

36वां वार्षिक प्रतिवेदन  
36th Annual Report  
2007-08



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



आपत्काले रक्षिष्यामि  
GIC Re

## VISION

To be a leading global reinsurance and risk solution provider

## MISSION

### To achieve our Vision by

- ◆ Building long-term mutually beneficial relationship with business partners
- ◆ Practicing fair business ethics and values
- ◆ Applying “state-of-the-art” technology, processes including enterprise risk management and innovative solutions
- ◆ Developing and retaining highly motivated professional team of employees
- ◆ Enhancing profitability and financial strength befitting the global position

## CORE VALUES

- ◆ Trust and mutual respect
- ◆ Professional excellence
- ◆ Integrity and transparency
- ◆ Commitment
- ◆ Responsive service

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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
Shri G.C. Chaturvedi, IAS	Upto 17.12.2007
Shri Tarun Bajaj , IAS	w.e.f 17.12.2007
Shri O.P. Bhatt	
Shri T.S. Vijayan	
Shri M. Ramadoss	
Shri Kamlesh Shivji Vikamsey	w.e.f 27.08.2007
Shri Rajeev Gowda	w.e.f 27.08.2007
Shri M.B.N.Rao	w.e.f 07.08.2007 upto 30.06.2008

**MANAGEMENT**

<b>Chairman-cum-Managing Director</b>	Shri Yogesh Lohiya	
<b>General Managers</b>	Smt. Bhagyam Ramani	
	Shri M. Ramaprasad	
	Shri A K Roy	w.e.f 23.06.2008
	Shri R Raghavan	w.e.f.23.06.2008
<b>Chief Vigilance Officer</b>	Smt. Gopa Ray	
<b>Deputy General Managers</b>	Shri H.G. Rokade	
	Shri P.N. Gandhi	
	Shri K. Raghunath	
	Shri P K Bhagat	
<b>COMPANY SECRETARY</b>	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 Tarun Bajaj , IAS



Shri O.P. Bhatt  
Director



Shri T.S. Vijayan  
Director



Shri M. Ramadoss  
Director



Shri Kamlesh Shivji  
Vikamsey  
Director



Shri Rajeev Gowda  
Director



**MANAGEMENT**



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

## NOTICE

**NOTICE** is hereby given that the **36<sup>th</sup> ANNUAL GENERAL MEETING** of the Members of the **GENERAL INSURANCE CORPORATION OF INDIA** will be held at the Registered Office of the Corporation at "Suraksha", 170, J. Tata Road, Churchgate, Mumbai – 400 020, on Wednesday, the 30<sup>th</sup> July, 2008 at 13.00 hrs. to transact the following business:

1. To receive and adopt the Directors' Report and Audited Statements of Account for the year ended 31<sup>st</sup> March 2008.
2. To declare dividend on equity shares.
3. To fix the remuneration of Auditors for the year 2008-2009.

For and on behalf of the Board

(SUCHITA GUPTA)  
COMPANY SECRETARY

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

Dated : 21<sup>st</sup> July, 2008.

**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 Sixth Annual Report on the working and affairs of the Corporation and the audited statements of account for the year ended 31st March, 2008.

**FINANCIAL RESULTS:**

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

	(Rs in Crores)		(Rs in Crores)	
	2007-08	2006-07	2007-08	2006-07
1. Net Premium	8311.14	6420.87		
2. Net Earned Premium	7228.96	5263.79		
3. Net Incurred Claims	6011.49	3622.71		
	83.2%	68.8%		
4. Net Commission	2089.65	1670.12		
	28.9%	31.7%		
5. Operating Expenses and Other Outgo less Other Income	55.21	46.91		
	0.8%	0.9%		
6. Investment Income Apportioned to Revenue less expenses	1287.28	1230.05		
7. Total Profit/Loss (-)	359.89	1154.10		
(2+6-3-4-5)	5.0%	21.9%		
8. Interest, Dividends and Rents (gross)	744.17	619.32		
9. Other Income less Other Outgo	- 2.67	55.54		
10. Reserve for Doubtful Debts and Investment incl. Amortisation of Investments Written off	31.01	39.50		
11. Distribution of LPA Assets	3.08	0.00		
12. Profit before Tax (7+8+9-10-11)	1067.30	1789.46		
13. Income-tax Deducted at Source and Provision for tax incl.deferred taxes	74.52	258.12		
14. Profit after Tax (12-13)	992.78	1531.34		
15. Balance of Profit b/f from previous year	0.04	0.02		
16. Profit available for appropriation	992.82	1531.36		
17. Proposed Dividend incl. Dividend tax	231.41	362.22		
18. Transferred to General Reserves	761.40	1169.10		
19. Balance of Profit carried forward (15+16-17-18)	0.01	0.04		

(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 recommended declaration of dividend at the rate of 46 % for the year under review amounting to Rs 197.80 crores, as against Rs.309.60 crores at the rate of 72 % in the previous year. An amount of Rs 33.62 crores has also been provided as dividend

distribution tax on the dividend declared during the year.

**CAPITAL AND FUNDS**

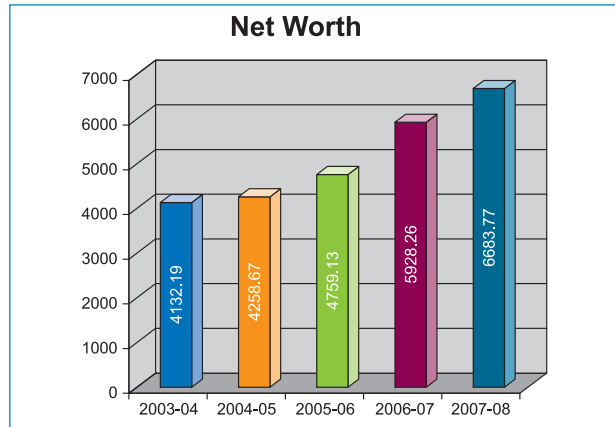
Capital and Funds of the Corporation stood at Rs. 18355.16 crores as on 31<sup>st</sup> March, 2008 as against Rs. 16183.27 crores in the previous year, the details of which are given below:



(Rs in Crores)

	As on 31.03.2008	As on 31.03.2007
<b>Shareholders' Funds</b>		
Paid up Capital	430.00	430.00
General Reserve	6259.61	5498.21
Reserve for Pension & Gratuity	-6.47	0.00
Foreign Currency Translation Reserve	0.62	0.00
Profit & Loss a/c	0.01	0.04
	<b>6683.77</b>	<b>5928.25</b>
Policyholders' Fund	11671.39	10255.02
<b>Total Funds</b>	<b>18355.16</b>	<b>16183.27</b>

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



**ASSETS**

Total assets of the Corporation increased to Rs.36012.83 crores as on 31<sup>st</sup> March, 2008 from Rs. 28523.98 crores as on 31<sup>st</sup> March, 2007.

**MANAGEMENT DISCUSSION & ANALYSIS REPORT**

The operations and future prospects of the Corporation is dealt in the Management Discussion and Analysis Report which forms part of the Directors Report.

**INVESTMENTS**

The total book value of investment of the Corporation in India (representing investments, loans and deposits) amounted to Rs.15895.26 crores as on 31.3.2008 as against Rs. 14349.68 crores in the previous year. The investment income of Rs. 2031.45 was apportioned to Policyholders and Shareholders as under:

(Rs. in crores)

Apportioned to Policyholders	1287.28
Apportioned to Shareholders	744.17

The mean yield on funds (with profit on sale of investments) stood at 13.4 %. The net NPA % (Non Performing Assets) was at 2.08 %.

**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(A) OF COMPANIES ACT, 1956 :**

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

**II. STAFF POSITION AS ON 31.03.2008:**

Class I	– Officers	257
Class III	– Clerical Employees	144
Class IV	– Sub-Staff	46
<b>Total</b>		<b>447</b>

Total 9 candidates were recruited during the year in the cadre of Class I Officers- Specialists, out of which candidates in different categories are as follows:

General	OBC	SC	ST	PH
4	2	1	1	1

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

Cadre	Total Employee Strength	Composition			
		SC	%	ST	%
Officers	257	35	13.62	12	4.67
Clerical	144	33	22.92	12	8.33
Sub-Staff	46	10	21.74	3	6.52
	447	78	-	27	-

## WELFARE OF SC/ST/OBC

In consonance with the National Policy on reservation for SC/ST & OBC, GIC Re 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 Re has been established during the centenary year of Dr. B.R. Ambedkar. On behalf of the Trust, various Welfare Schemes are also implemented for the benefit of SC/ST/OBC employees.

## CORPORATE GOVERNANCE:

The Corporation believes in adopting the Best Global practices in the area of Corporate Governance and follows the principles of integrity, fairness, transparency, disclosure and accountability, thereby protecting the interest of all stakeholders.

## BOARD OF DIRECTORS:

Shri Yogesh Lohiya was appointed as Chairman-cum-Managing Director of the Corporation w.e.f. 28-5-2007.

Shri M.B.N.Rao Chairman-cum-Managing Director Canara Bank and Chairman of Indian Bankers Association was appointed as a Director on the Board of the Corporation w.e.f. 7.8.2007.

Shri Kamlesh Shivji Vikamsey was appointed as a Non official Director on the Board of the Corporation w.e.f. 27.8.2007.

Shri M.V.Rajeev Gowda was appointed as a Non Official Director on the Board of the Corporation w.e.f. 27.8.2007.

Shri Tarun Bajaj, Joint Secretary, Ministry of Finance, Government of India was appointed as a Director on the Board of the Corporation w.e.f. 17.12.2007.

Shri G C Chaturvedi, Joint Secretary, Ministry of Finance, Government of India ceased to be a Director on the Board of the Corporation w.e.f. 17.12.2007 on his transfer from the Insurance Division.

The Directors wish to place on record the co-operation received from Shri G C Chaturvedi during his tenure as Director on the Board and also for his 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 2007 TO MARCH 2008

Names of Directors	Dates of Meetings				
	21.04.2007	07.07.2007	19.09.2007	19.12.2007	03.03.2008
Shri Yogesh Lohiya		Present (*)	Present	Present	Present
Shri R.K. Joshi	Present	Ceased			
Shri G.C. Chaturvedi	Present	Present	Present	Ceased	
Shri Tarun Bajaj				Present (**)	Present
Shri T.S. Vijayan	Present	Absent	Present	Present	Present
Shri O.P. Bhatt	Absent	Absent	Present	Absent	Absent
Shri V.P. Shetty	Present	Ceased			
Shri M. Ramadoss	Absent	Present	Absent	Present	Present
Shri M.B.N.Rao			Present (***)	Present	Absent
Shri Kamlesh S.Vikamsey			Absent(****)	Present	Present
Shri M.V.Rajeev Gowda				Present(****)	Present

(\*) Appointed as Director w.e.f. . 28.5.2007

(\*\*) Appointed as Director w.e.f. 17.12.2007

(\*\*\*) Appointed as Director w.e.f. 7.8.2007

(\*\*\*\*) Appointed as Director w.e.f.27.8.2007

**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 2007-08:

1. Shri G.C. Chaturvedi (Upto 17.12.2007)
2. Shri Tarun Bajaj (from 17.12.2007)
3. Shri T.S. Vijayan
4. Shri M. Ramadoss
5. Shri Kamlesh S Vikamsey ( from 03.03.2008)

**STATEMENT SHOWING NUMBER OF AUDIT COMMITTEE MEETINGS ATTENDED BY THE MEMBERS DURING THE PERIOD APRIL 2007 TO MARCH 2008**

Names of Directors	Dates of Meetings		
	07.07.2007	19.12.2007	03.03.2008
Shri G.C. Chaturvedi	Present	Ceased	
Shri Tarun Bajaj		Present	Present
Shri T.S. Vijayan	Absent	Present	Present
Shri M. Ramadoss	Present	Present	Present
Shri Kamlesh S.Vikamsey			Present

**INVESTMENT COMMITTEE**

The Corporation has an Investment Committee of the Board of Directors with the following Members for the financial year 2007-08:

1. Shri R.K. Joshi(Upto 30.4.2007)
2. Shri Yogesh Lohiya ( from 28.05.2007)
3. Shri G.C. Chaturvedi (Upto 17.12.2007)
4. Shri Tarun Bajaj (from 17.12.2007)
5. Shri T.S. Vijayan
6. Shri M. Ramadoss

**STATEMENT SHOWING NUMBER OF INVESTMENT COMMITTEE MEETINGS ATTENDED BY THE MEMBERS DURING THE PERIOD APRIL 2007 TO MARCH 2008**

Names of Directors	Dates of Meetings				
	21.04.2007	07.07.2007	19.09.2007	19.12.2007	03.03.2008
Shri Yogesh Lohiya		Present	Present	Present	Present
Shri R.K. Joshi	Present	Ceased			
Shri Tarun Bajaj				Present	present
Shri G.C. Chaturvedi	Present	Present	Present	Ceased	
Shri T.S. Vijayan	Present	Absent	Present	Present	Present
Shri M. Ramadoss	Absent	Present	Absent	Present	Present

### FOREIGN EXCHANGE EARNINGS & OUTGO AND OTHER INFORMATION

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

- |             |                   |
|-------------|-------------------|
| i) Earnings | Rs. 964.63 crores |
| ii) Outgo   | Rs. 821.43 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.3,37,179/- Rs.1,06,63,381/- and Rs. 4,15,91,611/- 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 Corporation complied with guidelines issued by Ministry.

For Official Language Implementation Policy, Inspections of the Departments of Corporation were carried out by officials of Official language Department. Five In-House workshops and four meetings of Official Language Implementation Committee were conducted. During Hindi week celebrations, various competitions and a cultural programme were organised.

CMD's Shield was awarded to the best performing Department of the Corporation with regards to Official Language Implementation. Mrs. Medha Parulkar, Assistant Manager of Official Language Department was facilitated for her works in the field

of Hindi Implementation by the leading NGO "ASHIRWAD".

A Chaupal was organized by the corporation under the guidance of Town Official Language Implementation (TOLIC) in which 35 offices of Public Undertakings took part.

Regular Hindi programmes were organised for officers and staff to encourage / motivate the employees to use official language in their official communication throughout the year and these were in addition to Hindi fortnight / Hindi Day and Hindi workshops which were conducted in a regular manner.

An inspection was carried out by Deputy Director (Rajbhasha), Ministry of Home Affairs, Mumbai and the implementation of Official Language was found satisfactory.

Parliamentary committee on official language visited Mumbai to inspect the progress of implementation of official language in three organizations including GIC Re. They found the work done by GIC Re was satisfactory.

### VIGILANCE

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

Since the focus of the Organisation, in concurrence with CVC guidelines, is to take proactive steps to avoid vigilance situations, Audit Reports are studied and remarks made by Auditors are analysed from vigilance angle. As an integral part of training modules for all employees of GIC Re, the Vigilance deptt. 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.

Apart from all this Vigilance awareness programmes are conducted during "Vigilance Awareness Week"

by the Department and oath taking by all employees is undertaken.

Periodical discussions are being held with the officials of various departments to ensure financial & office discipline and to imbibe in employees 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 Corporation continues to utilize the services of professional audit firm M/s. Contractor, Nayak and Kishnadwala for Internal Audit and Concurrent Audit functions of the Corporation for the year 2007-08.

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 2007-08, special emphasis was laid on core business activities viz. 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, Subsidiary Government Ledger (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 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.

### **RTI ACT 2005**

GIC Re has appointed Public Information Officers in keeping with the requirements of the law. A General Manager has been designated as the Chief Appellate

Officer while a Deputy General Manager has been appointed as the Central Public Information Officer. A Senior Manager has been designated as the Assistant Public Information Officer under the provisions of the Act.

The Corporation, in view of the nature of its business activities as a reinsurance company does not have much interaction with public at large and as such does not evoke many applications under the Act. However, the fact that prior to year 2000 GIC Re was the holding company for the 4 public sector general insurance companies, their customers send in their applications to the Corporation for their grievances with these companies.

During the period under review (2007-08) the Corporation received 26 applications under the RTI Act 2005. All were duly replied well within the stipulated time period. The applications were primarily related to personnel matters and mediclaim policies issued by the erstwhile GIC subsidiaries.

Two applicants had filed complaints with the RTI Commissioner where the Corporation was given an opportunity to present its case. In both the cases the complaints were dismissed in favour of the Corporation.

### **ITMG**

During the year under review, all the implemented modules of the SAP-ERP have stabilized. The Reporting requirements through SAP Business Intelligence Warehouse have been developed and is fully functional. Additional functionality is being added.

Connectivity between branch Offices in London and Dubai and HO Mumbai has been established, through which they are able to work on SAP systems.

The Document Management System has been installed and functional. The Digitalization project of historical office records is progressing. About 30% of all historical records dated back to 1985 have been captured into the DMS system. All departmental personnel have been trained in using the DMS system.

Hardware for the Disaster Recovery systems (DRS) has arrived and is in the process of being installed. DR to be tested and expected to be fully operational in the year 2008-09.

For the next phase, plans are afoot to introduce Electronic Data Interchange system for speedy capture of data from Brokers/ Companies.



### INDIAN MOTOR THIRD PARTY INSURANCE POOL (IMTPIP):

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 1<sup>st</sup> April 2007.

The pooling of business among all insurers is achieved through a multi-lateral reinsurance arrangement between the Underwriting Insurer and GIC Re. The participation of GIC Re in the Pooled business is to the extent of statutory reinsurance cessions (15% for 2007-08). The balance is shared among all the registered general insurers writing motor insurance business in proportion to their Market Share.

The Pool accounts for the first year (2007-08) has been audited and closed, the relevant information has been incorporated into the books of accounts of GIC Re and all Member Companies.

During the year 2007-08, 14 Member Companies including GIC Re, have participated in the pooling arrangement. The total premium pooled for the year 2007-08 (April 2007 to February 2008 – 11 month period) is Rs.2437.00 Crores with 69 Lakh policies. The net of expenses have been invested by the Investment department of GIC Re. The incurred claim amount is Rs.1486.00 Crores with an operating loss of Rs.506.00 Crores.

In the pooled business, Rs.366.00 Crores has been booked for GIC Re's account with incurred claims of Rs.223.00 Crores and an operating loss of Rs.76.00 Crores.

GIC Re has earned Pool Administrator Fee (2.5% of pooled premium) to meet all the expenses related to the Pool. For this purpose GIC Re has setup a separate Motor Pool department at 22<sup>nd</sup> Floor, BSE building with adequate manpower, hardware and software system. The net income earned of Rs.48.55 Crores (service charges income Rs.54.29 Crores less expenses Rs.5.74 Crores) in this regard is included in Miscellaneous Income of GIC Re.

### TRAINING/HRD

In the year 2007-08 nine new Assistant Managers at the Level I Officers Cadre were appointed by GIC Re on specialized basis. With a view to make these newly recruited Assistant Managers familiar with its role as GIC Re in open market they were given specialized induction training at National Insurance Academy (NIA) Pune. Officers/employees were also nominated

in Calendar Programmes at NIA, Pune and COI, Mumbai. Besides this nominations were made in programmes conducted by other institutions to make our employees up-date with different topics. Various in-house training programmes on SAP (for various modules), Personality Development, etc. were arranged. Faculties for these in-house programmes were drawn from within GIC Re as well as from reputed institutions.

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

Organisation	No. of Programs	No. of employees trained
In-house Programs	6	166
National Insurance Academy, Pune	24	47
College of Insurance, Mumbai	9	29
Other reputed Institutes	24	43
Seminars / Conferences in foreign countries	35	78

### INVESTMENT IN INSURANCE COMPANIES DOMESTIC OPERATIONS

#### AGRICULTURE INSURANCE COMPANY OF INDIA LIMITED (AICIL)

This company was jointly promoted by the Corporation along 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

GIC Re has 3 overseas offices viz: Representative Office Moscow and Branch Offices in London and Dubai.

The Corporation has also exposure in the share capital of Kenindia Assurance Company Ltd, Kenya, India International Insurance Pte Ltd, Singapore, LIC (Mauritius) Offshore Ltd, Mauritius, Asian Reinsurance Corporation, Bangkok, and East Africa Reinsurance Company Ltd., Kenya, for strategic reasons.

#### LONDON BRANCH

The Branch commenced its operations from 1<sup>st</sup> January, 2008. The Branch was officially



inaugurated by the Hon'ble Finance Minister Shri. P. Chidambaram on 23<sup>rd</sup> January, 2008 at London.

During the period from 1<sup>st</sup> January, 2008 to 31<sup>st</sup> March, 2008, the Gross Premium written was GBP 2,301,794 and the profit after tax was GBP 114,768.

#### **DUBAI BRANCH (UAE)**

The Branch commenced its operations from 1<sup>st</sup> January, 2007. During the Current Financial Year 2007-08, the Gross Written Premium is AED 259.02 mn. The operations resulted into a loss of AED 101.35 mn mainly due to higher provision of AED 159.78 mn made towards Unexpired Risk Reserve.

#### **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%.

Insurers in Kenya suffered during the year mainly due to large losses in the Miscellaneous portfolio, political unrest and continued violence resulting in loss of industrial production and human lives. This also had a bearing on the performance of 'Kenindia' during the year.

#### **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 the dividend of 7.5 % for the financial year 2007, as in the previous years.

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

The Corporation has a 30% holding in the share capital of LIC (Mauritius) Offshore Ltd., a joint venture company promoted by LIC of India in Mauritius. The Company is yet to make any headway in its operations.

#### **ASIAN REINSURANCE CORPORATION, BANGKOK**

During the year, the Corporation acquired additional 3000 shares of Asian Reinsurance Corporation, Bangkok @ US\$ 1900.00 at a total investment of US\$ 5.70 mn. Accordingly, the Corporation is holding 21.34% of the share capital as Associate Member of Asian Re in addition to holding 3.35% of the share capital as its Regular Member 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.

The Company has declared 2.74 % stock dividend and 2.76% cash dividend for the year 2007.

#### **EAST AFRICA REINSURANCE COMPANY LTD., KENYA**

Considering the vast potential available for reinsurance business in the African continent, the Corporation made a strategic investment in the shares of East Africa Reinsurance Company Ltd., an existing profit making reinsurance company in Kenya by acquiring 88,513 shares @ Kshs 1,450 each with a total investment of Kshs 128,343,850.

#### **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 2007-08 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 2007-08 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 2006-07 along with Directors' Report were placed before both the Houses of Parliament under Section



आपसकाले रक्षिष्यामि  
GIC Re

भारतीय साधारण बीमा निगम  
GENERAL INSURANCE CORPORATION OF INDIA

## ***DIRECTORS' REPORT***

619(A) read with 619(B) of the Companies Act, 1956 as per details given below:

In LOK SABHA on 30<sup>th</sup> November 2007 and RAJYA SABHA on 4<sup>th</sup> December 2007.

### **ACKNOWLEDGEMENT**

The Board places on record its sincere appreciation towards 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*

23<sup>rd</sup> May 2008  
Mumbai.

2007-08

**STATEMENT OF GROSS REMUNERATION FOR THE FINANCIAL YEAR 2007-08  
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	3054878.62	45	B.Sc., B.Sc(T) FIII	N.A.	01-07-86
2	Shri J.R. Wankhede	Chief Manager	2584323.90	51	D.E. (C) FIII	N.A.	01-07-88
3	Shri D.R. Arya	Chief Manager	2283871.60	43	M.Sc(Agri) Master Degree in HRDM	N.A.	27-11-89
4	Shri Jetho Jamnani	Deputy Manager	1548386.64	40	B.Com. Alli	N.A.	16-11-89
5	Shri Sanjay Mokashi	Deputy Manager	1263280.05	40	M.Com. Licentiate	N.A.	01-06-90

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT**

**ECONOMIC ENVIROMENT**

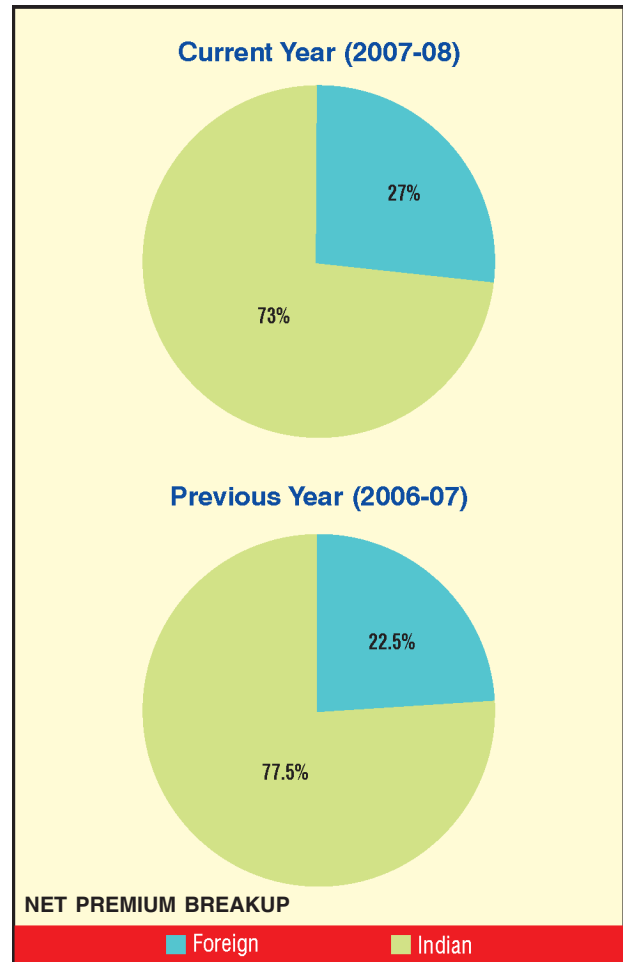
Global financial markets remained volatile during 2007-08 as the crisis about the US sub prime mortgage market and other credit markets exposure deepened and spilled over to markets for other assets. The spill over of this crisis on the Indian economy was not significant enough to overwhelm the positive economic momentum already in place. The growth story of Indian economy continued for fifth consecutive year in financial year 2007-08 as well. As per revised estimates released by Central Statistical Organisation (CSO), the real GDP growth rate in 2007-08 was placed at 9% as compared with 9.6% in 2006-07. Financing, insurance, real estate & business services recorded 11.8% growth over earlier year. Growth rate in per capita income is estimated at 7.8% during 2007-08. Index of industrial production rose by 8.7%, infrastructure sector shows a growth of 5.6% and services sector recorded a double digit growth of 10.6% in 2007-08. Investments and savings as a percentage of GDP have been in excess of 30% on an average for past four years.

**INDIAN INSURANCE SECTOR DEVELOPMENTS**

Insurance business is on a rapid growth path in India. Number of companies in Indian insurance industry is growing each year. On liberalising the foreign direct investment norms for the sector to 49% as proposed from the existing 26%, many new joint ventures are likely to flood the Indian insurance market in the years to come. Financial services world over are converging and more & more services are now being offered under one roof. Banks are having reach to the huge potential customers. Bankassurance is emerging as one of the main distribution channels in insurance services in India apart from agents & brokers. Many Indian banks are entering in direct insurance business as well.

During year under consideration, life insurance business in India grew at over 20% recording first year premium (estimated) of Rs. 92,989 crore against Rs. 75,407 crore in 2006-07. In 2007-08, non life sector wrote premium (estimated) of Rs 28,131 against Rs. 24,905 crore in 2006-07, recording a growth of above 12%. Unit Linked Insurance Products in life insurance and motor & health insurance in non-life insurance were the major drivers of business in 2007-08 and are expected to drive the growth in the Indian market in near future as well. Non-life insurance market in India (except some part in motor insurance) is now operating in a non regulated environment with pricing and terms left to the insurers' discretion.

**INTERNATIONAL AND DOMESTIC BUSINESS COMPOSITION**



**GIC Re'S BUSINESS PERFORMANCE:**

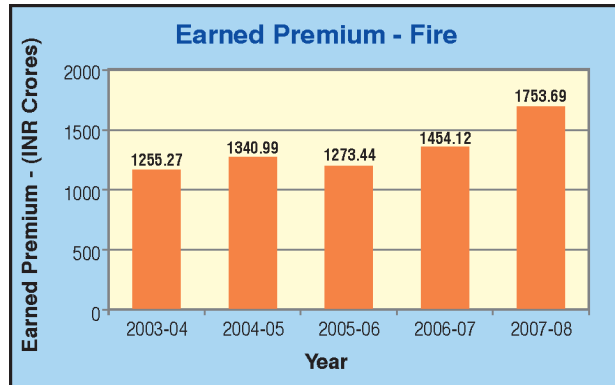
The gross premium increased by 26% and the Earned premium increased by 37%. However owing to change in accounting policy the domestic business figures include 5 quarters figures. To put the figures in perspective, four quarters figures are analysed and the gross premium of INR 8020 Cr shows a growth of 8.3% and Earned Premium of INR 6641 Cr shows growth of 26.2%. Underwriting result shows an overall loss of INR 927 Cr but on basis of four quarters figures, the result is a profit of INR 93 Cr. Income from investments is INR 2031 Cr whilst it was INR 1849 Cr for the previous year. Thus for the year 2007-08 an overall revenue profit of INR 360 Cr is recorded. The Profit Before Tax is INR 1067.30 Cr. The ratio of total business expenses to the earned premium i.e. combined ratio stood at 112.8% but based on four quarters figures it is 99%.

**CLASS WISE PERFORMANCE**

**Fire**

Fire Insurance Business recorded growth of 20%. The Earned Premium for the year was INR 1754 Crores as compared to INR 1454 Crores the previous year.

Incurred Claims stood at INR 1644 Crores. The major losses in India during the year affecting the books of GIC Re on net basis were on account of Alok Industries – INR 50 crores.



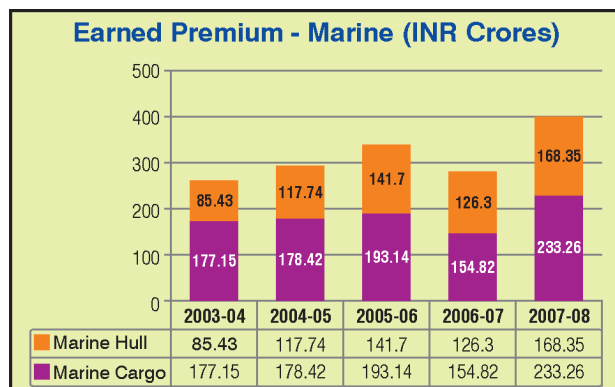
Losses amounting to INR 52 Crores were reported under Foreign Inward business on account of cyclone Gonu in Oman.

**Marine Cargo**

Cargo overall continues to show growth in premium on account of large domestic project shipments together with marine consequential loss covers. This growth is more prominent on the facultative portfolio which reflects a 33% rise in premium over the previous year. GIC Re has started writing crude oil and related shipments, however, the premium volume is small on account of aggressive rating.

The expected increase in cargo rates in the domestic market following the de-tariffing of property business has not yet taken place although some stability in the rates is now observed.

The year 2007-08 has seen two new entrants in the



domestic insurance sector namely Future Generali and Universal Sompo. GIC Re is the leader on the cargo reinsurance programmes of the two companies with significant shares.

The year 2007/08 witnessed a large loss to cotton storage in transit amounting to Rs. 5.57 Crs. for GIC Re share.

There is a substantial rise in Net Earned Premium from INR 154.8 Cr in 2006-07 to INR 233.2 Cr in 2007-08. The growth trend in cargo business is expected to continue on account of large oil imports and increasing number of projects coming up in the power sector.

**Marine Hull**

Due to economic boom, there is good demand for shipping tonnage. Consequently, many Shipping companies are expanding their fleet size leading to modest growth of Premium, though the premium volume is small on account of free market pricing.

Net Earned Premium has gone up from INR 126.3 Cr (2006-07) to INR 168.3 Cr (2007-08).

GIC Re continues to administer the erstwhile Government Hull War Risks Scheme for Indian Flag Vessels and the rates were revised downward w.e.f. 1<sup>st</sup> July 2007 to be competitive with international rates.

The year 2007-08 witnessed a couple of major Hull losses. In the foreign inward portfolio, 3 major losses (more than Rs.5 crores) were settled while 1 major loss of Rs.20.17 crores is estimated in the domestic portfolio and expected recovery from the Marine XL protection (1<sup>st</sup> layer) is Rs.5.17 crores.

Incurred Claim figure for the year 2007-08 is INR 288.9 Cr.

In keeping with current market values world-wide for Bulk Carriers and Tankers, many Ship-owners are revising their Vessels' value upwards, which are well above the ceding Insurers' automatic capacity. GIC Re plays an active role in giving the Reinsurance support for such high-valued Ocean-going Vessels.

**Oil and Energy**

GIC Re's portfolio of Off shore energy business continues to show healthy growth both in domestic and international business. GIC Re's overall offshore energy premium for underwriting year 2007/08 is about US\$ 21.50 mln. which reflects an increase of 45% over the 2006/07 year.

The obligatory cession from April 2008 is 10% (previous 15%). With a view to maintain GIC Re's premium on large energy packages it is proposed to negotiate with domestic insurers for retaining the 5% line.

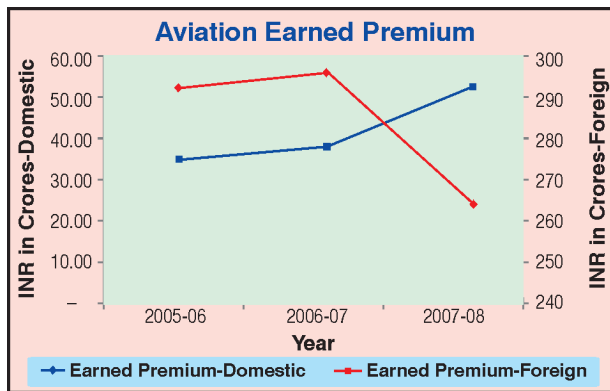
GIC Re's London branch has been given the similar underwriting capacity as the Head office to underwrite off-shore energy business from January 2008. It is expected that with this the energy premium for GIC Re will get further boost.

No major losses have been reported for the year 2007-08.

With rising crude oil prices resulting in increased activity in the exploration and drilling arena, both in Indian & overseas there is immense potential for GIC Re.

### Aviation

Earned premium for foreign aviation business at INR 262.87 crore (as against INR 296.15 crore in previous year) constituted 16.09% of the foreign portfolio of the Corporation. A number of years of hard insurance



market conditions and low global claims frequency attracted a number of global underwriters to diversify their portfolios leading to increased capacities and consequent soft insurance market conditions. The aviation portfolio of GIC Re remained relatively stable.

Earned premium for domestic aviation at INR 52.00 crore shows an increase of 37.78% year-on-year in line with the growth in the domestic aviation sector.

2007 saw a consistent level of airline hull losses throughout the year which contributed to pressure on margins for the airline insurance markets. While airline hull losses showed a significant increase, 627 fatalities were below long term 12-year average. Aviation industry is nevertheless getting safer by the day. GIC Re's net losses from large airline accidents in 2007 amounted to INR 134.91 crore. The largest loss for the year involved TAM aircraft loss for which GIC Re's gross share of hull loss is INR 10.27 crore and liability reserve is INR 85.20 crore (net loss to GIC Re being INR 24.00 crore). Domestic aviation witnessed a Pawan Hans helicopter loss (27.09.2007) with GIC Re's share at INR 3.15 crore and a Jet airways (ATR-72) loss (01.07.2007) with GIC Re's share of INR 6.50 crore.

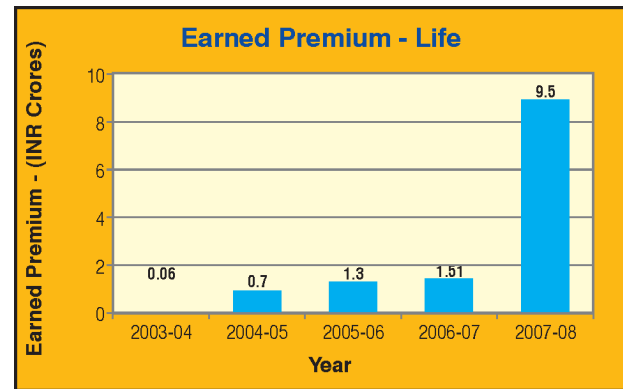
### Liability

Due to growing economy and better awareness, liability Insurance sector is witnessing an increased growth. Though Liability sector is not under tariff there is a general downward revision of the rates. On a limited scale Foreign Inward business is also being accepted.

Liability claims are generally of low frequency with high severity. Liability portfolio which has been profitable is witnessing increased claims under the financial lines. More claims under Errors and omissions pertaining to IT companies are being reported in the Market. There are two large claims in E&O of IT Companies where GIC Re has participated. GIC Re has settled the claim of Wipro amounting to Rs 7.70 crores

### Life Reinsurance

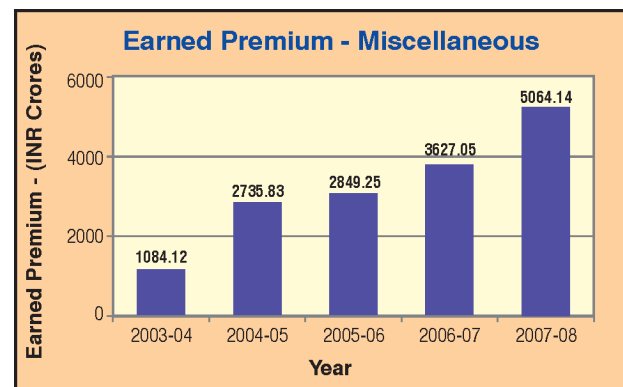
Life insurance market in the country has seen phenomenal growth of 23% in 2007-08. The Corporation's life reinsurance portfolio has grown substantially with the earned premium for the year



being Rs 9.50 crores as against earned premium figure of Rs 1.51 crore for 2006-07 showing a YOY growth of 529%. A revenue profit of Rs.4.53 crores has been achieved for 2007-08 as against INR 0.90 crore for 2006-07.

### Agriculture Reinsurance

GIC Re continued expansion of its agriculture reinsurance portfolio during the year by providing





reinsurance support for agriculture (crop/livestock) and weather insurance business of domestic as well as foreign insurers, under proportional treaties, stop loss contracts and facultative arrangements. The net

reinsurance premium grew from INR 1.66 crores in 2006-07 to INR 27.3 crores in 2007-08, a growth rate of 1545%. The incurred claim for the year was INR 24.3 crores, giving a claim ratio of 89%.

### SEGMENTWISE CLAIMS EXPERIENCE

	INDIAN			FOREIGN		
	Earned Premium	Incurred Claims	Incurred Claims Ratio	Earned Premium	Incurred Claims	Incurred Claims Ratio
Fire-2007-08	817.01	914.33	112%	936.69	729.78	78%
Fire-2006-07	771.55	617.44	80%	682.57	434.27	64%
Engineering-2007-08	382.51	253.27	66%	111.44	65.24	59%
Engineering-2006-07	250.70	182.09	73%	69.16	28.83	42%
Marine-2007-08	238.06	339.81	143%	163.56	198.91	122%
Marine-2006-07	158.55	258.13	163%	122.56	86.84	71%
Misc. Other-2007-08	1606.77	1379.41	86%	130.90	99.04	76%
Misc. Other-2006-07	1026.16	604.96	59%	118.08	92.58	78%
Life-2007-08	-1.06	1.04	-98%	10.56	0.73	7%
Life-2006-07	1.35	0.71	53%	0.16	0.00	0%
Aviation-2007-08	52.00	56.48	109%	262.87	193.69	74%
Aviation-2006-07	37.74	39.90	106%	296.15	232.07	78%
Motor-2007-08	2489.39	1758.65	71%	28.25	21.11	75%
Motor-2006-07	1717.26	1038.82	60%	11.81	6.07	51%
<b>2007-08</b>	<b>5584.68</b>	<b>4702.99</b>	<b>84%</b>	<b>1644.27</b>	<b>1308.50</b>	<b>80%</b>
<b>2006-07</b>	<b>3963.31</b>	<b>2742.05</b>	<b>69%</b>	<b>1300.49</b>	<b>880.66</b>	<b>68%</b>

### CREDIT RATING.

International rating agency AM Best has maintained the Corporation's rating at "A" - (Excellent). The rating reflects excellent risk adjusted capitalization and 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.

### INVESTMENT

The Indian economy continued to expand for the fifth consecutive year although there was some moderation in the growth momentum during the course of the year. This moderation occurred in all three sectors viz., agriculture and allied activities, industry and services.

The performance of corporate moderated during the year 2007-08 in relation to the previous year but still remained healthy. This was reflected in the stock market with BSE sensex rising from 13072.10 on 31.3.2007 to 15644 on 31.3.2008. The BSE Sensex was highest on January 10, 2008 at 21,027. Some of the Sectors that contributed to the appreciation was Banking, Infrastructure, Capital Goods, Power etc.

Monetary and liquidity aggregate continued to expand at a strong pace, during 2007-08, though with some moderation, reflecting large and persistent capital flows. The Reserve Bank of India continued to actively manage liquidity by using policy instruments viz., cash reserve ratio, issuances of securities under the Market Stabilization Scheme, operations under Liquidity Adjustment Facility and conduct open market operations.

Headline inflation based on wholesale price index (WPI) softened from 6.4% at the beginning of the fiscal to allow of 3.1% on October 13.2007, hovering around 3% in November 2007. Inflation began to edge up from early December 2007 and touched 7.4% by March 29, 2008.

According to RBI records, the net market borrowing programme was Rs.109504 crores accounting for 99.9% of the estimated borrowing of the year. During 2007-08, the actual issuance of special bonds to oil companies as compensation for under-recoveries and for settlement of contingent liabilities amounted to Rs.20333 crore and Rs.221 crore respectively. Special bonds were also issued to Fertiliser companies as compensation for fertilizer subsidy amounting Rs.7500 crores.

In terms of IRDA guidelines, Corporation invests not less than 45% of the total assets in Directed Sector comprising of investment in Securities issued by both Central and State Governments, Treasury Bills, Government Guaranteed Bonds, Housing Sector and Infrastructure/Social Sector category. Balance 55% is invested in Market Sector and these investments are subject to prudential and exposure norms.

The investment portfolio of the Corporation stood at Rs.15895.26 crores as against Rs.14349.68 crores showing an increase of Rs.1545.58 crores representing a growth of 10.77% over the previous year. Income from investments stood at Rs.2031.45 crores with a mean yield on funds at 13.43%. The net non-performing assets percentage was at 2.08%.

### ITMG

The SAP modules implemented in GIC Re viz. Reinsurance, Finance, Investment and HR have stabilized. The reports are being generated through the Business Intelligence Warehouse Software of SAP. Design of the MIS requirements are being finalized and will be developed in the present financial year.

Our Branches in London and Dubai are able to work on SAP systems by connecting to the SAP Server in Mumbai HO. This connectivity is established through Citrix Software as well as through VPN, and is very secure as the data undergoes an encryption process. The data captured in the London and Dubai Offices is immediately available for report generation at HO.

The Document Management System is installed and functional. Digitisation of historical records pertaining to various sections of GIC Re is in progress. The documents scanned are uploaded in the DMS server and are being accessed by the various user departments.

Disaster Recovery Solution is finalized for GIC Re in two phases. In the first phase, hardware has been procured thru open tender and is in the process of being installed. In the second phase, the solution for disaster recovery will be established by a vendor identified thru open tender process. The tendering

work of the second phase is in the final stages. In this financial year, GIC Re would be equipped with a Disaster Recovery for its SAP Applications.

Network Upgradation in GIC Re was initiated, keeping in tune with the latest technology in the field of networking. Technical specifications were finalized after a detailed study and the vendor identified to undertake the activity. It is planned to complete this activity in the current financial year.

Plans are afoot to introduce Electronic Data Interchange system for speedy capture of data from Brokers/Companies.

### GIC Re'S REINSURANCE PROGRAM

The Corporation has arranged Risk and Catastrophe Excess of Loss Protections for its Net Retained Portfolios in respect of various classes of business. Separate CAT protection has been arranged for some territories in respect of Foreign Business. ART arrangement has been continued covering top end in excess of the underlying excess of loss programme as well as GIC Re's retained share for both domestic and foreign business.

### FUTURE OUTLOOK

Obligatory Cessions further reduced. All tariffs are removed. More JV companies are entering the market creating a further soft market condition. The challenge in this condition lies in achieving growth through increased penetration and innovative product development and marketing. The corporation is alive to this need and proactively developing the wherewithal to support the market players. "Takaful", the Islamic way of insurance is gaining popularity in some of the Asian and Middle East countries. GIC Re is examining the possibility of providing the reinsurance support to this class known as "Retakaful".

An international management consultant firm "Deloitte" has been appointed to evolve and redraw a suitable strategy and long term plan for the corporation. They have already submitted their Phase-I report and it is in the process being implemented with their assistance.

The Corporation has already achieved the status of a leading reinsurer in the Afro-Asian markets and efforts are on to consolidate this position. The representative office in London was upgraded into a full-fledged branch and inaugurated by the hon'ble Finance Minister in January-08. The Branch will underwrite business from UK, Europe and Caribbean and worldwide Aviation business.



## 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 Re 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 2007-08.
8. Certifies that the Corporation does not operate directly in any other country. It has its representative offices at Moscow and Branch Office at Dubai and London. 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.
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 31.3.2008 stood at Rs 680.05 crores as compared to Rs. 749.10 crores in the previous year. Out of the total loan assets of Rs. 680.05 crores, Rs 669.09 crores are either secured or guaranteed by the Government bodies representing 98.4% and the balance Rs. 10.96 crores are unsecured. Interest income from loans amounted to Rs. 63.12 Crores. Standard performing assets account for Rs.517.23 crores and the net non performing assets is Rs 88.35 crores after making provision of Rs. 74.47 Crores.

### INVESTMENTS

The book value of the investment (including deposits) as on 31.3.2008 has increased to 15218.61 crores from Rs. 13604.31 crores. The realizable value of investment is Rs. 28513.78 crores as on 31.3.2008 showing an appreciation of 87.4 % over book cost. Income from investment including Profit on Sale amounted to Rs. 1891.88 crores as against Rs.1723.88 crores in the previous year . Of the total investment of Rs 15218.61 crores, Rs 4843.06 crores are invested in Government Securities and State

Guaranteed Bonds. Book value of Equity shares is at Rs.5873.34 crores and market value stood at Rs.20160.77 crores showing an appreciation of Rs. 14287.43 crores (243.3 %).

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

23<sup>rd</sup> May 2008

**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 31 MARCH 2008.**

The preparation of financial statements of General Insurance Corporation of India for the year ended 31 March 2008 in accordance with the financial reporting framework prescribed under the Insurance Act, 1938 read with the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 and 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 him vide their Audit Report dated 23 May 2008.

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 31 March 2008. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors 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 Auditors' report under section 619 (4) of the Companies Act, 1956.

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

**(A.W.K. LANGSTIEH)**

Principal Director of Commercial Audit and  
Ex-Officio Member, Audit Board-I, Mumbai.

Place: Mumbai  
Date: 14.7.2008



**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, 2008**, 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 Two Foreign Branches audited by local auditors appointed by the company and One foreign representative office certified by the local Auditor 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. for booking of liabilities for outstanding claims and Premium, 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.2.1(e) regarding short provision on doubtful debts considered secured instead of un secured.*

(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.*

**3. We further report that, subject to our observations in para 2(ii) to 2(iv) 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 two foreign branches and one foreign representative office 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, 2008;
- (ii) of Surplus in so far it relates to the revenue accounts of Miscellaneous and life businesses for the financial year ended on 31<sup>st</sup> March, 2008
- (iii) of Deficit so far it relates to revenue account of Fire and Marine businesses for the financial year ended on 31st March, 2008;
- (iv) of profit in so far it relates to the profit and loss account for the financial year ended on 31st March, 2008;
- (v) of the cash flows in so far it relates to the cash Flow statement for the financial year ended on 31st March, 2008;
- 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 a trustee. However, the Corporation is acting as a Manager of Terrorism pool and the investments, assets and liabilities pertaining to it are disclosed separately in accounts.
- (c) No part of the assets of the policyholders' funds have been directly or indirectly applied in contravention of the provisions of the Insurance Act, 1938 (4 of 1938) relating to

the application and investments of the policyholders' funds.

**For S.R.Goyal & Co.**  
Chartered Accountants

**(A.K.ATOLIA)**  
*Partner*  
Membership No. :77201

Place : Camp: Mumbai  
Dated : 23<sup>rd</sup> May, 2008

**ADDENDUM TO DIRECTORS REPORT DATED AS PER SECTION 217(3) OF THE COMPANIES ACT 1956- RESPONSE TO THE QUALIFICATIONS IN THE AUDITORS REPORT DATED 23<sup>RD</sup> MAY 2008**

The Managements explanations for the reservation, qualification or adverse remark contained in the above report, are as follows:

**1. Para 2 (i)**

**Accounting Policy No 2.- ( Estimation of liability)**

It is international practice to estimate the liability for outstanding claims in respect of Reinsurance business wherever the advices are not received based on available information, current trends, past underwriting experience of the management and actuarial estimation bases. The same has been followed by the Corporation.

The use of estimates is an essential part of the preparation of financial Statements. Based on determination of a range of possible outcomes an appropriate provision is recognized in the financial statements in respect of liabilities for outstanding claims and Premium.

**2. Para 2 (ii)**

**Loans to Government for Housing and Fire Fighting equipment** has been treated as secured loans since these Loans are extended directly to State Governments and hence secured upon the Consolidated Fund of the State. Moreover, these loans are disbursed only on obtaining approval under article 293(3) of the Constitution of India. As such, the Corporation has treated such loans as secured and has made adequate provision in respect of such loan which have been treated as doubtful debts.

**3. Para 2 (iii)**

As regards para 2 (iii) of the Auditors Report, out of Rs 30.58 Crore an amount of Rs. 29.91 crores is in respect of the said Building 'Suraksha' situated at Churchgate , Mumbai for which the registration is completed and the property stands in the name of the Corporation. However, since there is a dispute on the amount of transfer fees paid on the property by the Corporation, the Collector of Maharashtra who has referred the matter to the Revenue Department, Government of Maharashtra, and pending resolution , the transfer of name in the property card is pending.

As regards the other property of Rs. 0.67 Crore, which comprises of two flats in a co-operative Housing Society, the Corporation possesses in its own name the title deeds relating to purchase of the said properties. The share certificates in respect of the said properties are under the process of issue, which is regularly being followed up by the Corporation.

**4. Para 2 (iv)**

As regards para 2 (iv) of the Auditors Report, in the course of business, Corporation is regularly dealing with Re-Insurers, and deposits/Advances held/given. These accounts are periodically reviewed and in the opinion of the management these are recoverable/payable as the case may be as per the agreed terms with the parties. The Corporation would take up the reconciliation of these accounts on a periodic basis.

**For and on behalf of the Board**

**Yogesh Lohiya**  
*Chairman-cum-Managing Director*

23<sup>rd</sup> May 2008  
Mumbai.

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

## REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008 IN RESPECT OF FIRE INSURANCE BUSINESS

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Premiums earned (Net)	1	17536 943	14541 198
2. Profit on sale of Investments (Net)		1230 645	1073 654
3. Profit/-Loss on Exchange Fluctuation		216 867	164 574
4. Interest, Dividend & Rent - Gross		1472 371	1352 828
<b>Total (A)</b>		<b>20456 826</b>	<b>17132 254</b>
1. Claims Incurred (Net)	2	16441 141	10517 105
2. Commission (Net)	3	6172 336	5868 101
3. Operating Expenses related to Insurance Business	4	141 218	138 044
4. Expenses relating to Investments		5 190	4 299
<b>Total (B)</b>		<b>22759 885</b>	<b>16527 549</b>
<b>Operating Profit /- Loss from Fire Business C = (A-B)</b>		<b>-2303 059</b>	<b>604 705</b>
<b>APPROPRIATIONS</b>			
Transfer to Shareholders' Account		<b>-2303 059</b>	<b>604 705</b>
<b>Total (C)</b>		<b>-2303 059</b>	<b>604 705</b>

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

As per our report of even date

**For S.R.GOYAL & CO.**  
Chartered Accountants

Yogesh Lohiya  
Tarun Bajaj  
T S Vijayan  
M Ramadoss  
Kamlesh S Vikamsey  
Bhagyam Ramani  
Suchita Gupta

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

**A. K. Atolia**  
Partner  
Membership No.: 77201

Mumbai  
Dated : 23rd May, 2008

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

**REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008 IN RESPECT OF MISCELLANEOUS INSURANCE BUSINESS**

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Premiums earned (Net)	1	50641 445	35270 547
2. Profit on sale of Investments (Net)		4125 052	3976 501
3. Profit/-Loss on Exchange Fluctuation		-153 863	-119 856
4. Interest, Dividend & Rent - Gross		4935 304	5010 479
<b>Total (A)</b>		<b>59547 938</b>	<b>44137 671</b>
1. Claims Incurred (Net)	2	38268 917	22253 159
2. Commission (Net)	3	13118 038	9831 660
3. Operating Expenses related to Insurance Business	4	367 342	296 432
4. Expenses relating to Investments		17 396	15 923
<b>Total (B)</b>		<b>51771 693</b>	<b>32397 174</b>
<b>Operating Profit/-Loss from Miscellaneous Business C = (A-B)</b>		<b>7776 245</b>	<b>11740 497</b>
<b>APPROPRIATIONS</b>			
Transfer to Shareholders' Account		7776 245	11740 497
<b>Total (C)</b>		<b>7776 245</b>	<b>11740 497</b>

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

As per our report of even date

**For S.R.GOYAL & CO.**  
Chartered Accountants

Yogesh Lohiya  
Tarun Bajaj  
T S Vijayan  
M Ramadoss  
Kamlesh S Vikamsey  
Bhagyam Ramani  
Suchita Gupta

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

**A. K. Atolia**  
Partner  
Membership No.: 77201

Mumbai  
Dated : 23rd May, 2008

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

**REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008 IN RESPECT OF MARINE INSURANCE BUSINESS**

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Premiums earned (Net)	1	4016 150	2811 167
2. Profit on sale of Investments (Net)		515 514	401 611
3. Profit/-Loss on Exchange Fluctuation		-68 627	-54 559
4. Interest, Dividend & Rent - Gross		616 772	506 039
<b>Total (A)</b>		<b>5079 809</b>	<b>3664 258</b>
1. Claims Incurred (Net)	2	5387 160	3449 729
2. Commission (Net)	3	1574 816	1001 389
3. Operating Expenses related to Insurance Business	4	35 338	24 733
4. Expenses relating to Investments		2 174	1 608
<b>Total (B)</b>		<b>6999 488</b>	<b>4477 459</b>
<b>Operating Profit/-Loss from Marine Business C = (A-B)</b>		<b>-1919 679</b>	<b>-813 201</b>
<b>APPROPRIATIONS</b>			
Transfer to Shareholders' Account		-1919 679	-813 201
<b>Total (C)</b>		<b>-1919 679</b>	<b>-813 201</b>

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

As per our report of even date

**For S.R.GOYAL & CO.**  
Chartered Accountants

Yogesh Lohiya  
Tarun Bajaj  
T S Vijayan  
M Ramadoss  
Kamlesh S Vikamsey  
Bhagyam Ramani  
Suchita Gupta

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

**A. K. Atolia**  
Partner  
Membership No.: 77201

Mumbai  
Dated : 23rd May, 2008



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

**REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008 IN RESPECT OF LIFE INSURANCE BUSINESS**

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Premiums earned (Net)	1	95 015	15 064
2. Profit on sale of Investments (Net)		874	548
3. Profit/-Loss on Exchange Fluctuation		-1 544	- 3
4. Interest, Dividend & Rent - Gross		1 046	691
<b>Total (A)</b>		<b>95 391</b>	<b>16 300</b>
1. Claims Incurred (Net)	2	17 732	7 117
2. Commission (Net)	3	31 270	40
3. Operating Expenses related to Insurance Business	4	1 036	105
4. Expenses relating to Investments		4	2
<b>Total (B)</b>		<b>50 042</b>	<b>7 264</b>
<b>Operating Profit/-Loss from Life Business C = (A-B)</b>		<b>45 349</b>	<b>9 036</b>
<b>APPROPRIATIONS</b>			
Transfer to Shareholders' Account		45 349	9 036
<b>Total (C)</b>		<b>45 349</b>	<b>9 036</b>

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

As per our report of even date

**For S.R.GOYAL & CO.**  
Chartered Accountants

Yogesh Lohiya  
Tarun Bajaj  
T S Vijayan  
M Ramadoss  
Kamlesh S Vikamsey  
Bhagyam Ramani  
Suchita Gupta

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

**A. K. Atolia**  
Partner  
Membership No.: 77201

Mumbai  
Dated : 23rd May, 2008

Registration No. 112

Date of Registration with IRDA : 2nd April, 2001

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008**

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Operating Profit/-Loss			
(a) Fire Insurance		-2303 058	604 705
(b) Marine Insurance		-1919 679	-813 201
(c) Miscellaneous Insurance		7776 245	11740 497
(d) Life Insurance		45 349	9 036
2. Income from Investments			
(a) Interest, Dividend & Rent - Gross		4061 412	3452 851
(b) Profit on sale of Investments (Net)		3394 631	2740 310
3. Other Income:			
Profit on Exchange		0	433 447
Profit on sale of Assets (Net)		231	283
Interest on Income-tax Refund		196 234	109 280
Miscellaneous Receipts		514 843	26 422
<b>Total (A)</b>		<b>11766 208</b>	<b>18303 630</b>
4. Provision for Doubtful Loans, Investment & Debts		-94 490	-133 900
5. Amortisation of premium on Investments		338 864	349 585
6. Diminution in the value of investments written off		65 731	179 333
7. Other Expenses :			
Expenses relating to Investments		14 315	10 973
Loss on Exchange		735 616	0
Sundry Balances Written off (Net)		2 422	3 054
Loss on Distribution of LPA Assets		30 793	0
<b>Total (B)</b>		<b>1093 251</b>	<b>409 045</b>
Profit Before Tax		10672 957	17894 585
Provision for Taxation :			
Current Tax		1474 353	1850 000
Wealth Tax		50	50
Deferred Tax		-740 742	1080 987
Fringe Benefit Tax		11 470	17 303
Provision for Tax in respect of earlier years		0	-367 204
<b>Profit after Tax</b>		<b>9927 826</b>	<b>15313 449</b>
Balance brought forward from last year		462	179
Profit available for appropriation		9928 288	15313 628
<b>Appropriations</b>			
(a) Proposed dividend		1978 000	3096 000
(b) Dividend distribution tax		336 161	526 165
(c) Transfer to General Reserve		7614 000	11691 000
(d) Balance carried forward to Balance Sheet		127	463
		<b>9928 288</b>	<b>15313 628</b>

EPS Rs.231/- (PY Rs.356/-)

As per our report of even date

**For S.R.GOYAL & CO.**  
Chartered Accountants

**A. K. Atolia**  
Partner  
Membership No.: 77201

Mumbai,  
Dated : 23rd May, 2008

Yogesh Lohiya  
Tarun Bajaj  
T S Vijayan  
M Ramadoss  
Kamlesh S Vikamsey  
Bhagyam Ramani  
Suchita Gupta

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

Registration No. 112  
Date of Registration with IRDA : 2nd April, 2001  
**BALANCE SHEET AS AT 31ST MARCH, 2008**

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>SOURCES OF FUNDS</b>			
Share Capital	5	4300 000	4300 000
Reserves and Surplus	6	62537 681	54982 562
Deferred Tax Liability		0	0
Fair Value Change Account		142874 276	98284 280
<b>Total</b>		<b>209711 957</b>	<b>157566 842</b>
<b>APPLICATION OF FUNDS</b>			
Investments	8	285137 803	229051 098
Loans	9	6801 682	7491 036
Fixed Asssets	10	410 244	436 939
Deferred Tax Asset		1394 372	617 875
Current Assets:			
Cash and Bank Balances	11	25275 891	18037 470
Advances and Other Assets	12	41108 336	29605 388
<b>Sub-Total (A)</b>		<b>66384 227</b>	<b>47642 858</b>
Current Liabilities	13	100470 564	87291 889
Provisions	14	49945 807	40381 075
<b>Sub-Total (B)</b>		<b>150416 371</b>	<b>127672 964</b>
<b>Net Current Assets (C)=(A-B)</b>		<b>-84032 144</b>	<b>-80030 106</b>
<b>Total</b>		<b>209711 957</b>	<b>157566 842</b>
<b>CONTINGENT LIABILITIES</b>			
Claims against the Corporation not acknowledged pending arbitration		22 43 666	33 46 881

Significant Accounting Policies & Notes to Accounts form integral part of the Balance Sheet  
As per our report of even date

**For S.R.GOYAL & CO.**  
Chartered Accountants

**A. K. Atolia**  
Partner  
Membership No.: 77201

Mumbai,  
Dated : 23rd May, 2008

Yogesh Lohiya  
Tarun Bajaj  
T S Vijayan  
M Ramadoss  
Kamlesh S Vikamsey  
Bhagyam Ramani  
Suchita Gupta

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

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2008**

**SCHEDULE 1  
PREMIUM EARNED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>A FIRE INSURANCE</b>		
Premium from Direct Business written	0	0
Add: Premium on Reinsurance accepted	23630 175	21860 364
Less: Premium on Reinsurance ceded	5423 487	5001 787
Net Premium	18206 688	16858 577
Adjustment for change in reserve for unexpired risks	-669 745	-2317 379
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>17536 943</b>	<b>14541 198</b>
<b>B MISCELLANEOUS INSURANCE</b>		
<b>(1) MOTOR</b>		
Premium from Direct Business written	0	0
Add: Premium on Reinsurance accepted	28571 453	21865 115
Less: Premium on Reinsurance ceded	26 628	57 227
Net Premium	28544 825	21807 888
Adjustment for change in reserve for unexpired risks	-3368 394	-4517 242
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>25176 431</b>	<b>17290 646</b>
<b>(2) AVIATION</b>		
Premium from Direct Business written	0	2 951
Add: Premium on Reinsurance accepted	4432 617	4579 048
Less: Premium on Reinsurance ceded	1216 927	1434 671
Net Premium	3215 690	3147 328
Adjustment for change in reserve for unexpired risks	-66 906	191 565
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>3148 784</b>	<b>3338 893</b>
<b>(3) ENGINEERING</b>		
Premium from Direct Business written	0	0
Add: Premium on Reinsurance accepted	6961 018	5438 340
Less: Premium on Reinsurance ceded	1261 294	1246 544
Net Premium	5699 724	4191 796
Adjustment for change in reserve for unexpired risks	-760 172	-993 186
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>4939 552</b>	<b>3198 610</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2008**

**SCHEDULE 1  
PREMIUM EARNED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>(4) OTHER MISCELLANEOUS</b>		
Premium from Direct Business written	0	0
Add: Premium on Reinsurance accepted	21502 585	15057 130
Less: Premium on Reinsurance ceded	919 671	886 699
Net Premium	20582 914	14170 431
Adjustment for change in reserve for unexpired risks	-3206 237	-2728 032
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>17376 677</b>	<b>11442 399</b>
<b>(5) TOTAL MISCELLANEOUS</b>		
Premium from Direct Business written	0	2 951
Add: Premium on Reinsurance accepted	61467 674	46939 633
Less: Premium on Reinsurance ceded	3424 519	3625 142
Net Premium	58043 155	43317 442
Adjustment for change in reserve for unexpired risks	-7401 710	-8046 895
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>50641 445</b>	<b>35270 547</b>
<b>C MARINE INSURANCE</b>		
<b>(1) MARINE CARGO</b>		
Premium from Direct Business Written	0	0
Add: Premium on Reinsurance accepted	3383 111	2680 581
Less: Premium on Reinsurance ceded	215 475	347 989
Net Premium	3167 636	2332 592
Adjustment for change in reserve for unexpired risks	-835 022	-784 426
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>2332 614</b>	<b>1548 166</b>
<b>(2) MARINE HULL</b>		
Premium from Direct Business Written	0	0
Add: Premium on Reinsurance accepted	4501 171	2541 558
Less: Premium on Reinsurance ceded	980 595	858 130
Net Premium	3520 576	1683 428
Adjustment for change in reserve for unexpired risks	-1837 038	-420 427
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>1683 538</b>	<b>1263 001</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2008**

**SCHEDULE 1  
PREMIUM EARNED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>(3) TOTAL MARINE</b>		
Premium from Direct Business Written	0	0
Add: Premium on Reinsurance accepted	7884 282	5222 139
Less: Premium on Reinsurance ceded	1196 070	1206 119
Net Premium	6688 212	4016 020
Adjustment for change in reserve for unexpired risks	-2672 060	-1204 853
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>4016 152</b>	<b>2811 167</b>
<b>D) LIFE INSURANCE</b>		
Premium from Direct Business written	0	0
Add: Premium on Reinsurance accepted	173 377	16 654
Less: Premium on Reinsurance ceded	0	0
Net Premium	173 377	16 654
Adjustment for change in reserve for unexpired risks	-78 361	-1 590
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>95 016</b>	<b>15 064</b>
<b>E) TOTAL ALL CLASSES</b>		
Premium from Direct Business Written	0	2 951
Add: Premium on Reinsurance accepted	93155 507	74038 790
Less: Premium on Reinsurance ceded	10044 077	9833 049
Net Premium	83111 430	64208 692
Adjustment for change in reserve for unexpired risks	-10821 877	-11570 716
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>72289 553</b>	<b>52637 976</b>



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2008**

**SCHEDULE 2  
CLAIMS INCURRED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>A) FIRE INSURANCE</b>		
<b>Claims Paid</b>		
Direct	0	0
Add : Reinsurance accepted	13487 005	12848 481
Less: Reinsurance ceded	2124 363	2861 595
Net Claims Paid	11362 642	9986 886
Add : Claims Outstanding at the end of the year	17974 360	12898 431
Less: Claims Outstanding at the beginning of the year	12895 861	12368 212
<b>TOTAL CLAIMS INCURRED</b>	<b>16441 141</b>	<b>10517 105</b>
<b>B) MISCELLANEOUS INSURANCE</b>		
<b>(1) MOTOR</b>		
<b>Claims Paid</b>		
Direct	0	0
Add : Reinsurance accepted	21116 957	14957 671
Less: Reinsurance ceded	10 714	11 481
Net Claims Paid	21106 243	14946 190
Add : Claims Outstanding at the end of the year	33079 604	36388 262
Less: Claims Outstanding at the beginning of the year	36388 260	40885 579
<b>TOTAL CLAIMS INCURRED</b>	<b>17797 587</b>	<b>10448 873</b>
<b>(2) AVIATION</b>		
<b>Claims Paid</b>		
Direct	7 803	1 114
Add : Reinsurance accepted	3111 697	3113 050
Less: Reinsurance ceded	-122 803	1368 074
Net Claims Paid	3242 303	1746 090
Add : Claims Outstanding at the end of the year	3135 388	3875 946
Less: Claims Outstanding at the beginning of the year	3875 946	2902 355
<b>TOTAL CLAIMS INCURRED</b>	<b>2501 745</b>	<b>2719 681</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2008**

**SCHEDULE 2  
CLAIMS INCURRED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>(3) ENGINEERING</b>		
<b>Claims Paid</b>		
Direct	0	0
Add : Reinsurance accepted	2474 354	1820 246
Less: Reinsurance ceded	460 522	271 432
Net Claims Paid	2013 832	1548 814
Add : Claims Outstanding at the end of the year	5083 188	3912 074
Less: Claims Outstanding at the beginning of the year	3911 978	3351 692
<b>TOTAL CLAIMS INCURRED</b>	<b>3185 042</b>	<b>2109 196</b>
<b>(4) OTHER MISCELLANEOUS</b>		
<b>Claims Paid</b>		
Direct	0	0
Add : Reinsurance accepted	15294 878	9344 926
Less: Reinsurance ceded	388 713	264 053
Net Claims Paid	14906 165	9080 873
Add : Claims Outstanding at the end of the year	6056 527	6178 220
Less: Claims Outstanding at the beginning of the year	6178 149	8283 682
<b>TOTAL CLAIMS INCURRED</b>	<b>14784 543</b>	<b>6975 411</b>
<b>(5) TOTAL MISCELLANEOUS</b>		
<b>Claims Paid</b>		
Direct	7 803	1 114
Add : Reinsurance accepted	41997 886	29235 892
Less: Reinsurance ceded	737 145	1915 040
Net Claims Paid	41268 544	27321 966
Add : Claims Outstanding at the end of the year	47354 706	50354 502
Less: Claims Outstanding at the beginning of the year	50354 334	55423 309
<b>TOTAL CLAIMS INCURRED</b>	<b>38268 916</b>	<b>22253 159</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2008**

**SCHEDULE 2  
CLAIMS INCURRED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>C) MARINE INSURANCE</b>		
<b>(1) MARINE CARGO</b>		
<b>Claims Paid</b>		
Direct	0	0
Add : Reinsurance accepted	2581 600	1791 514
Less: Reinsurance ceded	126 367	318 906
Net Claims Paid	2455 233	1472 608
Add : Claims Outstanding at the end of the year	2476 574	2434 115
Less: Claims Outstanding at the beginning of the year	2434 115	2239 069
<b>TOTAL CLAIMS INCURRED</b>	<b>2497 692</b>	<b>1667 654</b>
<b>(2) MARINE HULL</b>		
<b>Claims Paid</b>		
Direct	0	0
Add : Reinsurance accepted	1871 829	1609 192
Less: Reinsurance ceded	210 127	455 036
Net Claims Paid	1661 702	1154 156
Add : Claims Outstanding at the end of the year	3780 278	2552 510
Less: Claims Outstanding at the beginning of the year	2552 510	1924 592
<b>TOTAL CLAIMS INCURRED</b>	<b>2889 470</b>	<b>1782 074</b>
<b>(3) TOTAL MARINE</b>		
<b>Claims Paid</b>		
Direct	0	0
Add : Reinsurance accepted	4453 429	3400 707
Less: Reinsurance ceded	336 495	773 942
Net Claims Paid	4116 934	2626 765
Add : Claims Outstanding at the end of the year	6256 852	4986 625
Less: Claims Outstanding at the beginning of the year	4986 625	4163 661
<b>TOTAL CLAIMS INCURRED</b>	<b>5387 161</b>	<b>3449 729</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2008**

**SCHEDULE 2  
CLAIMS INCURRED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>D) LIFE INSURANCE</b>		
<b>Claims Paid</b>		
Direct	0	0
Add : Reinsurance accepted	3 240	2 956
Less: Reinsurance ceded	0	0
Net Claims Paid	3 240	2 956
Add : Claims Outstanding at the end of the year	21 435	6 943
Less: Claims Outstanding at the beginning of the year	6 943	2 782
<b>TOTAL CLAIMS INCURRED</b>	<b>17 732</b>	<b>7 117</b>
<b>E) TOTAL ALL CLASSES</b>		
<b>Claims Paid</b>		
Direct	7 803	1 114
Add : Reinsurance accepted	59941 560	45488 035
Less: Reinsurance ceded	3198 003	5550 577
Net Claims Paid	56751 360	39938 572
Add : Claims Outstanding at the end of the year	71607 353	68246 502
Less: Claims Outstanding at the beginning of the year	68243 763	71957 964
<b>TOTAL CLAIMS INCURRED</b>	<b>60114 950</b>	<b>36227 110</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2008**

**SCHEDULE 3  
COMMISSION**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>A) FIRE INSURANCE</b>		
Commission Paid		
Direct	0	0
Add : Reinsurance Accepted	6440 709	6311 341
Less: Commission on Reinsurance Ceded	268 373	443 240
<b>NET COMMISSION</b>	<b>6172 336</b>	<b>5868 101</b>
<b>B) MISCELLANEOUS INSURANCE</b>		
<b>(1) MOTOR</b>		
Commission Paid		
Direct	0	0
Add : Reinsurance Accepted	5627 599	4410 554
Less: Commission on Reinsurance Ceded	8 288	8 353
<b>NET COMMISSION</b>	<b>5619 311</b>	<b>4402 201</b>
<b>(2) AVIATION</b>		
Commission Paid		
Direct	10	- 1
Add : Reinsurance Accepted	666 953	664 359
Less: Commission on Reinsurance Ceded	18 505	27 994
<b>NET COMMISSION</b>	<b>648 458</b>	<b>636 364</b>
<b>(3) ENGINEERING</b>		
Commission Paid		
Direct	0	0
Add : Reinsurance Accepted	2051 921	1523 996
Less: Commission on Reinsurance Ceded	163 968	179 705
<b>NET COMMISSION</b>	<b>1887 953</b>	<b>1344 291</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2008**

**SCHEDULE 3  
COMMISSION**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>(4) OTHER MISCELLANEOUS</b>		
Commission Paid		
Direct	0	0
Add : Reinsurance Accepted	5057 285	3538 380
Less: Commission on Reinsurance Ceded	94 969	89 576
<b>NET COMMISSION</b>	<b>4962 316</b>	<b>3448 804</b>
<b>(5) TOTAL MISCELLANEOUS</b>		
Commission Paid		
Direct	10	- 1
Add : Reinsurance Accepted	13403 758	10137 289
Less: Commission on Reinsurance Ceded	285 730	305 628
<b>NET COMMISSION</b>	<b>13118 038</b>	<b>9831 660</b>
<b>C) MARINE INSURANCE</b>		
<b>(1) MARINE CARGO</b>		
Commission Paid		
Direct	0	0
Add : Reinsurance Accepted	869 813	668 604
Less: Commission on Reinsurance Ceded	17 237	40 250
<b>NET COMMISSION</b>	<b>852 576</b>	<b>628 354</b>
<b>(2) MARINE HULL</b>		
Commission Paid		
Direct	0	0
Add : Reinsurance Accepted	772 931	458 769
Less: Commission on Reinsurance Ceded	50 690	85 734
<b>NET COMMISSION</b>	<b>722 241</b>	<b>373 035</b>



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2008**

**SCHEDULE 3  
COMMISSION**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>(3) TOTAL MARINE</b>		
Commission Paid		
Direct	0	0
Add : Reinsurance Accepted	1642 743	1127 373
Less: Commission on Reinsurance Ceded	67 927	125 984
<b>NET COMMISSION</b>	<b>1574 816</b>	<b>1001 389</b>
<b>D) LIFE INSURANCE</b>		
Commission Paid		
Direct	0	0
Add : Reinsurance Accepted	31 270	40
Less: Commission on Reinsurance Ceded	0	0
<b>NET COMMISSION</b>	<b>31 270</b>	<b>40</b>
<b>E) TOTAL ALL CLASSES</b>		
Commission Paid		
Direct	10	- 1
Add : Reinsurance Accepted	21518 480	17576 042
Less: Commission on Reinsurance Ceded	622 030	874 852
<b>NET COMMISSION</b>	<b>20896 460</b>	<b>16701 189</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2008**

**SCHEDULE 4  
OPERATING EXPENSES RELATED TO INSURANCE BUSINESS**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1 Employees' remuneration & welfare benefits	213 554	187 041
2 Travel, conveyance and vehicle running expenses	19 197	17 622
3 Training expenses	13 852	4 103
4 Rents, rates and taxes	27 789	20 290
5 Repairs	106 009	57 974
6 Printing & stationery	2 655	2 932
7 Communication	8 580	7 527
8 Legal & professional charges	20 370	22 048
9 Auditors' fees, expenses etc.		
(a) as auditor	1 977	1 186
(b) as advisor or in any other capacity, in respect of		
(i) Taxation matters	125	225
(ii) Others	707	286
10 Advertisement and publicity	42 692	48 974
11 Interest & Bank Charges	6 591	5 492
12 Others	30 663	34 192
13 Depreciation	50 174	49 422
<b>TOTAL</b>	<b>544 935</b>	<b>459 314</b>



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2008**

**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
<b>TOTAL</b>	<b>4300 000</b>	<b>4300 000</b>

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

Shareholders	Number of Shares	Current Year % of Holding	Number of Shares	Previous year % 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, 2008**

**SCHEDULE 6  
RESERVES AND SURPLUS**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1 General Reserve		
Opening Balance	54982 099	43291 099
Add : Transfer from Profit & Loss A/c	7614 000	11691 000
Less: Utilised for issue of Bonus Equity Shares	0	0
	<b>62596 099</b>	54982 099
2 Reserve for Pension,Gratuity & Leave encashment	-64 712	
3 Foreign Currency Translation Reserve	6 166	
4 Balance of Profit in Profit & Loss Account	127	462
<b>TOTAL</b>	<b>62537 680</b>	54982 561

**SCHEDULE 7  
BORROWINGS**

	NIL	NIL
	NIL	NIL

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2008**

**SCHEDULE 8  
INVESTMENTS - SHAREHOLDERS' FUND**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>Long Term Investments</b>		
1 Government securities and Government guaranteed bonds including Treasury Bills	13610 917	11946 108
2 Other Approved Securities	2819 677	2405 502
3 Other Investments		
(a) Shares		
(aa) Equity - Indian	61161 607	42609 431
Equity - Foreign	7 816	7 816
(bb) Preference	16 917	27
(b) Mutual Funds	366 679	296 880
(c) Debentures/ Bonds	3743 272	3146 710
(d) Guaranteed Equity	183	167
(e) Subsidiaries	0	0
(f) Associates - Indian	700 000	700 000
Associates - Foreign	587 403	273 831
4 Investments in Infrastructure and Social Sector	13396 954	9282 901
5 Other than Approved Investments	6917 953	5185 496
<b>Short Term Investments</b>		
1 Government securities and Government guaranteed bonds including Treasury Bills	1073 995	354 944
2 Other Approved Securities	104 877	117 070
3 Other Investments		
(a) Shares		
(aa) Equity	0	0
(bb) Preference	0	0
(b) Mutual Funds	0	0
(c) Debentures/ Bonds	230 113	499 604
(d) Subsidiaries	0	0
4 Investments in Infrastructure and Social Sector	406 162	372 975
5 Other than Approved Investments	122 233	71 415
<b>TOTAL</b>	<b>105266 758</b>	<b>77270 877</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2008**

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

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>Long Term Investments</b>		
1 Government securities and Government guaranteed bonds including Treasury Bills	<b>23546 923</b>	23767 220
2 Other Approved Securities	<b>4878 048</b>	4785 834
3 Other Investments		
(a) Shares		
(aa) Equity - Indian	<b>105809 748</b>	84773 023
(bb) Preference	<b>29 267</b>	55
(b) Mutual Funds	<b>634 355</b>	590 653
(c) Debentures/ Bonds	<b>6475 871</b>	6260 496
(d) Guaranteed Equity	<b>317</b>	333
(e) Subsidiaries	<b>0</b>	0
(f) Associates	<b>0</b>	0
4 Investments in Infrastructure and Social Sector	<b>23176 766</b>	18468 672
5 Other than Approved Investments	<b>11968 078</b>	10316 735
<b>Short Term Investments</b>		
1 Government securities and Government guaranteed bonds including Treasury Bills	<b>1858 014</b>	706 173
2 Other Approved Securities	<b>181 437</b>	232 916
3 Other Investments		
(a) Shares		
(aa) Equity	<b>0</b>	0
(bb) Preference	<b>0</b>	0
(b) Mutual Funds	<b>0</b>	0
(c) Debentures/ Bonds	<b>398 096</b>	993 980
(d) Subsidiaries	<b>0</b>	0
4 Investments in Infrastructure and Social Sector	<b>702 661</b>	742 048
5 Other than Approved Investments	<b>211 463</b>	142 083
<b>TOTAL</b>	<b>179871 044</b>	151780 221



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2008**

**SCHEDULE 9  
LOANS**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>1 Security-wise Classification</b>		
Secured		
(a) On mortgage of property		
(aa) In India *	2158 000	2348 870
(bb) Outside India	0	0
(b) On Shares, Bonds, Government Securities	0	0
(c) Others	0	0
Unsecured	4643 682	5142 166
<b>TOTAL</b>	<b>6801 682</b>	<b>7491 036</b>
<b>2 Borrower-Wise Classification</b>		
(a) Central and State Governments	3982 610	4249 730
(b) Banks and Financial Institutions	0	0
(c) Subsidiaries	0	0
(d) Industrial Undertakings	2232 485	2423 099
(e) Others	586 587	818 207
<b>TOTAL</b>	<b>6801 682</b>	<b>7491 036</b>
<b>3 Performance-Wise Classification</b>		
(a) Loans classified as standard		
(aa) In India	5173 464	5768 810
(bb) Outside India	0	0
(b) Non-performing loans less provisions		
(aa) In India	883 508	964 653
(bb) Outside India	0	0
Provisions **	744 710	757 573
<b>TOTAL</b>	<b>6801 682</b>	<b>7491 036</b>
<b>4 Maturity-Wise Classification</b>		
(a) Short - Term	1394 218	650 443
(b) Long - Term	5407 464	6840 593
<b>TOTAL</b>	<b>6801 682</b>	<b>7491 036</b>

\* Includes Term Loans of Rs. 4,34,70,455/- on which creation of security is pending (Previous year Rs.5,40,54,205/-)

\*\* Provision consists of Bad and Doubtful Loans

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2008**

**SCHEDULE 10  
FIXED ASSETS**

(Rs.'000)

Particulars	Cost/Gross Block			Depreciation					Net Block	
	As at 01.04.07	Additions	Deductions	As at 31.03.08	Upto 31.03.07	For the Year	On Sales/ Adjustment	Upto 31.03.08	As at 31.03.08	As at 31.03.07
Leasehold Land	247 253			247 253	58 379	3 434		61 813	185 440	188 874
Buildings	323 167	8 489		331 656	136 550	11 861		148 411	183 245	186 617
Furniture & Fittings	17 843	319		18 162	15 734	428		16 162	2 000	2 109
I.T. Equipments	128 724	11 531	699	139 556	79 265	31 985	356	110 894	28 661	49 458
Vehicles	10 414	2 762	895	12 281	6 543	1 500	357	7 686	4 595	3 871
Office Equipments	8 170	875	57	8 988	5 631	420	13	6 038	2 950	2 539
AC & Water Coolers	11 892	206	2	12 096	10 624	210		10 834	1 262	1 268
Elevators	2 073			2 073	2 027	7		2 034	39	46
Canteen Appliances	346		1	345	206	21		227	118	140
Electrical Installation	11 363	222		11 585	9 804	238		10 042	1 543	1 559
Fire Alarm Systems	1 534			1 534	1 076	69		1 145	389	458
<b>Total</b>	<b>762 779</b>	<b>24 404</b>	<b>1 654</b>	<b>785 529</b>	<b>325 839</b>	<b>50 173</b>	<b>726</b>	<b>375 286</b>	<b>410 242</b>	<b>436 939</b>
Previous years	664 499	102 498	4 219	762 779	280 511	49 422	4 095	325 839		
Capial Work in Progress										
<b>Grand Total</b>	<b>762 779</b>	<b>24 404</b>	<b>1 654</b>	<b>785 529</b>	<b>325 839</b>	<b>50 173</b>	<b>726</b>	<b>375 286</b>	<b>410 242</b>	<b>436 939</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2008**

**SCHEDULE 11  
CASH AND BANK BALANCES**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1 Cash & stamps (includes cheques on hand of Rs.86,63,28,010) includes Rs.2,23,16,930/- pertains to T.Pool Previous year Rs.36,72,53,920/-)	866 388	367 369
2 Bank Balances		
(a) Deposit Accounts - Short term (due within 12 months)	23101 794	16414 626
(b) Current Accounts (includes cash at Bank of Rs.3,24,298.56 pertaining to Terrorism Pool Previous year Rs.6,99,15,304.88/-)	560 264	268 698
(c) Remittances in Transit	0	0
3 Money at Call and Short Notice		
(a) With Bank	30 586	156 267
(b) With other Institutions	716 859	830 510
<b>TOTAL</b>	<b>25275 891</b>	<b>18037 470</b>
<i>Balances with non-scheduled banks</i>	<i>Nil</i>	<i>Nil</i>

**SCHEDULE 12  
ADVANCES AND OTHER ASSETS**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>Advances</b>		
1 Reserve Deposits with Ceding Companies	9599 965	5457 113
2 Application Money for Investments	1063 790	39 600
3 Prepayments	22 552	25 053
4 Advances to Directors/Officers	1 869	2 560
5 Advance Tax Paid and TDS	13645 522	9426 741
Less: Provision for Taxation	10100 429	8634 049
	3545 093	792 692
6 Others	39 665	486
<b>TOTAL (A)</b>	<b>14272 934</b>	<b>6317 504</b>
<b>Other Assets</b>		
1 Income accrued on investments	2834 548	2383 494
2 Due from other entities carrying on insurance business (including reinsurers) *	10963 267	7722 975
3 Deposit U/S-7 of Insurance Act	309 707	311 768
4 Sundry Debtors	23 498	2439 670
5 Sundry Deposits	52 145	51 388
6 LPA Assets	0	67 095
7 Terrorism Pool Assets	12652 236	10311 494
<b>TOTAL (B)</b>	<b>26835 401</b>	<b>23287 884</b>
<b>TOTAL (A+B)</b>	<b>41108 335</b>	<b>29605 388</b>

\* (Includes Rs 697,325,731/- (P.Y. Rs. 697,325,731/-) for provision for Bad and doubtful debts)

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2008**

**SCHEDULE 13  
CURRENT LIABILITIES**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1 Balances Due to other insurance companies	9576 267	3402 614
2 Deposits held on re-insurance ceded	5773 155	4947 850
3 Sundry Creditors	825 447	246 418
4 Claims Outstanding	71599 643	68246 502
5 LPA Liabilities	23 079	67 095
6 Terrorism Pool Liabilities	12672 973	10381 410
<b>TOTAL</b>	<b>100470 564</b>	<b>87291 889</b>

**SCHEDULE 14  
PROVISIONS**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1 Reserve for Unexpired Risk	45114 294	34303 717
2 For Fringe Benefit Tax	100	1 430
3 For proposed dividends	1978 000	3096 000
4 For dividend distribution tax	336 161	526 165
5 For Doubtful Loans, Investment and Debts	2305 610	2400 100
6 For Leave Encashment	65 435	38 663
7 Provision for Pension	123 184	0
8 Provision for Gratuity	1 738	0
9 Provision for Settlement	6 285	0
10 For Salary Arrears	0	0
11 For PLLI Arrears	15 000	15 000
<b>TOTAL</b>	<b>49945 807</b>	<b>40381 075</b>

**SCHEDULE 15  
MISCELLANEOUS EXPENDITURE**

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

## 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

Premium is accounted based on accounts rendered by ceding companies upon receipt of accounts. At the year end, estimates are made for accounts not yet received, based on available information and current trends.

In respect of Indian Market Terrorism Risk Insurance pool and Indian Motor Third Party Insurance Pool, only the Corporation's share of revenues is recorded as premium.

##### 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, for all other classes of insurance, is made at 50% of Net Premium and for London Branch as per local practice.

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

**5.1 Depreciation**

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

**5.2 Retirement Benefits to Employees**

Liabilities on account of retirement benefits to the employees such as pension, gratuity and leave encashment are provided for on accrual basis, based on actuarial valuation and in compliance with Accounting Standard 15.

**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 Collateralized Borrowing and Lending Operations(CBLO) and Treasury Bill 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 except in companies where de-merger has taken place during the Financial Year and latest audited accounts are not available.
- Break up value is computed from the annual reports of companies not beyond 21 months in case of those companies which close their annual accounts on dates other than 31<sup>st</sup> March or beyond 12 months in case of those companies which close their accounts on 31<sup>st</sup> March.
- d) Provision is made for diminution in value of investment relating to units of venture capital funds equivalent to the amount of difference in book cost and Net Asset Value (NAV).
- 7.8** Investment in equity and preference shares of companies, the net worth of which has been fully impaired or where the latest available audited accounts are beyond 21 months in case of those Companies which close their annual accounts on dates other than 31<sup>st</sup> March or beyond 12 months in case of those Companies which close their annual accounts on 31<sup>st</sup> March, as on the date of Balance Sheet are valued as under:
1. Actively traded equity shares: At their Market Value.
  2. Thinly traded equity shares: Written down to nominal value of Re.1/- per company
  3. Preference shares : At a value proportionate to the face value of the equity shares that bear 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 31<sup>st</sup> March or earlier.
- 7.10** Dividends/Interest on shares/debentures under objection/pending deliveries is accounted for on realization/payment.
- 7.11** Profit or Loss on sale of investments is apportioned between Profit and Loss Account and Revenue Accounts in the ratio of Shareholders' Funds and Policyholders' Funds respectively at the beginning of the year. The same are further apportioned amongst the revenue accounts on the basis of the respective Policyholders' Fund at the

beginning of the year. Shareholders' fund consist of Share Capital and Free Reserves. Policyholders' fund consist of provisions for outstanding claims and reserves for unexpired risks.

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

**7.12** Expenses relating to safe custody, straight through processing and bank charges, etc., on investments are charged to Profit and Loss Account and Revenue Accounts as stated in Significant Accounting Policy No.5.3.

**7.13** Debt securities including Government Securities and Redeemable Preference shares have been considered as 'held to maturity' securities and have been measured at historical cost subject to amortization of premium paid over residual period. The call date has been considered as maturity date for amortization of Perpetual Bonds.

**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 THE ACCOUNTS:**

1. The Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002 have been adopted for presentation of the accounts.

2.1 (a) Out of investment held in shares and debentures of the value of Rs.2450,42,884 thousands (Previous year Rs. 1922,76,653 thousands), no confirmations regarding actual custody or other documentary evidence for investments of the value of Rs. 1221 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. 496 thousands (Previous year Rs. 585 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,2008 is Rs.6222,439 thousands (Previous year Rs. 5595,403 thousands).

(d) Sale of equity shares of a company contracted through public offer in 1995-96 for Rs. 4000 thousands (Previous year Rs. 4000 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.

(e) Direct Loans to State Government: Loans to Government for Housing Rs. 3707762 thousands & Purchase of Fire Fighting equipment Rs 274847 thousands are sovereign borrowing. These loans are disbursed only after approval under Article 293(3) of the Constitution of India received from Ministry of Finance, Department of expenditure (Plan Finance I Division), New Delhi. These loans are secured

on the Consolidated Fund of the State and accordingly provision has been made in respect of loans which are classified NPA.

- 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.182,255 thousands ( Previous Year Rs. 177,286 thousands)
- (b) During the year, the Corporation has undertaken under CDR (Corporate Debt Restructuring) System, following fresh cases of restructuring of corporate debt / loans etc., as under :

(Rs. in thousands)

Sr. No.	Particulars	Current Year	Previous Year
	Total Amount of assets subjected to restructuring under CDR	154060	105630
	The breakup of the same is given hereunder :		
(i)	Total amount of standard assets subjected to restructuring under CDR	130700	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	23360	47500
	<b>TOTAL</b>	<b>154060</b>	<b>105,630</b>

- 2.3 Significant accounting policy, item 2.1 relating to revenue recognition of reinsurance business has been modified as stated in 2.1. This has been done to incorporate the estimated revenue on accrual basis, in case where returns are not received. As a result of this change estimates have been determined, based on detailed methodology. This change in Accounting Policy has resulted in conforming and compliance with the accrual concept of accounting as required under the Accounting Standards. The net effect of the change in the policy has resulted in an increase in premium of 9,319,453 thousands. However, the revenue figures for the current year are not comparable to previous years as the current year's figures includes business of 5 quarters. The actual figures may vary from estimates.

- 3 It is proposed to evolve a scheme of Productivity Linked Lump-sum Incentive to the employees. In this regard an ad-hoc provision of Rs.1.5 Crores has been made for the year ended 31<sup>st</sup> March, 2008 based on wage bill of 31<sup>st</sup> July, 2002.
4. Leasehold Land & Buildings under Fixed Assets includes 3 properties costing Rs 305,775 thousands (Previous year 3 properties costing Rs. 305,775 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 2982328 thousands debit and Rs 5244311 thousands credit (Previous year Rs. 153,903 thousands debit and Rs. 170,589 thousands credit)is subject to reconciliation from respective parties.
- (b) Amounts due to/from foreign companies Rs 7980939 thousands debit and Rs 4331956 thousands credit (Previous year Rs. 175,270 thousands debit and Rs. 235,199 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.11,368,003 thousands (Previous year Rs.8921,003 thousands) pertaining to assessments completed but in appeal either by Corporation or by the Income Tax Department as at 31st March, 2008.

During the year the assessment for the AY 2006-07 (FY 2005-06) was completed and the Income Tax Department has raised additional tax liability

of Rs.4679,471 thousands. No provision has been made for the same, as the Corporation has filed appeal against this order before CIT(Appeals) which is pending. In the meanwhile, the Income Tax Department has adjusted an amount of Rs.2447,000 thousands, against this demand, which is included under Advance payment of Tax in the accounts.

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

(Rs. in thousands)

Particulars	As on 31.03.2008 Deferred Tax		As on 31.03.2007 Deferred Tax	
	Asset	Liability	Asset	Liability
Timing difference on account of Difference in book depreciation & Depreciation under Income Tax Act, 1961.		172,946		199,652
Provision for employees benefits	80,435		53,662	
Others	7,163		Nil	
Tax Credit .U/s.115JAA	4187,650		1963,804	
<b>TOTAL</b>	<b>4275,248</b>	<b>172,946</b>	<b>2017,466</b>	<b>199,652</b>
Net Timing Differences	4102,302		1817,814	
Net Deferred Tax	1394,372		617,875	

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

8. ART Cover : The Corporation has entered into ART Agreements with Swiss Re (America) for providing (1) top-end Umbrella protection for domestic business and further (2) to take exposure from net-retained shares on other protections. The two contracts were combined and renewed for a three year period from 1-May-2007 with improved terms for a cover of Rs 200 Cr for domestic and \$ 20 Million for foreign business. This arrangement provides a cost effective complement to the traditional excess of loss protection and would result in significant benefit to the Corporation when realized at the end of the contract period and it 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 27<sup>th</sup> April, 2007, Loss

Prevention Association (LPA) has merged with GIC from the appointed date 1<sup>st</sup> April, 2006. Consequently Assets of LPA Rs.67,094,950/- and Liabilities Rs.67,094,950/- as on 31<sup>st</sup> 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. 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 during the year 2006-07.

During the year 2007-08, the assets and liabilities have been accounted and apportioned among GIC and the four PSU Companies mentioned above and the effect



of merger has been given in the books in compliance of provisions of AS 14.

The assets and liabilities (except for employees) have been taken in the books of GIC at book value, as per 'Pooling of interest' method as prescribed in AS14. Thereafter, the allocation of total assets to other guarantor insurance companies has been done on the basis of agreed value of assets. However, pending actual transfer of assets, appropriate amount is transferred to LPA Guarantors' Account.

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 5,100 thousands (P.Y. Rs 129,200 thousands)
- (b) Underwriting commitments outstanding: Nil (P.Y. Nil)
- (c) Claims, other than under policies not acknowledged as debts: Nil
- (d) Guarantees given by or on behalf of the Corporation Rs 2009,667 thousands (P.Y. Rs 1887,168 thousands)
- (e) Statutory demand/liabilities in dispute - Income-tax demands disputed in appeal, not provided for Rs. 2243666 thousands (P.Y. Rs. 3341881.).
- (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 31<sup>st</sup> March, 2008 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.309707 thousands (Previous year 12.30%, 2016 Rs. 311,768 for 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. 10140 thousands, 7.55% 2010 for Rs. 104 thousands and, 8.07% 2017 for Rs.36246 thousands total amounting to Rs.46490 .thousands (P.Y. total amounting to Rs.46641 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, 2008 is Rs.397,110 thousands (Previous year Rs. 438,100 thousands).

11.4 Disclosures of Claims less reinsurance during the financial year 2007-08 paid in India are Rs. 46964,695 thousands (Previous year Rs. 33170,254 thousands) and outside India are Rs. 9786,670 thousands (Previous year Rs. 6768,318 thousands).

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

11.6 Ageing of claims – distinguishing between claims outstanding for more



than six months and other claims: The Corporation being a reinsurance company does not settle claims directly with the insured. The companies after settling the claims with their insured would recover the claims from the Corporation as per the reinsurance obligations. Such recoveries are settled

with the companies through periodical account statements. 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)

	2007-08		2006-07	
	Number	Amount	Number	Amount
A) Foreign Inward Business				
Claims o/s more than 6 months	303	211,535	1068	725,881
Claims o/s less than 6 months	246	252,249	191	421,462
B) Indian Business				
Claims o/s more than 6 months	219	708,020	70	3154,149
Claims o/s less than 6 months	163	754,696	170	1860,630
C) Aviation Business				
Claims o/s more than 6 months	271	987,459	1684	2523,825
Claims o/s less than 6 months	560	994,774	200	972,086

11.7 Premiums, less reinsurance, written from business during the financial year 2007-08 in India are Rs 63480,213 thousands (Previous year Rs. 49790,888 thousands) and outside India are Rs 19631216 thousands (Previous year Rs 14417,804. thousands).

11.8 Claims settled and remaining unpaid for a period of more than six months as on 31-03-2008: Nil (P.Y. Nil).

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 57028,394 thousands (Previous year Rs. 51679,037. thousands)

11.12 Computation of Managerial Remuneration is as follows:

11.13 The basis of amortisation of debt securities is as stated in accounting



policy No. 7.13.

Sr. No	Name	Designation	Gross Salary Rs.	Corp.'s P.F. Rs.	House Perquisite Rs.	Loan Perquisite Rs.	Vehicle Perquisite Rs.
1.	Shri R. K. Joshi	Chairman cum Managing Director	408420.00	3803.00	5749.00	NIL	NIL
2	Shri Yogesh Lohiya	Chairman cum Managing Director	601,468.77	36,088.00	9031.00	NIL	NIL

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.

12. Micro and medium scale business entities;

There are no Micro, Small And Medium Enterprises to whom the company owes

dues, which are outstanding for more than 45 days as at 31st March, 2008. This information as required to be disclosed under the Micro, Small And Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.

13. 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	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Fire Insurance	817.00	771.55	914.34	617.44	321.72	373.65	6.96	8.37	3.59	11.91	-422.41	-215.99
Motor Insurance	2489.39	1717.26	1758.65	1038.82	554.84	437.84	16.74	13.70	0.01	1.24	159.16	228.14
Aviation Insurance	52.00	37.74	56.48	39.90	6.12	4.60	0.53	0.46	0.29	0.27	-10.85	-6.94
Engineering insurance	382.52	250.70	253.27	182.09	144.94	109.99	3.27	2.94	-2.54	-5.48	-21.51	-49.80
Other Miscellaneous Insurance	1606.77	1026.16	1379.42	604.96	460.72	314.97	11.96	8.74	-1.89	-4.03	-247.21	93.46
Marine Cargo	185.78	109.17	220.00	140.57	60.67	47.16	1.18	1.04	-0.49	-3.33	-96.57	-82.93
Marine Hull	52.28	49.38	119.80	117.56	33.95	13.07	1.07	0.64	-0.26	-1.07	-102.81	-82.96
Life	9.50	1.35	1.77	0.71	3.12	0.00	0.10	0.01	-0.15	0.00	4.34	0.63
<b>Total</b>	<b>5595.24</b>	<b>3963.31</b>	<b>4703.73</b>	<b>2742.06</b>	<b>1586.08</b>	<b>1301.28</b>	<b>41.83</b>	<b>35.90</b>	<b>1.44</b>	<b>-0.48</b>	<b>-737.84</b>	<b>-116.40</b>

**FOREIGN**

Class of Business	Earned Premium		Incurred Claims		Net Commission		Operating Expenses		Exchange Gain/-Loss		Net Result	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Fire Insurance	936.68	682.57	729.78	434.27	295.52	213.16	7.11	5.44	21.70	4.55	-74.02	34.25
Motor Insurance	28.24	11.81	21.11	6.07	7.08	2.38	0.27	0.11	-0.47	-0.10	-0.69	3.15
Aviation Insurance	262.87	296.15	193.69	232.07	58.72	59.03	2.11	2.43	-0.41	-0.45	7.95	2.16
Engineering insurance	111.45	69.16	65.23	28.83	43.85	24.44	0.87	0.49	-4.78	-2.72	-3.30	12.69
Other Miscellaneous Insurance	130.90	118.08	99.05	92.58	35.52	29.91	0.84	0.77	-5.59	-0.73	-10.09	-5.90
Marine Cargo	47.48	45.64	29.75	26.20	24.59	15.68	0.33	0.23	-1.63	-0.16	-8.83	3.39
Marine Hull	116.08	76.92	169.14	60.64	38.27	24.23	0.94	0.57	-4.49	-0.90	-96.77	-9.43
Life	0.00	0.16	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.15
Total	1633.70	1300.48	1307.75	880.66	503.55	368.84	12.47	10.03	4.34	-0.50	-185.75	40.45

**TOTAL**

Class of Business	Earned Premium		Incurred Claims		Net Commission		Operating Expenses		Exchange Gain/-Loss		Net Result	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Fire Insurance	1753.69	1454.12	1644.12	1051.71	617.23	586.81	14.07	13.80	25.29	16.46	-496.43	-181.75
Motor Insurance	2517.65	1729.06	1779.75	1044.89	561.94	440.22	17.01	13.81	-0.47	1.14	158.47	231.29
Aviation Insurance	314.87	333.89	250.17	271.97	64.84	63.64	2.64	2.89	-0.12	-0.17	-2.90	-4.78
Engineering insurance	493.95	319.86	318.51	210.92	188.79	134.43	4.15	3.43	-7.32	-8.20	-24.81	-37.12
Other Miscellaneous Insurance	1737.67	1144.24	1478.46	697.54	496.24	344.88	12.80	9.51	-7.47	-4.76	-257.29	87.55
Marine Cargo	233.27	154.82	249.77	166.77	85.25	62.84	1.51	1.27	-2.12	-3.49	-105.40	-79.54
Marine Hull	168.35	126.30	288.94	178.21	72.22	37.30	2.01	1.20	-4.75	-1.97	-199.57	-92.39
Life	9.50	1.51	1.77	0.71	3.12	0.00	0.10	0.01	-0.15	0.00	4.34	0.78
Total	7228.95	5263.80	6011.49	3622.71	2089.64	1670.12	54.30	45.93	2.89	-0.98	-923.59	-75.95

14. 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
  - East Africa Reinsurance Co., Kenya
- b) Key Management Personnel:
  - Shri R. K. Joshi- Chairman cum Managing Director up to 30-Apr-2007
  - Shri Yogesh Lohiya - Chairman cum Managing Director from 28-May-2007

Nature and volume of transactions:  
With (a) above

**Statement Showing Related Party Disclosures as per AS-18 of ICAI - Part 1**

(Rs. in thousands)

Name of the Company	Kenindia Assurance Company		LIC Mauritius Limited		India International Pte Ltd	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Premium Accepted	173,894	163,296	-	-	314,832	637,753
Premium Ceded	-	-	-	-	-	-
Net Premium	173,894	163,296	-	-	314,832	637,753
Commission Paid	88,448	76,723	-	-	154,640	240,646
Commission Recovered	-	-	-	-	-	-
Net Commission	88,448	76,723	-	-	154,640	240,646
Claims Paid	204,611	148,859	-	-	141,564	260,330
Claims Recovered	-	-	-	-	-	-
Net Claims	204,611	148,859	-	-	141,564	260,330
Balance on 31st March (-) Indicates amount payable by GIC	(119,165)	18,459	-	-	18,627	181,333

**Statement Showing Related Party Disclosures as per AS-18 of ICAI - Part 2**

(Rs. in thousands)

Name of the Company	Agriculture Insurance Company of India Ltd		East Africa Re	
	2007-08	2006-07	2007-08	2006-07
Premium Accepted	239,189	5,431	3,649	5872
Premium Ceded	-	-	-	-
Net Premium	239,189	5,431	3,649	5872
Commission Paid	46,488	698	705	684
Commission Recovered	-	-	-	-
Net Commission	46,488	698	705	684
Claims Paid	33,910	188	(848)	06
Claims Recovered	-	-	-	-
Net Claims	33,910	188	(848)	06
Balance on 31st March (-) Indicates amount payable by GIC	19,449	1,148	3,792	5181

\* 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.

## 15 Employees Benefits

The Corporation has classified the various benefits provided to employees as under:-

- 1 Pension Superannuation Scheme
- 2 Defined Benefit Plan
  - (a) Leave Encashment
  - (b) Gratuity
  - (c) Provident Fund
- 3 Settlement Benefit

During the year Corporation has recognised the following amounts in the Profit And Loss Account:

	Year ending 31st March, 2008	Year ending 31st March, 2007
Pension Superannuation Scheme (Employees Pension Fund)	51815084	71368528
Leave Encashment (Earned leave and Sick Leave)	4822782	21949786
Gratuity (Employees Gratuity Fund)	5489695	5735179
Provident Fund (Employees Provident Fund)	2655309	3360034
Settlement Benefit	1758171	1019830

### A) Change in the Present Value of Obligation

	Pension 31 March, 2008	Pension 31 March, 2007	Gratuity 31 March, 2008	Gratuity 31 March, 2007	Leave Salary 31 March, 2008	Leave Salary 31 March, 2007	Settlement 31 March, 2008	Settlement 31 March, 2007
Present Value of Obligation as 1 April	390896003	315770381	80109783	74993794	60612147	56755636	5735179	5353100
Interest Cost	30794755	24564984	6337234	5983995	4749176	4411962	451468	425866
Past Service Cost	0	0	0	0	0	0	0	0
Current Service Cost	10009071	76628134	3573725	3069593	4207348	3270383	364201	344676
Curtailment Cost /(Credit)	0	0	0	0	0	0	0	0
Settlement Cost /(Credit)	0	0	0	0	0	0	0	0
Benefit Paid	-11923134	-17416170	-1788718	-387704	-2494887	-3212226	-183646	-59554
Actuarial Gain/Loss on Obligation	-18937457	-8651326	-2987416	-3549895	-1638855	-613608	-265974	-328909
Present Value of Obligation at 31 March	400839238	390896003	85244608	80109783	65434929	60612147	6101228	5735179

**B) Change in the Fair value of Plan Assets**

	Pension 31 March, 2008	Pension 31 March, 2007	Gratuity 31 March, 2008	Gratuity 31 March, 2007	Leave Salary 31 March, 2008	Leave Salary 31 March, 2007	Settlement 31 March, 2008	Settlement 31 March, 2007
Fair Value of Plan Assets as at 1 April	319527475	240156014	81129613	66217670	0	0	0	0
Expected return on Plan Assets	26142682	22387340	6585435	5893891	2494887	0	0	0
Actuarial Gain/Loss on	-56091397	34582829	-2420063	1222525	0	0	0	0
Contribution	56383941	39817462	0	8183231	-2494887	3212226	183646	59554
Benefit Paid	-11923134	-17416170	-1788718	-387704	0	-3212226	-183646	-59554
Fair Value of Plan Assets at 31 March	334039567	319527475	83506267	81129613	0	0	0	0
Unpaid Amount	0	0	0	0	0	0	0	0
Fair Value of Plan (Net) Assets at 31 March	668079134	639054950	167012534	162259226	0	0	0	0

**C) Reconciliation of Present Value of Defined Benefit Obligation and the Fair value of Assets**

	Pension 31 March, 2008	Pension 31 March, 2007	Gratuity 31 March, 2008	Gratuity 31 March, 2007	Leave Salary 31 March, 2008	Leave Salary 31 March, 2007	Settlement 31 March, 2008	Settlement 31 March, 2007
Present Value of Funded / (unfunded) Obligation as at 1 April	-400839238	-390896003	-85244608	-80109783	-65434929	-60612147	-6101228	-5735179
Fair Value of Plan Assets at 31 March	-334039567	-319527475	-83506267	-81129613	0	0	0	0
Funded Status	66799671	71368528	1738341	-1019830	65434929	60612147	6101228	5735179
Present Value of unfunded Obligation as at 31 March	0	0	0	0	0	0	0	0
Unrecognized Actuarial (gains)/losses	0	0	0	0	0	0	0	0
Unfunded Net Asset/(Liability) Recognised in Balance Sheet	66799671	71368528	1738341	-1019830	65434929	60612147	6101228	5735179

**Expenses recognised in the Profit and Loss Account**

<b>For year ending 31st March, 2007</b>	<b>Pension</b>	<b>Gratuity</b>	<b>Leave Salary</b>	<b>Settlement</b>
Current Service Cost	76628134	3069593	3270383	344676
Past Service Cost	75614367	8776124	29971865	5353100
Interest Cost	24564984	5983995	4411962	425866
Curtailement Cost / (Credit)	Nil	Nil	Nil	Nil
Settlement Cost / (Credit)	Nil	Nil	Nil	Nil
Net actuarial (gains)/losses recognized in the period	-43234155	-4772420	613608	-328909
<b>Total Expenses recognized in the Profit &amp; Loss A/c</b>	<b>111185990</b>	<b>7163401</b>	<b>37040602</b>	<b>5794733</b>

**Expenses recognised in the Profit and Loss Account**

<b>For year ending 31st March, 2008</b>	<b>Pension</b>	<b>Gratuity</b>	<b>Leave Salary</b>	<b>Settlement</b>
Current Service Cost	10009071	3573725	4207348	364201
Interest Cost	30794755	6337234	4749176	451468
Curtailement Cost / (Credit)	Nil	Nil	Nil	Nil
Settlement Cost / (Credit)	Nil	Nil	Nil	Nil
Net actuarial (gains)/losses recognized in the period	37153940	-2987416	-1638855	-265974
<b>Total Expenses recognized in the Profit &amp; Loss A/c</b>	<b>51815084</b>	<b>2758171</b>	<b>4822782</b>	<b>549695</b>

The Corporation has hitherto been measuring the liability for employee retirement benefit as per the erstwhile AS 15(1995) 'Accounting for Retirement Benefits'. The Corporation has adopted AS 15 (Revised) 'Employee Benefits' from 1st April 2007. Consequently, transitional obligation of Rs.9.80 Crores till 31.03.2007 (net of taxes of Rs.6.47 Crores) as required by the accounting Standard has been adjusted against opening Reserves and charges for the year on account of this has been adjusted against the respective heads of profit and Loss account .

The guidance of implementing AS 15 (revised 2005) Employee Benefits States benefits involving employer established provident funds, which require interest shortfall to be provided, are to be considered as defined benefit plans. Pending determination of Liability in view of issue in making reasonable actuarial assumption by the Actuarial Society of India ,effect in this respect has not been ascertained.

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

	<b>2007-08</b>	<b>2006-07</b>
Basic and Diluted EPS	Rs 231.00	Rs.356.00
Profit after Tax	Rs. 9927,826 thousands	Rs.15313,448 thousands
Number of equity shares	4,30,00,000	4,30,00,000
Nominal value of share	Rs.100/-	Rs.100/-

17. The Corporation has prepared Cash flow statement adopting the indirect method.

18. Tax liabilities in respect of foreign operation, if any, is accounted on actual basis.

19. Prior period items have not been separately disclosed.
20. The summary of the financial statements of the Corporation for the last five years is as per Annexure I.
21. The Accounting Ratios of the Corporation are stated in Annexure II.
22. Figures relating to the previous year have been regrouped wherever necessary

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As per our report of even date

**For S.R.GOYAL & CO.**  
Chartered Accountants

Yogesh Lohiya  
Tarun Bajaj  
T S Vijayan  
M Ramadoss  
Kamlesh S Vikamsey  
Bhagyam Ramani  
Suchita Gupta

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

**A. K. Atolia**

Partner

Membership No.: 77201

Mumbai

Dated : 23rd May, 2008



**SUMMARY OF FINANCIAL STATEMENTS**

(Rs. In lakhs)

Particulars	2007-08	2006-07	2005-06	2004-05	2003-04
<b>OPERATING RESULTS</b>					
1 Gross Premium Written	<b>931555</b>	740417	488077	512155	464076
2 Net Premium Income	<b>831114</b>	642087	423488	461387	416298
3 Income from investments (net)	<b>128976</b>	123224	109728	85165	86169
4 Profit on Exchange Fluctuation	<b>-72</b>	-98	74	379	-925
5 Total Income	<b>960018</b>	765213	533290	546931	501542
6 Commissions & Brokerage	<b>208965</b>	167012	110293	120749	107164
7 Brokerage	-	-	-	-	-
8 Operating Expenses	<b>5697</b>	4811	4533	4060	3383
9 Claims, increase in Unexpired Risk Reserve and Other outgoes	<b>709255</b>	477978	434912	394299	306655
10 Operating Profit/loss	<b>36101</b>	115412	-16448	27823	84340
<b>NON-OPERATING RESULT</b>					
11 Total Income under Shareholders account (Net)	<b>70628</b>	63535	60742	52185	43350
12 Profit/(loss) before tax	<b>106730</b>	178946	44294	80008	127691
13 Provision for tax	<b>7451</b>	25811	-15557	60006	23929
14 Profit/(loss) after tax	<b>99279</b>	153135	59851	20002	103762
<b>MISCELLANEOUS</b>					
15 <i>Policy holders Account :</i>					
Fire	<b>272312</b>	214939	186463	154000	135950
Miscellaneous	<b>764353</b>	720384	690603	528223	451928
Marine	<b>129394</b>	90026	69748	67910	54170
Life	<b>1081</b>	153	95	308	7
Total funds	<b>1167140</b>	1025502	946909	750441	642055
Total Investments	<b>1996337</b>	1683465	1521962	1027674	934387
Yield on Investments	<b>6.8</b>	7.2	7.2	8.3	9.0
16 <i>Shareholders Account :</i>					
Total funds	<b>668962</b>	592826	475913	425867	413219
Total Investments	<b>1154075</b>	846102	864051	661406	533148
Yield on Investments	<b>6.8</b>	7.2	7.2	8.3	9.0

Annexure - I

SUMMARY OF FINANCIAL STATEMENTS

(Rs. In lakhs)

Particulars	2007-08	2006-07	2005-06	2004-05	2003-04
17 Paid up equity Capital	43000	43000	43000	21500	21500
18 Net worth	668962	592826	475913	425867	413219
19 Total assets	3601283	2852398	2642403	1955184	1644113
20 Yield on total investments	6.8	7.2	7.2	8.3	9.0
21 Earnings per share (Rs.)	231	356	139	47	242
22 Book Value per share (Rs.)*	1556	1379	1107	1981	1922
23 Total Dividend	19780	30960	8600	6450	6450
24 Dividend per share (Rs.)	46	72	20	15	30

As per our report of even date

**For S.R.GOYAL & CO.**  
Chartered Accountants

**A. K. Atolia**  
Partner  
Membership No.: 77201  
Mumbai  
Dated : 23rd May, 2008

Yogesh Lohiya  
Tarun Bajaj  
T S Vijayan  
M Ramadoss  
Kamlesh S Vikamsey  
Bhagyam Ramani  
Suchita Gupta

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

**RATIOS FOR NON - LIFE COMPANIES**

Performance Ratio	Ratio / Percentage	
	2007-08	2006-07
1 Gross Premium Growth Rate (segment wise) (Gross premium for the current year divided by the gross premium for the previous year)		
Fire Insurance	8.1	33.3
Motor Insurance	30.7	70.7
Aviation Insurance	-3.3	17.5
Engineering insurance	28.0	83.9
Other Miscellaneous Insurance	42.8	60.8
Marine Cargo	26.2	52.1
Marine Hull	77.1	59.3
Life	941.1	23.6
2 Gross Premium to shareholders fund ratio : (Gross premium for the current year divided by paid up capital plus free reserves)	139.3	124.9
3 Growth rate of shareholders' funds (Shareholders' funds as at the current balance sheet date divided by shareholders' funds as at the previous balance sheet date)	12.8	24.6
4 Net retention ratio (segment wise) (Net premium divided by gross premium)		
Fire Insurance	77.0	77.1
Motor Insurance	99.9	99.7
Aviation Insurance	72.5	68.7
Engineering insurance	81.9	77.1
Other Miscellaneous Insurance	95.7	94.1
Marine Cargo	93.6	87.0
Marine Hull	78.2	66.2
Life	100.0	100.0

Annexure -II

**RATIOS FOR NON - LIFE COMPANIES**

Performance Ratio	Ratio / Percentage	
	2007-08	2006-07
5 Net commission ratio (segment wise) (Commission net of reinsurance for a class of business divided by net premium)		
Fire Insurance	33.9	34.8
Motor Insurance	19.7	20.2
Aviation Insurance	20.2	20.2
Engineering insurance	33.1	32.1
Other Miscellaneous Insurance	24.1	24.3
Marine Cargo	26.9	26.9
Marine Hull	20.5	22.2
Life	18.0	0.2
6 Expenses of management to gross premium ratio (Expenses of management divided by the total gross premium)	0.6	0.6
7 Combined ratio : (Claims paid plus expenses divided by gross premium)	61.5	54.6
8 Technical reserves to net premium ratio (Reserve for unexpired risks plus premium deficiency reserve plus reserve for outstanding claims divided by net premium)	140.4	159.7
9 Underwriting balance ratio (Segment wise) (Underwriting profit divided by net premium for the respective class of business)		
Fire Insurance	-12.6	3.6
Motor Insurance	26.3	38.8
Aviation Insurance	20.4	17.7
Engineering insurance	8.9	5.0
Other Miscellaneous Insurance	-4.4	17.8
Marine Cargo	-14.4	-13.0
Marine Hull	-41.6	-30.3
Life	26.2	54.3

**RATIOS FOR NON - LIFE COMPANIES**

Performance Ratio	Ratio / Percentage	
	2007-08	2006-07
10 Operating profit ratio (Underwriting profit plus investment income divided by net premium)	<b>13.3</b>	27.6
11 Liquid assets to liabilities ratio (Liquid assets of the insurer divided by the policy holders' liabilities)	<b>24.2</b>	20.7
12 Net earnings ratio: (Profit after tax divided by net premium)	<b>11.9</b>	23.8
13 Return on net worth (Profit after tax divided by net worth)	<b>14.9</b>	25.8
14 Reinsurance ratio : (Risk reinsured divided by gross premium)	<b>10.8</b>	13.3

As per our report of even date

**For S.R.GOYAL & CO.**  
Chartered Accountants

**A. K. Atolia**  
Partner  
Membership No.: 77201  
Mumbai  
Dated : 23rd May, 2008

Yogesh Lohiya  
Tarun Bajaj  
T S Vijayan  
M Ramadoss  
Kamlesh S Vikamsey  
Bhagyam Ramani  
Suchita Gupta

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

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

As per Indirect Method

(Rs. in thousands)

	31st March, 2008	31st March, 2007
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
<i>Net Profit before taxation as per Profit &amp; Loss A/c</i>	10672 959	17894 585
<b>Adjustments for:</b>		
Exchange -Loss/ Gain charged	742 782	-423 602
Provision for diminution in value of investment	65 731	179 333
Provision for doubtful loans, investments & Debts	-94 490	-133 900
Amortisation of Premium on Investment	338 864	349 585
Depreciation	50 174	49 421
-Profit /Loss on sale of Assets	- 231	- 283
Provision for Leave Encashment & Salary Arrears	157 979	1 829
Sundry Balances Written off/ -back	33 215	3 054
	1294 024	25 437
<b>Operating Profit before working capital changes</b>	11966 983	17920 022
Changes in Unexpired Risk Reserves	10810 577	11570 716
Changes in Provisions for Outstanding Claims	3353 141	-3711 462
Changes in Income accrued on Investments	-451 054	-255 470
Changes in Balances with Insurance Companies	-384 186	-2226 721
Changes in Advance and Deposits	-1043 869	-4334 524
Changes in other Current Liabilities	2826 576	2099 804
	15111 185	3142 343

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

As per Indirect Method

(Rs. in thousands)

	31st March, 2008	31st March, 2007
<i>Cash generated from operations</i>	27078 168	21062 365
Income Tax Paid (Net)	-4239 604	-611 579
<i>Net Cash from Operating Activities</i>	<u>22838 564</u>	<u>20450 786</u>
<b>B ) CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	-24 405	-58 894
Proceeds from sale of Fixed Assets	1 159	408
Changes in net Investments	-11211 950	-20562 276
<i>Net Cash used in Investing Activities</i>	<u>-11235 196</u>	<u>-20620762</u>
<b>C ) CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend Paid	-3096 000	-860 000
Dividend Tax Paid	-526 165	-120 615
<i>Net Cash from Financing Activities</i>	<u>-3622 165</u>	<u>-980615</u>
<b>D) Effect of Foreign Exchange on Cash &amp; Cash equivalents(Net)</b>		
	-742 782	423 602
<b>Net increase in Cash and Cash equivalents (A+B+C+D)</b>	<b>7238 421</b>	<b>-726 989</b>
<b>Cash and Cash equivalents at beginning of period</b>	<b>18037 470</b>	<b>18764 459</b>
<b>Cash and Cash equivalents at the end of period</b>	<b>25275 891</b>	<b>18037470</b>

As per our report of even date

**For S.R.GOYAL & CO.**  
Chartered Accountants

Yogesh Lohiya  
Tarun Bajaj  
T S Vijayan  
M Ramadoss  
Kamlesh S Vikamsey  
Bhagyam Ramani  
Suchita Gupta

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

**A. K. Atolia**  
Partner  
Membership No.: 77201  
Mumbai  
Dated : 23rd May, 2008



## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### 1. Registration Details

Registration No. 

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

 State Code 

1	1
---	---

Balance Sheet Date 

3	1	0	3	2	0	0	8
---	---	---	---	---	---	---	---

### 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 RsThousands)

Total Liabilities 

2	0	9	7	1	1	9	5	7
---	---	---	---	---	---	---	---	---

 Total Assets 

2	0	9	7	1	1	9	5	7
---	---	---	---	---	---	---	---	---

#### Sources of Funds

Paid-up Capital 

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

 Reserve & Surplus 

6	2	5	3	7	6	8	1
---	---	---	---	---	---	---	---

Secured Loans 

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

 Unsecured Loans 

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

Deffered Taxation Liability 

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

 Fair Value Change Account 

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

#### Application of Funds

Net Fixed Assets 

4	1	0	2	4	4
---	---	---	---	---	---

 Investment 

2	9	1	9	3	9	4	8	5
---	---	---	---	---	---	---	---	---

Net Current Assets 

(-)	8	4	0	3	2	1	4	4
-----	---	---	---	---	---	---	---	---

 Misc. Expenditure 

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

Accumulated Losses 

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

 Deferred Tax Asset 

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

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

Turnover 

9	3	3	4	7	3	1	6
---	---	---	---	---	---	---	---

 Total Expenditure 

8	2	6	7	4	3	5	9
---	---	---	---	---	---	---	---

Profit/Loss Before Tax 

1	0	6	7	2	9	5	7
---	---	---	---	---	---	---	---

 Profit/Loss After Tax 

9	9	2	7	8	2	6
---	---	---	---	---	---	---

Earning per Share (Rs.) 

2	3	1
---	---	---

 Dividend @ % 

4	6
---	---

### V. Generic Name of The 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 Discription 

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

## PERFORMANCE HIGHLIGHTS

(Rs. & US\$ in '000)

	2007-08		2006 - 07	
	Rs.	US \$	Rs.	US \$
Net Earned Premium	72 289 553	1 813 586	52 637 976	1 221 299
Net Claims	60 114 950	1 508 152	36 227 109	840 536
	83.2%	83.2%	68.8%	68.8%
Net Commission	20 896 460	524 246	16 701 189	387 499
	28.9%	28.9%	31.7%	31.7%
Operating Expenses and Other Outgo less Other Income	552 101	13 851	469 158	10 885
Investment Income Apportioned to Revenue less Expenses	12 872 817	322 951	12 300 518	285 395
Revenue Profit/Loss(-)	3 598 860	90 288	11 541 037	267 773
Interest, Dividends, Rent & Profit on sale of Investments	7 441 728	186 697	6 182 188	143 438
Other Income less Other Outgo	- 26 730	- 671	566 378	13 141
Reserve for Doubtful Debts, Investment W/off & Amortisation of Premium on Investment	310 106	7 780	395 018	9 165
<b>PROFIT BEFORE TAX</b>	<b>10 703 752</b>	<b>268 534</b>	<b>17 894 585</b>	<b>415 188</b>
Provision for tax including deferred tax	745 132	18 694	2 581 137	59 887
<b>PROFIT AFTER TAX</b>	<b>9 958 620</b>	<b>249 840</b>	<b>15 313 448</b>	<b>355 300</b>
<b>ASSETS:</b>				
Investments	285 137 803	7 153 482	229 051 098	5 314 411
Loans	6 801 682	170 639	7 491 036	173 806
Fixed Assets	410 244	10 292	436 939	10 138
Cash and Bank Balances	25 275 891	634 117	18 037 470	418 503
Advances and Other Assets	41 108 336	1 031 318	29 605 388	686 900
Deferred Tax Asset	1 394 372	34 982	617 875	14 336
<b>TOTAL ASSETS</b>	<b>360 128 328</b>	<b>9 034 830</b>	<b>285 239 806</b>	<b>6 618 093</b>
<b>LIABILITIES:</b>				
Share Capital	4 300 000	107 878	4 300 000	99 768
Reserve and Surplus	62 537 681	1 568 933	54 982 562	1 275 697
Deferred Tax Liabilities	0	0	0	0
Fair Value Change Account	142 874 276	3 584 402	98 284 280	2 280 378
Current Liabilities & Provisions	150 416 371	3 773 617	127 672 964	2 962 250
<b>TOTAL LIABILITIES</b>	<b>360 128 328</b>	<b>9 034 830</b>	<b>285 239 806</b>	<b>6 618 093</b>

1 US \$ = Rs.39.86 as on 31st March, 2008

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

(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



आमकासे रक्षिष्यामि  
GIC Re

भारतीय साधारण बीमा निगम

GENERAL INSURANCE CORPORATION OF INDIA

## NOTES

2007-08



आपकासे रक्षियामि  
GIC Re

भारतीय साधारण बीमा निगम  
GENERAL INSURANCE CORPORATION OF INDIA

## NOTES

2007-08

## Presentation of Dividend for the year 2007-08



*In the photograph*

From left to right : Mr. M Ramaprasad General Manager (Reinsurance & Marketing), GIC Re, Mrs. B. Ramani, General Manager (Finance & Investment), GIC Re, Hon'ble Finance Minister, Mr. P. Chidambaram, Mr. Yogesh Lohiya, Chairman-cum-Managing Director, GIC Re

## Inauguration of London Branch Office on 23rd January 2008



*In the photograph*

Lord Swaraj Paul, Hon'ble Finance Minister Mr. P. Chidambaram, Mr. Kamallesh Sharma High Commissioner to UK, CMD Mr. Yogesh Lohiya





## भारतीय साधारण बीमा निगम

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(भारत सरकार के पूर्णतः स्वामित्व वाला उद्यम)

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