

35वां वार्षिक प्रतिवेदन
35th Annual Report
2006-07



भारतीय साधारण बीमा निगम
General Insurance Corporation of India

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 Yogesh Lohiya,	Chairman-cum-Managing Director w.e.f. 28.05.2007
Shri R.K. Joshi,	Chairman-cum-Managing Director Upto 30.04.2007
Shri G.C. Chaturvedi, IAS	
Shri A.K. Shukla	Upto 30.04.2006
Shri T.S. Vijayan	w.e.f. 11.05.2006
Shri A.K. Purwar	Upto 31.05.2006
Shri O.P. Bhatt	w.e.f. 05.09.2006
Shri V.P. Shetty	w.e.f. 05.09.2006 (Upto 30.06.2007)
Shri B. Chakrabarti	Upto 31.12.2006
Shri M. Ramadoss	w.e.f. 28.02.2007

MANAGEMENT

Chairman-cum-Managing Director	Shri Yogesh Lohiya	w.e.f. 28.05.2007
	Shri R.K. Joshi	Upto 30.04.2007
General Managers	Smt. Bhagyam Ramani	
	Shri R. Chandrasekaran	
	Shri T.V. Viswanathan	Upto 30.04.2007
	Shri M. Ramaprasad	w.e.f. 28.05.2007
Chief Vigilance Officer	Smt. Gopa Ray	
Deputy General Managers	Smt. Sushila Venkatraman	(on deputation to General Insurance Council w.e.f. 30.08.2007)
	Shri H.G. Rokade	
	Shri P.N. Gandhi	
	Shri J. Augustine	
	Shri K. Raghunath	
	Shri P.K. Bhagat	w.e.f. 17.09.2007
COMPANY SECRETARY	Smt. Suchita Gupta	

AUDITORS

M/s S R Goyal & Co.
Chartered Accountants
1 A Sangram Colony
C- Scheme, Jaipur 302 001

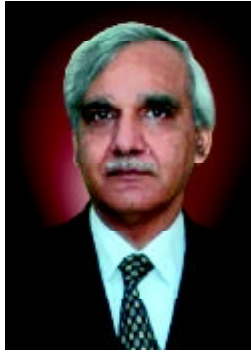
BANKERS

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 Yogesh Lohiya
Chairman-cum-Managing Director



Shri G.C. Chaturvedi
Director



Shri T.S. Vijayan
Director



Shri O.P. Bhatt
Director



Shri M. Ramadoss
Director

MANAGEMENT



Left to Right: Shri K. Raghunath - Deputy General Manager, Shri R. Chandrasekaran-General Manager, Shri P.N. Gandhi - Deputy General Manager, Smt. Gopa Ray - Chief Vigilance Officer, Shri P.K. Bhagat - Deputy General Manager, Shri Yogesh Lohiya - Chairman-cum-Managing Director, Shri J. Augustine - Deputy General Manger, Smt. Bhagyam Ramani - General Manager, Shri H.G. Rokade - Deputy General Manager and Shri M. Ramaprasad - General Manager

NOTICE

NOTICE is hereby given that the 35th 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 Wednesday, the 19th of September 2007 at 4.30 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 31st March, 2007.
2. To declare dividend on equity shares.
3. To fix remuneration of auditors for the year 2007-2008 and revise the remuneration for the year 2006-07.

For and on behalf of the Board

Suchita Gupta
Company Secretary

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

Dated: 10th September, 2007

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 Fifth Annual Report on the working and affairs of the Corporation and the audited statements of account for the year ended 31st March, 2007.

FINANCIAL RESULTS:

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

	(Rs in Crores)			(Rs in Crores)	
	2006-07	2005-06		2006-07	2005-06
1. Net Premium	6420.87	4234.88	10. Reserve for Doubtful Debts and Investment incl.	39.50	-9.76
2. Net Earned Premium	5263.79	4458.84	Amortisation of Investments Written off		
3. Net Incurred Claims	3622.71	4573.07	11. Profit before Tax (7+8+9-10)	1789.46	442.94
	68.8%	102.5%	12. Income-tax Deducted at Source and Provision for tax incl. deferred taxes	258.12	-155.58
4. Net Commission	1670.12	1102.93	13. Profit after Tax (11-12)	1531.34	598.52
	31.7%	24.7%	14. Balance of Profit b/f from previous year	0.02	0.06
5. Operating Expenses and Other Outgo less Other Income	46.91	43.01	15. Profit available for appropriation	1531.36	598.58
	0.9%	0.9%	16. Proposed Dividend incl. Dividend tax	362.22	98.06
6. Investment Income Apportioned to Revenue less expenses	1230.05	1095.70	17. Transferred to General Reserves	1169.10	500.50
7. Total Profit/Loss(-) (2+6-3-4-5)	1154.10	(-)164.48	18. Balance of Profit carried forward (14+15-16-17)	0.04	0.02
	21.9%	(-)3.7%			
8. Interest, Dividends and Rents (gross)	619.32	622.92			
9. Other Income less Other Outgo	55.54	-25.26			

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

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

PROPOSED DIVIDEND

The directors recommend declaration of dividend at the rate of 72% for the year under review amounting to Rs. 309.60 crores, as against Rs. 86.00 crores at the rate of 20% in the previous year. An amount of Rs. 52.62 crores has also been provided as dividend distribution tax on the dividend declared during the year.

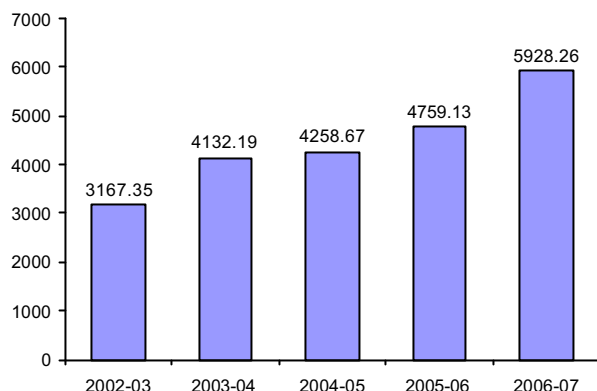
CAPITAL AND FUNDS

Capital and Funds of the Corporation stood at Rs. 16183.27 crores as on 31st March, 2007 as

against Rs. 14228.21 crores in the previous year, the details of which are given below:

	(Rs in Crores)	
	As on 31.03.2007	As on 31.03.2006
Shareholders' Funds		
Paid up Capital	430.00	430.00
General Reserve	5498.21	4329.11
Profit & Loss a/c	0.04	0.02
	5928.25	4759.13
Policyholders' Fund	10255.02	9469.09
Total Funds	16183.27	14228.21

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



ASSETS

Total assets of the Corporation increased to Rs. 28528.74 crores as on 31st March, 2007 from Rs. 26424.03 crores as on 31st March, 2006.

INVESTMENTS

The total investment of the Corporation in India (representing investments, loans and deposits) amounted to Rs. 14349.68 crores as on 31.3.2007 as against Rs. 12529.79 crores in the previous year. The investment income of Rs.1854.14 crores was apportioned to Policyholders and Shareholders as under:

(Rs. in crores)

Apportioned to Policyholders	1233.96
Apportioned to Shareholders	620.18

The mean yield on funds (with profit on sale of investments) stood at 13.43%. The net NPA (Non Performing Assets) was at 2.13%.

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 separate statement.

II. STAFF POSITION AS ON 31.03.2007:

Class I – Officers	240
Class III – Clerical Employees	151
Class IV – Sub-Staff	51
Total	442

In terms of Court Order dated 27th April, 2007 8 employees of LPA allotted to GIC; (Class I Officers – 4 and Class III Clerical employees – 4) are transferred to GIC effective from 1st April, 2006.

Composition of Scheduled Castes and Scheduled Tribes in the employee strength:

Cadre	Total Employee Strength	Composition			
		SC	%	ST	%
Officers	240	33	13.75	10	4.10
Clerical	151	35	23.18	12	7.74
Sub-Staff	51	10	19.60	2	3.92
Total	442	78		24	

III. GIC – LPA MERGER

In terms of Order of the Bombay High Court dated 27th April, 2007, approving the Scheme of Amalgamation of LPA with GIC, the services of LPA employees stand transferred permanently to GIC and four Public Sector General Insurance Companies with effect from the "Appointed Date" i.e. 1st April, 2006, on the terms and conditions stated in the Annexure I to V to the Amalgamation Scheme, which inter alia, prescribe the rate of Provident Fund Contribution and the age of Retirement for employees transferred from LPA.

The Office of the Registrar of Companies Maharashtra has taken on record on 26.06.2007, the said Order dated 27th April, 2007.

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 was 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 T.S. Vijayan, Chairman, Life Insurance Corporation of India, was appointed as a Director on the Board of the Corporation w.e.f. 11.05.2006.

Shri O.P. Bhatt, Chairman, State Bank of India, was appointed as a Director on the Board of the Corporation w.e.f. 05.09.2006.

Shri V.P. Shetty, Chairman-cum-Managing Director, Industrial Development Bank of India Ltd., was appointed as a Director on the Board of the Corporation w.e.f. 05.09.2006 and ceased to be the

director of the corporation w.e.f. 30.6.2007 on attaining the age of superannuation.

Shri M. Ramadoss, Chairman, GIPSA and Chairman-cum-Managing Director, The Oriental Insurance Co. Ltd., was appointed as a Director on the Board of the Corporation w.e.f. 28.02.2007.

Shri R.K. Joshi, Chairman-cum- Managing Director, General Insurance Corporation of India ceased to be a Director of the Corporation w.e.f. 30.04.2007 on attaining the age of superannuation.

Shri A.K. Purwar, Chairman, State Bank of India ceased to be a Director of the Corporation w.e.f. 31.05.2006 on attaining the age of superannuation.

Shri A.K. Shukla, Chairman, Life Insurance Corporation of India ceased to be a Director of the Corporation w.e.f. 30.04.2006 on attaining the age of superannuation.

Shri B. Chakrabarti, Chairman, GIPSA & Chairman-cum-Managing Director, New India Assurance Co. Ltd., ceased to be a Director of the Corporation w.e.f. 31.12.2006 on his ceasing to be the Chairman of GIPSA.

The Directors wish to place on record the co-operation received from Shri R.K. Joshi, Shri V P Shetty, Shri A.K. Purwar, Shri A.K. Shukla and Shri B. Chakrabarti 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 2006 TO MARCH 2007**

Names of Directors	Dates of Meetings						
	28.4.2006	19.5.2006	9.6.2006	7.7.2006	26.9.2006	4.12.2006	10.3.2007
Shri R.K. Joshi	Present	Present	Present	Present	Present	Present	Present
Shri G.C. Chaturvedi	Present	Present	Present	Present	Present	Present	Present
Shri A.K. Purwar	Absent	Absent	Ceased				
Shri A.K. Shukla	Present	Ceased					
Shri B. Chakrabarti	Present	Absent	Absent	Present	Present	Absent	Ceased
Shri T.S. Vijayan	-	Present	Present	Present	Absent	Present	Present
Shri O.P. Bhatt	-	-	-	-	Absent(*)	Absent	Present
Shri V.P. Shetty	-	-	-	-	Present(*)	Absent	Present
Shri M. Ramadoss	-	-	-	-	-	-	Present(**)

(*) Appointed as Director w.e.f. 05.09.2006

(**) Appointed as Director w.e.f. 28.02.2007

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 2006-07:

1. Shri G.C. Chaturvedi
2. Shri A.K. Purwar (from 03.05.2006 to 31.05.2006)
3. Shri A.K. Shukla (from 16.08.2005 to 30.04.2006)
4. Shri B. Chakrabarti (from 19.12.2005 to 31.12.2006)
5. Shri T.S. Vijayan (from 17.05.2006)
6. Shri M. Ramadoss (from 02.03.2007)

STATEMENT SHOWING NUMBER OF AUDIT COMMITTEE MEETINGS ATTENDED BY THE MEMBERS DURING THE PERIOD APRIL 2006 TO MARCH 2007

Names of Members	Dates of Meetings				
	28.4.2006	19.5.2006	7.7.2006	26.9.2006	10.3.2007
Shri G.C. Chaturvedi	Present	Present	Present	Present	Present
Shri A.K. Purwar	-	Absent	Ceased		
Shri A.K. Shukla	Present	Ceased			
Shri B. Chakrabarti	Present	Absent	Present	Present	Ceased
Shri T.S. Vijayan	-	Present	Present	Absent	Present
Shri M. Ramadoss	Not in Committee				Present

INVESTMENT COMMITTEE

The Corporation has an Investment Committee of the Board of Directors with the following Members for the financial year 2006-07:

1. Shri R.K. Joshi
2. Shri G.C. Chaturvedi
3. Shri B. Chakrabarti (from 19.12.2005 to 31.12.2006)
4. Shri T.S. Vijayan (from 17.05.2006)
5. Shri M. Ramadoss (from 02.03.2007)

STATEMENT SHOWING NUMBER OF INVESTMENT COMMITTEE MEETINGS ATTENDED BY THE MEMBERS DURING THE PERIOD APRIL 2006 TO MARCH 2007

Names of Members	Dates of Meetings			
	7.7.2006	26.9.2006	25.11.2006	10.3.2007
Shri R.K. Joshi	Present	Present	Present	Present
Shri G.C. Chaturvedi	Present	Present	Present	Present
Shri B. Chakrabarti	Present	Present	Present	Ceased
Shri T.S. Vijayan	Present	Absent	Present	Present
Shri M. Ramadoss	Not in Committee			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. 918.49 crores
ii) Outgo	Rs. 585.30 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. 8,50,375/- Rs. 81,91,035/- and Rs. 4,89,73,570/- respectively for the year under review.

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

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

IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY OF THE CENTRAL GOVERNMENT

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

For Official Language Implementation, inspections of departments of the Corporation were carried by officials of the Official Language Department. Four in-house workshops and four meetings of Official Language Implementation Committee were conducted. During Hindi week celebrations, various competitions and HASYA KAVI SAMMELLAN along with a variety programme were organized.

DIRECTORS' REPORT

CMD's Shield was awarded to the best performing Department of the Corporation with regards to Official Language Implementation. Mrs. P.G. Manisha, Chief Manager of Official Language Department was felicitated for her work in the field of Hindi Implementation by the leading NGO "ASHIRWARD".

A Chaupal was organized under the guidance of Town Official Language Implementation (TOLIC) in which 30 offices of Public Undertakings took part.

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 the 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 the Vigilance Department. As an integral part of training modules for all employees of GIC, the Vigilance department constantly conveys the importance of preventive vigilance. Surprise Inspections are conducted periodically and based on this, the Vigilance Department makes suggestions for improvisation of system and procedures of the Organisation.

To improve vigilance administration CVO and other officers also participate in the vigilance training programmes/workshops conducted by reputed organisations like Delhi Productivity Council (DPC), National Insurance Academy (NIA), CBI Academy, Ghaziabad and Vigilance Study Circle, Hyderabad.

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.

The Internal Audit and concurrent audit functions in the Corporation have been outsourced to an external professional audit firm M/s. Contractor, Nayak and Kishnadwala, beginning from April 1, 2006.

The internal audit team conducts audit of various departments on concurrent basis and also reviews the prevalent systems, and submits their report together with suitable recommendations, to the management on a monthly basis. The main audit findings and recommendations are placed before Audit Committee of the Board (ACB) for consideration. Status of progress on the implementation of approved recommendations by the Audit Committee of the Board is reported to ACB from time to time.

During the year 2006-07 special emphasis was laid on core business activities Reinsurance and Investments.

Reinsurance Underwriting Operations covering Treaty Acceptances and Cash Call Settlements and also Settlement of Accounts were audited on concurrent basis. Similarly, Investment operations were also subjected to audit on a concurrent basis, covering primary and secondary market transactions, SGL reconciliation for Central/State Government Securities and review of deployment of surplus funds. In line with RBI directions, auditors' confirmation of correctness of balances in SGL/CSGL account is sent to RBI, at the end of each month.

Besides, major expenditure incurred, both Revenue and Capital having financial implications were also subjected to audit. Other operational departments were also covered by audit during the financial year.

ITMG

During the year under review, all the modules of the SAP-ERP system for HR, Re-insurance, Investment, Finance & Accounts have been fully implemented. The final accounts for the year ending 31st March, 2007 has been generated through the SAP system.

For the next phase, the Business Intelligence Warehouse and Management Information Reports are being developed and implemented.

GIC has initiated a digitalization project of office records and take the Corporation towards paperless operations. The Electronic Data Inter-change and Disaster Recovery Systems are also being taken up in the IT initiatives for the year 2007-08.

TRAINING/HRD

In the year 2006-07 training was imparted to all levels of employees both internally and externally. With a view to make all the employees of GIC familiar with its new role as GIC Re, attempts were made to conduct more Training Programmes on Reinsurance at National Insurance Academy (NIA), College of Insurance (COI), Other Reputed Institutes and also within GIC. The endeavor was to re-orient our training programmes in consonance with the changed role of GIC as Global reinsurer.

Thus the summary of various programme organized by NIA, COI, Other reputed organizations and GIC in-house training programmes is as under:

Organisation	No. of Programs	No. of employees trained
In-house Programs	9	96
National Insurance Academy, Pune	17	74
College of Insurance, Mumbai	9	29
Other reputed Institutes	42	81
Seminars/Conferences in foreign countries	21	46

To familiarize employees with ERP Module employees were encouraged to take up ERP Training.

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 non-life 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, LIC (Mauritius) Offshore Ltd, Mauritius and Asian Reinsurance Corporation, Bangkok, Representative Offices in UK, Moscow and Branch Office in Dubai UAE.

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 2006.

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 has declared dividend of 7.5% for the financial year 2006, 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.

Due to certain technical reasons, the Company could not make much headway in its operations.

ASIAN REINSURANCE CORPORATION, BANGKOK

During the year, the Corporation acquired 2,900 shares of Asian Reinsurance Corporation, Bangkok @ US \$1700.00 at a total investment of US \$4.93 mn to become its Associate Member. GIC was already a member of Asian Re by holding 900 shares of US \$1000 each on behalf of the Government of India. The Corporation is expected to gain considerably from this strategic investment by enhancing its business relations in the region particularly from the member countries of Asian Re.

DIRECTORS' REPORT**REPRESENTATIVE/BRANCH OFFICES**

As on March 31, 2007, GIC had 3 Representative Offices in London, Moscow and Dubai. During the year, Dubai Representative Office has been upgraded into a Branch. The Corporation has received "minded to approve" letter from the UK Financial Services Authority (FSA) for upgrading the UK Representative Office into Branch. Necessary action is being taken to comply with the formalities and we expect the final approval from FSA in this regard soon.

The Corporation has obtained permission from the Authorities in Kenya to open a Liaison Office in Nairobi and the said office will start functioning soon.

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 2006-07 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 S R Goyal & Co., Chartered Accountants were appointed as Auditors to audit the accounts of the Corporation for the financial year 2006-07 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 2005-06 along with Directors' Report were placed before both the Houses of Parliament under Section 619(A) read with 619(B) of the Companies Act, 1956 as per details given below:

In LOK SABHA on 15 th December 2006 and RAJYA SABHA on 19th December 2006.

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

Yogesh Lohiya

Chairman-cum-Managing Director

7th July 2007
New Delhi.

STATEMENT OF GROSS REMUNERATION FOR THE FY 2006-07
U/S 217 (2A) (B) (ii) OF COMPANIES ACT, 1956

Sr. No.	Name of the Employee	Designation	Remuneration*	Age	Qualification	Last Employment	with effect from
1	Shri Anil Sant	Chief Manager	5095999.03	44	B.Sc., B.Sc(T) FIII	N.A.	01-07-86
2	Shri J.R. Wankhede	Chief Manager	2349906.44	50	D.E. (C) FIII	N.A.	01-07-88
3	Shri D.R. Arya	Chief Manager	2067922.91	42	M.Sc(Agri) Master Degree in HRDM	N.A.	27-11-89

PART OF THE YEAR

*Including Gross Salary, Gratuity, Leave Encashment, Companies contribution to Provident Fund and Mediclaim and includes all other perquisites i.e. Accommodation, LTS and reimbursement of expenses

MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

ECONOMIC ENVIRONMENT:

Indian economy has been on a high growth curve since last few years. It continued its growth momentum during 2006-07. Advance estimates released by the Central Statistical Organization (CSO) showed that the real Gross Domestic Product (GDP) growth is expected to accelerate from 9.0% in 2005-06 to 9.2% in 2006-07. The acceleration in growth was driven by the continued buoyancy in the services and manufacturing sectors, both recording double-digit growth. Agriculture and allied activities are likely to have recorded a moderate growth rate at 2.7%.

Sound macro fundamentals, progressive fiscal position and a favourable investment climate led to the country's improved stature in the global arena as a frontline emerging economy. India continues to be a favoured investment destination. India's Services sector continues to grow with knowledge economy contributing a lion's share to this sector.

While industry, as a whole, is estimated to record a robust growth at 11%, growth in the manufacturing sector is estimated at 12.3%, Services sector also continued to post double-digit growth of 11%.

Foreign Exchange Reserves recorded an increase of US \$ 47.6 billion during 2006-07 to reach a level of US \$199.2 billion by end-March 2007.

INDIAN NON LIFE INSURANCE SECTOR- KEY DEVELOPMENTS:

The Indian financial system is proving to be more than resilient in coping with the demands of liberalization and globalization. Banking is the main arm of the financial system and insurance supports many a financial ventures. The Indian insurance sector has been showing a steady growth on non-life side and an impressive one on life side. The gross premium in India for the year 2006-07 is INR 25,634 Crores as against INR 21,010 Crores in the previous year, recording a growth of 22%.

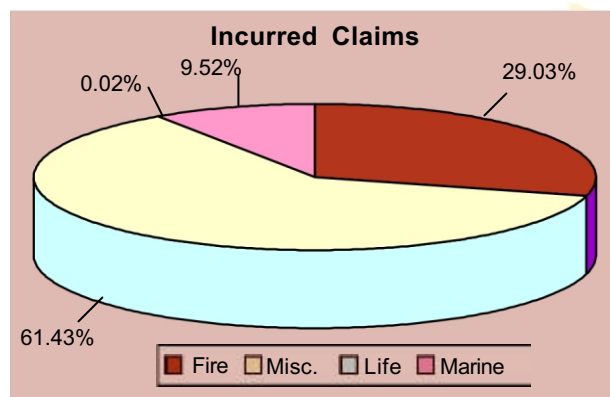
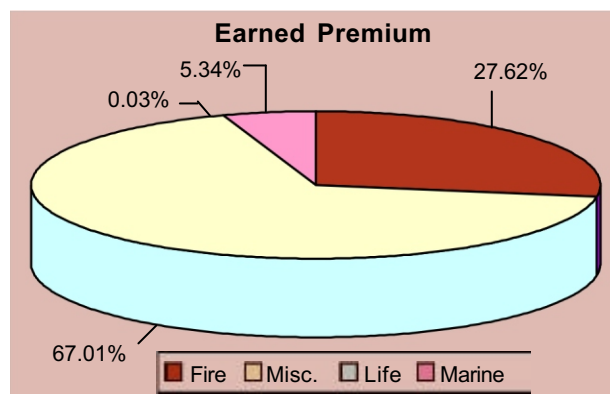
Non-life Insurance companies and other stake holders in the Indian insurance market had been voicing for removal of tariff as the existence of tariff was considered contrary to free market principles. IRDA, the regulatory authority, decided to free the tariff regime by allowing non life insurers the freedom to price their products without altering the existing terms. Detariffing in the general

insurance sector with effect from January 1, 2007 is considered a big reform step after privatization.

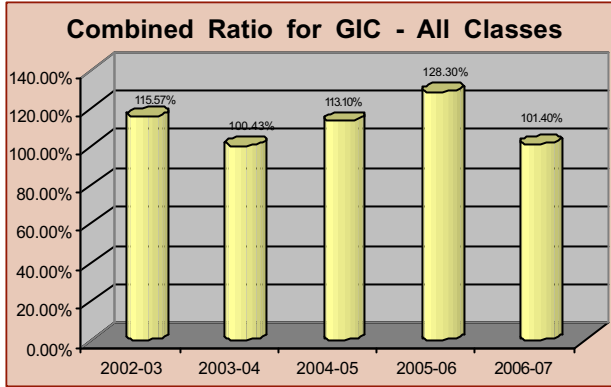
Interestingly, players, both in public and private sector, have shown the desired level of maturity to stand their competitive ground after the detariffing. Another noteworthy happening in detariffed scenario is the formation of Indian Motor Third Party Insurance Pool to service the Commercial vehicle segment of Motor insurance in the country.

GIC'S BUSINESS PERFORMANCE

The total earned premium for the year 2006-07 is INR 5263.80 crores as against INR. 4458.84 crores for 2005-06, recording a growth of 18%. The over all underwriting result shows significant improvement over previous year with a loss of INR 76 crores as compared to a loss of INR 1260 crores in the year 2005-06. Income from Investment is INR 1849.37 crores for 2006-07 whilst it was INR 1718.62 crores in 2005-06. Thus, for the year 2006-07, an overall revenue profit of INR 1154.10 crores has been recorded after apportioning investment income to policy holders' fund. The profit before tax is INR 1789.46 crores.



The ratio of total business expenses to the premium income i.e. combined ratio for the year improved to 101.4% from 128.30% in the previous year.



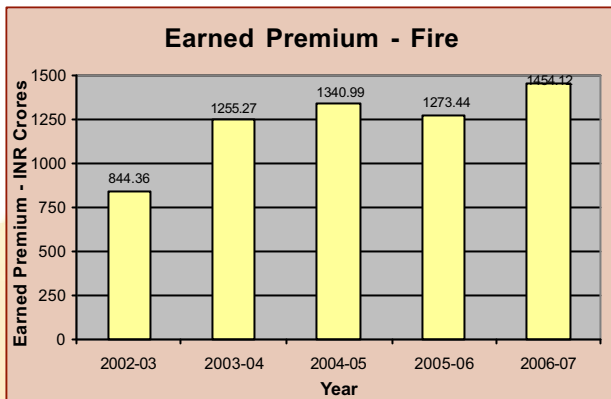
CLASS WISE PERFORMANCE:

Fire

Fire Insurance business recorded a growth of 14%. The Earned premium for the year was INR 1454 Crores as compared to INR 1273 Crores the previous year.

Incurred claims stood at INR 1051.71 crores. The major losses in India during the year affecting the books of GIC on net basis were on account of floods in Surat - INR 50 Crores, loss at Balco - INR 54 Crores, Lanco - Kondapalli-INR 26 Crores, Tata Motors - INR 58 Crores and JSW Steel - INR 53 Crores.

No major losses were reported under Foreign Inward business. A revenue profit of INR 60.48 crores has been achieved after apportioning investment income to fire revenue account.



Marine

Due to increase in economic activity in the country, there is a rise in volumes especially for project shipments. This has resulted in a growth of 59 % with a net premium of INR 401.6 Crores. Rates

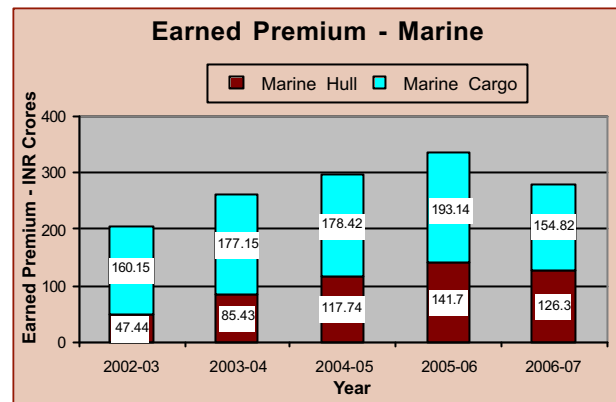
continue to be under pressure for both Cargo and Hull especially for profitable accounts. The intended focus on domestic oil/petro product shipments saw little progress due to inadequate market rates.

Incurred claims for the year was INR 344.97 Crores which showed an increase of 8% over the previous year, mainly due to number of small losses.

Oil and Energy

Off-Shore energy business continues to see increasing investments both in India and overseas.

During the year facultative reinsurance covers were arranged to protect GIC's exposure where ever needed. For 2007, the existing reinsurance treaty has been restructured with increased limits of protection. The ONGC Bombay High platform loss of 27.07.2005 has been fully settled with 100% payment of INR 1664.7 Crores. Net loss to GIC for its share is INR 42.8 Crores.



Miscellaneous

The earned premium for the year at INR 3193.16 Crores indicates a growth of 26 % over the previous year. Incurred claims reduced to INR 1953.35 Crores from INR 3061.87 Crores in the previous year. Thus a revenue profit of INR 281.72 Crores has been recorded for the year.

Aviation

Foreign Aviation business of INR 385.15 Crores constituted around 24% of the total foreign inward premium written by the Corporation. The world airline industry delivered a comparatively safer year than historical averages. The year 2006 witnessed substantial increase in the aviation insurance capacities. As a result the softening trends continued with lower premium rates in the year 2006-07. The Foreign Aviation reinsurance portfolio of GIC remained stable in spite of the softening trend.



The domestic aviation premium of INR 73.05 Crores shows an increase of 25%, which is in line with the growth being witnessed by the Indian aviation industry.

GIC's 2006-07 aviation claims did not witness any significant change in quantum as compared to the previous year. There were three big airline losses that affected GIC's foreign aviation portfolio. GIC's net loss from major accidents in foreign aviation is INR 111 Crores. The domestic aviation book did not witness any major loss.

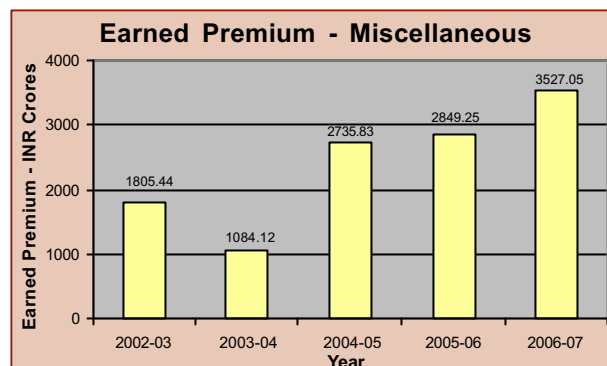
LIABILITY:

Liability insurance market in India is growing with increasing demand from various sectors. Due to inadequate claims experience, the market is operating with low premium rates. Claims have started reporting from I T sector which need to be watched.

GIC has arranged reinsurance protection for its liability book of business for the year 2007-08.

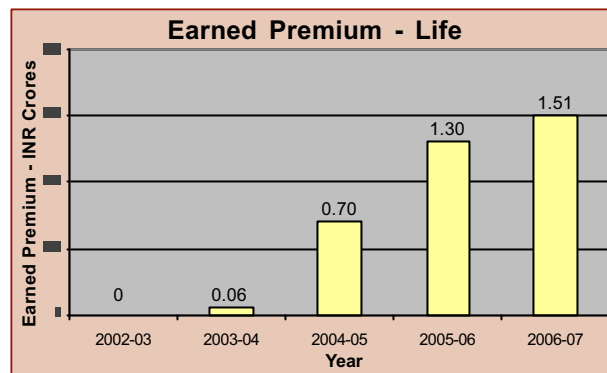
Agricultural reinsurance

The Corporation continued to provide reinsurance support to Weather based Insurance products and Crop Specific Insurance products of Food crops, Plantation and Fruit crops of both Indian and Foreign insurers. The total premium received was INR 1.66 Crores, against which the incurred claims worked out to INR 0.80 Crore.



Life Reinsurance

Life Reinsurance business saw a growth of 15%. A revenue profit of INR 0.90 Crore (2006-07) as compared to revenue profit of INR 0.43 crore (2005-06) under life class has been achieved after apportioning of investment income to life class under revenue account.



SEGMENT WISE FINANCIAL RESULTS

DOMESTIC (Excluding Aviation)

INR Crores

Year	Fire		Engineering		Marine		Misc.(Others)		Life	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Earned Premium	771.55	681.51	250.70	173.19	158.56	207.61	2,743.41	2,174.19	1.35	1.26
Incurred Claims	617.44	421.36	182.09	112.13	258.13	206.43	1,643.78	2,810.58	0.71	0.48
Net Revenue Profit	(216.00)	(4.09)	(49.80)	2.51	(165.88)	(36.88)	321.59	(1,097.96)	0.63	0.33

FOREIGN (Excluding Aviation)

INR Crores

Year	Fire		Engineering		Marine		Misc.	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Earned Premium	682.57	591.93	69.16	58.44	122.56	127.23	129.89	116.77
Incurred Claims	434.27	506.30	28.83	47.25	86.84	112.34	98.65	91.90
Net Revenue Profit	34.26	(80.74)	12.68	(8.41)	(6.04)	(23.08)	(2.76)	(5.17)

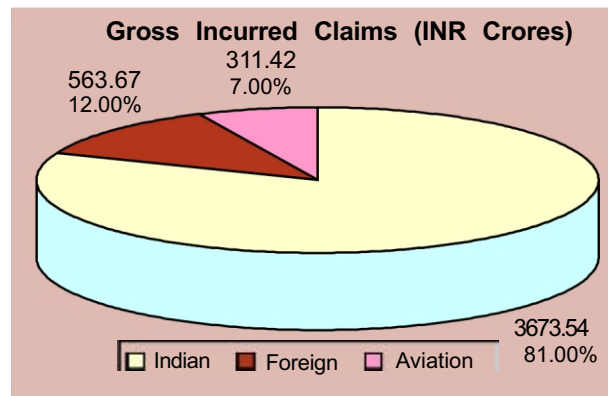
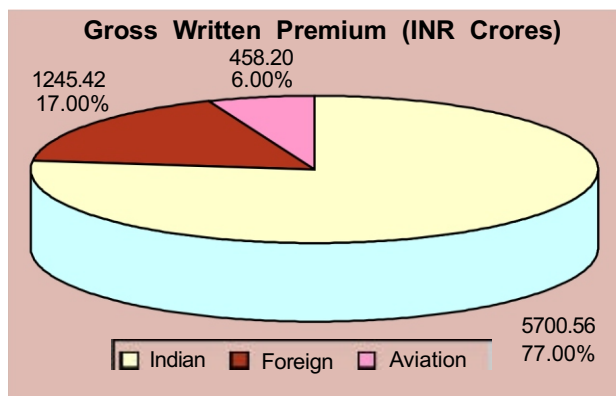
(Earned Premium of INR 0.16 crores for Life Reinsurance is not included in the above table.)



AVIATION

INR Crores

Year	Domestic		Foreign	
	2006-07	2005-06	2006-07	2005-06
Earned Premium	37.74	34.68	296.15	292.03
Incurred Claims	39.90	30.91	232.07	233.38
Net Revenue Profit	(6.95)	(0.91)	2.17	(6.49)

**GIC's Reinsurance Program**

With the objectives of optimizing the retention within the country and developing adequate capacities within the domestic market, the Corporation has arranged Risk and Catastrophe Excess of Loss Protections for its Net Retained Portfolios in respect of various classes of business. The Corporation has also continued with its ART arrangement covering top end in excess of the underlying excess of loss programme as well as GIC's retained share for both domestic and foreign business.

MOTOR POOL:

As per the directive of IRDA, Indian Motor Third Party Insurance Pool has been setup by all General Insurers in India to collectively service Commercial Vehicle Third Party Insurance business. This arrangement has become effective from 1st April 2007.

The share of GIC in the multilateral reinsurance arrangement shall be 15% (i.e. same as the share of statutory cessions.) The balance share of pooled business will be shared by all other member insurers. GIC is the Administrator of the Pool. The Pool Administrator will be paid fees of 2.5% plus service tax on the total premium of the pooled business. For this purpose GIC has set up a separate Motor Pool department with adequate manpower, hardware and software systems.

Investments

The Indian economy witnessed robust growth in all sectors of the economy for the fourth year in succession. This acceleration has been driven by continued momentum in the service and manufacturing sector but growth in agriculture and allied activities slowed down considerably. Corporate Sector continued to be optimistic and remained buoyant supported by favourable domestic and export market conditions. This was reflected in the stock market with the BSE sensex rising from 11357 on 31.3.2006 to 13072.10 on 31.3.2007. The BSE Sensex was highest on February 9, 2007, at 14723.88. Some of the Sectors that contributed to the appreciation were Telecom, IT, Engineering, Retail, Infrastructure, Power etc.

The Financial markets shifted from conditions of easy liquidity to occasional spells of tightness necessitating injection of liquidity through Liquidity Adjustment Facility (LAF) through RBI. The Liquidity conditions remained comfortable during the first half of the financial year 2006-07 but the second half exhibited a somewhat tightened liquidity condition on account of large and sudden changes in capital flows and cash balances of the Government. Financial markets witnessed stable conditions throughout the year except that in the fourth quarter some volatility was witnessed with sizeable swings in liquidity and hardening of interest rates across the spectrum.

The year-on-year inflation rose to 5.7% as on 31.3.2007 as compared with 4% of the previous year. Inflation movement for the year under review was driven by primary food articles and manufactured products reflecting the impact of both supply and demand side pressures.

During the year under review, the net market borrowing programme was at Rs.1,11,275 crores as against Rs.1,13,778 crores envisaged during the year. The combined issuance (net) of Government Securities of the Centre (excluding Market Stabilisation Scheme) and States was at Rs.1,25,549 crores as against Rs.1,13,691 Crores during the previous year.

The investment pattern of the Corporation is governed by Insurance Act, 1938 and IRDA guidelines issued from time to time. Presently we are required to invest 45% of the total assets in Directed Sector comprising of investments in Government Securities, Government Guaranteed Bonds, Housing Sector and Infrastructure/Social Sector and the balance 55% in Market Sector subject to prudential and exposure norms.

The investment portfolio of the Corporation stood at Rs.14349.68 crores as against Rs.12529.79 crores, showing an increase of Rs.1819.89 crores representing a growth of 14.52% over the previous year. Income from investments stood at Rs.1854.14 crores with a mean yield on funds at 13.43%. The net non-performing assets percentage was at 2.13%.

Investment in Directed Sector comprising of Central and State Government Securities, Government Guaranteed Bonds, Infrastructure Investments and Housing Sector Category amounted to Rs.8378.45 crores as against Rs.7750.41 crores in the previous year. The Corporation took advantage of the favourable market conditions and realized a profit on sale of equity to the extent of Rs. 808.56 crores during the year under review.

Information Technology

The basic module of SAP system which is an ERP solution incorporating the World's best practices, is fully implemented. All the modules i.e. HR, Finance, Investment, Accounts and Reinsurance are live. The legacy data of 15 years was successfully migrated into the system. The finalization of accounts for the year ended 31st March is done through the SAP system. The Business Intelligence Warehouse (BIW) System is also being developed and implemented simultaneously for easy reporting and

ease of decision making. User level re-training is being conducted whenever any new functionalities are introduced into the system.

Document Managing System (DMS) is being implemented, with a view to digitizing office records and to take the Corporation towards paperless office. The historical documents for the past three decades estimated at about 25 lac documents are being digitized. Going forward, all documents will be available in electronic form in the DMS system which has security and access control features. To reduce the stress of long working hours, CRT monitors were replaced with TFT monitors.

Credit Rating

International rating agency *AM Best* revised the Corporation's rating from 'A (Excellent)' to 'A-(Excellent)'. The rating reflects excellent risk adjusted capitalisation & leading business position in Indian market with the offsetting factor being reliance on investment income from portfolio highly concentrated in Indian equity market.

Indian credit rating agency *Credit analysis Research Limited (CARE)* has reaffirmed AAA(In) Claims Paying Ability rating. Insurers with this rating have the highest financial strength to meet policyholders' obligations and impact of any adverse business & economic factors on the claims paying ability is minimal.

Future Outlook

Indian insurance market is undergoing a fast transformation. The statutory obligatory cessions to GIC from the Indian insurers are being reduced. The regulatory authority (IRDA) has proposed freeing of wording of covers, terms and conditions of the policies in the near future. Many new Insurers are entering the market. In this scenario, the insurers are facing stiff competition.

As the designated Indian Reinsurer the Corporation would be redrawing its strategies to meet the new challenges. For this purpose GIC is in the process of appointing a reputed management consultant who would help in developing a long term plan-Vision 2025. The consultant would be focusing on business process re-engineering, increasing productivity and effective use of modern IT tools. The whole effort would be to match best practices and standards of the global reinsurers. The corporation is looking at the future as a big opportunity to play the role of a Global Reinsurer in the local market and grow further in the international arena

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 2006-07.
8. Certifies that the Corporation does not operate directly in any other country. It has its representative offices at London and Moscow and Branch Office at 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, 7.14 and 7.15.
11. Declares that the review of asset quality and performance is as mentioned below for Loans and Investments:

LOANS

Loan assets (including loans to employees) as on 31.3.2007 stood at Rs. 749.10 crores as compared to Rs.753.23 crores in the previous year. Out of the total loan assets of Rs. 749.10 crores, Rs. 737.93 crores are either secured or guaranteed by the Government bodies representing 98.5% and the balance Rs. 11.17 crores are unsecured. Interest income from loans amounted to Rs. 69.90 crores. Standard performing assets account for Rs. 576.88 crores and the net non performing assets is Rs. 96.47 crores after making provision of Rs. 75.76 crores.

INVESTMENTS

The book value of the investment (including deposits) as on 31.3.2007 has increased to 13604.31 crores from Rs.11777.74 crores. The realizable value of investment is Rs. 23432.74 crores as on 31.3.2007 showing an appreciation of 72.24 % over book cost. Income from

investment amounted to Rs. 902.49 crores as against Rs.816.09 crores in the previous year. Of the total investment of Rs 13604.31 crores, Rs 4467.47crores are invested in Government securities and state guaranteed bonds. Book value of Equity shares is at Rs.5324.22 crores and market value stood at Rs.15152.64 crores showing an appreciation of Rs. 9828.42 crores (184.6%).

The Corporation has complied with the regulation of investments prescribed by IRDA for the purpose of investment limits in housing and infrastructure and social sector. The compliance has been made on aggregate basis.

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

Yogesh Lohiya
Chairman-cum-Managing Director

7th July 2007
New Delhi.

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS
OF GENERAL INSURANCE CORPORATION OF INDIA FOR THE YEAR
ENDED 31ST MARCH, 2007.**

The preparation of financial statements of General Insurance Corporation of India for the year ended 31st March, 2007 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 7th July, 2007.

I on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of General Insurance Corporation of India for the year ended 31st March, 2007. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to inquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditor's report under section 619(4) of the Companies Act, 1956.

**For and on behalf of the
Comptroller and Auditor General of India**

(Sushama V. Dabak)
*Principal Director of Commercial Audit and
Ex-Officio Member, Audit Board-I, Mumbai*

Place : Mumbai
Date : 7th September, 2007

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, 2007**, and also the Revenue Accounts of Fire, Miscellaneous, Marine and Life Insurance 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 one Foreign Branch audited by local auditor appointed by the company and two foreign representative offices certified by the local Auditors appointed by the company.

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 have 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 draw your attention to:

- (i) *Accounting Policy No. 2.2.1 for booking of liabilities for outstanding claims, where advices are not received, on estimation basis, based on available information, current trends, past underwriting experience of the management and actuarial estimation. We have relied upon such estimation.*
- (ii) *Note No. 9 regarding merger of Loss Prevention Association of India Limited (LPA) with GIC from the appointed date of 01.04.2006, the effect of the merger has not been given in the accounts in the*

respective heads as required by Accounting Standard 14 issued by ICAI. However the assets and liabilities of LPA as on 31.03.2007 have been shown in the books of the Corporation under the heads Current Assets and Current Liabilities.

- (iii) *Note No. 4 regarding properties of the cost of Rs.30.58 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.*
- (iv) *Note No. 5 regarding certain amounts due to/from other persons or bodies carrying on Insurance Business and deposits, advances, held/given are subject to confirmation and have not been fully identified/analyzed/ reconciled.*
- (v) *Accounting Policy no. 2.1(i) read with note no. 2.3, which provides for booking of reinsurance revenue in respect of business accepted from domestic insurance companies and state insurance funds received upto 15th April 2007, which has resulted in booking of such income for the period of 12 months ended on 31st Dec. 2006. This is not in accordance with the accrual concept of accounting.*

Further, as per accounting policy No. 2.2, provisions in respect of Claims and IBNR (as estimated and certified by the Appointed Actuary) are made for the whole financial year ended on 31.03.2007 and to that extent matching principle of cost and revenue has not been adhered to.

- (vi) *Note no. 2.4 regarding classification of foreign branch operation as integral operation, which is not in accordance with accounting policy no. 3.5 and Accounting Standard 11, issued by ICAI.*

3. We further report that, subject to our observations in para 2(i) to 2(vi) above, the effect of which on the financial statements is not ascertainable:

- (a) We have obtained all the information and

explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and found them satisfactory.

- (b) In our opinion, proper books of account as required by law have been maintained by the Corporation so far as it appears from our examination of those books.
- (c) The reports of one foreign branch and two foreign representative offices has been forwarded to us and considered by us and were adequate for the purpose of our audit.
- (d) The Balance Sheet, Revenue Accounts, Profit and Loss Account and Cash flow statement which are dealt with by this report are in agreement with the books of account and returns.
- (e) The Balance Sheet, The Revenue Accounts and the Profit and Loss Account have been drawn in accordance with the Insurance Regulatory and Development Authority (IRDA) (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2002 read with Section 211 of the Companies Act, 1956 except for the Cash Flow Statement, prepared under Indirect Method, where IRDA regulations require Cash Flow Statement to be prepared under direct method.
- (f) 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.
- (g) 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.
- (h) In our opinion, the Balance Sheet, Revenue Accounts, 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, and are also in conformity with the accounting principles as prescribed in the IRDA Regulations.

- (i) Investments have been valued in accordance with the provisions of the Insurance Act, 1938 (4 of 1938) and IRDA (Auditor's report) Regulations, 2002.
- (j) 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.
- (k) We have reviewed the management report and there is no apparent mistake or material inconsistencies with the financial statements;
- (l) The Corporation has complied with the terms and conditions of the registration stipulated by the Authority (IRDA).
- (m) In our opinion, and to the best of our information and according to the explanation given to us, the financial statements 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 and the financial statements read with significant accounting policies and notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India as applicable to insurance companies
 - (i) of state of affairs of the Corporation, in so far it relates to the Balance Sheet as at 31st March, 2007;
 - (ii) of Surplus in so far it relates to the revenue accounts of fire, Miscellaneous and life business for the financial year ended on 31st

March, 2007

- (iii) of Deficit so far it relates to revenue account of Marine business for the financial year ended on 31st March, 2007;
- (iv) of profit in so far it relates to the profit and loss account for the financial year ended on 31st March, 2007;
- (v) of the cash flows in so far it relates to the cash Flow statement for the financial year ended on 31st March, 2007;

4. 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 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 S.R.Goyal & Co.
Chartered Accountants

A.K.ATOLIA
Partner

Membership No.: 77201

Place :Camp: New Delhi
Dated : 7th July, 2007

Registration No. 112
Date of Registration with IRDA: 2nd April, 2001

**REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007 IN RESPECT OF
FIRE INSURANCE BUSINESS**

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Premiums earned (Net)	1	14541 198	12734 402
2. Profit on sale of Investments (Net)		1073 654	1027 859
3. Profit/(-)Loss on Exchange Fluctuation		164 574	- 3 786
4. Interest, Dividend & Rent - Gross		1352 828	1224 715
Total (A)		17132 254	14983 190
1. Claims Incurred (Net)	2	10517 105	9276 670
2. Commission (Net)	3	5868 101	4150 467
3. Operating Expenses related to Insurance Business	4	138 044	148 884
4. Expenses relating to Investments		4 299	3 240
Total (B)		16527 549	13579 261
Operating Profit/(-)Loss from Fire Business C=(A-B)		604 705	1403 929
APPROPRIATIONS			
Transfer to Shareholders' Account		604 705	1403 929
Total (C)		604 705	1403 929

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 due

For and on behalf of the Board

For S.R. GOYAL & CO.
Chartered Accountants

Yogesh Lohiya
G.C. Chaturvedi
M. Ramadoss
Bhagyam Ramani
Suchita Gupta

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

A.K. Atolia
Partner
Membership No. 77201

New Delhi,
Dated: 7th July, 2007

New Delhi,
Dated: 7th July, 2007

Registration No. 112
Date of Registration with IRDA: 2nd April, 2001

REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007 IN RESPECT OF MISCELLANEOUS INSURANCE BUSINESS

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Premiums earned (Net)	1	35270 547	2849 2485
2. Profit on sale of Investments (Net)		3976 501	3525 572
3. Profit/(-)Loss on Exchange Fluctuation		(-) 119 856	8 198
4. Interest, Dividend & Rent - Gross		5010 479	4200 791
Total (A)		44137 671	36227 046
1. Claims Incurred (Net)	2	22253 159	33261 529
2. Commission (Net)	3	9831 660	6137 926
3. Operating Expenses related to Insurance Business	4	296 432	263 484
4. Expenses relating to Investments		15 923	11 115
Total (B)		32397 174	39674 054
Operating Profit/(-)Loss from Miscellaneous Business C=(A-B)		11740 497	(-) 3447 008
APPROPRIATIONS			
Transfer to Shareholders' Account		11740 497	(-) 3447 008
Total (C)		11740 497	(-) 3447 008

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 due

For and on behalf of the Board

For S.R. GOYAL & CO.
Chartered Accountants

Yogesh Lohiya
G.C. Chaturvedi
M. Ramadoss
Bhagyam Ramani
Suchita Gupta

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

A.K. Atolia
Partner
Membership No. 77201

New Delhi,
Dated: 7th July, 2007

New Delhi,
Dated: 7th July, 2007

Registration No. 112
Date of Registration with IRDA: 2nd April, 2001

**REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007 IN RESPECT OF
MARINE INSURANCE BUSINESS**

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Premiums earned (Net)	1	2811 167	3348 415
2. Profit on sale of Investments (Net)		401 611	453 256
3. Profit/(-)Loss on Exchange Fluctuation		(-) 54 559	2 966
4. Interest, Dividend & Rent - Gross		506 039	540 064
Total (A)		3664 258	4344 701
1. Claims Incurred (Net)	2	3449 729	3187 719
2. Commission (Net)	3	1001 389	738 707
3. Operating Expenses related to Insurance Business	4	24 733	22 851
4. Expenses relating to Investments		1 608	1 429
Total (B)		4477 459	3950 706
Operating Profit/(-)Loss from Marine Business C=(A-B)		(-) 813 201	393 995
APPROPRIATIONS			
Transfer to Shareholders' Account		(-) 813 201	393 995
Total (C)		(-) 813 201	393 995

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 Marine Insurance Business have been fully debited in the Marine Insurance Revenue Accounts as expenses.

As per our report of even due

For and on behalf of the Board

For S.R. GOYAL & CO.
Chartered Accountants

Yogesh Lohiya
G.C. Chaturvedi
M. Ramadoss
Bhagyam Ramani
Suchita Gupta

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

A.K. Atolia
Partner
Membership No. 77201

New Delhi,
Dated: 7th July, 2007

New Delhi,
Dated: 7th July, 2007

Registration No. 112
Date of Registration with IRDA: 2nd April, 2001

REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007 IN RESPECT OF LIFE INSURANCE BUSINESS

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Premiums earned (Net)	1	15 064	13 068
2. Profit on sale of Investments (Net)		548	0
3. Profit/(-)Loss on Exchange Fluctuation		₹-	(-) 12
4. Interest, Dividend & Rent - Gross		691	562
Total (A)		16 300	13 618
1. Claims Incurred (Net)	2	7 117	4 794
2. Commission (Net)	3	40	2 181
3. Operating Expenses related to Insurance Business	4	105	2 319
4. Expenses relating to Investments		2	0
Total (B)		7 264	9 294
Operating Profit/(-)Loss from Life Business C=(A-B)		9 036	4 324
APPROPRIATIONS			
Transfer to Shareholders' Account		9 036	4 324
Total (C)		9 036	4 324

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 due

For and on behalf of the Board

For S.R. GOYAL & CO.
Chartered Accountants

Yogesh Lohiya
G.C. Chaturvedi
M. Ramadoss
Bhagyam Ramani
Suchita Gupta

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

A.K. Atolia
Partner
Membership No. 77201

New Delhi,
Dated: 7th July, 2007

New Delhi,
Dated: 7th July, 2007

Registration No. 112

Date of Registration with IRDA: 2nd April, 2001

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Operating Profit/(-)Loss			
(a) Fire Insurance		604 705	1403 928
(b) Marine Insurance		(-) 813 201	393 995
(c) Miscellaneous Insurance		11740 497	(-) 3447 008
(d) Life Insurance		9 036	4 324
2. Income from Investments			
(a) Interest, Dividend & Rent - Gross		3452 851	3386 785
(b) Profit on sale of Investments (Net)		2740 310	2842 407
3. Other Income:			
Profit on Exchange		433 447	0
Profit on sale of Assets (Net)		283	298
Investment Reserve Written Back		0	5 845
Interest on Income-tax Refund		109 280	(-) 17 694
Miscellaneous Receipts		26 422	57 365
Total (A)		18303 630	4630 245
4. Provision for Doubtful Loans, Investment & Debts		(-) 133 900	(-) 475 000
5. Amortisation of premium on Investments		349 585	340 022
6. Diminution in the value of investments written off		179 333	37 377
7. Other Expenses:			
Expenses relating to Investments		10 973	8 961
Loss on Exchange		0	289 426
Sundry Balances Written off (Net)		3 054	15
Total (B)		409 045	200 801
Profit Before Tax		17894 585	4429 444
Provision for Taxation:			
Current Tax		1850 000	0
Wealth Tax		50	50
Deferred Tax		1080 987	(-) 1739 087
Fringe Benefit Tax		17 303	34 300
Provision for Tax in respect of earlier years (Note no. 7)		(-) 367 204	148 994
Profit after Tax		15313 449	5985 187
Balance brought forward from last year		179	607
Profit available for appropriation		15313 628	5985 794
Appropriations			
(a) Proposed dividend (Note no. 2)		3096 000	860 000
(b) Dividend distribution tax		526 165	120 615
(c) Transfer to General Reserve		11691 000	5005 000
(d) Balance carried forward to Balance Sheet		463	179
		15313 628	5985 794

Basic and diluted EPS Rs. 356/- (P.Y. Rs. 139/-)

As per our report of even due

For S.R. GOYAL & CO.

Chartered Accountants

A.K. Atolia

Partner

Membership No. 77201

New Delhi,

Dated: 7th July, 2007

For and on behalf of the Board

Yogesh Lohiya

G.C. Chaturvedi

M. Ramadoss

Bhagyam Ramani

Suchita Gupta

Chairman-cum-Managing Director

Director

Director

General Manager (Finance)

Company Secretary

New Delhi,

Dated: 7th July, 2007

BALANCE SHEET**2006-07**

Registration No. 112
Date of Registration with IRDA: 2nd April, 2001

BALANCE SHEET AS AT 31ST MARCH, 2007

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
SOURCES OF FUNDS			
Share Capital	5	4300 000	4300 000
Reserves and Surplus	6	54982 562	43291 278
Deferred Tax Liability		0	0
Fair Value Change Account		98284 280	103116 112
Total		157566 842	150707 390
APPLICATION OF FUNDS			
Investments	8	229051 098	213808 320
Loans	9	7491 036	7532 289
Fixed Asssets	10	436 939	427 591
Deferred Tax Asset		617 875	1698 862
Current Assets:			
Cash and Bank Balances	11	18037 470	18764 459
Advances and Other Assets	12	29605 388	22008 782
Sub-Total (A)		47642 858	40773 241
Current Liabilities	13	87291 889	87216 664
Provisions	14	40381 075	26316 249
Sub-Total (B)		127672 964	113532 913
Net Current Assets (C)=(A-B)		(-) 80030 106	(-) 72759 672
Total		157566 842	150707 390
CONTINGENT LIABILITIES			
Claims against the Corporation not acknowledged pending arbitration		3346 881	5 000

Significant Accounting Policies & Notes to Accounts form integral part of the Balance Sheet

As per our report of even due

For S.R. GOYAL & CO.
Chartered Accountants

A.K. Atolia
Partner
Membership No. 77201

New Delhi,
Dated: 7th July, 2007

For and on behalf of the Board

Yogesh Lohiya
G.C. Chaturvedi
M. Ramadoss
Bhagyam Ramani
Suchita Gupta

New Delhi,
Dated: 7th July, 2007

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

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007**

**SCHEDULE 1
PREMIUM EARNED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
A) FIRE INSURANCE		
Premium from Direct Business written	0	0
Add: Premium on Reinsurance accepted	21860 364	16404 940
Less: Premium on Reinsurance ceded	5001 787	4135 918
Net Premium	16858 577	12269 022
Adjustment for change in reserve for unexpired risks	(-) 2317 379	465 380
TOTAL PREMIUM EARNED (NET)	14541 198	12734 402
B) MISCELLANEOUS INSURANCE		
(1) MOTOR		
Premium from Direct Business written	0	0
Add: Premium on Reinsurance accepted	21865 115	12811 746
Less: Premium on Reinsurance ceded	57 227	38 342
Net Premium	21807 888	12773 404
Adjustment for change in reserve for unexpired risks	(-) 4517 242	1162 509
TOTAL PREMIUM EARNED (NET)	17290 646	13935 913
(2) AVIATION		
Premium from Direct Business written	2 951	0
Add: Premium on Reinsurance accepted	4579 048	3900 904
Less: Premium on Reinsurance ceded	1434 671	370 445
Net Premium	3147 328	3530 459
Adjustment for change in reserve for unexpired risks	191 565	(-) 263 373
TOTAL PREMIUM EARNED (NET)	3338 893	3267 086
(3) ENGINEERING		
Premium from Direct Business written	0	0
Add: Premium on Reinsurance accepted	5438 340	2957 657
Less: Premium on Reinsurance ceded	1246 544	720 724
Net Premium	4191 796	2236 933
Adjustment for change in reserve for unexpired risks	(-) 993 186	79 336
TOTAL PREMIUM EARNED (NET)	3198 610	2316 269

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007**

**SCHEDULE 1
PREMIUM EARNED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
(4) OTHER MISCELLANEOUS		
Premium from Direct Business written	0	0
Add: Premium on Reinsurance accepted	15057 130	9361 878
Less: Premium on Reinsurance ceded	886 699	647 511
Net Premium	14170 431	8714 367
Adjustment for change in reserve for unexpired risks	(-) 2728 032	258 850
TOTAL PREMIUM EARNED (NET)	11442 399	8973 217
(5) TOTAL MISCELLANEOUS		
Premium from Direct Business written	2 951	0
Add: Premium on Reinsurance accepted	46939 633	29032 185
Less: Premium on Reinsurance ceded	3625 142	1777 022
Net Premium	43317 442	27255 163
Adjustment for change in reserve for unexpired risks	(-) 8046 895	1237 322
TOTAL PREMIUM EARNED (NET)	35270 547	28492 485
C) MARINE INSURANCE		
(1) MARINE CARGO		
Premium from Direct Business Written	0	0
Add: Premium on Reinsurance accepted	2680 581	1762 073
Less: Premium on Reinsurance ceded	347 989	213 907
Net Premium	2332 592	1548 166
Adjustment for change in reserve for unexpired risks	(-) 784 426	383 276
TOTAL PREMIUM EARNED (NET)	1548 166	1931 442
(2) MARINE HULL		
Premium from Direct Business Written	0	0
Add: Premium on Reinsurance accepted	2541 558	1595 040
Less: Premium on Reinsurance ceded	858 130	332 039
Net Premium	1683 428	1263 001
Adjustment for change in reserve for unexpired risks	(-) 420 427	153 973
TOTAL PREMIUM EARNED (NET)	1263 001	1416 974

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007**

**SCHEDULE 1
PREMIUM EARNED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
(3) TOTAL MARINE		
Premium from Direct Business Written	0	0
Add: Premium on Reinsurance accepted	5222 139	3357 113
Less: Premium on Reinsurance ceded	1206 119	545 946
Net Premium	4016 020	2811 167
Adjustment for change in reserve for unexpired risks	(-) 1204 853	537 249
TOTAL PREMIUM EARNED (NET)	2811 167	3348 416
D) LIFE INSURANCE		
Premium from Direct Business written	0	0
Add: Premium on Reinsurance accepted	16 654	13 474
Less: Premium on Reinsurance ceded	0	0
Net Premium	16 654	13 474
Adjustment for change in reserve for unexpired risks	(-) 1 590	(-) 406
TOTAL PREMIUM EARNED (NET)	15 064	13 068
E) TOTAL ALL CLASSES		
Premium from Direct Business Written	2 951	0
Add: Premium on Reinsurance accepted	74038 790	48807 713
Less: Premium on Reinsurance ceded	9833 049	6458 887
Net Premium	64208 692	42348 826
Adjustment for change in reserve for unexpired risks	(-) 11570 716	2239 544
TOTAL PREMIUM EARNED (NET)	52637 976	44588 370

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007**

**SCHEDULE 2
CLAIMS INCURRED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
A) FIRE INSURANCE		
Claims Paid		
Direct	0	0
Add: Reinsurance accepted	12848 481	10332 654
Less: Reinsurance ceded	2861 595	4767 613
Net Claims Paid	9986 886	5565 041
Add: Claims Outstanding at the end of the year	12898 431	12368 212
Less: Claims Outstanding at the beginning of the year	12368 212	8656 583
TOTAL CLAIMS INCURRED	10517 105	9276 670
B) MISCELLANEOUS INSURANCE		
(1) MOTOR		
Claims Paid		
Direct	0	0
Add: Reinsurance accepted	14957 671	8333 131
Less: Reinsurance ceded	11 481	12 286
Net Claims Paid	14946 190	8320 845
Add: Claims Outstanding at the end of the year	36388 262	40885 579
Less: Claims Outstanding at the beginning of the year	40885 579	29570 823
TOTAL CLAIMS INCURRED	10448 873	19635 601
(2) AVIATION		
Claims Paid		
Direct	1 114	33 808
Add: Reinsurance accepted	3113 050	1741 685
Less: Reinsurance ceded	1368 074	83 381
Net Claims Paid	1746 090	1692 112
Add: Claims Outstanding at the end of the year	3875 946	2902 355
Less: Claims Outstanding at the beginning of the year	2902 355	1951 625
TOTAL CLAIMS INCURRED	2719 681	2642 842

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007**

**SCHEDULE 2
CLAIMS INCURRED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
(3) ENGINEERING		
Claims Paid		
Direct	0	0
Add: Reinsurance accepted	1820 246	670 587
Less: Reinsurance ceded	271 432	225 685
Net Claims Paid	1548 814	444 902
Add: Claims Outstanding at the end of the year	3912 074	3351 692
Less: Claims Outstanding at the beginning of the year	3351 692	2202 749
TOTAL CLAIMS INCURRED	2109 196	1593 845
(4) OTHER MISCELLANEOUS		
Claims Paid		
Direct	0	0
Add: Reinsurance accepted	9344 926	5950 508
Less: Reinsurance ceded	264 053	622 185
Net Claims Paid	9080 873	5328 323
Add: Claims Outstanding at the end of the year	6178 220	8283 682
Less: Claims Outstanding at the beginning of the year	8283 682	4222 764
TOTAL CLAIMS INCURRED	6975 411	9389 241
(5) TOTAL MISCELLANEOUS		
Claims Paid		
Direct	1 114	33 808
Add: Reinsurance accepted	29235 892	16695 911
Less: Reinsurance ceded	1915 040	943 537
Net Claims Paid	27321 966	15786 182
Add: Claims Outstanding at the end of the year	50354 502	55423 309
Less: Claims Outstanding at the beginning of the year	55423 309	37947 962
TOTAL CLAIMS INCURRED	22253 159	33261 529

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007**

**SCHEDULE 2
CLAIMS INCURRED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
C) MARINE INSURANCE		
(1) MARINE CARGO		
Claims Paid		
Direct	0	0
Add: Reinsurance accepted	1791 514	1696 365
Less: Reinsurance ceded	318 906	187 273
Net Claims Paid	1472 608	1509 092
Add: Claims Outstanding at the end of the year	2434 115	2239 069
Less: Claims Outstanding at the beginning of the year	2239 069	1927 602
TOTAL CLAIMS INCURRED	1667 654	1820 559
(2) MARINE HULL		
Claims Paid		
Direct	0	0
Add: Reinsurance accepted	1609 192	1134 870
Less: Reinsurance ceded	455 036	177 358
Net Claims Paid	1154 156	957 512
Add: Claims Outstanding at the end of the year	2552 510	1924 592
Less: Claims Outstanding at the beginning of the year	1924 592	1514 945
TOTAL CLAIMS INCURRED	1782 074	1367 159
(3) TOTAL MARINE		
Claims Paid		
Direct	0	0
Add: Reinsurance accepted	3400 707	2831 234
Less: Reinsurance ceded	773 942	364 630
Net Claims Paid	2626 765	2466 604
Add: Claims Outstanding at the end of the year	4986 625	4163 661
Less: Claims Outstanding at the beginning of the year	4163 661	3442 546
TOTAL CLAIMS INCURRED	3449 729	3187 719

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007**

**SCHEDULE 2
CLAIMS INCURRED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
D) LIFE INSURANCE		
Claims Paid		
Direct	0	0
Add: Reinsurance accepted	2 956	26 455
Less: Reinsurance ceded	0	0
Net Claims Paid	<u>2 956</u>	<u>26 455</u>
Add: Claims Outstanding at the end of the year	6 943	2 782
Less: Claims Outstanding at the beginning of the year	2 782	24 443
TOTAL CLAIMS INCURRED	7 117	4 794
E) TOTAL ALL CLASSES		
Claims Paid		
Direct	1 114	33 808
Add: Reinsurance accepted	45488 035	29886 254
Less: Reinsurance ceded	5550 577	6075 780
Net Claims Paid	<u>39938 572</u>	<u>23844 282</u>
Add: Claims Outstanding at the end of the year	68246 502	71957 964
Less: Claims Outstanding at the beginning of the year	71957 964	50071 534
TOTAL CLAIMS INCURRED	36227 110	45730 712

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007**

**SCHEDULE 3
COMMISSION**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
A) FIRE INSURANCE		
Commission Paid		
Direct	0	0
Add: Reinsurance Accepted	6311 341	4416 234
Less: Commission on Reinsurance Ceded	443 240	265 767
NET COMMISSION	5868 101	4150 467
B) MISCELLANEOUS INSURANCE		
(1) MOTOR		
Commission Paid		
Direct	0	0
Add: Reinsurance Accepted	4410 554	2526 962
Less: Commission on Reinsurance Ceded	8 353	6 908
NET COMMISSION	4402 201	2520 054
(2) AVIATION		
Commission Paid		
Direct	-1	0
Add: Reinsurance Accepted	664 359	687 811
Less: Commission on Reinsurance Ceded	27 994	24 195
NET COMMISSION	636 364	663 616
(3) ENGINEERING		
Commission Paid		
Direct	0	0
Add: Reinsurance Accepted	1523 996	840 100
Less: Commission on Reinsurance Ceded	179 705	83 217
NET COMMISSION	1344 291	756 883

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007**

**SCHEDULE 3
COMMISSION**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
(4) OTHER MISCELLANEOUS		
Commission Paid		
Direct	0	0
Add: Reinsurance Accepted	3538 380	2248 424
Less: Commission on Reinsurance Ceded	89 576	51 051
NET COMMISSION	3448 804	2197 373
(5) TOTAL MISCELLANEOUS		
Commission Paid		
Direct	-1	0
Add: Reinsurance Accepted	10137 289	6303 298
Less: Commission on Reinsurance Ceded	305 628	165 371
NET COMMISSION	9831 660	6137 927
C) MARINE INSURANCE		
(1) MARINE CARGO		
Commission Paid		
Direct	0	0
Add: Reinsurance Accepted	668 604	445 236
Less: Commission on Reinsurance Ceded	40 250	11 629
NET COMMISSION	628 354	433 607
(2) MARINE HULL		
Commission Paid		
Direct	0	0
Add: Reinsurance Accepted	458 769	341 241
Less: Commission on Reinsurance Ceded	85 734	36 141
NET COMMISSION	373 035	305 100

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007**

**SCHEDULE 3
COMMISSION**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
(3) TOTAL MARINE		
Commission Paid		
Direct	0	0
Add: Reinsurance Accepted	1127 373	786 477
Less: Commission on Reinsurance Ceded	125 984	47 770
NET COMMISSION	1001 389	738 707
D) LIFE INSURANCE		
Commission Paid		
Direct	0	0
Add: Reinsurance Accepted	40	2 181
Less: Commission on Reinsurance Ceded	0	0
NET COMMISSION	40	2 181
E) TOTAL ALL CLASSES		
Commission Paid		
Direct	-1	0
Add: Reinsurance Accepted	17576 042	11508 189
Less: Commission on Reinsurance Ceded	874 852	478 908
NET COMMISSION	16701 189	11029 281

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007
SCHEDULE 4
OPERATING EXPENSES RELATED TO INSURANCE BUSINESS**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Employees' remuneration & welfare benefits	187 041	245 726
2. Travel, conveyance and vehicle running expenses	17 622	13 935
3. Training expenses	4 103	6 593
4. Rents, rates and taxes	20 290	17 993
5. Repairs	57 974	36 429
6. Printing & stationery	2 932	2 246
7. Communication	7 527	7 101
8. Legal & professional charges	22 048	4 418
9. Auditors' fees, expenses etc.		
(a) as auditor	1 186	793
(b) as advisor or in any other capacity, in respect of		
(i) Taxation matters	225	140
(ii) Others	286	15
10. Advertisement and publicity	48 974	15 329
11. Interest & Bank Charges	5 492	4 203
12. Others	34 192	58 679
13. Depreciation	49 422	23 939
Total	459 314	437 539

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007**

**SCHEDULE 5
SHARE CAPITAL**

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

**SCHEDULE 5A
SHARE CAPITAL PATTERN OF SHAREHOLDING [As certified by the Management]**

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

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007**

**SCHEDULE 6
RESERVES AND SURPLUS**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. General Reserve		
Opening Balance	43291 099	40436 099
Add: Transfer from Profit & Loss A/c	11691 000	5005 000
Less: Utilised for issue of Bonus Equity Shares	0	2150 000
	54982 099	43291 099
2. Balance of Profit in Profit & Loss Account	462	179
TOTAL	54982 561	43291 278

**SCHEDULE 7
BORROWING**

	NIL	NIL
	NIL	NIL

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007**

**SCHEDULE 8
INVESTMENTS - SHAREHOLDERS' FUND**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
Long Term Investments		
1. Government securities and Government guaranteed bonds including Treasury Bills	11946 108	11212 929
2. Other Approved Securities	2405 502	2318 542
3. Other Investments		
a) Shares		
aa) Equity - Indian	42609 431	44395 986
- Foreign	7 816	7 816
bb) Preferences	27	57
b) Mutual Funds	296 880	120 729
c) Debentures/Bonds	3146 710	1866 040
d) Guaranteed Equity	167	181
e) Subsidiaries	0	0
f) Associates - Indian	700 000	700 000
- Foreign	273 831	45 026
4. Investments in Infrastructure and Social Sector	9282 901	9954 930
5. Other than Approved Investments	5185 496	5556 915
Short Term Investments		
1. Government securities and Government guaranteed bonds including Treasury Bills	354 944	536 872
2. Other Approved Securities	117 070	177 993
3. Other Investments		
a) Shares		
aa) Equity	0	0
bb) Preference	0	0
b) Mutual Funds	0	72 481
c) Debentures/Bonds	499 604	340 713
d) Subsidiaries	0	0
4. Investments in Infrastructure and Social Sector	372 975	183 495
5. Other than Approved Investments	71 415	452 137
TOTAL	77270 877	77942 842

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007**

**SCHEDULE 8A
INVESTMENTS - POLICYHOLDERS' FUND**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
Long Term Investments		
1. Government securities and Government guaranteed bonds including Treasury Bills	23767 220	19736 365
2. Other Approved Securities	4785 834	4080 966
3. Other Investments		
a) Shares		
aa) Equity - Indian	84773 023	78143 307
bb) Preferences	55	100
b) Mutual Funds	590 653	212 500
c) Debentures/Bonds	6260 496	3284 498
d) Guaranteed Equity	333	319
e) Subsidiaries	0	0
f) Associates	0	0
4. Investments in Infrastructure and Social Sector	18468 672	17522 106
5. Other than Approved Investments	10316 735	9780 968
Short Term Investments		
1. Government securities and Government guaranteed bonds including Treasury Bills	706 173	944 973
2. Other Approved Securities	232 916	313 293
3. Other Investments		
a) Shares		
aa) Equity	0	0
bb) Preference	0	0
b) Mutual Funds	0	127 577
c) Debentures/Bonds	993 980	599 703
d) Subsidiaries	0	0
4. Investments in Infrastructure and Social Sector	742 048	322 978
5. Other than Approved Investments	142 083	795 826
TOTAL	151780 221	135865 479

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007**

**SCHEDULE 9
LOANS**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Security-wise Classification		
Secured		
a) On mortgage of Property		
aa) In India*	2348 870	2370 838
bb) Outside India	0	0
b) On Shares, Bonds, Government Securities	0	0
c) Others	0	0
Unsecured	5142 166	5161 451
TOTAL	7491 036	7532 289
2. Borrower-wise Classification		
a) Central and State Governments	4249 730	4024 350
b) Banks and Financial Institutions	0	0
c) Subsidiaries	0	0
d) Industrial Undertakings	2423 099	2450 135
e) Others	818 207	1057 804
TOTAL	7491 036	7532 289
3. Performance-wise Classification		
a) Loans classified as standard		
aa) In India	5768 810	5927 061
bb) Outside India	0	0
b) Non-performing loans less provisions		
aa) In India	964 653	615 084
bb) Outside India	0	0
Provisions**	757 573	990 144
TOTAL	7491 036	7532 289
4. Maturity-wise Classification		
a) Short Term	650 443	774 419
b) Long Term	6840 593	6757 870
TOTAL	7491 036	7532 289

* Includes Term Loans of Rs. 3,93,04,205/- on which creation of security is pending (Previous year Rs. 4,61,13,644/-)

** Provision consists of Bad and Doubtful Loans

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007**

**SCHEDULE 10
FIXED ASSETS**

(Rs. '000)

Particulars	Cost/ Gross Block			Depreciation				Net Block		
	As at 1-4-06	Additions	Deductions	As at 31-3-07	Upto 31-3-06	For the Year	On Sales/ Adjustment	Upto 31-3-07	As at 31-3-07	As at 31-3-06
Leasehold Land	247 253			247 253	54 945	3 434		58 379	188 874	192 308
Buildings	285 316	37 851		323 167	125 211	11 339		136 550	186 617	160 105
Furniture & Fittings	17 402	441		17 843	15 296	438		15 734	2 109	2 106
I.T. Equipments	69 007	61 363	1 646	128 724	48 955	31 953	1 643	79 265	49 458	20 052
Vehicles	9 719	1 059	364	10 414	5 502	1 324	283	6 543	3 871	4 217
Office Equipments	9 959	420	2 209	8 170	7 365	435	2 169	5 631	2 539	2 594
AC & Water Coolers	11 110	782		11 892	10 443	181		10 624	1 268	667
Elevators	2 073			2 073	2 019	8		2 027	46	54
Canteen Appliances	222	124		346	203	3		206	140	19
Electrical Installation	11 363			11 363	9 552	252		9 804	1 559	1 811
Fire Alarm Systems	1 076	458		1 534	1 021	55		1 076	458	55
Total	664 500	102 498	4 219	762 779	280 512	49 422	4 095	325 839	436 939	383 988
Previous Years	641 772	37 324	14 597	664 499	269 656	24 681	13 826	280 511		
Capital Work in Progress	43 603		43 603							43 603
Grand Total	708 103	102 498	47 822	762 779	280 512	49 422	4 095	325 839	436 939	427 591

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007**

**SCHEDULE 11
CASH AND BANK BALANCES**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Cash & Stamps (includes cheques on hand of Rs. 36,72,53,920) (Previous Year Rs. 0/-)	367 369	303 012
2. Bank Balances		
a) Deposit Accounts-Short Term (due within 12 months)	16414 626	17260 662
b) Current Accounts (includes cash at Bank of Rs. 6,99,15,304.88 pertaining to Terrorism Pool Previous Year Rs. 0/-)	268 698	83 071
3. Money at Call and Short Notice		
a) With Bank	156 267	7 001
b) With Other Institutions	830 510	1110 713
TOTAL	18037 470	18764 459
<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)
Advances		
1. Reserve Deposits with Ceding Companies	5457 113	4901 760
2. Application Money for Investments	39 600	50 000
3. Prepayments	25 053	19 545
4. Advances to Directors/Officers	2 560	2 440
5. Advance Tax Paid and TDS	9426 741	9532 825
Less: Provision for Taxations	8634 049	7836 193
	792 692	1696 632
6. Others	486	3 488
TOTAL (A)	6317 504	6673 865
Other Assets		
1. Income accrued on investments	2383 494	2128 023
2. Due from other entities carrying on insurance business (including reinsurers)*	7722 975	4431 818
3. Deposit U/S-7 of Insurance Act	311 768	313 824
4. Sundry Debtors	2439 670	102 936
5. Sundry Deposits	51 388	52 438
6. LPA Assets	67 095	0
7. Terrorism Pool Assets	10311 494	8305 879
TOTAL (B)	23287 884	15334 918
TOTAL (A+B)	29605 388	22008 783

* (includes Rs. 697,325,731/- (P.Y. Rs. 505,639,014) for provision for Bad and Doubful Debts)

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007**

**SCHEDULE 13
CURRENT LIABILITIES**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Balances due to other insurance companies	3402 614	3374 837
2. Deposits held on re-insurance ceded	4947 850	3355 839
3. Sundry Creditors	246 418	159 796
4. Claims Outstanding	68246 502	71957 964
5. LPA Liabilities	67 095	0
6. Terrorism Pool Liabilities	10381 410	8368 229
TOTAL	87291 889	87216 665

**SCHEDULE 14
PROVISIONS**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Reserve for Unexpired Risk	34303 717	22733 001
2. For Fringe Benefit Tax	1 430	16 800
3. For Proposed Dividends	3096 000	860 000
4. For Dividend Distribution Tax	526 165	120 615
5. For Doubtful Loans, Investments and Debts	2400 100	2534 000
6. For Leave Encashment	38 663	36 833
7. For PLLI Arrears	15 000	15 000
TOTAL	40381 075	26316 249

**SCHEDULE 15
MISCELLANEOUS EXPENDITURE**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
	NIL	NIL
TOTAL	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), (3C) 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 Revenues**

Proportional treaty balances are accounted based on accounts rendered by insurance companies without individual verification as per industry practice.

Reinsurance revenues have been incorporated as follows:

Foreign Business:

All accounts in respect of Foreign Business received upto 31st March.

Domestic Business:

- i) All accounts in respect of business accepted from domestic insurance companies and State Insurance Funds, received upto 15th April are accounted during the year.
- ii) Revenue transactions in respect of the Corporation's share in The Indian Market Terrorism Risk Insurance Pool, are accounted in the books. Assets and Liabilities of the Pool are shown under Current Assets and Contra Current Liabilities.

2.2 Outstanding Claims

2.2.1. 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.

2.2.2 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 are converted at the daily rate of exchange of the day 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 relating to revenue transaction, due to conversion of foreign currencies, are accounted for as revenue.

3.5 Foreign Operations

Foreign branch operations is considered as "non integral business" as prescribed in AS11 "the effects of changes in foreign exchange rates" (revised 2003) and translated accordingly.

4. RESERVE FOR UNEXPIRED RISK

Reserve for Unexpired Risk in respect of Marine Insurance and Terrorism Risk Business (included in Fire and Engineering) is made at 100% of Net Premium and for all other classes of insurance, is made at 50% of Net Premium.

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 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

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, Miscellaneous and Life Reinsurance 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 is apportioned between Profit and Loss Account and Revenue Accounts in the ratio of Shareholders' Fund and Policyholder's Fund respectively at the beginning of the year. The same is further apportioned amongst the revenue accounts on the basis of the respective Policyholders' Fund at the beginning of the year. Shareholders fund consists of Share Capital and Free Reserves. Policyholders Fund consists of provisions for outstanding claims and reserves for unexpired risks.

7. INVESTMENTS

7.1 Prudential norms prescribed by Reserve Bank of India and the IRDA 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 Collateralised Borrowing and Lending Operations(CBLO) 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 realization, the credit balance in the "Fair Value Change Account" is not available for distribution.
- c) Provision is made for diminution in value of investments relating to thinly traded and unlisted shares equivalent to the amount of difference in average book cost and break-up value of the shares.
- Break-up value is computed from the annual reports of companies not beyond 21 months in case of those companies which close their annual accounts on dates other than 31st March or beyond 12 months in case of those companies which close their accounts on 31st March.
- d) Provision is made for diminution in value of investment relating to units of venture capital funds equivalent to the amount of difference in book cost and Net Asset Value (NAV).
- 7.8 Investment in equity and preference shares of companies, the net worth of which has been fully impaired or where the latest available audited accounts are beyond 21 months in case of those Companies which close their annual accounts on dates other than 31st March or beyond 12 months in case of those Companies which close their annual accounts on 31st March, as on the date of Balance Sheet are valued as under:
1. Actively traded : At their equity shares Market Value.
 2. Thinly traded : Written down equity shares to nominal value of Re.1/- per company
 3. Preference shares : At a value proportionate to the face value of the equity shares that bears to its market value.
- and carrying cost is reduced by the diminution value.
- 7.9 Final Dividend is accounted for as income in the year of declaration and Interim dividend is accounted as income where the warrants are dated 31st March or earlier.
- 7.10 Dividends/Interest on shares/debentures under objection/pending deliveries is accounted for on realization/payment.
- 7.11 Profit or Loss on sale of investments is apportioned between Profit and Loss Account and Revenue Accounts in the ratio of Shareholders' Funds and Policyholders' Funds respectively at the beginning of the year. The same are further

apportioned amongst the revenue accounts on the basis of the respective Policyholders' Fund at the beginning of the year. Shareholders' fund consist of Share Capital and Free Reserves. Policyholders' fund consist of provisions for outstanding claims and reserves for unexpired risks.

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

7.12 Expenses relating to safe custody, 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 as these are only strategic investments in associate companies. Impairment if any, will be recognized as an expense.

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. COMPLIANCE WITH ACCOUNTING STANDARDS

The Corporation has complied with relevant accounting standards prescribed by ICAI as modified by IRDA, in preparation of their financial statements.

II. NOTES FORMING PART OF 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.

2.1 (a) Out of investment held in shares and debentures of the value of Rs.1922,76,653 thousands (Previous year Rs.1811,77,123 thousands), no confirmations regarding actual custody or other documentary evidence for investments of the value of Rs.1242 thousands (previous year 1242 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.585 thousands (Previous year Rs.558 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, 2007 is Rs.5595,403 thousands (Previous year Rs.5354,959 thousands).

(d) Sale of equity shares of a company contracted through public offer in 1995-96 for Rs.4000 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 IRDA-Prudential norms for income recognition, Asset Classification and provisioning and other related methods in respect of debt portfolio, amounting to Rs.177,286 thousands (Previous Year Rs.146689 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)

Particulars	Current Year	Previous Year
Total Amount of assets subjected to restructuring under CDR	105630	49,528
The breakup of the same is given hereunder:		
(i) Total amount of standard assets subjected to restructuring under CDR	58130	
(ii) Total amount of sub-standard assets subjected to restructuring under CDR		
(iii) Total amount of doubtful assets subjected to restructuring under CDR		
(iv) Total amount of loss assets subjected to restructuring under CDR	47500	49,528
TOTAL	105,630	49,528

- 2.3 As per IRDA directions, the significant Accounting Policy, item 2.1 pertaining to Domestic Reinsurance business, has been suitably amended to ensure that all accounts received by the corporation up to the cut-off date are incorporated in the financial accounts of the accounting year. There is no material impact on financial statements due to this change.
- 2.4 Dubai branch office commenced operations with effect from 1st January 2007. since the business accounted up to 31-March-2007 is not significant, the branch has been considered "integral" for the year ending 31-March-2007.
3. It is proposed to evolve a scheme of Productivity Linked Lump sum Incentive to the employees. In this regard an adhoc provision of Rs.1.5 Crores has been made for the period upto 31st March, 2007 based

on wage bill of 31st July, 2002.

4. Leasehold Land & Buildings under Fixed Assets includes 3 properties costing Rs. 305,775 thousands (Previous year properties costing Rs.320,288 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.153,903 thousands debit and Rs.170,589 thousands credit (Previous year Rs.4,412 thousands debit and Rs.22,650 thousands credit) is subject to reconciliation from respective parties.
- (b) Amounts due to/from foreign companies Rs.175,270 thousands debit and Rs.235,199 thousands credit (Previous year Rs. 17,688 thousands debit and Rs.75,150 thousands credit) is subject to reconciliation from respective parties. The adjustment, if any, will be made upon analysis /reconciliation.
6. Taxes paid in advance include an amount of Rs. 8921,003 thousands (Previous year Rs. 5488,151 thousands) pertaining to assessments completed but in appeal either by Corporation or by the Income Tax Department as at 31st March, 2007 is as under:

The Corporation has received orders from the Asst. Commissioner of Income Tax (ACIT) u/s 201(1)/ 201(1A) of the Income Tax Act, 1961, for the assessment years 2004-05, 2005-06 and 2006-07 raising demands for Rs.4667,700 thousand in respect of Non deduction of tax at source which were later revised u/s 154 of the Income Tax Act, 1961, levying only the interest u/s. 201(1A) of the Income Tax Act, 1961 amounting to Rs. 187,404 thousand and has been confirmed by CIT(A).The appeal has been filed by Corporation before Tribunal which is

pending. Similarly, the Corporation has gone in for Appeal before C.I.T.(A) against various disallowances made for the assessment year 2005-06 and raising demand of Rs. 2020,729 thousand, by the assessing officer. Further, the Corporation has gone in for Appeal before Tribunal in the matter of disallowance of broken period Interest for the assessment

year 2000-01 and the total demand including interest is Rs. 73,713 thousand.

However, out of abundant caution and on the grounds of prudence, the Corporation has paid these demands 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.

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

(Rs. in thousands)

Particulars	As on 31.03.2007 Deferred Tax		As on 31.03.2006 Deferred Tax	
	Asset	Liability	Asset	Liability
Timing difference on account of Difference in book depreciation & Depreciation under Income Tax Act, 1961.		199,652		188,950
Provision for leave encashment	38,662		36,833	
PLLI	15,000		15,000	
Salary Arrears	Nil		Nil	
Tax Credit	1963,804		5160,182	
U/s. 115JAA	Nil		24,061	
TOTAL	2017,466	199,652	5236,075	188,950
Net Timing Differences	1817,814		5047,126	
Net Deferred Tax	617,875		1698,863	

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

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 30th April, 2008 for top end umbrella protection and 30th 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 and will be accounted at the end of the contract period.
9. Amalgamation of Loss Prevention Association (LPA) into GIC

As per the scheme of amalgamation approved vide Hon'ble High Court of Mumbai vide its order dated 27th April, 2007, Loss Prevention Association (LPA) has merged with GIC from the appointed date 1st April, 2006. Consequently Assets of LPA Rs.67,094,950/- and Liabilities Rs.67,094,950/- as on 31st March, 2007 and negligible expenses during the year have been merged with GIC account. GIC and the four Insurance Companies viz. National Insurance Co. Ltd., New India Assurance Co. Ltd., Oriental Insurance Co. Ltd. and United India Insurance Co. Ltd. are the co-promoters of LPA. As such, 80% of all assets and liabilities are to be taken over by 4 PSUs. In the absence of specific allocation of the Assets and Liabilities between GIC and the respective Insurance Companies, the

- actual Assets / Liabilities could not be debited in the respective head as required by AS14. However, the amount being negligible does not affect the accounts.
10. Underwriting of Direct business stopped from 1st April, 2001. Figures shown in Revenue Accounts pertain to run-off business. Run-off liabilities are sufficiently provided for, based on advices received.
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.129,200 thousands (P.Y.
Rs. 204,200 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 - Income-tax demands disputed in appeal, not provided for Rs.3341881 thousands(P.Y. Nil).
- (f) Reinsurances obligations to the extent not provided for in the accounts Nil in view of accounting policy no. 2.1.
- (g) Others Nil (P.Y. Nil).
- 11.2 As at 31st March, 2007 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.311,768 thousands (Previous year 12.30%, 2016 for Rs.313,823 thousands) deposited with Bank of India as security under Section 7 of the Insurance Act, 1938 and,
- [b] The Government of India Stock, 7.95%, 2032 for Rs.10,146 thousands, 7.55%, 2010 for Rs.106 thousands and, 8.07% 2017 for Rs.36,388 thousands total amounting to Rs.46,641 thousands (P.Y. total amounting to Rs.46,774 thousands) and cash deposit of Rs.2900 thousands (P.Y. Rs 2900 thousands) with Clearing Corporation of India Limited as deposit towards Settlement Guarantee Fund.
- 11.3 The Commitments made and outstanding for Loans, Investments and Fixed Assets as at 31st March, 2007 is Rs.438,100 thousands (Previous year Rs.737,277 thousands).
- 11.4 Disclosures of Claims less reinsurance during the financial year 2006-07 paid in India are Rs.33170,254 thousands (Previous year Rs.17089,565 thousands) and outside India are Rs.6768,318 thousands (Previous year Rs. 6754,717 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 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. 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)

	2006-07		2005-06	
	Number	Amount	Number	Amount
A) Foreign Inward Business				
Claims o/s more than 6 months	1068	725,881	782	412,213
Claims o/s less than 6 months	191	421,462	129	255,696
B) Indian Business				
Claims o/s more than 6 months	70	3154,149	379	3538,280
Claims o/s less than 6 months	170	1860,630	23	198,477
C) Aviation Business				
Claims o/s more than 6 months	1684	2523,825	2373	2816,164
Claims o/s less than 6 months	200	972,086	51	406,097

11.7 Premiums, less reinsurance, written from business during the financial year 2006-07 in India are Rs.49790,888 thousands (Previous year Rs.30347,119 thousands) and outside India are Rs.14417,804 thousands (Previous year Rs.12001,707 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.51679,037 thousands (Previous year Rs.40538,789 thousands)

11.12 Computation of Managerial Remuneration is as follows:

Sr. No	Name	Designation	Gross Salary	Corp.'s P.F.	House Perquisite	Loan Perquisite	Vehicle Perquisite
1.	Shri R.K.Joshi	Chairman cum Managing Director	Rs. 577397	Rs. 44656	Rs. 90030	Rs. Nil	Rs. 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 31-03-2007: NIL (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.

UNDERWRITING RESULT

INDIAN

(Rs. in Crores)

Class of Business	Earned Premium		Incurred Claims		Net Commission		Operating Expenses		Exchange Gain/-Loss		Net Result	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Fire Insurance	771.55	681.51	617.44	421.36	373.65	253.88	8.37	9.61	11.91	-0.75	-215.99	-4.08
Motor Insurance	1717.26	1388.79	1038.82	1958.50	437.84	250.28	13.70	11.51	1.24	0.00	228.14	-831.50
Aviation Insurance	37.74	34.68	39.90	30.91	4.60	3.85	0.46	0.53	0.27	-0.31	-6.94	-0.91
Engineering insurance	250.70	173.19	182.09	112.13	109.99	56.63	2.94	2.13	-5.48	0.22	-49.80	2.52
Other Miscellaneous Insurance	1026.16	785.40	604.96	852.08	314.97	192.61	8.74	7.44	-4.03	0.27	93.46	-266.46
Marine Cargo	109.17	148.60	140.57	144.40	47.16	27.62	1.04	0.89	-3.33	0.06	-82.93	-24.25
Marine Hull	49.38	59.01	117.56	62.03	13.07	9.09	0.64	0.56	-1.07	0.05	-82.96	-12.62
Life	1.35	1.26	0.71	0.48	0.00	0.22	0.01	0.23	0.00	0.00	0.63	0.33
Total	3963.31	3272.44	2742.06	3581.89	1301.28	794.19	35.90	32.89	-0.48	-0.45	-116.40	-1136.98

FOREIGN

Class of Business	Earned Premium		Incurred Claims		Net Commission		Operating Expenses		Exchange Gain/-Loss		Net Result	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Fire Insurance	682.57	591.93	434.27	506.30	213.16	161.17	5.44	5.28	4.55	0.37	34.25	-80.46
Motor Insurance	11.81	4.80	6.07	5.06	2.38	1.72	0.11	0.12	-0.10	0.03	3.15	-2.07
Aviation Insurance	296.15	292.03	232.07	233.38	59.03	62.51	2.43	3.01	-0.45	0.38	2.16	-6.49
Engineering insurance	69.16	58.44	28.83	47.25	24.44	19.06	0.49	0.55	-2.72	0.28	12.69	-8.14
Other Misc. Insurance	118.08	111.92	92.58	86.85	29.91	27.13	0.77	1.06	-0.73	-0.06	-5.90	-3.17
Marine Cargo	45.64	44.54	26.20	37.65	15.68	15.74	0.23	0.31	-0.16	-0.01	3.39	-9.17
Marine Hull	76.92	82.69	60.64	74.69	24.23	21.42	0.57	0.52	-0.90	0.20	-9.43	-13.74
Life	0.16	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.15	0.05
Total	1300.48	1186.39	880.66	991.18	368.84	308.74	10.03	10.86	-0.50	1.19	40.45	-123.20

TOTAL

Class of Business	Earned Premium		Incurred Claims		Net Commission		Operating Expenses		Exchange Gain/-Loss		Net Result	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Fire Insurance	1454.12	1273.44	1051.71	927.67	586.81	415.05	13.80	14.89	16.46	-0.38	-181.75	-84.54
Motor Insurance	1729.06	1393.59	1044.89	1963.56	440.22	252.01	13.81	11.63	1.14	0.03	231.29	-833.57
Aviation Insurance	333.89	326.71	271.97	264.28	63.64	66.36	2.89	3.54	-0.17	0.07	-4.78	-7.40
Engineering insurance	319.86	231.63	210.92	159.38	134.43	75.69	3.43	2.68	-8.20	0.51	-37.12	-5.62
Other Miscellaneous Insurance	1144.24	897.32	697.54	938.92	344.88	219.74	9.51	8.50	-4.76	0.21	87.55	-269.63
Marine Cargo	154.82	193.14	166.77	182.06	62.84	43.36	1.27	1.20	-3.49	0.05	-79.54	-33.42
Marine Hull	126.30	141.70	178.21	136.72	37.30	30.51	1.20	1.09	-1.97	0.25	-92.39	-26.37
Life	1.51	1.31	0.71	0.48	0.00	0.22	0.01	0.23	0.00	0.00	0.78	0.38
Total	5263.80	4458.84	3622.71	4573.07	1670.12	1102.93	45.93	43.75	-0.98	0.74	-75.95	-1260.18

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

(Rs. in thousands)

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

Name of the Company	Kenindia Assurance Company		LIC Mauritius Limited		India International Pte Ltd.		Agriculture Insurance Company of India Ltd.	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Premium Accepted	163,296	229,003	-	-	637,753	442,508	5,431	9,613
Premium Ceded	-	-	-	-	-	13	-	-
Net Premium	163,296	229,003	-	-	637,753	442,494	5,431	9,613
Commission Paid	76,723	104,113	-	-	240,646	220,273	698	1,123
Commission Recovered	-	-	-	-	-	-	-	-
Net Commission	76,723	104,113	-	-	240,646	220,273	698	1,123
Claims Paid	148,859	60,491	-	-	260,330	175,117	188	473
Claims Recovered	-	-	-	-	-	7,819	-	-
Net Claims	148,859	60,491	-	-	260,330	167,298	188	473
Balance on 31st March	18,459	116,452	-	-	181,333	48,931	1,148	(45,952)

* 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:

	2006-07	2005-06
Basic and Diluted EPS	Rs.356/-	Rs. 139/-
Profit after Tax	Rs.15313,448 thousands	Rs. 5985,187 thousands
Number of equity shares	4,30,00,000	4,30,00,000
Nominal value of share	Rs.100/-	Rs.100/-

15. The Corporation has prepared Cash flow statement adopting the indirect method.
16. Tax liabilities in respect of foreign operation, if any, is accounted on actual basis.
17. Prior period items have not been separately disclosed.
18. The summary of the financial statements of the Corporation for the last five years is as per Annexure I.
19. The Accounting Ratios of the Corporation are stated in Annexure II.
20. Figures relating to the previous year have been regrouped wherever necessary

As per our report of even due

For S.R. GOYAL & CO.
Chartered Accountants

A.K. Atolia

Partner

Membership No. 77201

New Delhi,

Dated: 7th July, 2007

For and on behalf of the Board

Yogesh Lohiya
G.C. Chaturvedi
M. Ramadoss
Bhagyam Ramani
Suchita Gupta

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

New Delhi,

Dated: 7th July, 2007

Annexure - I

SUMMARY OF FINANCIAL STATEMENTS

(Rs. in lakhs)

Particulars	2006-07	2005-06	2004-05	2003-04	2002-03
OPERATING RESULTS					
1. Gross Premium Written	740417	488077	512155	464076	451481
2. Net Premium Income	642087	423488	461387	416298	383278
3. Income from Investments (Net)	123224	109728	85165	86169	57870
4. Profit on Exchange Fluctuation	-98	74	379	-925	722
5. Total Income	765213	533290	546931	501542	441871
6. Commissions & Brokerage	167012	110293	120749	107164	90901
7. Brokerage	-	-	-	-	-
8. Operating Expenses	4811	4533	4060	3383	2980
9. Claims, Increase in Unexpired Risk Reserve and Other Outgoes	477978	434912	394299	306655	339086
10. Operating Profit/Loss	115412	-16448	27823	84340	8904
NON-OPERATING RESULT					
11. Total Income under Shareholders Account (Net)	63535	60742	52185	43350	25386
12. Profit/(Loss) before tax	178946	44294	80008	127691	34289
13. Provision for tax	25811	-15557	60006	23929	8142
14. Profit/(Loss) after tax	153135	59851	20002	103762	26147
MISCELLANEOUS					
15. Policy Holders Account:					
Fire	214939	186463	154000	135950	114087
Miscellaneous	720384	690603	528223	451928	429249
Marine	90026	69748	67910	54170	46576
Life	153	95	308	7	-
Total Funds	1025502	946909	750441	642055	589912
Total Investments	1683465	1521962	1027674	934387	616863
Yield on Investments	7.2	7.2	8.3	9.0	9.4
16. Shareholders Account:					
Total Funds	592826	475913	425867	413219	316735
Total Investments	846102	864051	661406	533148	395656
Yield on Investments	7.2	7.2	8.3	9.0	9.4

SUMMARY OF FINANCIAL STATEMENTS

Particulars	2006-07	2005-06	2004-05	2003-04	2002-03
17. Paid up Equity Capital	43000	43000	21500	21500	21500
18. Net Worth	592826	475913	425867	413219	316735
19. Total Assets	2852398	2642403	1955184	1644113	1169512
20. Yield on Total Investments	7.2	7.2	8.3	9.0	9.4
21. Earnings per Share (Rs.)	356	139	47	242	61
22. Book Value per Share (Rs.)*	1379	1107	1981	1922	1473
23. Total Dividend	30960	8600	6450	6450	4730
24. Dividend per Share (Rs.)	72	20	15	30	22

As per our report of even due

For S.R. GOYAL & CO.
Chartered Accountants

A.K. Atolia
Partner
Membership No. 77201

New Delhi,
Dated: 7th July, 2007

For and on behalf of the Board

Yogesh Lohiya
G.C. Chaturvedi
M. Ramadoss
Bhagyam Ramani
Suchita Gupta

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

New Delhi,
Dated: 7th July, 2007

RATIOS FOR NON-LIFE COMPANIES

Performance Ratio	Ratio / Percentage	
	2006-07	2005-06
1. Gross Premium Growth Rate (Segment Wise) (Gross Premium for the Current Year divided by the Gross Premium for the Previous Year)		
Fire Insurance	33.3	2.8
Motor Insurance	70.7	-15.1
Aviation Insurance	17.5	20.2
Engineering Insurance	83.9	-5.4
Other Miscellaneous Insurance	60.8	-4.4
Marine Cargo	52.1	-19.1
Marine Hull	59.3	-11.9
Life	23.6	6.4
2. Gross Premium to Shareholders Fund Ratio: (Gross Premium for the Current Year divided by paid up Capital plus Free Reserves)	124.9	102.6
3. Growth Rate of Shareholders' Funds (Shareholders' Funds as at the Current Balancesheet date divided by Shareholders' funds as at the Previous Balance Sheet date)	24.6	11.8
4. Net Retention Ratio (Segment Wise) (Net Premium divided by Gross Premium)		
Fire Insurance	77.1	74.8
Motor Insurance	99.7	99.7
Aviation Insurance	68.7	90.5
Engineering Insurance	77.1	75.6
Other Miscellaneous Insurance	94.1	93.1
Marine Cargo	87.0	87.9
Marine Hull	66.2	79.2
Life	100.0	100.0

RATIOS FOR NON-LIFE COMPANIES

Performance Ratio	Ratio / Percentage	
	2006-07	2005-06
5. Net Commission Ratio (Segment Wise) (Commission net of Reinsurance for a class of business divided by net premium)		
Fire Insurance	34.8	33.8
Motor Insurance	20.2	19.7
Aviation Insurance	20.2	18.8
Engineering Insurance	32.1	33.8
Other Miscellaneous Insurance	24.3	25.2
Marine Cargo	26.9	28.0
Marine Hull	22.2	24.2
Life	0.2	16.2
6. Expenses of Management to Gross Premium Ratio (Expenses of Management divided by the Total Gross Premium)	0.6	0.9
7. Combined Ratio: (Claims paid plus Expenses divided by Gross Premium)	54.6	49.7
8. Technical Reserve to Net Premium Ratio (Reserve for Unexpired Risks Plus Premium deficiency Reserve Plus reserve for outstanding claims divided by Net Premium)	159.7	223.6
9. Underwriting Balance Ratio (Segment Wise) (Underwriting Profit divided by Net Premium for the respective class of business)		
Fire Insurance	3.6	11.4
Motor Insurance	38.8	-22.8
Aviation Insurance	17.7	12.2
Engineering Insurance	5.0	19.8
Other Miscellaneous Insurance	17.8	-16.1
Marine Cargo	-13.0	14.8
Marine Hull	-30.3	13.0
Life	54.3	32.1

RATIOS FOR NON-LIFE COMPANIES

Performance Ratio	Ratio / Percentage	
	2006-07	2005-06
10. Operating Profit Ratio (Underwriting Profit plus Investment Income divided by Net Premium)	27.6	10.8
11. Liquid Assets to Liabilities Ratio (Liquid Assets of the Insurer divided by the Policy Holders' Liabilities)	20.7	24.1
12. Net Earnings Ratio: (Profit After Tax divided by Net Premium)	23.8	14.1
13. Return on Net Worth (Profit After Tax divided by Net Worth)	25.8	12.6
14. Reinsurance Ratio: (Risk Reinsured divided by Gross Premium)	13.3	13.2

As per our report of even due

For S.R. GOYAL & CO.
Chartered Accountants

A.K. Atolia*Partner*

Membership No. 77201

New Delhi,

Dated: 7th July, 2007

For and on behalf of the Board

Yogesh Lohiya
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M. Ramadoss
Bhagyam Ramani
Suchita Gupta

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

New Delhi,

Dated: 7th July, 2007

CASH FLOW STATEMENT

2006-07

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

As per Indirect Method

(Rs. in thousands)

	31st March, 2007	31st March, 2006
A) CASH FLOW FROM OPERATING ACTIVITIES		
<i>Net Profit before taxation as per Profit & Loss A/c</i>	17894 585	4429 444
<i>Adjustments for:</i>		
Exchange - Loss/Gain charged	-423 602	282 059
Provision for Diminution in Value of Investment	179 333	37 377
Provision for Doubtful Loans, Investments & Debts	-133 900	-475 000
Amortisation of Premium on Investment	349 585	340 022
Investment Reserve Transferred to Profit & Loss A/c	0	-5 845
Depreciation	49 421	23 938
(-)Profit/Loss on Sale of Assets	-283	-298
Provision for Leave Encashment & Salary Arrears	1 829	-16 677
Sundry Balances Written Off / Back	3 054	15
	25 437	185 591
<i>Operating Profit before Working Capital Changes</i>	17920 022	4615 035
Changes in Unexpired Risk Reserves	11570 716	-2239 544
Changes in Provisions for Outstanding Claims	-3711 462	21886 430
Changes in Income Accrued on Investments	-255 470	88 149
Changes in Balances with Insurance Companies	-2226 721	-2236 248
Changes in Advance and Deposits	-4334 524	-1302 552
Changes in other Current Liabilities	2099 804	1524 621
	3142 343	17720 856
<i>Cash Generated from Operations</i>	21062 365	22335 891
Income Tax Paid (Net)	-611 579	-1748 430
<i>Net Cash from Operating Activities</i>	20450 786	20587 461
B) CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	-58 894	-49 985
Proceeds from Sale of Fixed Assets	408	1 068
Changes in Net Investments	-20562 276	-15700 233
<i>Net Cash used in Investing Activities</i>	-20620 762	-15749 150

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

As per Indirect Method

(Rs. in thousands)

	31st March, 2007	31st March, 2006
C) CASH FLOWS FORM FINANCING ACTIVITIES		
Dividend Paid	-860 000	-645 000
Dividend Tax Paid	-120 615	-90 461
Net Cash from Financing Activities	-980 615	-735 461
D) EFFECT OF FOREIGN EXCHANGE ON CASH & CASH EQUIVALENTS (NET)	423 602	-282 059
Net increase in Cash and Cash Equivalents (A+B+C+D)	-726 989	3820 791
Cash and Cash equivalents at beginning of period	18764 459	14943 668
Cash and Cash Equivalents at the end of period	18037 470	18764 459

As per our report of even due

For S.R. GOYAL & CO.
Chartered Accountants

A.K. Atolia

Partner

Membership No. 77201

New Delhi,

Dated: 7th July, 2007

For and on behalf of the Board

Yogesh Lohiya
G.C. Chaturvedi
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Suchita Gupta

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

New Delhi,

Dated: 7th July, 2007

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

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

 State Code

1	1
---	---

 Balance Sheet Date

3	1	0	3	2	0	0	7
---	---	---	---	---	---	---	---

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

Public Issue

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

 Right Issue

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

 Bonus Issue

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

 Private Placement

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

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

Total Liabilities

1	5	7	5	6	6	8	4	2
---	---	---	---	---	---	---	---	---

 Total Assets

1	5	7	5	6	6	8	4	2
---	---	---	---	---	---	---	---	---

Sources of Funds

Paid-up Capital

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

 Reserves & Surplus

5	4	9	8	2	5	6	2
---	---	---	---	---	---	---	---

 Secured Loans

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

 Unsecured Loans

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

 Deferred Taxation Liability

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

 Fair Value Change Account

9	8	2	8	4	2	8	0
---	---	---	---	---	---	---	---

Application of Funds

Net Fixed Assets

4	3	6	9	3	9
---	---	---	---	---	---

 Investment

2	3	6	5	4	2	1	3	4
---	---	---	---	---	---	---	---	---

 Net Current Assets

(-)	8	0	0	3	0	1	0	6
-----	---	---	---	---	---	---	---	---

 Misc. Expenditure

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

 Accumulated Losses

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

 Deferred Tax Asset

6	1	7	8	7	5
---	---	---	---	---	---

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

Turnover

7	1	7	1	3	0	7	6
---	---	---	---	---	---	---	---

 Total Expenditure

5	3	8	1	8	4	9	1
---	---	---	---	---	---	---	---

 Profit/Loss Before Tax

1	7	8	9	4	5	8	5
---	---	---	---	---	---	---	---

 Profit/Loss After Tax

1	5	3	1	3	4	4	9
---	---	---	---	---	---	---	---

 Earning per Share in (Rs.)

3	5	6
---	---	---

 Dividend @ %

7	2
---	---

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
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---



PERFORMANCE HIGHLIGHTS

(Rs. & US\$ in '000)

	2006-07		2005-06	
	Rs.	US \$	Rs.	US \$
Net Earned Premium	52637 976	1221 299	44588 370	1001 986
Net Claims	36227 109	840 536	45730 712	1027 656
	68.8%	68.8%	102.6%	102.6%
Net Commission	16701 189	387 499	11029 282	247 849
	31.7%	31.7%	24.7%	24.7%
Operating Expenses and Other Outgo less Other Income	469 158	10 885	430 172	9 667
Investment Income Apportioned to Revenue less Expenses	12300 518	285 395	10957 034	246 225
Underwriting Profit	11541 037	267 773	-1644 761	-36 961
Interest, Dividends, Rent & Profit on sale of Investments	6193 161	143 693	6229 192	139 982
Other Income less Other Outgo	555 405	12 886	-252 588	-5 676
Reserve for Doubtful Debts, Investment Written off and Amortisation of Premium on Investments	395 018	9 165	-97 601	-2 193
PROFIT BEFORE TAX	17894 585	415 188	4429 444	99 538
Provision for tax including deferred tax	2581 137	59 887	-1555 743	-34 961
PROFIT AFTER TAX	15313 448	355 300	5985 187	134 499
ASSETS:				
Investments	229051 098	5314 411	213808 320	4804 681
Loans	7491 036	173 806	7532 289	169 265
Fixed Assets	436 939	10 138	427 591	9 609
Cash and Bank Balances	18037 470	418 503	18764 459	421 673
Advances and Other Assets	29605 388	686 900	22008 782	494 579
Deferred Tax Asset	617 875	14 336	1698 862	38 177
TOTAL ASSETS	285239 806	6618 093	264240 303	5937 984
LIABILITIES:				
Share Capital	4300 000	99 768	4300 000	96 629
Reserve and Surplus	54982 562	1275 697	43291 278	972 838
Deferred Tax Liabilities	0	0	0	0
Fair Value Change Account	98284 280	2280 378	103116 112	2317 216
Current Liabilities & Provisions	127672 964	2962 250	113532 913	2551 301
TOTAL LIABILITIES	285239 806	6618 093	264240 303	5937 984

1 US \$ = Rs.43.10 as on 31st March, 2007

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

(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

NOTES



2006-07

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भारतीय साधारण बीमा निगम

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