gross written premium crossing INR 20,000 Crores. New private sector players garnered market share of about 26% in general insurance business.

GIC's performance for 2005-06 mirrors the growth posted by Indian economy in general & Indian insurance industry in particular.

### GIC'S BUSINESS PERFORMANCE

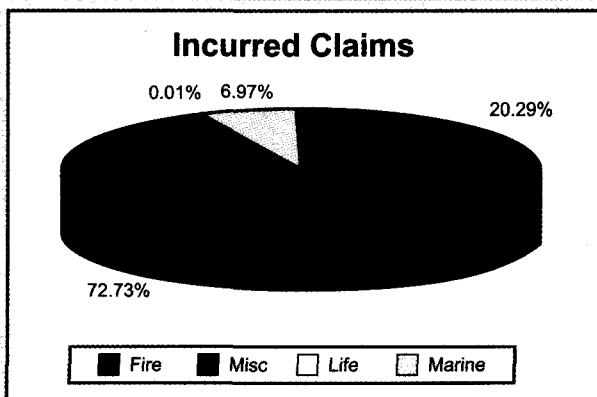
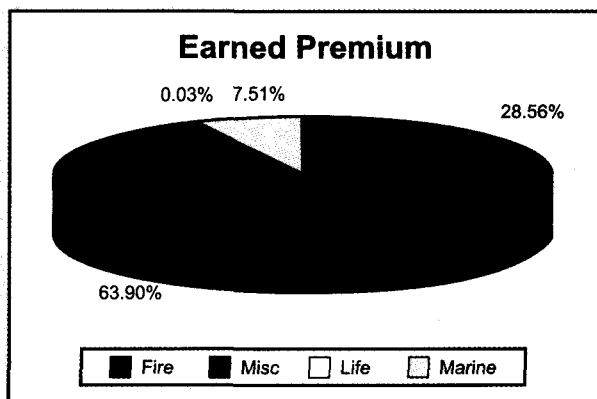
The 2005-06 premium figures (Domestic) are for the period April 2005 to December 2005



whereas the claims provisioning has been done for all the four quarters based upon actuarial calculations. As a result, the premium figures as well the net underwriting results for various classes under Indian business segment are not comparable with previous year's figures. (Please Refer Foot Note)

For a comparison of figures of 2004-05 and 2005-06, an 'As-If' premium accretion for the last quarter (January 06' to March 06') was estimated with a view to measure top line growth over last year. Projections for January 06' to March 06, based upon the trends of premium accretion in January 05' to March 05', would indicate a growth of around 17% year-on-year basis. The percentage growth has been arrived at after moderating the same in view of changed market conditions as compared to the corresponding period during last year.

The total earned premium for 2005-06 (April 05' to Dec 05') was INR 4458.84 Crores as compared to INR 4373.68 Crores for 2004-05 (Apr 04' to March 05'). The overall underwriting results show a loss of INR 1260.18 Crores for 2005-06 (April 05' to Dec 05') as against a loss of INR 572.28 Crores for 2004-05 (Apr 04' to March 05'). Income from investment was INR 1718.62 Crores for 2005-06 (April 05' to March 06') as compared to INR 1398.61 Crores for 2004-05 (Apr 04' to March 05'), posting a growth of 22.88%. An overall revenue loss of INR 164.48 Crores has been incurred after apportioning investment income to policyholders' fund. For the year under review, Profit before tax (PBT) stood at INR 442.94 Crores and profit after tax (PAT) stood at INR 598.52 Crores on account of tax refunds.



Incurred claims for all classes put together increased to INR 4573.07 Crores (INR 3702.80 Crores for 2004-05) mainly on account of major cat and some risk losses including Mumbai flood losses (July 2005).

Combined ratio is the barometer to assess the overall impact of operational risks on business indices- i.e. premium, commissions, incurred claims and expenses of management. The table below clearly indicates GIC's superior performance over its peers during 2005-06. Combined Ratio for 2005-06 is expected to be around 115.42% (if 4<sup>th</sup> quarter premium is taken into account) and 109.56% (excluding catastrophic event and risk losses).

Combined Ratio for GIC - All Classes				
2001-02	2002-03	2003-04	2004-05	2005-06*
121.25%	115.57%	100.43%	113.10%	128.30%
CR (Excluding Catastrophic Event / Risk Losses)				121.58%

\* Please refer introductory paragraph under the heading 'Business Performance'

As per existing regulations the domestic insurers have been permitted to render their accounts on quarterly basis within 90 days of close of each quarter. With a view to complete and present the financial statements at an early date, the Corporation considered it imperative to change the method of accounting reinsurance returns pertaining to domestic proportional treaty business from Indian companies and State Insurance Funds as per the revised policy as disclosed in Note no. 2.1 of the Significant Accounting Policy.

### Class Wise Performance

Corporation continued writing the business on selective basis under **Fire** class. Trend of foreign insurers showing interest in Indian domestic business continued in 2005-06 as well. The trend projection for the last quarter of current financial year (based upon corresponding figures of last year) indicate a growth of 18.21% in the gross written premium over the previous year. Incurred claims in **Fire** class stood at INR 927.67 Crores, an increase of 14.15% over earlier year. Major claims during the year in India were on account of Satlaj Jal Vidyut Nigam (August 2005), Mumbai floods on (July 2005) & Baglihar Hydel Power (July & August 2005). GIC's share of loss on these three major loss events was Rs 321 Crores, Rs 650 Crores & Rs 130.24 Crores respectively. Major international losses affecting the class were Advance Semiconductors, Taiwan (May 2005), Hurricane Katrina (August 2005) & Hurricane Wilma (October 2005) with outgoes of INR 28.53 Crores, INR 18.14 Crores & INR 7.54 Crores respectively. A revenue profit of INR 140.47 Crores under fire class has been achieved after apportioning investment income to fire revenue account.

The **Marine** class gave an underwriting loss of INR 59.79 Crores which shows an improvement over last year's figure of INR 89.79 Crores. The trend projection for the last quarter of current financial year (based upon corresponding figures of last year) indicate a growth of 8.96%

in the gross written premium over the previous year. **Marine Cargo** – Although volume of business increased, there was not much increase in premium growth on account of rates being under pressure due to intense competition. The year 2005 witnessed the Mumbai floods resulting in losses to Cargo – GIC's share being INR 6.08 Crores. Shipments of crude oil and petro products were avoided on account of low rates. For 2006, GIC would accept the business in view of the large turnover and the resultant premium volumes expected.

**Marine Hull** – A major Fire loss on 21/03/2006 was reported on a foreign vessel 'Hyundai Fortune'. GIC's exposure on the Hull and Cargo interest arises following participation on foreign treaties. GIC's exposure would be 5% of estimated losses.

**Oil and Energy** – The exploration and production of Oil & Gas is seeing increasing activity world-wide, necessitating large Reinsurance capacities. To enable GIC write bigger lines on Offshore Energy business, reinsurance protection has been arranged on a non proportional basis. The business witnessed two large losses during the year

- 1) Major fire damage causing loss to ONGC's Bombay High platform on 27.07.2005. GIC's share of loss being INR 79 Crores.
- 2) Loss on account of Aban Lloyd drilling rig. GIC's share being INR 8 Crores.

The **Miscellaneous** class gave a negative result of INR 1116.23 Crores for 2005-06 mainly due to losses from motor portfolio and additional provisioning supported by actuarial evaluations. A revenue loss of INR 344.71 Crores under miscellaneous class (after apportioning of investment income) has been incurred. The trend projection for the last quarter of current financial year (based upon corresponding figures of last year) indicate a growth of around 26% in the gross written premium over the previous year.

**Aviation** - While the domestic aviation market continued to show signs of rapid growth, the foreign aviation portfolio grew significantly on account of higher reinsurance capacities arranged. The Corporation is now being recognized as a leading player in international aviation market.

The year saw a series of moderate size losses in August 2005 when five international aviation accidents took place wherein the Corporation had some participation. The gross claims were estimated at INR 113.23 Crores and net loss (after reinsurance recovery) at INR 81.07 Crores. On the Domestic side too, Mumbai floods (July 2005) caused aviation losses. The gross claims were estimated at INR 23.48 Crores and net loss (after reinsurance recovery) at INR 6.47 Crores. The same month also saw loss of a helicopter with gross loss estimated at INR 11.44 Crores and net loss (after reinsurance recovery) at INR 5.00 Crores. The trend projection for the last quarter of current financial year (based upon corresponding figures of last year) indicate a growth of around 21% in the gross written premium over the previous year.

**Life Reinsurance** is still in the process of establishing itself in the market. A revenue profit of INR 0.43 Crores as compared to a revenue loss of INR 1.88 Crores (a growth of 122.87 %) under life class has been achieved after apportioning of investment income to life class under revenue account. The trend projection for the last quarter of current financial year (based upon corresponding figures of last year)

indicate a growth of around 8% in the gross written premium over the previous year.

Policyholders' funds stood at INR 9469.09 Crores as at 31.03.2006 as compared to INR 7504.41 Crores as at 31.03.2005 showing an increase of INR 1964.68 Crores (26.18%). This increased provision along with IBNR provision for additional outstanding loss is based upon actuarial analysis and review. Corporation's total funds were INR 14,228.21 Crores as at 31.03.2006 as compared to INR 11,763.07 Crores as at 31.03.2005, registering an impressive growth of INR 2465.14 Crores (20.96%)

### BUSINESS GROUPS

The 2005-06 premium figures (Domestic) are for the period April 2005 to December 2005 whereas the claims provisioning has been done for all the four quarters based upon actuarial calculations. As a result, the premium figures as well the net underwriting results for various classes under Indian business segment are not comparable with previous year's figures.

#### 1. INDIAN (Excluding Aviation)

The Indian business group comprises of the support provided by the Corporation to the Indian market in the form of Obligatory Cessions, Company Surplus Treaties, Market Surplus Treaties, XOL protection to direct players in India and Facultative acceptances. Corporation has been providing lead support to reinsurance programme of several companies in India.

INR Crores

Year	Fire		Engineering		Marine		Misc.(Others)		Life	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Earned Premium	681.51	751.78	173.19	171.99	207.61	191.79	2,174.19	2,156.83	1.26	0.68
Incurred Claims	421.36	359.31	112.13	86.74	206.43	218.58	2,810.58	2,221.55	0.48	2.44
Net Revenue Profit	(3.24)	113.26	2.31	21.90	(36.96)	(76.95)	(1,105.43)	(589.56)	0.33	(1.92)

**FOREIGN INWARD (Excluding Aviation)**

INR Crores

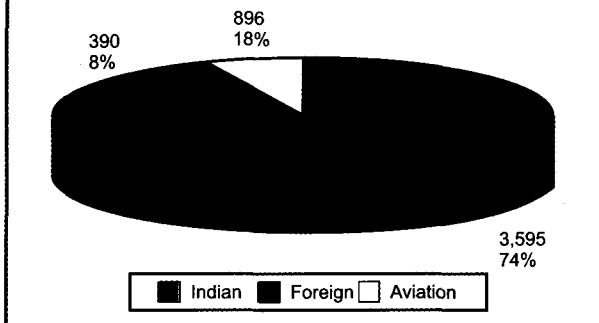
Year	Fire		Engineering		Marine		Misc.(Excl. Engg.)	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Earned Premium	591.93	589.21	58.44	49.37	127.23	104.37	116.77	113.81
Incurred Claims	506.30	453.39	47.25	24.34	112.34	83.00	91.90	79.06
Net Revenue	(80.74)	55.09	(8.41)	7.28	(23.08)	(12.43)	(5.14)	7.97

**AVIATION**

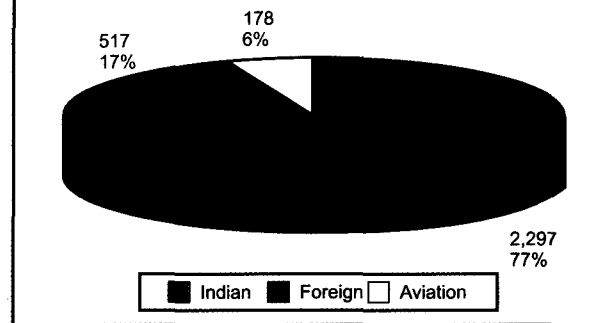
INR Crores

Year	Domestic		Foreign Inward	
	2005-06	2004-05	2005-06	2004-05
Earned Premium	34.68	32.88	292.03	210.95
Incurred Claims	30.91	25.58	233.38	148.79
Net Revenue Profit	(0.60)	2.62	(6.83)	13.36

**Gross Written Premium (INR Cores)**



**Gross Claims Incurred (INR Cores)**



**Agricultural Reinsurance**

The Corporation provided reinsurance support to the Agricultural Insurance Co. of India Ltd. for crop insurance products like 'Varsha Beema', 'Sookha Suraksha Kavach', various crop specific products like 'Coffee Insurance', 'Wheat Insurance', 'Mango Insurance' and 'Poppy Insurance'. The total premium received was INR 84.90 Lacs and claims worth INR 4.73 Lacs were settled.

**GIC'S REINSURANCE PROGRAM 2006-07**

General Insurance Corporation has purchased Excess of Loss protection for its Net Retained Portfolio only. The program has been designed

accordingly keeping the following objectives in mind:

1. Optimizing the retention within the country.
2. Ensuring adequate coverage for exposures.
3. Developing adequate capacities within the domestic market.

A vertical capacity to cover a risk up to INR 1500 Crores (PML) has been developed for the benefit of the Indian Market. An additional cover by the name 'Peak Risk Facility' is also in place. High value risks are automatically ceded to this facility after cession to various other

arrangements. This increases GIC's capacity to INR 3000 Crores (PML) for such risks.

A Catastrophic peril cover is in place for a limit of INR 850 Crores. An additional Earthquake peril protection for INR 750 Crores has also been taken. A Marine cover for INR 250 Crores is also in place. Protection for Personal Accident business and Oil & Energy business has also been put in place.

GIC continues to manage the Marine Hull Pool. Similarly, the Terrorism Pool is also being managed by GIC on behalf of the Indian Insurance Industry. In view of the good results of the Terrorism Pool, the limit has been enhanced to INR 600 Crores per location.

#### **Alternate Risk Transfer Cover (ART)**

The Corporation has continued with its ART Cover agreements for the following:-

- **Providing Top End Umbrella Reinsurance Protection** over all classes except Aviation Business. The cover is valid from 2005 to 2008.
- **Foreign Inward** - US\$ 20 Mln Excess of Underlying Foreign Inward Non Marine Property Excess of Loss Program. The cover is valid from 2004 to 2007.
- **As a Reinsurance participation across the board** (i.e. all layers) of the Reinsurance Excess of Loss Program protecting GIC's net retained account in respect of :
  - Domestic Non Marine & PA business.
  - Overseas Non Marine business.

The cover is valid from 2004 to 2007. The ART protection has proved beneficial to the Corporation as it provided significant recoveries for the catastrophe losses during the year.

#### **INVESTMENTS**

The Indian Economy, during 2005-06, was on the fulcrum of an ever increasing growth curve with positive indicators such as a stable 8% annual growth, rising foreign exchange reserves, a booming capital market and flowing

foreign direct investment. The Sensex rose from 6493 as on 31.3.2005 to an all time high of 11357 on 31.3.2006. Some of the Sectors viz. steel, metal, engineering, cement and FMCG contributed a great extent to the appreciation. In line with the index movement, the Corporation realized profit on sale of equity to the extent of INR 778.63 Crores.

During the year under review, Government of India raised INR1,31,000 Crores through issuance of dated securities (excluding issuance under the Market Stabilisation Scheme) as against INR1,41,000 Crores envisaged during the year. The investment of the Corporation in Central /State Government Securities and State Government Guaranteed Bonds stood at INR 3,968.25 Crores as on 31.3.2006.

Monetary and liquidity conditions remained comfortable during 2005-06 though there was tightness in liquidity conditions during the last four months of 2005-06. This was due to impact of redemption of India Millennium Deposits. The Reserve Bank of India injected enough liquidity through unwinding of Market Stabilisation Scheme and repo operations under the Liquidity Adjustment Facility along with private placement of Government of India Securities.

#### **CREDIT RATING**

The Corporation was rated as A (excellent) by A.M. Best for the **fifth** 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 reaffirmed AAA (In) Claims Paying Ability rating to the Corporation for third year in succession. This reflects the solid financial strength, asset base and prudent underwriting policies.

#### **MANAGEMENT'S INITIATIVES**

The risks of brain drain, changing technology, competitive environment, fluctuating investment returns and soft market conditions are likely to impact insurance industry. GIC management

has, while appreciating the potential impact of these risks taken specific actions/ decisions like recruitment of engineers & other specialists, initiate integration of IT systems through SAP- ERP introduction, setting up of risk management & Customer Relationship Management division.

Reinsurance operations have been divided into underwriting, claims and marketing functions with the intention of focussing on international market standards. GIC is also charting a well defined foreign office network with a view to come closer to the target markets, reduce the response time and focus on international business growth.

### IT Initiatives

In accordance with the GIC Board's decision to implement SAP-ERP, the SAP implementation has been progressing at a steady pace. This is a major IT initiative in the Insurance Industry involving adapting to the World's best practices and also fine tune transacting business in line with the international practices. SAP implementation is now at a crucial stage. User level training programmes are being conducted to enable the officers and staff to adapt to the new software. HR (Human Resources) and Investment Modules have gone live. Migration of data from the existing legacy systems into SAP is being done by the core team and the implementation partner, Wipro. Data as on 31<sup>st</sup> December 2005 for the Treaty section has been migrated. Data migration for the other sections is in progress and likely to be completed as early as possible.

However, as a matter of abundant caution, the existing systems are being continued in parallel for some more time. The Corporation would reap the benefits of SAP – ERP implementation during 2006-07.

### FUTURE OUTLOOK

GIC carries excellent Financial Strength and claims paying ability ratings. Mumbai floods in July 2006 was an unexpected catastrophe large enough to make a dent into Indian insurance industry. True to its role expected in such circumstances, GIC responded quickly to liquidity needs of Indian insurance industry and made advance payments to insurers. This unilateral response has established GIC's pre-eminent position in the Indian non-life insurance industry. GIC would take steps to retain this position in the years to come.

GIC is well aware of the direct correlation between Indian economy and the insurance industry and growth in the former will bring phenomenal growth impetus and equal challenges. Corporation is aware of these business opportunities that would follow complete detariffication, new product requirements by various market segments and GIC's enhanced role in the Indian sub-continent. Key challenges are seen in the emerging sectors like health reinsurance and agricultural reinsurance. GIC is geared up to face future challenges through the initiatives and actions taken. It also is aware of its role as Indian Reinsurer demanding higher retentions within the country, offering adequate capacity to support growing market and supporting the regulator in its initiatives.

## 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 is 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 2005-06.
8. Certifies that the Corporation does not operate directly in any other country. It has its representative offices at London, Moscow and Dubai. 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 statements. The position of outstanding claims under the categories of Indian, Foreign Inward and Aviation Business are as disclosed in Note No. 11.6 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:

### LOAN

Loan assets as on 31<sup>st</sup> March 2006 is at Rs. 753.23 crores as compared to Rs.804.05 crores in the previous year. Out of the total loan assets of Rs. 753.23 crores, Rs. 741.19 crores are either secured or guaranteed by the Government bodies representing 98.4% and the balance Rs. 12.04 crores are unsecured. Interest income from Loans amounted to Rs. 76.59 crores and the gross yield is 9.84 %. Standard Performing Assets account for Rs. 592.71 crores and the net non-performing assets is Rs. 61.51 crores after making provision of Rs. 99.01 crores.

### INVESTMENTS

The book value of the investment as on 31<sup>st</sup> March 2006 has increased to Rs.11110.27 crores from Rs.9561.80 crores. The realizable value of the investment is Rs. 21421.88 crores as at 31<sup>st</sup> March 2006 showing an appreciation of 92.8% over book cost. Income from investment amounted to Rs. 771.58 crores as against Rs.725.56 crores in the previous year. Of the total investment of

Rs 11110.27 crores, Rs.3968.25 crores are invested in Government securities/guaranteed bonds. The Corporation has complied with the regulation 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. 785.49 crores as compared to Rs.464.85 crores in 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

**R.K. Joshi**  
Chairman-cum-Managing Director



<b>COMMENTS OF THE COMPTROLLER &amp; AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1856, ON THE ACCOUNTS OF GENERAL INSURANCE CORPORATION OF INDIA FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006</b>	<b>DIRECTORS' REPLY TO THE COMMENTS OF THE COMPTROLLER &amp; AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1856, ON THE ACCOUNTS OF GENERAL INSURANCE CORPORATION OF INDIA FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006</b>
<p>Balance Sheet General</p> <p>1. The change in accounting policy 2.1 for 'revenue from reinsurance returns – Domestic business of Indian companies and state insurance funds' to defer the accounting of revenue of the fourth quarter of a financial year to the next year is not consistent with Section 11(1)(A) of the Insurance Act and generally accepted accounting principles. In the current financial year, the change in accounting policy has resulted in understatement of premium revenue of Rs. 264.14 crore in respect of one PSU only whose audited accounts were available.</p> <p>2. Provision for Non Performing Assets (NPA) has not been made in respect of an amount of Rs. 3.70 crore overdue from State Governments (housing loan – Rs. 3.14 crore and fire fighting loan – Rs. 56.00 lakh) in contravention of accounting policy no 7.1 of the Company. The company has not disclosed the reasons for departure from the accounting policy as required under item B (2) of Part II of regulation 3 of Insurance Regulatory and Development Authority.</p>	<p>The change in accounting policy was discussed and approved in the Board Meeting and Accounts were drawn accordingly.</p> <p>Prudential norms prescribed by the Reserve Bank of India is followed in regard to Provisioning against performing and non-performing assets. There has been no departure from the stated policy and hence no disclosure needs to be made.</p>

**Sushama V. Dabak**  
Principal Director of Commercial Audit  
& Ex-officio Member, Audit Board – I, Mumbai.

Place : Mumbai.  
Date : 21<sup>st</sup> June, 2006

**R. K. Joshi** Chairman-cum-Managing Director  
**G. C. Chaturvedi** Director  
**T. S. Vijayan** Director  
**B. Chakrabarti** Director

Place : Mumbai.  
Date : 7<sup>th</sup> July, 2006



## REVIEW OF ACCOUNTS BY COMPTROLLER & AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF GENERAL INSURANCE CORPORATION OF INDIA FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006

(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.)

	(Rs. in Crores)		
	2005-06	2004-05	2003-04
<b>1. FINANCIAL POSITION</b>			
<b>LIABILITIES : (A)</b>			
(a) Paid up Capital	430.00	215.00	215.00
(b) Reserves & Surplus			
(i) Free Reserves & Surplus	4329.12	4044.25	3917.78
(ii) Committed Reserves (*)	257.08	303.76	269.84
(iii) Fair Value Change Account	10311.61	5144.14	4154.09
(iv) Deferred Tax Liability	-169.88	4.02	5.29
(c) Reserve for unexpired risks	2273.30	2497.25	2257.06
(d) Estimated Liabilities in respect of outstanding claims	7195.79	5007.15	4163.48
(e) Current Liabilities & Provisions			
(i) Provisions	101.24	844.49	513.53
(ii) Other Current Liabilities	1525.86	1491.77	945.06
	26254.12	19551.83	16441.13
<b>ASSETS: (B)</b>			
Gross Block	70.81	67.27	63.22
Less: Cumulative Depreciation	28.05	26.97	25.28
(f) Net Block	42.76	40.30	37.94
(g) Investments & Loans			
(i) Long Term Investments	20894.03	14052.65	11686.76
(ii) Short-term Investments	486.80	577.60	440.19
(h) Current Assets, Loans & Advances	4830.53	4881.28	4276.24
	26254.12	19551.83	16441.13
Capital Employed [f+g(ii)+h-A(e)]	3732.99	3162.92	3295.78
Net worth [a+b(i)]	4759.12	4259.25	4132.78
Net worth/share (Rs.)	1106.77	1981.05	1922.22

(\*) Provisions for doubtful loans, investments and Debts(Rs.253.40 crores) and Provision for Leave Encashment (Rs. 3.68 crores) shown in the Schedule 14 forming part of accounts have been considered as committed reserves as per the practice followed in previous years.

(Rs. in Crores)

**2. RESERVES**

**FREE RESERVES**

	2005-06	2004-05	2003-04
(i) General Reserve	4329.11	4043.61	3917.11
(ii) Investment Reserve	0.00	0.58	0.58
(iii) Profit and Loss Appropriation Account	0.01	0.06	0.09
	<b>4329.12</b>	<b>4044.25</b>	<b>3917.78</b>

**COMMITTED RESERVE**

(i) Capital Reserve	-	-	-
(ii) Reserve for doubtful debts, investments, loans and advances	253.40	300.90	265.10
(iii) Reserve for gratuity	-	-	-
(iv) Reserve for leave encashment	3.68	2.86	4.74
	<b>257.08</b>	<b>303.76</b>	<b>269.84</b>

Balance of Accounts - reserve for unexpired risks	2273.30	2497.25	2257.06
Estimated Liability in respect of O/S			
Claims whether due or intimated	7195.80	5007.15	4163.48

**3. INVESTMENTS (SHORT-TERM)**

(i) To Banks under Certificate of Deposit Scheme	-	-	-
(ii) Short term loans with Non-banking Companies	-	-	-
(iii) Cash at Bankers on FD Account	-	-	-
(iv) Cash at Bankers on Call Deposit	-	-	-
(v) Loan to Banks under Commercial Paper Scheme	-	-	-
(vi) Short term investments	486.81	577.60	440.19
	<b>486.81</b>	<b>577.60</b>	<b>440.19</b>

**4. CURRENT ASSETS, LOANS & ADVANCES**

(i) Sundry Debtors	10.29	0.97	1.13
(ii) Cash & Bank Balances	1876.44	1494.37	1787.91
(iii) Loans & Advances *	753.23	804.05	800.45

\* Secured Loan is Rs. 237.09 crores and unsecured is Rs. 516.14 crores.

(Total of loans minus items(i),(ii) and (v) of investments)

(iv) Current Assets:

(a) Deposits with Foreign Governments as security for policy holders	-	-	-
--	---	---	---

	(Rs. in Crores)		
	2005-06	2004-05	2003-04
(b) Foreign Agencies balances	-	-	-
(c) Agents balances	-	-	-
(d) Outstanding Premium	-	-	-
(e) Interest, Dividends & Rents O/S	-	-	-
(f) Interest, Dividends and Rents accruing but not due	212.80	221.62	216.45
(g) Amounts due from other persons or bodies carrying on Insurance Business	443.18	407.61	423.41
(h) Advances, Deposits & Prepaid Expenses including Taxes	1039.41	1490.57	805.69
(i) Reserve Deposit with Ceding Companies	490.17	420.49	215.03
(j) Application money for Investments	5.00	41.60	26.17
(k) Vehicles on contribution basis and loans against vehicles	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>4830.52</b>	<b>4881.28</b>	<b>4276.24</b>
Less : (iv)(f), (h) & (k)	1252.21	1712.19	1022.14
<b>QUICK ASSETS</b>	<b>3578.31</b>	<b>3169.09</b>	<b>3254.10</b>
<b>5. CURRENT LIABILITIES &amp; PROVISIONS</b>			
Total Liabilities	26424.03	19551.85	16441.13
Less : Reserve & Surplus, Committed Reserves & Paid up capital	14485.29	12067.41	10823.16
	11938.74	7484.44	5617.97
Less : Provisions	101.24	844.49	521.79
<b>CURRENT LIABILITIES</b>	<b>11837.50</b>	<b>6639.95</b>	<b>5096.18</b>

**6. LIQUIDITY & SOLVENCY**

- (a) The percentage of Current Assets to Total Net Assets decreased from 26.01 in 2003-04 to 24.97 in 2004-05 and to 18.40 in 2005-06.
- (b) The percentage of Current Assets to Current Liabilities (including Provisions) decreased from 76.12 in 2003-04 to 65.22 in 2004-05 and to 40.46 in 2005-06.
- (c) The percentage of Total Assets to Total Liabilities (excluding paid up capital and free reserves) decreased from 133.57 in 2003-04 to 127.85 in 2004-05 and to 122.14 in 2005-06.
- (d) The percentage of Quick Assets (Sundry Debtors, Advances, Cash and Bank balances) to Current Liabilities (excluding Provisions) decreased from 63.75 in 2003-04 to 47.73 in 2004-05 and to 30.23 in 2005-06.

**7. SOURCES AND UTILISATION OF FUNDS**

Funds amounting to Rs. 6924.03 crores from Internal and External Sources were generated

and utilised during the year 2005-06 as given below :

(Rs. in Crores)

	2005-06
<b>Sources of funds</b>	
(a) Addition to Reserves and Surplus	284.87
(b) Share Capital Increased	215.00
(c) Increase in Insurance Funds	1918.02
(d) Addition to Cumulative Depreciation	1.08
(e) Increase in Working Capital	4505.06
	6924.03
<b>Utilisation of funds</b>	
(a) Addition to Gross Block	3.54
(b) Addition to Investments	670.60
(c) Deferred Tax Assets	169.89
	6924.03

## 8. WORKING RESULTS

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

	2005-06	2004-05	2003-04
(a) Net Premium	4234.88	4613.87	4162.98
(b) Expenses, Commission(Net), Claims, Increase in unexpired risk reserve and other outgo	5497.39	5187.32	4181.27
(c) Net underwriting Income (a-b)	-1262.51	-573.45	-18.29
(d) Net of other Income ( Investment, etc.)	1760.26	1373.53	1295.20
(e) Net Profit as per Accounts	4424.94	800.08	1276.91
(f) Profit before tax	4424.94	800.08	1276.91
(g) Provision for taxation (net)	-155.57	600.06	239.30
(h) Profit after tax	598.51	200.02	1037.61
(i) Percentage of incurred claims to net premium	37.30	80.25	69.55
(j) Percentage of expenses of management to net premium	1.07	0.86	0.79

Net commission in the three years 2003-04, 2004-05 and 2005-06 was Rs 1071.63 crores, Rs.1207.49 crores and Rs. 1102.92 crores respectively.

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

NOT APPLICABLE

**Sushama V. Dabak**

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

Place : Mumbai.

Date : 21<sup>st</sup> June, 2006

## 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, 2006, 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 three 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 subject to 3 (a) (iii) below.
- (c) In our opinion, proper returns, audited, from other representative 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. 15 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 are in concurrence with the 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 and Cash flow statement comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, to the extent applicable to the Corporation subject to 3 (a) (iii) below and are also in conformity with the accounting principles as prescribed in the IRDA Regulations.
- 3(a) (i) Note No. 4 regarding properties of the cost of Rs.32.03 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. 5 to the accounts. Pending such confirmation/reconciliation, its impact on the accounts is not ascertainable.
- (iii) During the year, Corporation has changed the method of accounting of certain reinsurance returns in respect of Domestic business for the reason detailed in note no.2

to the accounts. Consequently the net revenue earned for the period from 01.01.2006 to 31.03.2006 has not been accounted for on accrual basis and its resultant impact on the financial statements of the year is not ascertainable and hence not quantified. However, Provisions in respect of Claims and IBNR (as estimated and certified by the Appointed Actuary) are made as at 31.03.2006 and to that extent matching principle of the costs and revenue for above period is not adhered to.

Subject to 3(a) (i, ii and iii) above, the effect of which is not quantified/quantifiable, in our opinion;

- (i) the balance sheet gives a true and fair view of the Corporation's state of affairs as at the financial year ended on 31st March, 2006;
- (ii) the revenue accounts give a true and fair view of the surplus/deficit for the financial year ended on 31st March, 2006;
- (iii) the profit and loss account gives a true and fair view of the profit for the financial year ended on 31st March, 2006;
- (iv) the cash flow statement gives a true and fair view of the cash flows for the financial year ended on 31st March, 2006;
- (b) The financial statements stated at (a) above are prepared in accordance with the requirements of the Insurance Act, 1938 (4 of 1938), the Insurance Regulatory and 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.
- (c) Investments have been valued in accordance with the provisions of the Insurance Act, 1938 (4 of 1938) and IRDA (Auditor's report) Regulations, 2002.
- (d) 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 the IRDA (Auditor's report) Regulations, 2002 or any order or direction issued by the IRDA in this behalf.
- (4) On the basis of our examination we further certify that:
  - (a) We have reviewed the management report and there is no apparent mistake or material inconsistencies with the financial statements;
  - (b) The Corporation has complied with the terms and conditions of the registration stipulated by the Authority (IRDA).
- (5) We further certify that:
  - (a) We have verified the cash balances and securities relating to loans given by the Corporation and investments, by actual inspection or by production of certificates or other documentary evidence except to the extent of investments of the value aggregating to Rs. 0.12 Crores as mentioned in Notes 2.1 (a) to the accounts.
  - (b) The Corporation has not undertaken any transaction relating to any trust as a trustee. However, the Corporation is acting as a Manager of Terrorism pool and the investments, assets and liabilities pertaining to it are disclosed separately in accounts.
  - (c) 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. AIYAR & CO.,  
Chartered Accountants

**Rajesh S. Joshi**  
Partner

Membership No. : 38526.

Place : New Delhi  
Dated : 19th May, 2006

Registration No. 112

Date of Registration with IRDA : 2<sup>nd</sup> April, 2001

**REVENUE ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006  
IN RESPECT OF FIRE INSURANCE BUSINESS**

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Premiums earned (Net)	1	12734 402	13409 859
2. Profit on sale of Investments (Net)		1027 859	598 862
3. Profit/-Loss on Exchange Fluctuation		-3 786	41 918
4. Interest, Dividend & Rent - Gross		1224 715	1204 394
<b>Total (A)</b>		<b>14983 190</b>	<b>15255 033</b>
1. Claims Incurred (Net)	2	9276 670	8127 015
2. Commission (Net)	3	4150 467	4586 279
3. Operating Expenses related to Insurance Business	4	148 884	124 917
4. Expenses relating to Investments		3 240	2 410
<b>Total (B)</b>		<b>13579 261</b>	<b>12840 621</b>
<b>Operating Profit /- Loss from Fire Business C = (A-B)</b>		<b>1403 929</b>	<b>2414 412</b>
<b>APPROPRIATIONS</b>			
Transfer to Shareholders' Account		1403 929	2414 412
<b>Total (C)</b>		<b>1403 929</b>	<b>2414 412</b>

As required by Section 40C (2) of the Insurance Act, 1938, we certify that, all expenses of management, wherever incurred, whether directly or indirectly, in respect of Fire Insurance Business have been fully debited in the Fire Insurance Revenue Accounts as expenses.

As per our report of even date

For and on behalf of the Board

**For K.S. AIYAR & CO.**  
Chartered Accountants

**R. K. Joshi**  
**G. C. Chaturvedi**  
**T. S. Vijayan**

*Chairman-cum-Managing Director*  
*Director*  
*Director*

**Rajesh Joshi**  
*Partner*  
*Membership No. : 38526*

**Bhagyam Ramani**  
**Suchita Gupta**  
*General Manager (Finance)*  
*Company Secretary*

New Delhi  
Dated : 19<sup>th</sup> May, 2006

New Delhi  
Dated : 19<sup>th</sup> May, 2006



Registration No. 112

 Date of Registration with IRDA : 2<sup>nd</sup> April, 2001

**REVENUE ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006**  
**IN RESPECT OF MISCELLANEOUS INSURANCE BUSINESS**

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Premiums earned (Net)	1	28492 485	27358 267
2. Profit on sale of Investments (Net)		3525 572	1990 755
3. Profit/-Loss on Exchange Fluctuation		8 198	-2 087
4. Interest, Dividend & Rent - Gross		4200 791	4003 684
<b>Total (A)</b>		<b>36227 046</b>	<b>33350 619</b>
1. Claims Incurred (Net)	2	33261 529	25860 717
2. Commission (Net)	3	6137 926	6670 158
3. Operating Expenses related to Insurance Business	4	263 484	244 746
4. Expenses relating to Investments		11 115	8 012
<b>Total (B)</b>		<b>39674 054</b>	<b>32783 633</b>
<b>Operating Profit/-Loss from Miscellaneous Business C=(A-B)</b>		<b>-3447 008</b>	<b>566 986</b>
<b>APPROPRIATIONS</b>			
Transfer to Shareholders' Account		-3447 008	566 986
<b>Total (C)</b>		<b>-3447 008</b>	<b>566 986</b>

As required by Section 40C (2) of the Insurance Act, 1938, we certify that, all expenses of management, wherever incurred, whether directly or indirectly, in respect of Miscellaneous Insurance Business have been fully debited in the Miscellaneous Insurance Revenue Accounts as expenses.

As per our report of even date

For and on behalf of the Board

**For K.S. AIYAR & CO.**  
 Chartered Accountants

**R. K. Joshi**  
**G. C. Chaturvedi**  
**T. S. Vijayan**  
**Bhagyam Ramani**  
**Suchita Gupta**
*Chairman-cum-Managing Director*  
*Director*  
*Director*  
*General Manager (Finance)*  
*Company Secretary*
**Rajesh Joshi**  
 Partner  
 Membership No. : 38526

 New Delhi  
 Dated : 19<sup>th</sup> May, 2006

 New Delhi  
 Dated : 19<sup>th</sup> May, 2006



Registration No. 112

Date of Registration with IRDA : 2nd April, 2001

**REVENUE ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006**  
**IN RESPECT OF LIFE INSURANCE BUSINESS**

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Premiums earned (Net)	1	13 068	6 989
2. Profit on sale of Investments (Net)		-	-
3. Profit/-Loss on Exchange Fluctuation		-12	-10
4. Interest, Dividend & Rent - Gross		562	267
<b>Total (A)</b>		<b>13 618</b>	<b>7 246</b>
1. Claims Incurred (Net)	2	4 794	24 443
2. Commission (Net)	3	2 181	-
3. Operating Expenses related to Insurance Business	4	2 319	1 557
4. Expenses relating to Investments		-	-
<b>Total (B)</b>		<b>9 294</b>	<b>26 000</b>
<b>Operating Profit/-Loss from Life Business C = (A-B)</b>		<b>4 324</b>	<b>-18 754</b>
<b>APPROPRIATIONS</b>			
Transfer to Shareholders' Account		4 324	-18 754
<b>Total (C)</b>		<b>4 324</b>	<b>-18 754</b>

As required by Section 40C (2) of the Insurance Act, 1938, we certify that, all expenses of management, wherever incurred, whether directly or indirectly, in respect of Life Insurance Business have been fully debited in the Life Insurance Revenue Accounts as expenses.

As per our report of even date

For and on behalf of the Board

**For K.S. AIYAR & CO.**  
 Chartered Accountants

**Rajesh Joshi**  
 Partner  
 Membership No. : 38526

 New Delhi  
 Dated : 19<sup>th</sup> May, 2006

**R. K. Joshi**                      *Chairman-cum-Managing Director*  
**G. C. Chaturvedi**                *Director*  
**T. S. Vijayan**                        *Director*  
**Bhagyam Ramani**                  *General Manager (Finance)*  
**Suchita Gupta**                       *Company Secretary*

 New Delhi  
 Dated : 19<sup>th</sup> May, 2006

Registration No. 112

Date of Registration with IRDA : 2<sup>nd</sup> April, 2001

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006**

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Operating Profit/-Loss			
(a) Fire Insurance		1403 928	2414 412
(b) Marine Insurance		393 995	-180 341
(c) Miscellaneous Insurance		-3447 008	566 986
(d) Life Insurance		4 324	-18 754
2. Income from Investments			
(a) Interest, Dividend & Rent - Gross		3386 785	3660 755
(b) Profit on sale of Investments (Net)		2842 407	1820 240
3. Other Income:			
Profit on Exchange		-	178 606
Profit on sale of Assets (Net)		298	56
Investment Reserve Written Back		5 845	-
Sundry Balances Written Back (Net)		-	275
Interest on Income-tax Refund		-17 694	-30 717
Miscellaneous Receipts		57 365	411 277
<b>Total (A)</b>		<b>4630 245</b>	<b>8822 795</b>
4. Provision for Doubtful Loans, Investment & Debts		-475 000	358 000
5. Amortisation of premium on Investments		340 022	333 816
6. Diminution in the value of investments written off		37 377	122 845
7. Other Expenses :			
Expenses relating to Investments		8 961	7 325
Loss on Exchange		289 426	-
Sundry Balances Written off (Net)		15	-
<b>Total (B)</b>		<b>200 801</b>	<b>821 986</b>
Profit Before Tax		4429 444	8000 809
Provision for Taxation :			
Current Tax		-	2590 000
Wealth Tax		50	50
Deferred Tax		-1739 087	-12 665
Fringe Benefit Tax		34 300,000	-
Provision for Tax in respect of earlier years (Note no.6)		148 994	3423 183
<b>Profit after Tax</b>		<b>5985 187</b>	<b>2000 241</b>
Balance brought forward from last year		607	828
Profit available for appropriation		5985 794	2001 069
<b>Appropriations</b>			
(a) Proposed dividend		860 000	645 000
(b) Dividend distribution tax		120 615	90 462
(c) Transfer to General Reserve		5005 000	1265 000
(d) Balance carried forward to Balance Sheet		179	607
		<b>5985 794</b>	<b>2001 069</b>

As per our report of even date

For and on behalf of the Board

**For K.S. AIYAR & CO.**  
Chartered Accountants

**R. K. Joshi**  
**G. C. Chaturvedi**  
**T. S. Vijayan**  
**Bhagyam Ramani**  
**Suchita Gupta**

*Chairman-cum-Managing Director*  
*Director*  
*Director*  
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*Company Secretary*

**Rajesh Joshi**  
*Partner*  
*Membership No. : 38526*

New Delhi  
Dated : 19<sup>th</sup> May, 2006

New Delhi  
Dated : 19<sup>th</sup> May, 2006

Registration No. 112  
Date of Registration with IRDA : 2<sup>nd</sup> April, 2001  
**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2006**

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>SOURCES OF FUNDS</b>			
Share Capital	5	4300 000	2150 000
Reserves and Surplus	6	43291 278	40442 551
Deferred Tax Liability		-	40 224
Fair Value Change Account		103116 112	51441 420
	<b>Total</b>	<b>150707 390</b>	<b>94074 195</b>
<b>APPLICATION OF FUNDS</b>			
Investments	8	213808 320	146302 589
Loans	9	7532 289	8040 494
Fixed Assets	10	427 591	403 057
Deferred Tax Asset		1698 862	-
Current Assets:			
Cash and Bank Balances	11	18764 459	14943 668
Advances and Other Assets	12	22008 782	18156 893
<b>Sub-Total (A)</b>		<b>40773 241</b>	<b>33100 561</b>
Current Liabilities	13	87216 664	64986 990
Provisions	14	26316 249	28785 516
<b>Sub-Total (B)</b>		<b>113532 913</b>	<b>93772 506</b>
<b>Net Current Assets (C)=(A-B)</b>		<b>-72759 672</b>	<b>-60671 945</b>
	<b>Total</b>	<b>150707 390</b>	<b>94074 195</b>
<b>CONTINGENT LIABILITIES</b>			
Claims against the Corporation not acknowledged pending arbitration		5 000	5 000

As per our report of even date

For and on behalf of the Board

**For K.S. AIYAR & CO.**  
Chartered Accountants

**R. K. Joshi**  
**G. C. Chaturvedi**  
**T. S. Vijayan**  
**Bhagyam Ramani**  
**Suchita Gupta**

*Chairman-cum-Managing Director*  
*Director*  
*Director*  
*General Manager (Finance)*  
*Company Secretary*

**Rajesh Joshi**  
Partner  
Membership No. : 38526

New Delhi  
Dated : 19<sup>th</sup> May, 2006

New Delhi  
Dated : 19<sup>th</sup> May, 2006

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006

Schedule 1

PREMIUM EARNED (NET)

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>A FIRE INSURANCE</b>		
Premium from Direct Business written	-	-
Add: Premium on Reinsurance accepted	16404 940	15955 126
Less: Premium on Reinsurance ceded	4135 918	2878 823
Net Premium	12269 022	13076 303
Adjustment for change in reserve for unexpired risks	465 380	333 556
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>12734 402</b>	<b>13409 859</b>
<b>B MISCELLANEOUS INSURANCE</b>		
<b>(1) MOTOR</b>		
Premium from Direct Business written	-	-
Add: Premium on Reinsurance accepted	12811 746	15098 422
Less: Premium on Reinsurance ceded	38 342	-
Net Premium	12773 404	15098 422
Adjustment for change in reserve for unexpired risks	1162 509	-1131 271
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>13935 913</b>	<b>13967 151</b>
<b>(2) AVIATION</b>		
Premium from Direct Business written	-	1 064
Add: Premium on Reinsurance accepted	3900 904	3244 534
Less: Premium on Reinsurance ceded	370 445	241 886
Net Premium	3530 459	3003 712
Adjustment for change in reserve for unexpired risks	-263 373	-565 328
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>3267 086</b>	<b>2438 384</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006**

**Schedule 1**

**PREMIUM EARNED (NET)**

<b>Particulars</b>	<b>Current Year (Rs. '000)</b>	<b>Previous Year (Rs. '000)</b>
<b>(3) ENGINEERING</b>		
Premium from Direct Business written	-	-
Add: Premium on Reinsurance accepted	2957 657	3126 312
Less: Premium on Reinsurance ceded	720 724	759 206
Net Premium	2236 933	2367 106
Adjustment for change in reserve for unexpired risks	79 336	-153 489
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>2316 269</b>	<b>2213 617</b>
<b>(4) OTHER MISCELLANEOUS</b>		
Premium from Direct Business written	-	-
Add: Premium on Reinsurance accepted	9361 878	9790 010
Less: Premium on Reinsurance ceded	647 511	557 944
Net Premium	8714 367	9232 066
Adjustment for change in reserve for unexpired risks	258 850	-492 951
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>8973 217</b>	<b>8739 115</b>
<b>(5) TOTAL MISCELLANEOUS</b>		
Premium from Direct Business written	-	1 064
Add: Premium on Reinsurance accepted	29032 185	31259 279
Less: Premium on Reinsurance ceded	1777 022	1559 036
Net Premium	27255 163	29701 307
Adjustment for change in reserve for unexpired risks	1237 322	-2343 040
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>28492 485</b>	<b>27358 267</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006**

**Schedule 1**

**PREMIUM EARNED (NET)**

<b>Particulars</b>	<b>Current Year (Rs. '000)</b>	<b>Previous Year (Rs. '000)</b>
<b>C. MARINE INSURANCE</b>		
<b>(1) MARINE CARGO</b>		
Premium from Direct Business Written	-	-
Add: Premium on Reinsurance accepted	1762 073	2177 411
Less: Premium on Reinsurance ceded	213 907	245 969
Net Premium	1548 166	1931 442
Adjustment for change in reserve for unexpired risks	383 276	-147 214
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>1931 442</b>	<b>1784 228</b>
<b>(2) MARINE HULL</b>		
Premium from Direct Business Written	-	-
Add: Premium on Reinsurance accepted	1595 040	1810 006
Less: Premium on Reinsurance ceded	332 039	393 033
Net Premium	1263 001	1416 973
Adjustment for change in reserve for unexpired risks	153 973	-239 525
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>1416 974</b>	<b>1177 448</b>
<b>(3) TOTAL MARINE</b>		
Premium from Direct Business Written	-	-
Add: Premium on Reinsurance accepted	3357 113	3987 417
Less: Premium on Reinsurance ceded	545 946	639 002
Net Premium	2811 167	3348 415
Adjustment for change in reserve for unexpired risks	537 249	-386 739
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>3348 416</b>	<b>2961 676</b>



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006**

**Schedule 1**

**PREMIUM EARNED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>D. LIFE INSURANCE</b>		
Premium from Direct Business written	-	-
Add: Premium on Reinsurance accepted	13 474	12 662
Less: Premium on Reinsurance ceded	-	-
Net Premium	13 474	12 662
Adjustment for change in reserve for unexpired risks	- 406	-5 673
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>13 068</b>	<b>6 989</b>
<b>E. TOTAL ALL CLASSES</b>		
Premium from Direct Business Written	-	1 064
Add: Premium on Reinsurance accepted	48807 713	51214 484
Less: Premium on Reinsurance ceded	6458 887	5076 861
Net Premium	42348 826	46138 687
Adjustment for change in reserve for unexpired risks	2239 544	-2401 896
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>44588 370</b>	<b>43736 791</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006**

**Schedule 2**

**CLAIMS INCURRED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>A. FIRE INSURANCE</b>		
<b>Claims Paid</b>		
Direct	-	-
Add : Reinsurance accepted	10332 654	6678 013
Less: Reinsurance ceded	4767 613	689 604
Net Claims Paid	5565 041	5988 409
Add : Claims Outstanding at the end of the year	12368 212	8656 583
Less: Claims Outstanding at the beginning of the year	8656 583	6517 977
<b>TOTAL CLAIMS INCURRED</b>	<b>9276 670</b>	<b>8127 015</b>
<b>B. MISCELLANEOUS INSURANCE</b>		
<b>(1) MOTOR</b>		
<b>Claims Paid</b>		
Direct	-	-
Add : Reinsurance accepted	8333 131	12088 110
Less: Reinsurance ceded	12 286	-
Net Claims Paid	8320 845	12088 110
Add : Claims Outstanding at the end of the year	40885 579	29570 823
Less: Claims Outstanding at the beginning of the year	29570 823	26064 205
<b>TOTAL CLAIMS INCURRED</b>	<b>19635 601</b>	<b>15594 728</b>
<b>(2) AVIATION</b>		
<b>Claims Paid</b>		
Direct	33 808	10 459
Add : Reinsurance accepted	1741 685	1012 658
Less: Reinsurance ceded	83 381	180 500
Net Claims Paid	1692 112	842 617
Add : Claims Outstanding at the end of the year	2902 355	1951 625
Less: Claims Outstanding at the beginning of the year	1951 625	1050 520
<b>TOTAL CLAIMS INCURRED</b>	<b>2642 842</b>	<b>1743 722</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006**

**Schedule 2**

**CLAIMS INCURRED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>(3) ENGINEERING</b>		
<b>Claims Paid</b>		
Direct	-	-
Add : Reinsurance accepted	670 587	1203 565
Less: Reinsurance ceded	225 685	280 852
Net Claims Paid	444 902	922 713
Add : Claims Outstanding at the end of the year	3351 692	2202 749
Less: Claims Outstanding at the beginning of the year	2202 749	2014 684
<b>TOTAL CLAIMS INCURRED</b>	<b>1593 845</b>	<b>1110 778</b>
<b>(4) OTHER MISCELLANEOUS</b>		
<b>Claims Paid</b>		
Direct	-	-
Add : Reinsurance accepted	5950 508	6864 544
Less: Reinsurance ceded	622 185	143 702
Net Claims Paid	5328 323	6720 842
Add : Claims Outstanding at the end of the year	8283 682	4222 764
Less: Claims Outstanding at the beginning of the year	4222 764	3532 118
<b>TOTAL CLAIMS INCURRED</b>	<b>9389 241</b>	<b>7411 488</b>
<b>(5) TOTAL MISCELLANEOUS</b>		
<b>Claims Paid</b>		
Direct	33 808	10 459
Add : Reinsurance accepted	16695 911	21168 877
Less: Reinsurance ceded	943 537	605 054
Net Claims Paid	15786 182	20574 282
Add : Claims Outstanding at the end of the year	55423 309	37947 962
Less: Claims Outstanding at the beginning of the year	37947 962	32661 527
<b>TOTAL CLAIMS INCURRED</b>	<b>33261 529</b>	<b>25860 717</b>



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006**

**Schedule 2**

**CLAIMS INCURRED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>C. MARINE INSURANCE</b>		
<b>(1) MARINE CARGO</b>		
<b>Claims Paid</b>		
Direct	-	-
Add : Reinsurance accepted	1696 365	1810 195
Less: Reinsurance ceded	187 273	587 078
Net Claims Paid	1509 092	1223 117
Add : Claims Outstanding at the end of the year	2239 069	1927 602
Less: Claims Outstanding at the beginning of the year	1927 602	1178 942
<b>TOTAL CLAIMS INCURRED</b>	<b>1820 559</b>	<b>1971 777</b>
<b>(2) MARINE HULL</b>		
<b>Claims Paid</b>		
Direct	-	-
Add : Reinsurance accepted	1134 870	1068 680
Less: Reinsurance ceded	177 358	263 182
Net Claims Paid	957 512	805 498
Add : Claims Outstanding at the end of the year	1924 592	1514 945
Less: Claims Outstanding at the beginning of the year	1514 945	1276 367
<b>TOTAL CLAIMS INCURRED</b>	<b>1367 159</b>	<b>1044 076</b>
<b>(3) TOTAL MARINE</b>		
<b>Claims Paid</b>		
Direct	-	-
Add : Reinsurance accepted	2831 234	2878 875
Less: Reinsurance ceded	364 630	850 260
Net Claims Paid	2466 604	2028 615
Add : Claims Outstanding at the end of the year	4163 661	3442 546
Less: Claims Outstanding at the beginning of the year	3442 546	2455 309
<b>TOTAL CLAIMS INCURRED</b>	<b>3187 719</b>	<b>3015 852</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006**

**Schedule 2**

**CLAIMS INCURRED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>D. LIFE INSURANCE</b>		
<b>Claims Paid</b>		
Direct	-	-
Add : Reinsurance accepted	26 455	-
Less: Reinsurance ceded	-	-
Net Claims Paid	26 455	-
Add : Claims Outstanding at the end of the year	2 782	24 443
Less: Claims Outstanding at the beginning of the year	24 443	-
<b>TOTAL CLAIMS INCURRED</b>	<b>4 794</b>	<b>24 443</b>
<b>E. TOTAL ALL CLASSES</b>		
<b>Claims Paid</b>		
Direct	33 808	10 459
Add : Reinsurance accepted	29886 254	30725 765
Less: Reinsurance ceded	6075 780	2144 918
Net Claims Paid	23844 282	28591 306
Add : Claims Outstanding at the end of the year	71957 964	50071 534
Less: Claims Outstanding at the beginning of the year	50071 534	41634 813
<b>TOTAL CLAIMS INCURRED</b>	<b>45730 712</b>	<b>37028 027</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006**

**Schedule 3  
COMMISSION**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>A. FIRE INSURANCE</b>		
Commission Paid		
Direct	-	-
Add : Reinsurance Accepted	4416 234	4938 450
Less: Commission on Reinsurance Ceded	265 767	352 171
<b>NET COMMISSION</b>	<b>4150 467</b>	<b>4586 279</b>
<b>B. MISCELLANEOUS INSURANCE</b>		
<b>(1) MOTOR</b>		
Commission Paid		
Direct	-	-
Add : Reinsurance Accepted	2526 962	3005 951
Less: Commission on Reinsurance Ceded	6 908	-
<b>NET COMMISSION</b>	<b>2520 054</b>	<b>3005 951</b>
<b>(2) AVIATION</b>		
Commission Paid		
Direct	-	-
Add : Reinsurance Accepted	687 811	558 184
Less: Commission on Reinsurance Ceded	24 195	21 561
<b>NET COMMISSION</b>	<b>663 616</b>	<b>536 623</b>
<b>(3) ENGINEERING</b>		
Commission Paid		
Direct	-	-
Add : Reinsurance Accepted	840 100	917 421
Less: Commission on Reinsurance Ceded	83 217	129 118
<b>NET COMMISSION</b>	<b>756 883</b>	<b>788 303</b>



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006**

**Schedule 3  
COMMISSION**

<b>Particulars</b>	<b>Current Year (Rs. '000)</b>	<b>Previous Year (Rs. '000)</b>
<b>(4) OTHER MISCELLANEOUS</b>		
Commission Paid		
Direct	-	-
Add : Reinsurance Accepted	2248 424	2405 578
Less: Commission on Reinsurance Ceded	51 051	66 296
<b>NET COMMISSION</b>	<b>2197 373</b>	<b>2339 282</b>
<b>(5) TOTAL MISCELLANEOUS</b>		
Commission Paid		
Direct	-	-
Add : Reinsurance Accepted	6303 298	6887 133
Less: Commission on Reinsurance Ceded	165 371	216 975
<b>NET COMMISSION</b>	<b>6137 927</b>	<b>6670 158</b>
<b>C. MARINE INSURANCE</b>		
<b>(1) MARINE CARGO</b>		
Commission Paid		
Direct	-	-
Add : Reinsurance Accepted	445 236	516 437
Less: Commission on Reinsurance Ceded	11 629	12 933
<b>NET COMMISSION</b>	<b>433 607</b>	<b>503 504</b>
<b>(2) MARINE HULL</b>		
Commission Paid		
Direct	-	-
Add : Reinsurance Accepted	341 241	401 042
Less: Commission on Reinsurance Ceded	36 141	86 127
<b>NET COMMISSION</b>	<b>305 100</b>	<b>314 915</b>



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006**

**Schedule 3  
COMMISSION**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>(3) TOTAL MARINE</b>		
Commission Paid		
Direct	-	-
Add : Reinsurance Accepted	786 477	917 479
Less: Commission on Reinsurance Ceded	47 770	99 060
<b>NET COMMISSION</b>	<b>738 707</b>	<b>818 419</b>
<b>D. LIFE INSURANCE</b>		
Commission Paid		
Direct	-	-
Add : Reinsurance Accepted	2 181	-
Less: Commission on Reinsurance Ceded	-	-
<b>NET COMMISSION</b>	<b>2 181</b>	<b>-</b>
<b>E. TOTAL ALL CLASSES</b>		
Commission Paid		
Direct	-	-
Add : Reinsurance Accepted	11508 189	12743 061
Less: Commission on Reinsurance Ceded	478 908	668 206
<b>NET COMMISSION</b>	<b>11029 281</b>	<b>12074 855</b>



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006**

**Schedule 4**

**OPERATING EXPENSES RELATED TO INSURANCE BUSINESS**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1 Employees' remuneration & welfare benefits	245 726	245 947
2 Travel, conveyance and vehicle running expenses	13 935	15 842
3 Training expenses	6 593	3 349
4 Rents, rates and taxes	17 993	18 162
5 Repairs	36 429	25 701
6 Printing & stationery	2 246	2 086
7 Communication	7 101	5 461
8 Legal & professional charges	4 418	5 143
9 Auditors' fees, expenses etc.		
(a) as auditor	793	731
(b) as advisor or in any other capacity, in respect of		
(i) Taxation matters	140	138
(ii) Insurance matters	15	10
10 Advertisement and publicity	15 329	6 922
11 Interest & Bank Charges	4 203	4 292
12 Others	58 679	41 570
13 Depreciation	23 939	19 280
<b>TOTAL</b>	<b>437 539</b>	<b>394 634</b>



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006**

**Schedule 5  
SHARE CAPITAL**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1 Authorised Capital 10,00,00,000 (P.Y. 2,50,00,000) Equity Shares of Rs.100/- Each	10000 000	2500 000
2 Issued & Subscribed Capital 4,30,00,000 (P.Y. 2,15,00,000) Equity Shares of Rs.100/- Each	4300 000	2150 000
3 Called-up Capital 4,30,00,000 (P.Y.2,15,00,000) Equity Shares of Rs.100/- Each (Includes 4,06,00,000 (P.Y. 1,91,00,000) shares issued by capitalisation of Capital Redemption Reserve and General Reserve and 5,00,000 (P.Y.5,00,000) partly paid shares (Rs.50 per share paid) made fully paid-up shares by capitalisation of General Reserve)	4300 000	2150 000
<b>TOTAL</b>	<b>4300 000</b>	<b>2150 000</b>

**Schedule 5A**

**SHARE CAPITAL PATTERN OF SHAREHOLDING  
[As certified by the Management]**

Shareholders	Current Year Number of Shares	% of Holding	Previous year Number of Shares	% of Holding
Promoters				
Indian	4,30,00,000	100%	2,15,00,000	100%

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006**

**Schedule 6  
RESERVES AND SURPLUS**

<b>Particulars</b>	<b>Current Year (Rs. '000)</b>	<b>Previous Year (Rs. '000)</b>
1 General Reserve		
Opening Balance	40436 099	39171 099
Add : Transferred from Profit & Loss A/c	5005 000	1265 000
Less: Utilised for issue of Bonus Equity Shares	2150 000	-
	<u>43291 099</u>	<u>40436 099</u>
2 Investment Reserve (Trfd. to Profit & Loss A/c)	-	5 845
3 Balance of Profit in Profit & Loss Account	179	607
<b>TOTAL</b>	<b>43291 278</b>	<b>40442 551</b>

**Schedule 7  
BORROWINGS**

<b>Particulars</b>	<b>Current Year (Rs. '000)</b>	<b>Previous Year (Rs. '000)</b>
	NIL	NIL

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006

Schedule 8

INVESTMENTS - SHAREHOLDERS' FUND

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>Long Term Investments</b>		
1 Government securities and Government guaranteed bonds including Treasury Bills	11212 929	11931 935
2 Other Approved Securities	2318 542	2172 308
3 Other Investments		
(a) Shares		
(aa) Equity - Indian	44395 986	26412 368
Equity - Foreign	7 816	7 816
(bb) Preference	57	37 621
(b) Mutual Funds	120 729	93 451
(c) Debentures/ Bonds	1866 040	2196 010
(d) Guaranteed Equity	181	196
(e) Subsidiaries	-	-
(f) Associates - Indian	700 000	700 000
Associates - Foreign	45 026	45 026
4 Investments in Infrastructure and Social Sector	9954 930	8220 490
5 Other than Approved Investments	5556 915	3806 399
<b>Short Term Investments</b>		
1 Government securities and Government guaranteed bonds including Treasury Bills	536 872	558 409
2 Other Approved Securities	177 993	169 922
3 Other Investments		
(a) Shares		
(aa) Equity	-	-
(bb) Preference	-	-
(b) Mutual Funds	72 481	235 688
(c) Debentures/ Bonds	340 713	207 163
(d) Subsidiaries	-	-
4 Investments in Infrastructure and Social Sector	183 495	217 017
5 Other than Approved Investments	452 137	781 969
<b>TOTAL</b>	<b>77942 842</b>	<b>57793 788</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006**

**Schedule 8A**

**INVESTMENTS - POLICYHOLDERS' FUND**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>Long Term Investments</b>		
1 Government securities and Government guaranteed bonds including Treasury Bills	19736 365	18514 441
2 Other Approved Securities	4080 966	3370 708
3 Other Investments		
(a) Shares		
(aa) Equity - Indian	78143 307	40983 315
(bb) Preference	100	58 375
(b) Mutual Funds	212 500	145 005
(c) Debentures/ Bonds	3284 498	3407 486
(d) Guaranteed Equity	319	304
(e) Subsidiaries	-	-
(f) Associates	-	-
4 Investments in Infrastructure and Social Sector	17522 106	12755 498
5 Other than Approved Investments	9780 968	5906 281
<b>Short Term Investments</b>		
1 Government securities and Government guaranteed bonds including Treasury Bills	944 973	866 467
2 Other Approved Securities	313 293	263 663
3 Other Investments		
(a) Shares		
(aa) Equity	-	-
(bb) Preference	-	-
(b) Mutual Funds	127 577	365 710
(c) Debentures/ Bonds	599 703	321 449
(d) Subsidiaries	-	-
4 Investments in Infrastructure and Social Sector	322 978	336 739
5 Other than Approved Investments	795 826	1213 360
<b>TOTAL</b>	<b>135865 479</b>	<b>88508 801</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006**

**Schedule 9**

**LOANS**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>1 Security-wise Classification</b>		
Secured		
(a) On mortgage of property		
(aa) In India *	2370 838	2817 122
(bb) Outside India	-	-
(b) On Shares, Bonds, Government Securities	-	-
(c) Others	-	-
Unsecured	5161 451	5223 372
<b>TOTAL</b>	<b>7532 289</b>	<b>8040 494</b>
<b>2 Borrower-wise Classification</b>		
(a) Central and State Governments	4024 350	3837 526
(b) Banks and Financial Institutions	-	-
(c) Subsidiaries	-	-
(d) Industrial Undertakings	2450 135	2899 416
(e) Others	1057 804	1303 552
<b>TOTAL</b>	<b>7532 289</b>	<b>8040 494</b>
<b>3 Performance-wise Classification</b>		
(a) Loans classified as standard		
(aa) In India	5927 061	6723 272
(bb) Outside India	-	-
(b) Non-performing loans less provisions		
(aa) In India	615 084	481 659
(bb) Outside India	-	-
Provisions	990 144	835 563
<b>TOTAL</b>	<b>7532 289</b>	<b>8040 494</b>
<b>4 Maturity-wise Classification</b>		
(a) Short - Term	774 419	722 477
(b) Long - Term	6757 870	7318 017
<b>TOTAL</b>	<b>7532 289</b>	<b>8040 494</b>

\* Includes Term Loans of Rs. 4,61,13,644/- on which creation of security is pending (Previous year Rs.6,44,62,996/-).

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006**

**Schedule 10  
FIXED ASSETS**

(Rs.'000)

Particulars	Cost/Gross Block			Depreciation				Net Block		
	As at 01.04.2005	Additions	Deductions	As at 31.03.2006	Upto 31.03.2005	For the Year	On Sales/ Adjustment	Upto 31.03.2006	As at 31.03.2006	As at 31.03.2005
Leasehold Land	247 253	-	-	247 253	51 511	3 434	-	54 945	192 308	195 742
Buildings	277 939	7 477	100	285 316	116 372	8 914	75	125 211	160 105	161 567
Furniture & Fittings	16 648	754	-	17 402	14 706	590	-	15 296	2 106	1 942
I.T. Equipments	52 515	26 578	10 086	69 007	49 442	9 579	10 066	48 955	20 052	3 073
Vehicles	11 339	964	2 584	9 719	6 095	1 366	1 959	5 502	4 217	5 244
Office Equipments	9 285	1 301	1 320	9 266	7 569	340	1 231	6 678	2 588	1 716
AC & Water Coolers	10 831	235	209	10 857	10 263	125	198	10 190	667	568
Elevators	2 073	-	-	2 073	2 010	9	-	2 019	54	63
Canteen Appliances	206	16	-	222	184	19	-	203	19	22
Electric Fans	253	-	-	253	253	-	-	253	-	-
Electrical Installation	11 363	-	-	11 363	9 259	293	-	9 552	1 811	2 104
Fire Alarm Systems	1 076	-	-	1 076	1 011	10	-	1 021	55	65
Calculator	298	-	298	-	297	-	297	-	-	1
Typewriters	693	-	-	693	685	2	-	687	6	8
<b>Total</b>	<b>641 772</b>	<b>37 325</b>	<b>14 597</b>	<b>664 500</b>	<b>269 657</b>	<b>24 681</b>	<b>13 826</b>	<b>280 512</b>	<b>383 988</b>	<b>372 115</b>
Previous years	632 156	15 685	6 069	641 772	252 790	19 996	3 130	269 656	-	-
Capial Work in Progress	30 942	12 661	-	43 603	-	-	-	-	43 603	30 942
<b>Grand Total</b>	<b>672 714</b>	<b>49 986</b>	<b>14 597</b>	<b>708 103</b>	<b>269 657</b>	<b>24 681</b>	<b>13 826</b>	<b>280 512</b>	<b>427 591</b>	<b>403 057</b>



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006**

**Schedule 11**

**CASH AND BANK BALANCES**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1 Cash & stamps (includes cheques on hand of Rs.6,23,50,040/- pertaining to Terrorism Pool previous year Rs.0/- )	303 012	187 297
2 Bank Balances		
(a) Deposit Accounts - Short term (due within 12 months)	17260 662	14133 881
(b) Current Accounts (includes cash at Bank of Rs.0/- pertaining . to Terrorism Pool Previous year Rs.90,30,871/-)	83 071	191 427
3 Money at Call and Short Notice		
(a) With Bank	7 001	6 496
(b) With other Institutions	1110 713	424 567
<b>TOTAL</b>	<b>18764 459</b>	<b>14943 668</b>
<i>Balances with non-scheduled banks</i>	<i>Nil</i>	<i>Nil</i>

**Schedule 12**

**ADVANCES AND OTHER ASSETS**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>Advances</b>		
1 Reserve Deposits with Ceding Companies	4901 760	4202 636
2 Application Money for Investments	50 000	416 000
3 Prepayments	19 545	12 159
4 Advances to Directors/Officers	2 440	1 510
5 Advance Tax Paid and TDS	9532 825	7784 201
Less: Provision for Taxation	<u>7836 193</u>	<u>7669 455</u>
	1696 632	114 746
6 Others	3 488	327
<b>TOTAL (A)</b>	<b>6673 865</b>	<b>4747 378</b>
<b>Other Assets</b>		
1 Income accrued on investments	2128 023	2216 172
2 Due from other entities carrying on insurance business (including reinsurers)	4431 818	4076 071
3 Deposit U/S-7 of Insurance Act	313 824	315 868
4 Sundry Debtors	102 936	9 721
5 Sundry Deposits	52 438	30 413
6 Terrorism Pool Assets	8305 879	6761 270
<b>TOTAL (B)</b>	<b>15334 918</b>	<b>13409 515</b>
<b>TOTAL (A+B)</b>	<b>22008 783</b>	<b>18156 893</b>



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006**

**Schedule 13**

**CURRENT LIABILITIES**

<b>Particulars</b>	<b>Current Year (Rs. '000)</b>	<b>Previous Year (Rs. '000)</b>
1 Balances Due to other insurance companies	3374 837	5391 442
2 Deposits held on re-insurance ceded	3355 839	2520 611
3 Sundry Creditors	159 796	233 103
4 Claims Outstanding	71957 964	50071 534
5 Terrorism Pool Liabilities	8368 229	6770 301
<b>TOTAL</b>	<b>87216 665</b>	<b>64986 991</b>

**Schedule 14**

**PROVISIONS**

<b>Particulars</b>	<b>Current Year (Rs. '000)</b>	<b>Previous Year (Rs. '000)</b>
1 Reserve for Unexpired Risk	22733 001	24972 545
2 For Fringe Benefit Tax	16 800	-
3 For proposed dividends	860 000	645 000
4 For dividend distribution tax	120 615	90 461
5 For Doubtful Loans, Investment and Debts	2534 000	3009 000
6 For Leave Encashment	36 833	28 610
7 For Salary Arrears	-	39 900
8 For PLLI Arrears	15 000	-
<b>TOTAL</b>	<b>26316 249</b>	<b>28785 516</b>

**Schedule 15**

**MISCELLANEOUS EXPENDITURE**

<b>Particulars</b>	<b>Current Year (Rs. '000)</b>	<b>Previous Year (Rs. '000)</b>
	NIL	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:

**Foreign Business:**

Returns in respect of Foreign Business received upto 31st March.

**Domestic Business:**

1. Returns from Indian Companies and State Insurance Funds received for the first three quarters of the current year and last quarter of the previous year.

However in view of the change made in the accounting policy, during the current year, reinsurance returns from Indian Companies /State Insurance Funds are being incorporated in the accounts for the first three quarters of the current financial year of 2005-06 only.

2. 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 included 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 and rent are 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, bonds, debentures and Government securities are accounted for on the date of contracts.

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

7.4 Short term money market instruments such as 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 gains/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 31<sup>st</sup> March or beyond 12 months in case of those companies which close their accounts on 31<sup>st</sup> 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 31<sup>st</sup> March or beyond 12 months in case of those Companies which close their annual accounts on 31<sup>st</sup> 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 31<sup>st</sup> 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, straight through processing and bank charges, etc., on investments are charged to Profit and Loss Account and Revenue Accounts as stated in Significant Accounting Policy No.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.

7.15 Investments in foreign equities are valued at cost.

## **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. At present the domestic Insurers have been permitted to render their accounts on quarterly basis within 90 days of close of each quarter. With a view to complete and present the financial statements at an early date, the Corporation considered it imperative to change the method of accounting reinsurance returns pertaining to domestic proportional treaty business from Indian Companies and State Insurance Funds as per the revised policy as disclosed in Note No. 2.1 of the Significant Accounting Policy. Consequently current year figures are not comparable with those of Previous Year.

2.1 (a) Out of investment held in shares and debentures of the value of Rs.1811,77,123 thousands (Previous year Rs. 1138,29,939 thousands), no confirmations regarding actual custody or other documentary evidence for investments of the value of Rs. 1242 thousands (previous year 1306 thousands) were available.

(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.558 thousands (Previous year Rs. 470 thousands).

(c) In view of the accounting Policy No. 7.1 an aggregate amount of interest income not recognized and accounted for as at 31st March, 2006 is Rs. 5354,959 thousands (Previous year Rs..4663,155 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.

2.2 (a) Provision for standard assets @ 0.40% has been made as per Reserve Bank of India guidelines on (i) Term Loan, (ii) Debentures, (iii) Infrastructure Investments/Loans, (iv) Bonds / Debentures of Housing, (v) Bonds / Debentures of PSU, (vi) Loans to HUDCO, (vii) Other Approved Securities, amounting to Rs. 146689 thousands ( Previous Year Rs. 88929 thousands)

(b) During the year, the Corporation has undertaken under CDR (Corporate Debt Restructuring) System, following fresh cases of restructuring of corporate debt / loans etc., as under :

(Rs. in thousands)

Sr. No	Particulars	Current Year	Previous Year
	Total Amount of assets subjected to restructuring under CDR	49,528	737,754
	The breakup of the same is given hereunder :		
(i)	Total amount of standard assets subjected to restructuring under CDR		299,750
(ii)	Total amount of sub-standard assets subjected to restructuring under CDR		295,800
(iii)	Total amount of doubtful assets subjected to restructuring under CDR		92,167
(iv)	Total amount of loss assets subjected to restructuring under CDR	49,528	50,037
	<b>TOTAL</b>	<b>49,528</b>	<b>737,754</b>

3. It is proposed to evolve a scheme of Productivity Linked Lumpsum Incentive to the employees.

In this regard an adhoc provision of Rs.1.5 Crores has been made for the period upto 31.03.2006 based on wage bill of 31.7.2002 .

4. Leasehold Land & Buildings under Fixed Assets includes 4 properties costing Rs.320,288 thousands(Previous year 7 properties costing Rs.477,369 thousands) for which conveyance deeds are yet to be executed .
5. The amounts due to/from other persons or bodies carrying on insurance business include:
  - (a) Amounts due to/from Indian companies include Rs. 4,412 thousands debit and Rs. 22,650 thousands credit (Previous year Rs. 10,358 thousands debit and Rs.3,691 thousands credit) in suspense accounts which have not been confirmed.
  - (b) Amounts due to/from foreign companies include Rs. 17,688 thousands debit and Rs.75,150 thousands credit (Previous year Rs. 15,869 thousands debit and Rs.33,128 thousands credit) in suspense account which are in the process of being reconciled

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

6. (a) Taxes paid in advance include an amount of Rs.5488,151 thousands (Previous year Rs. 5335,377 thousands) pertaining to assessments completed but in appeal either by Corporation or by the Income Tax Department as at 31st March, 2006.

During the year Corporation has received Income Tax and interest demand of Rs.166,687 thousands in respect of assessment years1997-98 and 2000-01 upon regular assessment u/s 143(3).The Corporation has appealed against the said demand with CIT (Appeals) .However ,out of abundant caution and on the grounds of prudence, the Corporation has paid demand in full and made adequate provision for the same which is disclosed as Provision for Income tax of earlier years and Interest on Income-tax Refund.

- (b) No provision for Income Tax for the current year is made in the absence of Assessable Income

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

(Rs. in thousands)

Particulars	As on 31.03.2006		As on 31.03.2005	
	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.		188,950		188,010
Provision for leave encashment	36,833		28,610	
PLLI	15,000		Nil	
Salary Arrears	Nil		39,990	
Unabsorbed business Losses.	5160,182		Nil	
Unabsorbed Deprecation	24,061		Nil	
<b>TOTAL</b>	<b>5236,075</b>	<b>188,950</b>	<b>68,510</b>	<b>188,010</b>
Net Timing Differences				119,500
Net Deferred Tax				40,224

8. ART Cover: The Corporation has entered into ART Agreement with Swiss Re-America for providing Top End Umbrella Reinsurance Protection for certain Domestic and Foreign

Inward Business. The validity of the Art Cover is extended up to 30<sup>th</sup> April, 2008 for top end umbrella protection and 30<sup>th</sup> April, 2007 for Net Retained Protection respectively. This

arrangement provides a cost effective complement / Supplement for the Traditional Excess of Loss Protection and would result in a significant benefit to the Corporation which

will be realized at the end of the contract period.

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

10. Impact on the accounts due to changes in the Accounting Policy:

Change in the Accounting Policy	Accounting Policy No.	Impact on the accounts
1. Returns from Indian Companies and State Insurance Fund received for first three quarters of current year and last quarter of the previous year	2.1(1)	Not ascertainable

11. Disclosures forming part of financial statements as required by the IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002:

11.1 Contingent Liabilities:

(a) Partly paid up investments.	Rs.204,200 thousands (P.Y. Rs 140 thousands)
(b) Underwriting commitments outstanding:	Nil (P.Y. Nil)
(c) Claims, other than under policies not acknowledged as debts:	A claim 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 (P.Y. Nil)
(e) Statutory demand/liabilities in dispute, not provided for –	Nil (P.Y. Rs.87,266 thousands)
(f) Reinsurances obligations to the extent not provided for in the accounts	NIL in view of accounting policy no. 2.1.

11.2 As at 31<sup>st</sup> March, 2006 all the assets of the Corporation in and outside India are free from encumbrances except for:

- [a] The Government of India stock 12.30%, 2016 for Rs. 313,823 thousands (Previous year 12.30%, 2016 for Rs. 315,868 thousands) deposited with Bank of India as security under Section 7 of the Insurance Act, 1938 and,
- [b] The Government of India Stock 7.38% 2015 for Rs. 26051 thousands, 7.95% 2032 for Rs.10152 thousands, 7.55% 2010 for Rs.108 thousands and, 8.07% 2017 for Rs.10463 thousands total amounting to Rs. 46774 thousands ( P.Y. 11.03% 2012 for Rs. 25,000 thousands ) and cash deposit of Rs. 2900 thousands ( P.Y. Rs.2800 thousands) with Clearing Corporation of India Limited as deposit towards Settlement Guarantee Fund.

31<sup>st</sup> March, 2006 is Rs. 737,277 thousands (Previous year Rs. 696,103 thousands).

- 11.4 Disclosures of Claims less reinsurance during the financial year 2005-06 paid in India are Rs.17089,565 thousands (Previous year Rs. 23248,335 thousands) and outside India are Rs.6754,717 thousands (Previous year Rs. 5342,970 thousands).

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

- 11.6 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 account statements.

11.3 The Commitments made and outstanding for Loans, Investments and Fixed Assets as at

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)

	2005-06		2004-05	
	Number	Amount	Number	Amount
A) Foreign Inward Business				
Claims o/s more than 6 months	782	412,213	598	249,025
Claims o/s less than 6 months	129	255,696	228	188,491
B) Indian Business				
Claims o/s more than 6 months	379	3538,280	242	676,617
Claims o/s less than 6 months	23	198,477	173	253,944
C) Aviation Business				
Claims o/s more than 6 months	2373	2816164	2316	1425,779
Claims o/s less than 6 months	51	406097	55	285,635

11.7 Premiums, less reinsurance, written from business during the financial year 2005-06 in India are Rs. 30347,119 thousands (Previous year Rs. 34459,237 thousands) and outside India are Rs.12001,707 thousands (Previous year Rs. 11679,449 thousands).

11.8 The premium is recognised as income on the basis of returns received by the Corporation as per Significant Accounting Policy No. 2.1 and reserve for unexpired risks as per Significant Accounting Policy No. 4.

11.9 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)

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

11.11 The historical cost of investments valued on Fair Value basis is Rs.40538,789 thousands (Previous year Rs. 27610,715 thousands)

11.12 Computation of Managerial Remuneration is as follows:

Sr. No	Name	Designation	Gross Salary (Rs.)	Corp.'s P. F. (Rs.)	House Perquisite (Rs.)	Loan Perquisite (Rs.)	Vehicle Perquisite (Rs.)
1.	Shri R.K.Joshi	Chairman-cum -Managing Director	6,53,432.83/-	77703/-	87712/-	Nil	Nil

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

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

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

11.16 Claims settled and remaining unpaid for a period of more than six months as on 31-03-2006: (P.Y. Nil)

12. 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.



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

- a) Associate Company:  
 Kenindia Assurance Co. Ltd, Nairobi, Kenya.  
 LIC (Mauritius) Offshore Limited., Mauritius  
 India International Pte Limited. Singapore  
 Agriculture Insurance Company of India Limited
- b) Key Management Personnel:  
 Shri R.K.Joshi - Chairman cum Managing Director  
 Nature and volume of transactions:  
 With (a) above

## Statement Showing Related Party Disclosures as per AS-18 of ICAI

(Rs. in thousands)

Name of the Company	Kenindia Assurance Company		LIC Mauritius Limited		India International Pte Ltd		Agriculture Insurance Company of India Ltd	
	2005-06	*2004-05	2005-06	*2004-05	2005-06	*2004-05	2005-06	*2004-05
Premium Accepted	229,003	-	-	-	442,508	-	9,613	-
Premium Ceded	-	-	-	-	13	-	-	-
Net Premium	229,003	176,353	-	-	442,494	942,469	9,613	-
Commission Paid	104,113	-	-	-	220,273	-	1,123	-
Commission Recovered	-	-	-	-	-	-	-	-
Net Commission	104,113	70,655	-	-	220,273	342,387	1,123	-
Claims Paid	60,491	-	-	-	175,117	-	473	-
Claims Recovered	-	-	-	-	7,819	-	-	-
Net Claims	60,491	48,064	-	-	167,298	243,425	473	-
Balance on 31st March	116,452	80,062	-	-	48,931	94,676	(45,952)	(56,225)
(-) Indicates amount payable by GIC								

\* Figures are reported Net

With (b) above

The same is disclosed as per Note No. 11.12 of the Disclosures forming part of the Financial Statements.

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

	2005-06	2004-05
Basic and Diluted EPS	Rs. 139/-	Rs.47/-
Profit after Tax	Rs. 5985,187 thousands	Rs.2000,241 thousands
Number of equity shares	4,30,00,000	4,30,00,000
Nominal value of share	Rs.100/-	Rs.100/-

## NOTES FORMING PART OF ACCOUNTS

15. The Corporation has prepared Cash flow statement adopting the indirect method.
16. Prior period items have not been separately disclosed.
17. The summary of the financial statements of the Corporation for the last five years is as per Annexure I.
18. The Accounting Ratios of the Corporation are stated in Annexure II.

As per our report of even date

**For K.S. AIYAR & CO.**  
Chartered Accountants

**Rajesh Joshi**  
*Partner*  
Membership No. : 38526

New Delhi  
Dated : 19<sup>th</sup> May, 2006

For and on behalf of the Board

**R. K. Joshi**                      *Chairman-cum-Managing Director*  
**G. C. Chaturvedi**              *Director*  
**T. S. Vijayan**                    *Director*  
**Bhagyam Ramani**              *General Manager (Finance)*  
**Suchita Gupta**                 *Company Secretary*

New Delhi  
Dated : 19<sup>th</sup> May, 2006

## Annexure - I

## SUMMARY OF FINANCIAL STATEMENTS

(Rs. In lakhs)

Sr. No.	Particulars	2005-06	2004-05	2003-04	2002-03	2001-02
<b>OPERATING RESULTS</b>						
1	Gross Premium Written	488077	512155	464076	451481	328246
2	Net Premium Income	423488	461387	416298	383278	267123
3	Income from investments (net)	109728	85165	86169	57870	56933
4	Profit on Exchange Fluctuation	74	379	-925	722	69
5	Total Income	533290	546931	501542	441871	324125
6	Commissions & Brokerage	110293	120749	107164	90901	63634
7	Brokerage	-	-	-	-	-
8	Operating Expenses	4533	4060	3383	2980	2514
9	Claims, increase in Unexpired Risk Reserve and Other outgoes	434912	394299	306655	339086	252784
10	Operating Profit/loss	-16448	27823	84340	8904	5193
<b>NON-OPERATING RESULT</b>						
11	Total Income under Shareholders account (Net)	60742	52185	43350	25386	30477
12	Profit/(loss) before tax	44294	80008	127691	34289	35670
13	Provision for tax	-15557	60006	23929	8142	5000
14	Profit/(loss) after tax	59851	20002	103762	26147	30670
<b>MISCELLANEOUS</b>						
15	<u>Policy holders Account :</u>					
	Fire	186463	154000	135950	114087	72750
	Miscellaneous	690603	528223	451928	429249	345867
	Marine	69748	67910	54170	46576	38295
	Life	95	308	7	-	-
	Total funds	946909	750441	642055	589912	456912
	Total Investments	1521962	1027674	934387	616863	535337
	Yield on Investments	7.2	8.3	9.0	9.4	10.6

**SUMMARY OF FINANCIAL STATEMENTS**

(Rs. In lakhs)

Sr. No.	Particulars	2005-06	2004-05	2003-04	2002-03	2001-02
16	<b><i>Shareholders Account :</i></b>					
	Total funds	475913	425867	413219	316735	293063
	Total Investments	864051	661406	533148	395656	369034
	Yield on Investments	7.2	8.3	9.0	9.4	10.6
17	Paid up equity Capital	43000	21500	21500	21500	21500
18	Net worth	475913	425867	413219	316735	293063
19	Total assets	2642403	1955184	1644113	1169512	1037884
20	Yield on total investments	7.2	8.3	9.0	9.4	10.6
21	Earnings per share (Rs.)	139	47	242	61	71
22	Book Value per share (Rs.)*	1107	1981	1922	1473	1363
23	Total Dividend	8600	6450	6450	4730	4300
24	Dividend per share (Rs.)	20	15	30	22	20

\* Book value for current year is calculated on enhanced capital of Rs.430 Crores

As per our report of even date

For and on behalf of the Board

**For K.S. AIYAR & CO.**  
Chartered Accountants

**R. K. Joshi**  
**G. C. Chaturvedi**  
**T. S. Vijayan**  
**Bhagyam Ramani**  
**Suchita Gupta**

*Chairman-cum-Managing Director*  
*Director*  
*Director*  
*General Manager (Finance)*  
*Company Secretary*

**Rajesh Joshi**  
*Partner*  
*Membership No. : 38526*

New Delhi  
Dated : 19<sup>th</sup> May, 2006

New Delhi  
Dated : 19<sup>th</sup> May, 2006

## Annexure - II

## RATIOS FOR NON-LIFE COMPANIES

Sr. No.	Performance Ratio	Ratio / Percentage	
		2005-06	2004-05
1	Gross Premium Growth Rate (segment wise) (Gross premium for the current year divided by the gross premium for the previous year)		
	Fire Insurance	2.8	0.1
	Motor Insurance	-15.1	17.6
	Aviation Insurance	20.2	30.5
	Engineering insurance	-5.4	13.0
	Other Miscellaneous Insurance	-4.4	13.3
	Marine Cargo	-19.1	8.2
	Marine Hull	-11.9	5.0
	Life	6.4	862.0
2	Gross Premium to shareholders fund ratio : (Gross premium for the current year divided by paid up capital plus free reserves)	102.6	120.3
3	Growth rate of shareholders' funds (Shareholders' funds as at the current balance sheet date divided by shareholders' funds as at the previous balance sheet date)	11.8	3.1
4	Net retention ratio (segment wise) (Net premium divided by gross premium)		
	Fire Insurance	74.8	82.0
	Motor Insurance	99.7	100.0
	Aviation Insurance	90.5	92.5
	Engineering insurance	75.6	75.7
	Other Miscellaneous Insurance	93.1	94.3
	Marine Cargo	87.9	88.7
	Marine Hull	79.2	78.3
	Life	100.0	100.0

**RATIOS FOR NON-LIFE COMPANIES**

Sr. No.	Performance Ratio	Ratio / Percentage	
		2005-06	2004-05
5	Net commission ratio (segment wise) (Commission net of reinsurance for a class of business divided by net premium)		
	Fire Insurance	33.8	35.1
	Motor Insurance	19.7	19.9
	Aviation Insurance	18.8	17.9
	Engineering insurance	33.8	33.3
	Other Miscellaneous Insurance	25.2	25.3
	Marine Cargo	28.0	26.1
	Marine Hull	24.2	22.2
	Life	16.2	0.0
6	Expenses of management to gross premium ratio (Expenses of management divided by the total gross premium)	0.9	0.8
7	Combined ratio : (Claims paid plus expenses divided by gross premium)	49.7	56.6
8	Technical reserves to net premium ratio (Reserve for unexpired risks plus premium deficiency reserve plus reserve for outstanding claims divided by net premium)	223.6	162.6
9	Underwriting balance ratio (Segment wise) (Underwriting profit divided by net premium for the respective class of business)		
	Fire Insurance	11.4	18.5
	Motor Insurance	-22.8	-3.0
	Aviation Insurance	12.2	13.5
	Engineering insurance	19.8	29.4
	Other Miscellaneous Insurance	-16.1	-0.9
	Marine Cargo	14.8	-16.3
	Marine Hull	13.0	9.5
	Life	32.1	-148.1

## Annexure - II

## RATIOS FOR NON-LIFE COMPANIES

Sr. No.	Performance Ratio	Ratio / Percentage	
		2005-06	2004-05
10	Operating profit ratio (Underwriting profit plus investment income divided by net premium)	10.8	17.9
11	Liquid assets to liabilities ratio (Liquid assets of the insurer divided by the policy holders' liabilities)	24.1	25.8
12	Net earnings ratio: (Profit after tax divided by net premium)	14.1	4.3
13	Return on net worth (Profit after tax divided by net worth)	12.6	4.7
14	Reinsurance ratio : (Risk reinsured divided by gross premium)	13.2	9.9

As per our report of even date

**For K.S. AIYAR & CO.**  
Chartered Accountants

**Rajesh Joshi**  
Partner  
Membership No. : 38526

New Delhi  
Dated : 19<sup>th</sup> May, 2006

For and on behalf of the Board

**R. K. Joshi** *Chairman-cum-Managing Director*  
**G. C. Chaturvedi** *Director*  
**T. S. Vijayan** *Director*  
**Bhagyam Ramani** *General Manager (Finance)*  
**Suchita Gupta** *Company Secretary*

New Delhi  
Dated : 19<sup>th</sup> May, 2006

**CASH FLOW STATEMENT**

As per Indirect Method

(Rs. In thousands)

	31 <sup>st</sup> March, 2006		31 <sup>st</sup> March, 2005	
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>				
<i>Net Profit before taxation as per Profit &amp; Loss A/c</i>		4429 444		8000 809
<b>Adjustments for:</b>				
Exchange -Loss/Gain charged	282 059		-216 540	
Provision for diminution in value of investment	37 377		122 845	
Provision for doubtful loans, investments & Debts	-475 000		358 000	
Amortisation of Premium on Investment	340 022		333 816	
Investment Reserve Trfd. to Profit & Loss A/c	-5 845		-	
Depreciation	23 938		19 280	
-Profit /Loss on sale of Assets	- 298		- 56	
Provision for Leave Encashment & Salary Arrears	-16 677		21 150	
Sundry Balances Written off/ -back	15	185 591	- 275	638 220
<b>Operating Profit before working capital changes</b>		<b>4615 035</b>		<b>8639 029</b>
Changes in Unexpired Risk Reserves	-2239 544		2401 896	
Changes in Provisions for Outstanding Claims	21886 430		8436 721	
Changes in Income accrued on Investments	88 149		-51 667	
Changes in Balances with Insurance Companies	-2236 248		1451 152	
Changes in Advance and Deposits	-1302 552		-2301 452	
Changes in other Current Liabilities	1524 621	17720 856	2119 419	12056 069
<b>Cash generated from operations</b>		<b>22335 891</b>		<b>20695 098</b>
Income Tax Paid (Net)		-1748 430		-7450 672
<b>Net Cash from Operating Activities</b>		<b>20587 461</b>		<b>13244 426</b>



## CASH FLOW STATEMENT

As per Indirect Method

(Rs. In thousands)

	31 <sup>st</sup> March, 2006	31 <sup>st</sup> March, 2005
<b>B ) CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	-49 985	-46 626
Proceeds from sale of Fixed Assets	1 068	2 995
Changes in net Investments	-15700 233	-15625 126
<b>Net Cash used in Investing Activities</b>	<b>-15749 150</b>	<b>-15668 757</b>
<b>C ) CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend Paid	-645 000	-645 000
Dividend Tax Paid	-90 461	-82 640
<b>Net Cash from Financing Activities</b>	<b>-735 461</b>	<b>-727 640</b>
<b>D) Effect of Foreign Exchange on Cash &amp; Cash equivalents(Net)</b>	<b>-282 059</b>	<b>216 539</b>
<b>Net increase in Cash and Cash equivalents (A+B+C+D)</b>	<b>3820 791</b>	<b>-2935 432</b>
<b>Cash and Cash equivalents at beginning of period</b>	<b>14943 668</b>	<b>17879 100</b>
<b>Cash and Cash equivalents at the end of period</b>	<b>18764 459</b>	<b>14943 668</b>

As per our report of even date

For and on behalf of the Board

**For K.S. AIYAR & CO.**  
Chartered Accountants

**Rajesh Joshi**  
Partner  
Membership No. : 38526

New Delhi  
Dated : 19<sup>th</sup> May, 2006

**R. K. Joshi**                      *Chairman-cum-Managing Director*  
**G. C. Chaturvedi**                *Director*  
**T. S. Vijayan**                      *Director*  
**Bhagyam Ramani**                *General Manager (Finance)*  
**Suchita Gupta**                    *Company Secretary*

New Delhi  
Dated : 19<sup>th</sup> May, 2006

**I. Registration Details**

Registration No. 

1	6	1	3	3
---	---	---	---	---

 State Code 

1	1
---	---

  
 Balance Sheet Date 

3	1	0	3	2	0	0	6
---	---	---	---	---	---	---	---

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

Public Issue 

N	I	L
---	---	---

 Right Issue 

N	I	L
---	---	---

  
 Bonus Issue 

2	1	5	0	0	0	0
---	---	---	---	---	---	---

 Private Placement 

N	I	L
---	---	---

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

Total Liabilities 

1	5	0	7	0	7	3	9	0
---	---	---	---	---	---	---	---	---

 Total Assets 

1	5	0	7	0	7	3	9	0
---	---	---	---	---	---	---	---	---

**Sources of Funds**

Paid-up Capital 

4	3	0	0	0	0	0
---	---	---	---	---	---	---

 Reserves & Surplus 

4	3	2	9	1	2	7	8
---	---	---	---	---	---	---	---

Secured Loans 

N	I	L
---	---	---

 Unsecured Loans 

N	I	L
---	---	---

Deferred Taxation Liability 

N	I	L
---	---	---

 Fair Value Change Account 

1	0	3	1	1	6	1	1	2
---	---	---	---	---	---	---	---	---

**Application of Funds**

Net Fixed Assets 

4	2	7	5	9	1
---	---	---	---	---	---

 Investments 

2	2	1	3	4	0	6	0	9
---	---	---	---	---	---	---	---	---

Net Current Assets 

(-)	7	2	7	5	9	6	7	2
-----	---	---	---	---	---	---	---	---

 Misc. Expenditure 

N	I	L
---	---	---

Accumulated Losses 

N	I	L
---	---	---

 Deferred Tax Asset 

1	6	9	8	8	6	2
---	---	---	---	---	---	---

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

Turnover 

6	1	8	4	3	5	6	0
---	---	---	---	---	---	---	---

 Total Expenditure 

5	7	4	1	4	1	1	6
---	---	---	---	---	---	---	---

Profit/Loss Before Tax 

4	4	2	9	4	4	4
---	---	---	---	---	---	---

 Profit/Loss after Tax 

5	9	8	5	1	8	7
---	---	---	---	---	---	---

Earning per Share in Rs.\*\* 

1	3	9
---	---	---

 Dividend @% 

2	0
---	---

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

Item Code No. 

N	O	T	A	P	P	L	I	C	A	B	L	E
---	---	---	---	---	---	---	---	---	---	---	---	---

Product Description 

R	E	I	N	S	U	R	A	N	C	E	S	E	R	V	I	C	E
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

(Rs. & US\$ in '000)

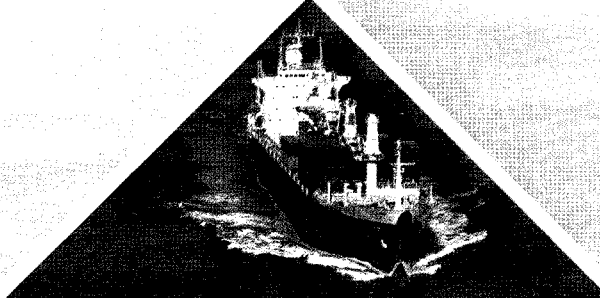
	2005-06		2004-05	
	Rs.	US \$	Rs.	US \$
Net Earned Premium(Adjusted to nearest rupee)	44588370	1001 986	43736 791	999 927
Net Claims	45730712	1027 656	37028 027	846 548
	102.56%	102.56%	84.66%	84.66%
Net Commission (Adjusted to nearest rupee)	11029282	247 849	12074 855	276 060
	24.74%	24.74%	27.61%	27.61%
Operating Expenses and Other Outgo less Other Income	421754	9 478	356 701	8 155
	0.95%	0.95%	0.82%	0.82%
Investment Income Apportioned to Revenue less Expenses	10957035	246 226	8505 096	194 447
	24.57%	24.57%	19.45%	19.45%
Underwriting Profit	-1636 342	-36 772	2782 303	63 610
	-3.67%	-3.67%	6.36%	6.36%
Interest, Dividends, Rent & Profit on sale of Investments	6229192	139 982	5480 995	125 309
Other Income less Other Outgo	-252588	-5 676	552 172	12 624
Reserve for Doubtful Debts, Investment Written off and Amortisation of Premium on Investments	-97601	-2 193	814 661	18 625
Investment in erstwhile subsidiaries written off	-	-	-	-
<b>PROFIT BEFORE TAX</b>	<b>4429 444</b>	<b>99 538</b>	<b>8000 809</b>	<b>182 917</b>
Provision for tax including deferred tax	-1555743	-34 961	6000 568	137 187
<b>PROFIT AFTER TAX</b>	<b>5985187</b>	<b>134 499</b>	<b>2000 241</b>	<b>45 730</b>
<b>ASSETS:</b>				
Investments	213808320	4804 681	146302 589	3344 824
Loans	7532289	169 265	8040 494	183 825
Fixed Assets	427591	9 609	403 057	9 215
Cash and Bank Balances	18764459	421 673	14943 668	341 648
Advances and Other Assets	22008782	494 579	18156 893	415 110
Deferred Tax Asset	1698862	38 177	-	-
<b>TOTAL ASSETS</b>	<b>264240 303</b>	<b>5937 984</b>	<b>187846 701</b>	<b>4294 621</b>
<b>LIABILITIES:</b>				
Share Capital	4300000	96 629	2150 000	49 154
Reserve and Surplus	43291278	972 838	40442 551	924 613
Deferred Tax Liabilities	-	-	40 224	920
Fair Value Change Account	103116112	2317 216	51441 420	1176 073
Current Liabilities & Provisions	113532913	2551 301	93772 506	2143 862
<b>TOTAL LIABILITIES</b>	<b>264240 303</b>	<b>5937 984</b>	<b>187846 701</b>	<b>4294 621</b>

1 US \$ = Rs.44.50 as on 31st March, 2006

1 US \$ = Rs.43.74 as on 31st March, 2005

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

Solely for the convenience of readers, performance highlights have been converted into United States Dollar as on 31st March.



**भारतीय साधारण बीमा निगम**  
**General Insurance Corporation of India**

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