



NOTICE

NOTICE is hereby given that the 101st Annual General Meeting of the Members of National Insurance Company Limited will be held at 3, Middleton Street, Kolkata - 700 071 on Thursday, the 24th day of July 2008, at 1.00 p.m. to transact the following business –

Ordinary Business :

1. To receive and adopt the Profit and Loss Account for the financial year ended 31st March 2008 and the Balance Sheet as at that date together with the Report of Directors and Auditors thereon.
2. To declare Dividend.
3. To fix the overall remuneration of the Auditors, to be appointed by the Comptroller & Auditor General of India, for the financial year 2008-09 and accordingly authorize the Board of Directors.

Special Business :

4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution** :

Article 111 - Appointment and term of office of Directors etc.

RESOLVED THAT the existing articles 111(1) and (2) of the MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY be and are hereby amended to read as under :-

Article 111(1) – The Directors and the Wholtime Chairman-cum-Managing Director shall be appointed by the Central Government. The term of office of Chairman-cum-Managing Director shall be for a period not exceeding five years from the date of his appointment.

Provided that the Central Government may extend the term of office of Chairman-cum-Managing Director by a further period not exceeding five years at a time.

Provided further that where a person being an employee of the Company has been appointed as Chairman-cum-Managing Director of the Company and during the term of his office as Chairman-cum-Managing Director ceases to be in the active service of the Company by reason of resignation, retirement or otherwise, or is transferred to a post outside the Company, he shall cease to be such Chairman-cum-Managing Director from the date on which he ceases to be an employee of the Company or as the case may be, from the date of his transfer.

Article 111(2) : The term of office of every Director other than Wholtime Chairman-cum-Managing Director shall be for a period not exceeding three years from the date of his appointment.

Provided that the Central Government may extend the term of office of a Director by a further period not exceeding three years at a time.

Provided further that where a person being an employee of the Company has been appointed as Director of the Company and during the term of his office as Director ceases to be in the active service of the Company by reason of resignation, retirement or otherwise, or is transferred to a post outside the Company, he shall cease to be such Director from the date on which he ceases to be an employee of the Company or as the case may be, from the date of his transfer.

**By order of the Board
For National Insurance Company Limited**

**(V. Kumar)
Company Secretary**

Kolkata
16th July 2008



Notes :

- 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 Company not less than 48 hours before the time for holding the Meeting.**
- 3) An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed hereto.

period of appointment to the post of Chief Executives of GIC, AICL and other Public Sector Insurance Companies shall be five years or the date of superannuation, whichever is earlier. The Executives will be eligible for a fresh tenure beyond the period of five years upto superannuation with the approval of the ACC.

Accordingly, Articles 111(1) and (2) of the Memorandum and Articles of Association of the Company need to be amended to be in conformity with the tenure approved by the ACC.

None of the Directors of the Company is interested in this resolution.

The Board recommends this resolution for your approval.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Government of India, Ministry of Finance, Department of Financial Services had, vide reference no. 11011/5/2008-Ins.IV dated 11th March 2008, directed that as per the guidelines for appointment of Chief Executives of Public Sector Insurance Companies approved by the ACC, the

**By order of the Board
For National Insurance Company Limited**

**(V. Kumar)
Company Secretary**

Kolkata
16th July 2008



REPORT OF THE BOARD OF DIRECTORS TO THE MEMBERS

Directors take pleasure in submitting their 101st Annual Report and the Audited Statement of Accounts for the financial year ended 31st March 2008 :

FINANCIAL RESULTS

A. GROSS DIRECT PREMIUM

(Rs. in crore)

PARTICULARS	FIRE		MARINE		MISCELLANEOUS		TOTAL	
Year	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
In India	380.72	492.52	174.98	204.89	3,451.53	3,117.01	4,007.23	3,814.42
Increase (%)	-22.70	1.77	-14.60	18.14	10.73	8.75	5.05	8.25
Outside India	5.40	5.06	2.80	2.31	6.54	5.33	14.74	12.70
Increase (%)	6.72	-10.44	21.21	-2.12	22.70	14.38	16.06	0.24
Total	386.12	497.58	177.78	207.20	3,458.07	3,122.34	4,021.97	3,827.12
Increase (%)	-22.40	1.63	-14.20	17.87	10.75	8.76	5.09	8.22

B. UNDERWRITING EXPERIENCE

(Rs. in crore)

PARTICULARS	FIRE		MARINE		MISCELLANEOUS		TOTAL	
Year	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Net Premium	258.94	323.40	117.84	104.79	2,811.20	2,427.17	3,187.98	2,855.36
Net Retention (%)	67.06	64.99	66.28	50.57	81.29	77.74	79.26	74.61
Net Incurred Claim	244.47	206.45	100.06	100.85	2,494.31	2,086.92	2,838.84	2,394.22
% to Net Premium	94.41	63.84	84.91	96.24	88.73	85.98	89.05	83.85
Commission	9.36	-26.72	10.03	5.66	184.50	135.10	203.89	114.04
% to Net Premium	3.61	-8.26	8.51	5.40	6.56	5.57	6.40	3.99
Expenses of Management	88.81	110.75	29.83	34.07	866.89	721.39	985.53	866.21
% to Net Premium	34.30	34.25	25.31	32.51	30.84	29.72	30.91	30.34
Other Income(-)/ Outgo (+)	0.90	0.02	0.65	0	2.10	1.29	3.65	1.31
% to Net Premium	0.35	0.01	0.55	0	0.07	0.05	0.11	0.05
Increase in Reserve for Unexpired Risks	-32.23	-14.96	9.67	2.43	192.01	100.32	169.45	87.79
% to Net Premium	-12.45	-4.63	8.21	2.32	6.83	4.13	5.32	3.07
Investment Income including Profit on Sale of Investment	73.65	75.46	28.53	27.19	807.09	751.78	909.27	854.43
% to Net Premium	28.44	23.33	24.21	25.95	28.71	30.97	28.52	29.92
Net Underwriting Profit(+)/Loss(-)	21.28	123.32	-3.87	-11.03	-121.52	133.93	-104.11	246.22
% to Net Premium	8.22	38.13	-3.28	-10.53	-4.32	5.52	-3.27	8.62



C. WORKING RESULTS

(Rs.in crore)

PARTICULARS	2007-08	2006-07
Net Underwriting Profit (+)/ Loss (-)	-104.11	246.22
Interest, Dividend & Rent Income including profit on sale of Investments (Proportionate share apportioned to Shareholders' Account)	271.65	200.37
Other Income & Outgo	4.52	9.24
Profit (+)/Loss (-) Before Tax	172.06	455.83
Provision for Taxation	8.75	37.76
Deferred Tax	0	0
Net Profit(+)/Loss (-) After Tax	163.31	418.07
Adjustment of Taxation for earlier Years	0.12	3.21
Balance available for appropriation	163.43	421.28
Transfer to General Reserve	125.22	323.46
Proposed Dividend	32.66	83.61
Dividend Distribution Tax	5.55	14.21

D. CAPITAL & FUNDS

(Rs. in crore)

PARTICULARS	2007-08	2006-07
Shareholders' Fund :		
Paid up Share Capital	100.00	100.00
General Reserve (Including Deferred Tax Reserve)	1,457.25	1,332.04
	<u>1,557.25</u>	<u>1,432.04</u>
Policyholders' Fund :		
Reserve for Unexpired Risks	1,603.81	1,434.36
Estimated Liability for Outstanding Claims at the end of the year	3,620.14	3,358.90
	<u>5,223.95</u>	<u>4,793.26</u>
	<u>6,781.20</u>	<u>6,225.30</u>

The accretion in total funds in 2007-08 has been Rs.555.90 crore (increase in Shareholders' Fund being Rs.125.21 crore and increase in Policyholders' Fund Rs.430.69 crore) as against Rs.389.40 crore in the previous year. The total assets of the Company amounted to Rs.15751.75 crore as against Rs.13,600.88 crore in 2006-07.



GROSS DIRECT PREMIUM & CLAIMS IN INDIA (WITHOUT IBNR) :

(Rs. in crore)

CLASS OF BUSINESS	PREMIUM INCOME			INCURRED CLAIMS				
	2007-08	2006-07	CHANGE	2007-08		2006-07		CHANGE
	Rs.	Rs.	%	Rs.	% to GDPI	Rs.	% to GDPI	IN ICR %
FIRE	380.72	492.52	-22.70	166.05	43.61	301.08	61.13	-28.66
MARINE CARGO	126.80	118.38	7.11	78.91	62.23	71.63	60.51	2.84
MARINE HULL	48.18	86.51	-44.31	216.39	449.13	39.10	45.20	893.65
MOTOR OD	1,356.14	1,384.17	-2.03	1,008.20	74.34	821.40	59.34	25.28
MOTOR TP	790.17	602.42	31.17	1,014.88	128.44	897.02	148.90	-13.74
ENGINEERING	144.98	128.29	13.01	53.33	36.78	57.54	44.85	-17.99
AVIATION	52.34	95.17	-45.00	22.76	43.48	-6.79	-7.13	-709.82
P.A.	68.18	73.06	-6.68	57.75	84.70	106.28	145.48	-41.78
HEALTH	690.36	479.57	43.95	693.54	100.46	579.52	120.84	-16.87
W.C.	29.36	26.97	8.86	8.78	29.90	6.27	23.26	28.55
PUBLIC LIABILITY	16.69	15.55	7.33	12.65	75.79	1.11	7.12	964.47
RNTB	50.96	99.73	-48.90	70.46	138.27	50.36	50.49	173.86
OTHER MISC.	252.35	212.08	18.99	58.79	23.30	96.71	45.60	-48.90
TOTAL	4,007.23	3,814.42	5.05	3,462.49	86.41	3,021.23	79.21	9.09



COMMENTS ON GROSS DIRECT CLAIM EXPERIENCE (WITHOUT IBNR) :

Gross Incurred Claim Ratio has increased from 79.21% in 2006-07 to 86.41% in 2007-08, mainly on account of increase in Incurred Claim Ratio (ICR) of Motor OD, Marine Hull, Aviation, Public Liability and RNTB classes of business. Fire ICR has further reduced to 43.61% from 61.13% in 2006-07. Motor TP Portfolio has also shown considerable improvement with ICR at 128.44% in 2007-08 from 148.90% in 2006-07 due to the continuing efforts of the Motor Special Task Force.

NET INCURRED CLAIMS :

The overall Net Incurred Claims has gone up to 89.05% in 2007-08 from 83.85% in 2006-07 with increase in Net Retention from 74.61% in the last fiscal to 79.26% during the current fiscal.

EXPENSES OF MANAGEMENT:

As per the provision of Section 40C of the Insurance Act, 1938, the permissible limit of expenses, being a ratio of the business underwritten, after due adjustment, was Rs.792.75 crore, as against Rs.752.69 crore in 2006-07. As against the allowable limit as aforesaid, the actual expenses incurred on business operations in India, after due adjustment, amounted to Rs.982.73 crore. The Company has been making determined efforts to contain the expenses and to bring it within the permissible limit as per Insurance Act.

The Company has recorded a Net Profit Before Tax of Rs.172.06 crore in the current year as against Rs.455.83 crore in the preceding year.

Fire portfolio has continued to be profitable resulting in a surplus of Rs.21.28 crore. The underwriting performance of Marine showed certain improvement with loss being reduced to Rs.3.87 crore from Rs.11.03 crore in the previous year and that of Miscellaneous portfolio as a whole showed a significant loss of Rs.121.52 crore as against the profit of Rs.133.93 crore in the last year which contributed to adverse overall performance and thereby reducing the profitability of the Company during the year.

An amount of Rs.125.22 crore has been transferred to General Reserve after making a provision for proposed

dividend of Rs.32.66 crore and dividend distribution tax of Rs.5.55 crore.

DIVIDEND :

Considering the business and financial performance of the Company, the Directors are pleased to recommend a Dividend of 32.66% on the Paid-up Share Capital for the financial year ended 31st March, 2008. Total outgo in the form of Dividend including taxes will be Rs. 38.21 crore.

COMPLIANCE OF SOLVENCY MARGIN REQUIREMENTS:

The Company has the solvency margin of 1.80 as at 31st March 2008, calculated as per the method prescribed under IRDA (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000.

CRISIL RATING :

The Company continues to enjoy the “AAA/STABLE” rating by CRISIL, which reflects the highest financial strength to meet the policyholders' obligations.

DONATIONS, ENTERTAINMENT, FOREIGN TOURS & PUBLICITY:

The expenses incurred on donations, entertainment, foreign tours and publicity & advertisement are furnished herein below –

(in Rs.)

Particulars	2007-08	2006-07
Donations	10,30,000	10,00,000
Entertainment	14,85,387	6,99,296
Foreign Tours	10,26,682	7,22,844
Publicity & Advertisement	18,89,09,839	4,16,85,756

FOREIGN EXCHANGE EARNINGS AND OUTGO :

The income and outgo in foreign exchange aggregated to Rs.37.69 crore and Rs.58.89 crore respectively. The income was on account of inward reinsurance acceptances, claims recovery on outward reinsurance cessions, inward remittances of funds and investments, while outgo was due to outward reinsurance cessions, claim settlement on inward reinsurance acceptances.



INVESTMENT :

The total Investment in India stands at Rs.5,703 crore as on 31st March 2008 as against Rs. 5,383.30 crore as on 31st March 2007. Out of this, investment in Socially Oriented Sectors which include Central and State Government Securities, Government Guaranteed Bonds, Infrastructure Bonds, Loans to HUDCO and various State Governments for Housing and Fire Fighting Equipments amounts to Rs.2,964.67 crore as on 31st March 2008 as against Rs. 2,920.34 crore as on 31st March 2007.

Investment Income (inclusive of profit on sale/redemption) has increased to Rs.1,184.75 crore in 2007-08 from Rs.1,058.65 crore in the previous year. The corresponding yield on Investment for 2007-08 is 21.36% as against 21.01% in the previous year.

The Company has generated an accretion of Investment Fund to the tune of Rs.317.72 crore in the current year as against Rs.700.19 crore in the previous year. The Company continued to operate actively in the Secondary Market and the profit earned on the sale of securities of the Company has been Rs.638.54 crore as against last year's figure of Rs.544.03 crore.

The Company has followed the IRDA Norms relating to classification of Loans and Debentures and provision for Non-Performing Assets (NPA) as applicable to the Financial Institutions. The total provision for NPA has decreased by Rs.3.67 crore in 2007-08 and the net NPA percentage has gone up to 0.22% in the current year as compared to 0.16% in 2006-07. The Company has recovered Rs.6.63 crore from NPA during the year 2007-08.

Investment written off/down during the year was Rs.0.84 crore as against the last year's figure of Rs.4.22 crore.

The aggregate book value in Equity Investment in India as at 31st March 2008 amounted to Rs.1,672.84 crore. As against this Book Value, the Market Value of these Equity Shares stood at Rs.8,982.12 crore as on 31st March 2008, showing an appreciation of 536.94%.

REINSURANCE :

A benign hurricane season in 2006 with few catastrophe losses, combined with firm reinsurance rates enabled Reinsurers to achieve strong underwriting results. An additional impetus from investment income further strengthened balance sheet and commercial confidence of Reinsurers as they sought greater balance in their portfolios. In particular, several reinsurance markets sought to increase writings in casualty and other lines to offset key zone property exposure(s).

Though Reinsurers were consistent within their core inward accounts but, as ever, pricing was influenced by the volume and obviously the profitability of the business. Even though there was adequate capacity for most business for 2007 renewals, XL Reinsurers reliant on retrocession support were vigilant as retrocession capacity was limited and therefore expensive. In an effort to sustain retrocession costs and/or higher excess point, Reinsurers were keen at least to maintain premium levels.

Our country has established itself as a global force to reckon with and is already the 3rd largest economy measured on Purchasing Power Parity (PPP). The Indian economy has grown at an average of 8.6 per cent in the last four fiscal years. It is estimated that investments to the tune of Rs.26 trillion (\$662 billion) is currently under implementation. While these investments would generate demand for capital goods and construction industry in the near term, their eventual commissioning would ensure sustained growth in future. Service industry relating to financing, insurance, real estate and business growth also showed buoyancy. With fresh investment proposals continuing to pour in, the current economic growth will be sustainable in the near future.

During 2007-08 reinsurance renewals, although rates and conditions came under pressure, due to good results of the previous year, the Company was able to consolidate the portfolio, raise retention levels and enlarge the treaty capacities.



In proportional treaty programme, we have been able to increase the limits of our Property, Marine Cargo and Miscellaneous treaties which will augment automatic capacity and enable us to tap the spurt of infrastructural activity in the market. It needs special mention that despite de-tariffing of rates, which entailed reduction in premium levels, we have been able to renew our treaties on almost expiring terms despite the enhanced capacity in some of the treaties.

With respect to Net Account Excess of Loss Programme, the trend for enhanced underwriting information has continued to escalate with greater pressure being applied by the Reinsurers for providing comprehensive information. We have been able to mitigate this to a larger extent by being able to provide sum insured exposures and risk profiles.

Despite procuring additional capacity of Rs.10 crore in our Motor Excess of Loss Programme and renewing the other covers on expiring limits, the XL cost vis-a-vis GNPI has increased only marginally from the expiring 1.78% to 2.10%. The secured prices and conditions are commensurate with the exposures and loss experience.

Though the earthquakes recorded in India have not generated much insurance losses in the past apart from the 2001 Gujarat earthquake. With rapid industrialization, exposures are bound to intensify. Hence, to factor in earthquake risk and in particular, that the potential losses be adequately reinsured, we have purchased an additional catastrophe Excess of Loss cover of Rs. 250 crore for Earthquake in 2007-08.

During 2007-08, we have been able to win back some of the major accounts and also secure new mega/large accounts by being able to obtain competitive Fac Reinsurance rates and terms from the overseas market.

We have also increased our acceptance (Foreign Inward) limits under our Property, Engineering & Marine Cargo in 2007-08. Due to new relationships and increased treaty shares under existing accounts, we

have been able to enlarge our portfolio and initiate our presence in the Asian Sub-continent. With increase in inward portfolio, suitable reinsurance protection has been arranged for risks accumulation in various countries.

Consequent to arranging suitable reinsurance protection at optimum rates, our Net Retained Premium has gone up from Rs.2,855.36 crore in fiscal 2006-07 to Rs.3,187.98 crore in current fiscal 2007-08.

FOREIGN BUSINESS :

At present, the Company has operation in Nepal only.

HONG KONG :

As reported earlier, Hong Kong Branch stopped accepting new business with effect from 18th February 2002. However, Hong Kong Office is continuing the servicing of existing policy and claims. Adequate reinsurance support has been arranged for the Run-off portfolio.

Run-off Operation at Hong Kong has been handed over to The New India Assurance Co. Ltd., Hong Kong and the Commissioner of Insurance, Hong Kong had given "No Objection" to the Manager, New India Assurance for appointment as 'Controller for National Insurance, Hong Kong Branch'. Claim Settlement Authority was also given to the Manager/Controller, New India along with Power of Attorney. Operating Surplus for run-off operations of Hong Kong Branch during the fiscal 2007-08 is Rs.2.31 crore.

NEPAL :

The Gross Direct Premium of our Nepal Operations is Rs.14.74 crore with Operating Surplus at Rs.4.07 crore, Gross Direct ICR on GDPI at 44.30% and Expenses of Management Ratio being 11.47%. Performance of the Nepal Branch Office was satisfactory during the fiscal 2007-08.



Working Results of the Foreign Operations for the fiscal 2007-08 :

FOREIGN BRANCH RESULTS :

(Rs. in crore)

PARTICULARS	NEPAL		HONGKONG		TOTAL	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Gross Direct Premium	14.74	12.70	0.00	0.00	14.74	12.70
Net Premium	11.67	9.83	0.00	0.00	11.67	9.83
Net Incurred Claims	5.20	7.21	-4.12	-11.76	1.08	-4.55
Net Commission	1.24	1.03	0.00	0.00	1.24	1.03
Expenses of Management	1.69	1.89	0.37	0.87	2.06	2.76
Decrease/Increase in reserve for unexpired risks	0.93	0.48	0.00	-0.38	0.93	0.10
Investment and other Income	1.29	1.19	0.81	1.08	2.10	2.27
Foreign Exchange Gain/Loss	0.17	-0.04	-2.25	-1.27	-2.08	-1.31
Net Profit (+)/Loss (-)	4.07	0.37	2.31	11.08	6.38	11.45

RURAL & SOCIAL SECTOR BUSINESS:

During the year 2007-08, the Gross Premium underwritten in rural areas amounted to Rs.281.45 crore.

The statistics in respect of Rural and Social Sector obligations and achievements are furnished herein below –

Year	Total Gross Premium underwritten in India (Rs.in lac)	Policies underwritten in Rural Areas (In nos.)	Gross Premium underwritten in Rural Areas (Rs. in lac)	% of Rural Business to Total GDPI (Col 4/2x100)	Whether Rural Sector stipulations met ? (Yes/No)	No. of lives covered in the Social Sector	Whether Social Sector stipulations met ? (Yes/No)
1	2	3	4	5	6	7	8
2007-08	400,723	1,282,378	28,145	7.02	Yes	1,576,352	Yes

ORGANISATIONAL SET UP :

Total number of ROs, DOs, BOs and DABs as at 31st March 2008 –

ROs:	24
DOs:	309
BOs:	561
DABs:	71
Total:	<u>965</u>

INTRODUCTION OF IMPORTANT SCHEMES:

The following are some of the important schemes introduced for the business growth and better customer service –

- » incentive/recognition scheme for Agents during "Agents Care Month" declared in the months of February and March 2008.



- » incentive/recognition scheme for Agents to promote Universal Health Insurance Scheme during the month of January 2008.
- » special achievers scheme introduced for operating office heads and also for the operating offices.

OTHER INITIATIVES UNDERTAKEN :

- » Zone-wise Star Development Officers and Agents Meet and zone-wise meeting for Operating Incharges were organised to strengthen and motivate the marketing force vis-à-vis augmentation of business from the retail.
- » All India Regional Incharges Meet was held to review the performance and for effective results.
- » Customer Seminar and Brokers' Meets were organised at various Regions.
- » Thrust was given on large and mega risks business through our Reinsurance support which yielded encouraging results.

ACTIVITIES OF THE STRATEGIC ALLIANCES DEPARTMENT :

The Strategic Alliances business has grown in the face of the challenges posed by the partial De-tariffing regime. As at 31st March 2008, the total premium from the Strategic Alliances (SA) business was Rs.1,131.42 crore as against Rs.966 crore in the previous year with a growth rate of 17.15%, despite the reduction in rates due to De-tariffing. The contribution of strategic alliances business has grown from 25% of the total GDPI of the Company in the last fiscal to around 28% during the year under review.

The two major tie-ups with automobile manufacturers namely Maruti & Hero Honda have procured a premium of Rs.688 crore and Rs.92 crore respectively during the year as against Rs.574 crore and Rs.65 crore during the last fiscal respectively. While the Maruti business has shown a growth rate of 20%, the Hero Honda business has grown by 41% over the premium of the previous year.

The Bancassurance business has generated a premium of Rs.235 crore during the fiscal with a growth rate of 8.80%. Apart from the 8 major banks which have contributed to the most of the Bancassurance business, the Company has augmented its portfolio of Regional Rural Banks/Co-operative Banks from 13 banks in the previous year to 25 in the current year. The business from the RRB/Co-operative Banks has grown at the rate of 107% achieving a premium of Rs.11.89 crore in the current fiscal as against Rs.5.72 crore during the fiscal 2006-07.

The other tie-up business including the independent automobile dealers have contributed a premium of Rs.115 crore during the year. During the fiscal 2007-08, the Company has undertaken a number of new initiatives like -

Implementation of a Centralized Claims Settlement Module for Maruti Business.

Implementation of Audatex Solutions on pilot basis for management of claims for Maruti Business.

Bancassurance Month during September and October 2007.

Introduction of Reimbursement of out-of-pocket scheme for the Agents servicing Bancassurance business.

Two new Dedicated Offices were opened for conducting exclusively the Bancassurance business.

BUSINESS PROCESS RE-ENGINEERING :

Our consultants for the IT enabled Business Process Re-engineering exercise PricewaterhouseCoopers Pvt. Ltd. (PWC) have submitted their report. Their report comprises of-

Strategic initiatives outlined with an aim to improve NIC's position in the market.

The Re-engineered business processes designed to deliver the strategic initiatives.

The IT architecture to deliver the Re-engineered business processes.



Various recommendations made by PWC have been approved by the Board. Some of the initiatives which can be implemented without requiring change in the organization structure and/or the IT platform have been taken up for implementation. These include initiatives on Bancassurance business, centralized claims processing for motor claims, dedicated offices targeting SME business, tying up with NGOs to sell micro insurance in rural areas, adopting a strategy to strengthen brand NIC, creating an audio visual presentation to inform all employees about the proposed changes etc. Status reports on implementation of these initiatives are being submitted to the Board from time to time.

For implementing the reengineered business processes, PWC have recommended an Enterprise Architecture Suite, comprising 18 applications/portfolios. For selection of a suitable System Integrator (SI) and application vendors, the Request for Proposals have been issued to the shortlisted SIs. Several core teams comprising of officials with requisite expertise in specific domain areas were formed to prepare the functional specifications for the IT applications. It is proposed that the Enterprise Architecture Solution shall be implemented for the transactional applications by September 2009. This will enable implementation of the core insurance, web based insurance transactions, setting up of shared services hubs for back office operations, claims and grievance tracking for customers through the web, etc. The core teams are preparing the roadmap for implementation of the various initiatives. The BPR Project team is co-ordinating the BPR Project and the Steering Committee is closely monitoring the progress of implementation of the various initiatives.

PUBLICITY ACTIVITIES :

During the year, the Company has drawn up a comprehensive media plan for the entire year and appointed a single agency to implement the plan. All the conventional media e.g. Print, Electronic, Outdoor and Event Sponsorship were used for propagation of the Company's message to the insuring public.

The main focus of the Print media campaign was on publicising the achievements of the Company during the course of the year. In addition, the retail segment was also highlighted in the campaign. The Company has won the prestigious CNBC - Awaaz Consumer Award and a few others during the year. Print campaigns covering all the leading dailies including vernacular and periodicals were undertaken to highlight these achievements.

On the occasion of 101st Foundation Day, on 6th December 2007, advertisements were inserted in the leading dailies to commemorate this momentous day. The Company had also decided to target the retail business segment through media campaign. The English and Vernacular dailies as well as the periodicals had carried advertisements on Company's Personal Line of Products such as Parivar Mediclaim, Vidyarthi Mediclaim for Students, Varistha Mediclaim for Senior Citizens, Householders' and Shopkeepers' Policies.

The Company had also registered its presence in the Electronic media through its comprehensive campaign from 1st November 2007 and continued till March 2008. TV commercials on corporate theme and Personal Line of Products were telecast in a wide array of Television channels such as NDTV 24x7, Aajtak, CNBC Group, Star Plus, Zee Entertainment, Zee News etc. including News and General Entertainment genre. This sustained campaign gave the Company the much needed visibility among our target audience.

The Company has also undertaken extensive outdoor campaign during this year. Luggage trolleys at the six major Airports at Kolkata, Delhi, Chennai, Mumbai, Bangalore and Hyderabad had carried Company's advertisements on Personal Line of Products for three months. Three rakes of Kolkata Metro and two trains of Delhi Metro were booked for complete branding for a period of three months. In addition, outdoor displays were taken in Delhi Metro stations and various locations at our Regional centres.



EVENTS :

The Company has been associated with various major events as sponsors such as Global Steel Conference 2008 Kolkata, Hero Honda Mindmine Summit at New Delhi, DCM Shriram National Open Tennis tournament at New Delhi, Ludhiana Sanskritik Samagam etc. The Company has also participated in various seminars and conferences organized by various Chambers of Commerce at the Metros.

It is worth to note that in a survey conducted by the business magazine - Business Today, our Company was positioned in the 4th place for the year 2007-08 in terms of visibility amongst all the Non-Life Insurance Companies both Public and Private.

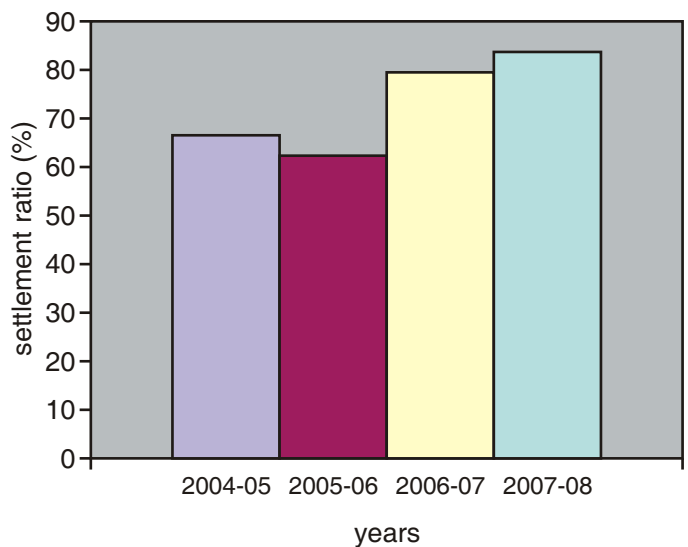
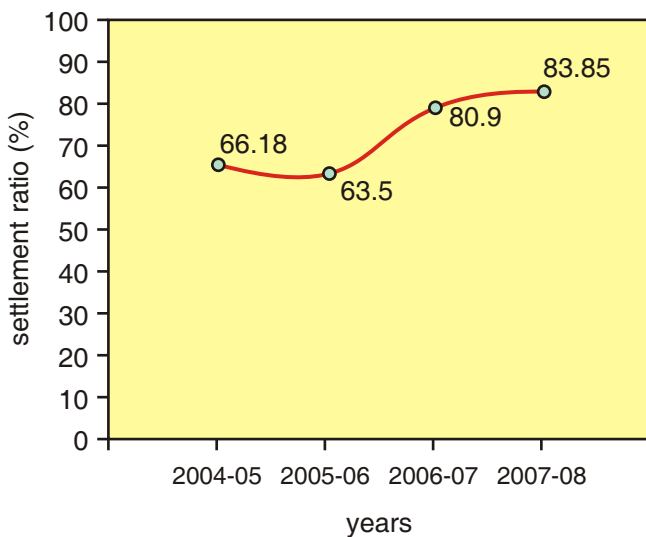
CUSTOMER RELATIONSHIP MANAGEMENT :

It has been the constant endeavour of the Company to provide satisfactory service to the customers. Customer Service indicators are being reviewed periodically for achieving better performance.

During the year 2007-08, the Company has reached documents clearance rate of 99.54% and the overall grievance redressal ratio stood at 83.29%. Steps are, however, being taken to improve the grievance redressal ratio in the current fiscal.

The Company has achieved an 83.85% settlement of non-suit claims during the year under review as against the previous year's settlement ratio of 80.09%. The Company has settled 26,057 number of claims more than what were intimated during the year.

NON-SUIT CLAIM SETTLEMENT RATIO



Introduction of quality audit on non-suit outstanding claims in the operating offices has yielded excellent results. The focus of these audits has been to identify the re-action time of offices and thereby sensitizing the offices for prompt reaction and avoidance of any delay in the

settlement of claims. A good number of year old non-suit outstanding claims, after reviewing, were disposed off.

The Redressal of Grievances, Issuance of Documents, Claim Settlement (Non-Suit) and Age-wise analysis of



number of outstanding non-suit claims as at 31st March 2008 are given below-

i) Redressal of Grievances

Number of grievances outstanding as at 1st April 2007	Number of grievances reported during 2007-08	Number of grievances redressed during 2007-08	Number of grievances outstanding as at 31st March 2008	Grievance redressal ratio (%) during 2007-08	Grievance redressal ratio (%) during 2006-07
248	2,230	2,064	414	83.29%	90.72%

ii) Issuance of Documents

Number of documents pending as at 1st April 2007	Number of documents incepted during 2007-08	Number of documents issued during 2007-08	Number of documents pending as at 31st March 2008	Documentation ratio (%) during 2007-08	Documentation ratio (%) during 2006-07
34290	10,677,036	10,662,388	48,938	99.54%	99.75%

iii) Claim Settlement (Non-suit)

No. of claims outstanding as at 1st April 2007	No. of claims intimated during 2007-08	No. of claims settled during 2007-08	No. of claims outstanding as at 31st March 2008	Claim settlement ratio 2007-08
136,135	545,311	571,368	110,078	83.85%

iv) Age-wise analysis of number of outstanding non-suit claims as at 31st March 2008

Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	More than 3 years	Total
43,818	21,307	23,217	14,375	7,361	110,078

MOTOR TP CLAIMS :

The Special Task Force (STF) constituted earlier under the supervision of General Manager (TP) continued its 'Special Action Plan' (SAP) in efficient management of Motor TP claims during the year 2007-08.

Achievements of this team for the fiscal 2007-08 are as follows:

- The TP incurred claims ratio without IBNR has also come down substantially from 148% last year to 125% this year due to the following improvements.
- Maximum settlement of cases through MACT as well as alternate fora.

- the overall claim settlement ratio has improved over the last financial year.
- TP cases SETTLED are *more* than the Number REPORTED during the current financial year 2007-08.
- A 'Brainstorming' session was conducted at NCIL on 12th January 2008, attended by selected TP officials of some ROs, to deliberate on issues concerning better control over TP statistics, better defence of TP cases as well as faster disposal by identifying cases fit for compromise, etc. The conclusions were



summarized in the form of a booklet named "Ideas" and circulated to all ROs.

- Hon'ble Justice Pinaki Chandra Ghosh, Judge Calcutta High Court and Executive Chairman, SALSA, West Bengal, convened a Seminar and Lok Adalat session at Kolkata on 1st and 2nd March 2008, organized by 'National' on behalf of all 4 PSU Insurers and attended by Hon'ble Judges of Supreme Court, High Court and District Courts/Tribunals, as well as NGOs and Law students. Our Chairman-cum-Managing Director and General Manager (TP) shared the dias along with other dignitaries and highlighted our role and achievements in TP Claim Management, The Hon'ble Judges of the Supreme Court and Calcutta High Court, including the Chief Justice of Calcutta High Court along with our Chairman-cum-Managing Director and General Manager (TP), personally attended a Lok Adalat session for compromise settlement of pending Appeal cases at Calcutta High Court.

- Lok Adalat Session on TP cases identified and put up for compromise settlement was held on pending Appeal cases at Ahmedabad High Court on 23rd and 24th February 2008. The same was attended by Hon'ble Chief Justice Mr. Y. R. Meena and the senior Judges of Ahmedabad High Court.
- The claims settlement ratio has risen from 26.08% in the last year to 27.09% in the current year.

The Special Action Plan will be continued for the current year with main focus on disposal of cases and review of Appeals.

Annexure I shows 99,677 claims settled through various Fora and MACT.

Annexure II gives an overall age-wise analysis of TP Cases outstanding as at 31st March 2008.

Annexure III shows Motor TP Claims disposal.

ANNEXURE I

Statement of Motor TP cases compromised through various Fora										
Forum	No. of Claims settled					Amount settled (Rs. in lac)				
	2007-08	2006-07	2005-06	2004-05	2003-04	2007-08	2006-07	2005-06	2004-05	2003-04
Lok-Adalat	17,762	18,690	19,333	15,163	18,357	11,009	16,032	13,630	10,059	7,744
JRY	37	120	137	73	78	16	131	97	82	67
DICC/RICC	64	188	482	387	491	323	429	476	274	527
Conciliatory Forum	457	374	2129	1297	970	1343	703	1,750	750	554
Total	18,320	19,372	22,081	16,920	19,896	12,691	17,295	15,953	11,165	8,892

Statement of Motor TP cases settled through MACT Awards										
MACT (Tribunal)	81,357	90,815	67,485	53,312	46,718	87,076	79,491	78,985	70,686	58,488
Grand Total	99,677	110,187	89,566	70,232	66,614	99,767	96,786	94,938	81,851	67,380



ANNEXURE II

Age-wise analysis of Outstanding Suit (MACT only) cases as at 31st March 2008 (Rs. in thousand)

Pending for	2007-08		2006-07		2005-06		2004-05		2003-04	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Less than 3 months	15,919	2,143,606	19,192	2,171,883	27,632	3,287,738	26,463	2,543,143	19,889	1,803,726
3 months to 6 months	10,362	1,261,012	13,609	1,483,284	16,482	1,804,818	18,911	1,776,920	14,091	1,258,609
6 months to 1 year	24,358	2,836,296	30,931	3,652,063	36,906	3,968,751	33,565	3,055,015	35,134	2,239,778
1 year to 3 years	91,928	10,001,690	97,641	10,588,012	96,350	9,478,476	84,228	7,196,187	73,560	5,906,954
3 years to 5 years	56,230	5,555,040	50,602	4,596,311	51,544	4,439,110	48,306	3,929,695	41,875	3,469,530
More than 5 years	69,510	6,190,989	65,129	5,587,828	70,567	5,802,182	59,971	4,989,421	49,223	4,095,959
Total	268,307	27,988,633	277,104	28,079,381	299,481	28,781,075	271,444	23,490,381	233,772	18,774,556

Motor TP Claims disposal

ANNEXURE III

Particulars	2007-08	2006-07	2005-06	2004-05	2003-04
No. of cases outstanding at the beginning of the year	277,104	299,481	271,444	233,772	195,193
Deleted (settled earlier)	—	9,179	—	—	—
Net No. of cases	—	290,302	—	—	—
Add : No. of cases reported during the year	90,880	87,810	117,603	107,904	105,193
Total	367,984	378,112	389,047	341,676	300,386
Less : No. of cases settled during the year	99,677	101,008	89,566	70,232	66,614
No. of cases outstanding at the end of the year	268,307	277,104	299,481	271,444	233,772
Claims disposal %	27.09	26.08	23.02	20.56	22.18

HEALTH INSURANCE MANAGEMENT :

The Health Insurance got a major boost in the year 2007-08. The premium under health policies touched a figure of Rs.690.36 crore against a premium of Rs.479.57 crore in 2006-07 showing a growth of 43.95%, which is the highest across all portfolios. The incurred loss ratio under health policies has shown southward trend and settled at 100.46% against 120.84% for 2006-07.

The Health and Accident Department took the following initiatives during the year 2007-08 :

1. Revisions in the existing mediclaim policy done.

2. Revisions introduced in Pravasi Bharatiya Bima Policy.
3. Two Micro Insurance policies – "Gramin Suraksha" and "Gramin Suswasthya" introduced.
4. Rashtriya Swasthya Bima Policy for unorganised sector.

Special emphasis was given to Universal Health Insurance Scheme (UHS) policies during the year covering 22,151 BPL families of 80,068 persons.

To help the Senior Citizens renew their existing mediclaim policies without much hardship, steps were taken in line with IRDA's directive to restrict the hike in premium between 50% to 75%.



RESEARCH & DEVELOPMENT ACTIVITIES :

During the year, the Micro Insurance Cell was set up to reach out to the Rural Areas with Micro Insurance Products at cheaper rate. During the year, the Company has developed and launched two Micro Insurance Products -

1. Gramin Suswasthya Micro Insurance Policy
2. Gramin Suraksha Micro Insurance Policy

An agreement has been signed with the Confederation of NGOs of Rural India (CNRI) for exclusive marketing of Micro Insurance products and Universal Health Insurance Scheme (UHIS) through their 6,000 Member NGOs. Efforts are being made for enrolment of NGOs, Micro Financial Institutions and Self Help Groups as our Agents for marketing of the above products in Rural Areas.

DETARIFFING :

The financial year 2007-08 witnessed the impact of price decontrol in Fire, Engineering, Workmen Compensation and Motor OD classes of business upto Q3 ending 31st December 2007, when the decontrol regime was subject to a maximum cap as directed by IRDA.

From 1st January 2008, the pricing for the above classes of business was totally freed and the Insurers were free to charge their filed rates in terms of the provisions of File & Use Guidelines.

The pricing decontrol led to steep fall in premium rates particularly in the Fire and Engineering classes of business. The average reduction in premium rates for these classes of business for the first three quarters was around 45% to 50%. The Q4 of the fiscal witnessed a bloodbath in the market with rates plummeting to 10% to 20% of the erstwhile Tariff rates.

We tirelessly endeavoured to protect our profitable accounts from relentless poaching by the competitors. The Gross Direct Premium of Fire Portfolio for the fiscal 2007-08 was Rs.380.72 crore, which was 23% approx. less as compared to the last year's premium. From this it is evident that we have managed not only to protect most of our Fire Accounts but also managed to obtain reasonable amount of new business as the average reduction in fire premium was around 50%. Our Incurred Claims (IC) of Fire Portfolio on Gross Basis is around 44%.

Our Engineering Portfolio was Rs.144.98 crore during the fiscal with a growth rate of 13% over the previous year. The engineering premium rates also witnessed a steep downfall during the year with average reduction

around 45% of the erstwhile tariff rates. This again indicates that we have managed to strengthen our position in the engineering segment of business. The ICR on 'Gross Basis' for engineering class of business is 36.78%, which indicates that we have managed to maintain profitability of our Fire & Engineering Portfolios. This has happened because our underwriting was on sound principles. We maintained a balance between empowering our operating offices to offer discount on pricing and exercising reasonable control by Regional Offices and Head Office to see that the risk selection is done properly.

The Company's Programme on Detariffing was in line with the roadmap laid down by IRDA. As per IRDA's Schedule, the phase II of Detariffing was to commence from 1st April 2008, when the insurers were allowed to make changes in the policy wordings but the same is yet to be implemented. Under the aegis of General Insurance Council, a Committee of Underwriters was formed to evolve 'Common Market Wordings'. Core Committees formed by us deliberated upon the draft wordings circulated by the above forum. We also worked upon new covers too. This was further discussed with all our Regional Underwriters (Motor and Non-Motor). We are ready to file our revised workings and coverage as and when IRDA permits.

The Company has set up an Actuarial Department at Head Office. This Department is actively involved in preparation for the next phase of Detariffing and is analysing available data in order to arrive at proper pricing. In order to remain competitive in the market, review and revision of existing premium rates and products will be carried out periodically.

RIGHT TO INFORMATION :

The Company has, as per the provisions of Right to Information Act, 2005, designated Central Assistant Public Information Officers at more than 560 Branch Offices. Central Public Information Officers (CPIO) have been designated at all our Divisional Offices besides Designated CPIOs and Appellate Authorities at all Regional Offices & Head Office. These details are also made available in the Company's website www.nationalinsuranceindia.com.

Briefing sessions were conducted at four metro centres and other Regional Offices for the CPIOs for effective handling of Right to Information (RTI) matters.

The Annual statistics for the fiscal 2007-08 in respect of RTI matters are furnished hereinbelow:



Applications :

1. No. of requests received	:	596
2. No. of cases where information was furnished	:	521
3. No. of requests where information was refused	:	75

Around 22 Appeals/Complaints were lodged at Central Information Commission (CIC) level by the information seekers and these cases were well defended. As a result, 14 Appeals were rejected/ dismissed by CIC. In 8 cases, the directions given by CIC were complied with.

Appeals :

1. No. of Appeals received	:	93
2. No. of Appeals where information was provided	:	75
3. No. of Appeals where information was refused	:	18

HUMAN RESOURCES :

Total number of employees recruited during the year under review and the comparative staff strength as on 31st March 2008 and 2007 is given hereunder –

Class	Number recruited during the year	Total Staff Strength	
		31st March 2008	31st March 2007
I	84	4,222	4,228
II	–	1,999	2,034
III	–	7,974	8,076
IV	–	2,157*	2,170
Total	84	16,352	16,508

*Class IV staff strength includes 37 Part-time sweepers

SCHEDULED CASTES, SCHEDULED TRIBES, PHYSICALLY HANDICAPPED, OTHER BACKWARD CLASSES EX-SERVICEMEN AND OTHERS :

Recruitment of SC, ST, PH, OBC, Ex-servicemen and others during the year 2007-08 are given hereunder :

Class	TOTAL	SC	ST	PH	OBC	EX-SER.	OTHERS
I	84	15	7	2	27	4	29
II	–	–	–	–	–	–	–
III	–	–	–	–	–	–	–
IV	–	–	–	–	–	–	–
Total	84	15	7	2	27	4	29

Total number of 84 candidates, having specialization in Finance, HR, Marketing, Engineering, IT, Actuarial, Insurance & Legal were selected for recruitment in the cadre of Scale-I Officers (Specialist) during the year 2007-08.

During the year 2007-08, all measures were taken to ensure implementation of the benefits/concessions normally prescribed for SC/ST/OBC/Ex-Servicemen Employees as per Rules.

HUMAN RESOURCES DEVELOPMENT :

The year 2007-08 was crucial to the Company's efforts to meet the challenges effectively in the new market scenario. Several initiatives were taken and other recently introduced methods were continued in the process of transformation management towards fulfilling the corporate goals of the Company.

It was decided to introduce intensive customized



training programmes to impart soft skills and bring about transformational changes to reinforce our Officer's base. The Company continued to engage the services of Management Development Institute (MDI), Gurgaon, one of the top B-Schools of the Country, to deliver a customized training module named National Insurance Executives' Education for Tomorrow (NIEET). The objective is to achieve operational excellence and promote a customer centric organizational outlooks which were met. A total of 479 Officers were trained in the fiscal 2007-08.

In addition, some of the Officers from all over the Country were nominated to undergo specialized insurance domain, management and IT based training programmes at National Insurance Academy (NIA), Pune. In total, 722 Officers were nominated for training at NIA during the year.

The National Centre for Insurance Learning (NCIL) at Narendrapur imparted training to 1,028 Officers through various programmes throughout the year. Regional Training Centres located at each of the Regional Offices trained 2,905 Staff members comprising Class I – 1,941;

Class II – 253; Class III – 590 & Class IV – 121, besides giving training to 4,931 Agents either at the time of induction or renewal of agency licences and 240 officials of Bancassurance partners.

Pre-promotion training sessions were held in Ahmedabad, Chennai, Delhi & Kolkata to the Officers belonging to SC/ST communities. A total of 143 officers belonging to the above communities, who were in the zone of consideration, have been trained.

Several officials were also nominated for training, seminars and workshops conducted by reputed external institutes and organizations namely Bengal Chamber of Commerce, Institute of Public Administration, Jawaharlal Nehru Institute for Development Banking, Dun & Bradstreet Seminar on Risk Management, British Council, LNJJN National Institute of Criminology & Forensic Sciences, National Institute of Personnel Management, Organisation Development Institute, Central Board of Irrigation & Power, Calcutta Management Institute, Amity University, IIM Kolkata & Delhi Productivity Council.

Name of the Institute	Programme Title	Number of Officers Trained
MDI, Gurgaon	NIEET	479
National Insurance Academy (NIA) , Pune	Various Training Programmes	722
External Agencies	External Training Programmes / Seminars / Workshops, etc	45

ISO CERTIFICATION :

Two offices under Pune Regional Office namely Pune Divisional Office I and Chinchwad Branch Office have been awarded ISO 9001-2000 Certifications effective from 6th February 2008.

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956:

During the financial year 2007-08, none of the employees was in receipt of remuneration in excess of the applicable limits i.e. Rs.2 lac per month or Rs.24 lac per annum as prescribed in Section 217(2A) of the

Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

DIRECTORS' RESPONSIBILITY STATEMENT:

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

- in preparation of the Annual Accounts for the financial year ended 31st March 2008, the applicable accounting standards had been followed along with explanation relating to material departures, if any;
- the Directors have selected such accounting policies and applied them consistently and



made judgement(s) and estimate(s) 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 profit or loss of the Company for that period;

- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and
- iv) annual accounts have been prepared on a going concern basis.

VIGILANCE :

On Preventive side, the Vigilance Department Officers have conducted Surprise Inspection at 109 Offices. On surveillance aspect, Agreed List has been finalized with CBI Authorities of different Branches.

On Punitive side, during the year, 125 Disciplinary Proceedings have been concluded. In 114 cases, penalties have been imposed out of which 59 were Major Penalties. 97 Disciplinary Proceedings have been commenced during the year.

Special attention has been given for expeditious disposal of long pending Disciplinary Proceedings. In addition, workshop has been arranged for Divisional Managers/Branch Managers on Vigilance Awareness. All India Vigilance Officers' Conference was also held during the year.

Vigilance Awareness Week has been observed at Head Office and other Offices by taking oath, displaying Banner, conducting symposium and publishing booklet on Preventive Vigilance.

INTERNAL AUDIT AND INSPECTION ACTIVITIES :

The Internal Audit Department of the Company spread over all the Regional Offices in 2007-08, amongst other activities, has been highlighting the areas of weakness in control system. The Audit as envisaged in the Audit Plan, has mainly focused on risk based audit, identifying risk exposure of the Company in its underwriting and claim operations besides taking up Technical (Detariff)

audit. As regards compliance action, special emphasis was made on realizing the outstanding recoveries from employees which were long pending. Awareness was created through four zonal workshops for audit compliance of all reports in a time bound manner and the process is activated.

During the year, steps were taken to dispose off the outstanding paras raised by Resident Audit Office in various Zones. Northern Zone & Eastern Zone review meetings were held to dispose off the Government Audit queries/paras. Similarly, Action Taken Notes (ATNs) were submitted to the Administrative Ministry to facilitate disposal of paras in co-ordination with Comptroller & Auditor General of India.

During the year 2007-08, the Department has completed 754 regular audits and 1,103 Technical (Detariff) Audits of various Operating Offices/Regional Offices/Head Office Departments apart from TPA audit, joint inspection with Vigilance Department, commission payment audit and Motor TP claims audit. Moreover, Concurrent Audit of Investment operations are conducted by Audit Firms and the Executive Summary of their reports are placed before the Audit Committee for their consideration.

In order to have a better internal control mechanism in place for underwriting, IT Department released Detariff version of the Genisys software which will help the organization for better underwriting control in the Detariff scenario.

In the current fiscal 2008-09, it is proposed to take up Risk based Audit in areas like claims control in Motor OD, Health etc. for better performance.

AUDIT COMMITTEE :

The 'Audit Committee' constituted by the Board comprises the undernoted Members as at 31st March 2008 –

1. Shri P. K. Gupta, Chairman
2. Shri Lalit Kumar
3. Shri Sujit Das
4. Shri K. Jayakumar
5. Shri D.K. Kapila

The Committee met four times during the fiscal 2007-08. The Committee approved the Annual Audit Plan of the



Company and reviewed various activities of the Company. It plays an active role in reviewing the status and functioning of Internal Audit activities including internal control system in the Company.

OFFICIAL LANGUAGE IMPLEMENTATION :

Every possible step was taken to achieve the targets set by the Annual Programme issued by the Ministry of Home Affairs, Government of India, Official Language Department. Based on the guidelines, the Annual Programme was prepared for the Company and for all the Regional Offices, who have made their best efforts to implement the same by holding workshops, arranging learning sessions to improve usage of Hindi in official work.

Hindi Day/Week was celebrated with great enthusiasm in all Regional Offices/Head Office and with more participation of our employees in the competitions organized. All classes of employees have participated actively to make the function a great success. These competitions have yielded some excellent write-ups in the form of essays which were published in some of the Company's House Magazines.

Inspection of Regional Offices (ROs), regarding implementation of Official Language was conducted by Head Office. All India Official Language Workshop was held successfully at Ujjain, Indore on 7th and 8th February 2008.

At Head Office, Hindi House Magazine 'Bima Varta' has been published and the same was appreciated by the readers. Ahmedabad Regional Office (ARO) published Hindi Magazine 'Beema Gurjari' on quarterly basis and Lucknow Regional Office (LRO) published 'Lakshya' on monthly basis. Some of our Hindi Magazines published by ROs got the awards from TOLICs.

During the year, the 3rd Sub-committee of the Committee of Parliament on Official Language (OL) had inspected our Veraval Branch Office. Drafting and Evidence Sub-committee of the Committee of Parliament on OL has visited our ARO and held deliberations/discussions with the local Town Official Language Implementation Committee (TOLIC).

By internal selection, a Hindi Officer has been posted at Chennai RO.

During the year, the Company has secured the following prizes for OL implementation at various levels :

Sl.No.	Particulars of Prize	Recipient Office	Award distribution details
1.	1st Prize for Central Zone	Indore Regional Office	Hon'ble Minister of Home Affairs at a function organized in Goa.
2.	1st Prize for Delhi	Delhi Regional Office -II	Ministry of Home Affairs at a conference held in Haridwar on 14th December 2007.
3.	1st Prize for 'C' Region	Jammu Divisional Office	Ministry of Home Affairs, Government of India, OL Department.
4.	3rd Prize for 'A' Region	Karnal Divisional Office	Ministry of Home Affairs, Government of India, OL Department.
5.	2nd Prize of Indira Gandhi Rajbhasha for 'C' Region	Head Office	Hon'ble Home Minister at a function organized in Delhi on 14th September 2007.
6.	Rajbhasha Shield	Head Office	Town Official Language Implementation Committee (PSU), Kolkata

INFORMATION TECHNOLOGY DEPARTMENT :

The year 2007-08 has seen the initiation of the most ambitious IT Project in the Company, i.e., Enterprise Architecture Solution for Insurance (EASI). In association with PWC, we have drawn up the IT

structure needed to cater to the Re-engineered Processes under BPR.

Under the Re-engineered Process, the entire workflow will be automated. Entire operations will be browser based and all Operating Offices will be accessing a set



of central servers for issuance of policies and all other operations. After this, any policy issued from any office can be serviced/renewed from any part of the Country. We intend to have separate hubs for Claims Processing, Document Printing and Central Collections, Payments and Accounts. The centralized servers will also cater to the requirements of Customers, Business Partners and Service Providers for on line transactions, status tracking, self service for most of the requirements, data upload and download. We will be required to set up large and most sophisticated Data Centre, Disaster Recovery Centre and near site Data Centre.

The other major IT initiatives during the year are -

NETWORK ACCESS CONTROL SOLUTION :

After completing implementation of the first level of IT Security Solution, the Company has proceeded to the next phase of implementation of Security through Network Access Control Solution which will address the challenges thrown up by the use of Laptops and also effectively block the chances of taking out confidential information of the Company through unauthorized systems. The roll out of Net Work Access Control solution has begun during the year and the work is likely to be completed by Q1 of 2008-09.

INFRASTRUCTURE MANAGEMENT SOLUTION :

This project was set in motion towards the end of the year. This project will automate manageability of all IT resources by automatic tracking of all hardware and software, automated IT Inventory Management, automatic deployment of software patches and service pack patches and will monitor all Hardware and Software calls by providing a Help Desk. The implementation is likely to be completed during the current fiscal 2008 -09.

VIDEO CONFERENCING FACILITIES FOR ALL REGIONS :

During the year, many of the Non-Nodal regions have been brought under the facility of Video Conferencing. The project is expected to be completed by the end of fiscal 2008-09.

CENTRAL ONLINE PAYMENT FOR MARUTI INSURANCE :

We have initiated on line centralized claim processing system for Maruti tie-up business. All Offices dealing with Maruti Business were brought under this system during the year, speeding up the claim settlement process. This will pave the way for 100% claims data availability in the central repository, which will help the management in analyzing the performance of this business on regular basis. This is a step towards achieving online business process envisaged in the IT enabled BPR initiative.

PROCUREMENT OF LAPTOPS AND ADDITIONAL DESKTOP COMPUTERS :

The process of procuring 700 Laptops and 750 additional Desktop Computers were completed. The Laptops were distributed to Senior Level Officers, Divisional Managers and IT Officers of the Company. Internet Data Cards were provided to the Laptops allotted to Senior Officers. Laptops have helped the Officer-in-Charge of Operating Offices in making presentations to Clients, access mails and work while moving around and allow Officers to accord faster approval for underwriting business in the detariff scenario. This will enable the Officers to experience working in technologically driven process before implementation of the IT enabled BPR initiative.

BOARD OF DIRECTORS :

Shri D. K. Burman retired from the services of the Company on 31st October 2007 and ceased to be the Functional Director from 1st November 2007. In his place, Shri A. Bandyopadhyay was inducted as Functional Director of the Board with effect from 7th November 2007. The Board wish to convey their sincere appreciation for the contribution made by Shri D. K. Burman during his tenure as Director.

Shri D. K. Kapila, Shri K. Jayakumar and Shri B. Ramani were inducted as Part-time Non-official Directors on the Board of the Company effective from 27th August 2007.

STATUTORY AUDITORS :

M/s. S. Ghose & Co., Chartered Accountants and M/s. M. Choudhury & Co., Chartered Accountants, Kolkata



were re-appointed as Statutory Auditors of the Company for the year 2007-08 by Comptroller & Auditor General of India (CAG) in terms of Section 619(2) of the Companies Act, 1956, in addition to appointment/re-appointment of Branch Auditors for the various Regional and Divisional Offices and also for the Foreign Branches. The Board of Directors wish to convey their sincere appreciation to the Auditors for their guidance.

AUDIT BY COMPTROLLER & AUDITOR GENERAL OF INDIA :

The Board of Directors wish to convey their thanks to the Comptroller & Auditor General of India, the Chairman of the Audit Board, Principal Director of Commercial Audit and Ex-officio Member, Audit Board-II, Kolkata for their valuable guidance and co-operation.

PLACEMENT OF ANNUAL REPORT BEFORE THE PARLIAMENT :

The Annual Report of the Company along with the Directors' Report is being placed before both the Houses of the Parliament under Section 619(A) read with 619(B) of the Companies Act, 1956.

ACKNOWLEDGEMENT :

The Board of Directors wish to place on record their appreciation of the commendable work done by the Officers and other classes of employees comprising of Development Officers and Staff at all levels in rendering efficient services to the Policyholders and for their contribution in the performance of the Company. The Directors also deeply appreciate the confidence reposed in the Company by a wide spectrum of its client base, existing as well as new. The Directors acknowledge the excellent support extended by overseas Reinsurers and the General Insurance Corporation of India (GIC) as the National Reinsurer in the placement of Company's Reinsurance business.

The Directors would also like to place on record their gratitude and deep appreciation of the support and guidance received from the senior officials of the Insurance Division, Ministry of Finance, Department of Financial Services, Government of India, General Insurers' (Public Sector) Association of India (GIPSA) and from the Insurance Regulatory & Development Authority of India (IRDA), in the management of the affairs of the Company.

For and on behalf of the Board of Directors

(V. Ramasaamy)
Chairman-cum-Managing Director

Kolkata, the 21st day of June 2008



ANNEXURE - I

**STATEMENT SHOWING NUMBER OF BOARD MEETINGS HELD DURING
THE FINANCIAL YEAR 2007-08 & ATTENDANCE OF THE DIRECTORS AT THOSE MEETINGS**

Name of the Directors	Dates of Board Meeting						
	28/06/2007	04/07/2007	05/10/2007	08/12/2007	07/01/2008	14/02/2008	19/03/2008
Shri V. Ramasaamy Chairman-cum-Managing Director	Present	Present	Present	Present	Present	Present	Present
Shri Lalit Kumar Government Director	Absent	Present	Present	Present	Present	Present	Absent
Shri P. K. Gupta Non-Executive Director	Absent	Present	Absent	Present	Absent	Absent	Present
Shri Sujit Das Functional Director	Present	Present	Absent	Present	Present	Present	Present
Shri D. K. Burman Functional Director (Retired on 31.10.2007)	Present	Present	Present	—	—	—	—
Shri D. K. Kapila Part-time Non-Official Director (Appointed on 27.08.2007)	—	—	Present	Present	Present	Present	Present
Shri K. Jayakumar Part-time Non-Official Director (Appointed on 27.08.2007)	—	—	Present	Present	Present	Absent	Present
Shri B. Ramani Part-time Non-Official Director (Appointed on 27.08.2007)	—	—	Present	Present	Present	Present	Present
Shri A. Bandyopadhyay Functional Director (Appointed on 07.11.2007)	—	—	—	Present	Present	Present	Present

ANNEXURE - II

**STATEMENT SHOWING NUMBER OF AUDIT COMMITTEE MEETINGS HELD DURING
THE FINANCIAL YEAR 2007-08 & ATTENDANCE OF THE MEMBERS AT THOSE MEETINGS**

Name of the Members	Dates of Meeting			
	04/07/2007	07/12/2007	07/01/2008	19/03/2008
Shri P. K. Gupta – Chairman	Present	Present	Absent	Present
Shri Lalit Kumar	Present	Present	Present	Absent
Shri Sujit Das	Present	Present	Present	Present
Shri K. Jayakumar (from 15.11.2007)	—	Present	Present	Present
Shri D. K. Kapila (from 14.02.2008)	—	—	—	Present



ADDENDUM TO DIRECTORS' REPORT DATED 21st JUNE 2008 AS PER SECTION 217(3) OF THE COMPANIES ACT, 1956 – EXPLANATION FOR THE QUALIFICATIONS IN THE AUDITORS' REPORT DATED 21st JUNE 2008

3.i) The reconciliation for the difference between Company's holding and the holding of The Stock Holding Corporation of India is a continuous process and the table shown under item no. 10 Notes on Accounts is showing an improvement compared to last year.

3.ii) The confirmation of balances under various heads as shown under item no. 15 of the Notes on Accounts could not be obtained in spite of best efforts given by the Company. The position has improved compared to last year except in case of 'Amount due from' and 'Amount due to' and further steps are being taken to reconcile these balances. The balances shown under the head 'Amount due from' and 'Amount due to' are mostly related to reinsurance business where the year-end balance confirmation is not normally given by the reinsurers. However, all these accounts are running accounts and as and when the settlements take place, the balances are suitably adjusted. Necessary steps are being taken to reconcile and settle/adjust these balances.

For and on behalf of the Board of Directors

(V. Ramasaamy)
Chairman-cum-Managing Director

Kolkata, the 21st day of June 2008



ANNEXURE - III

**DETAILS OF PERFORMANCE OF SOME OF THE
PERSONAL LINE INSURANCES**

JANATA PERSONAL ACCIDENT POLICY

(Rs. in thousand)

Year	No. of policies issued	No. of persons covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2003-04	109877	2478740	257160	7240	3773	192040	77.10
2004-05	136009	11015163	148028	3617	2447	195541	199.66
2005-06	158261	957072	90109	5127	3077	251043	489.64
2006-07	170351	2725388	81696	5553	6947	159914	365.95
2007-08	267151	7970276	48054	4505	4195	206424	386.28

GRAMIN PERSONAL ACCIDENT POLICY

(Rs. in thousand)

Year	No. of policies issued	No. of persons covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2003-04	59110	661822	202011	1434	1347	110369	42.34
2004-05	6853	2407137	131088	1713	1457	188381	67.25
2005-06	8887	104063	52204	467	373	23431	104.55
2006-07	6980	897628	87446	853	1203	69872	108.71
2007-08	906	154748	5543	93	109	3761	47.29

PERSONAL ACCIDENT INSURANCE FOR KISSAN CREDIT CARD HOLDERS

(Rs. in thousand)

Year	No. of policies issued	No. of persons covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2003-04	11792	157047	2011	18	7	350	44.75
2004-05	19149	308612	12344	99	85	2618	26.86
2005-06	40821	308460	11840	114	84	3043	20.99
2006-07	16277	515399	9521	104	59	2823	48.18
2007-08	6912	68182	5338	49	50	2190	32.33



RURAL INSURANCE BUSINESS

(Rs. in thousand)

Year	No. of policies issued	No. of persons covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2003-04	392007	7028178	303958	47133	47943	69208	25.00
2004-05	216949	373300	527260	14683	12231	1097734	44.69
2005-06	220016	350248	572862	12916	9391	218438	55.55
2006-07	203288	1040813	595668	25929	20029	199622	40.86
2007-08	111028	999256	509621	28029	7118	151427	138.00

RAJRAJESHWARI MAHILA KALYAN BIMA YOJANA

(Rs. in thousand)

Year	No. of policies issued	No. of persons covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2003-04	2423	144290	1720	20	63	355	23.01
2004-05	2115	11211	387	71	77	641	115.99
2005-06	607	31399	565	120	67	1236	107.56
2006-07	2059	4790	274	93	62	1323	149.45
2007-08	344	10449	240	19	56	519	216.00

BHAGYASHREE CHILD WELFARE BIMA YOJANA

(Rs. in thousand)

Year	No. of policies issued	No. of persons covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2003-04	980	14612	459	4	5	75	16.40
2004-05	2827	13879	4934	31	48	1179	29.02
2005-06	1656	108595	1529	1	1	25	1.76
2006-07	1028	30449	5576	9	9	256	9.01
2007-08	208	31000	14903	2	3	311	7.78



JAN AROGYA POLICY

(Rs. in thousand)

Year	No. of policies issued	No. of persons covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2003-04	7147	260230	2265	9584	9503	3292	102.03
2004-05	8906	171603	16676	2216	1581	15412	88.20
2005-06	5418	35582	10715	3241	3116	11225	102.11
2006-07	5738	72343	5671	5119	5210	9364	172.05
2007-08	5981	20032	2278	931	818	3712	167.52

UNIVERSAL HEALTH INSURANCE (BPL + NON-BPL)

(Rs. in thousand)

Year	No. of policies issued	No. of persons covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2003-04	24430	78140	13405	250	130	497	12.54
2004-05	14577	27709	7749	2152	1659	3659	60.53
2005-06	2054	26699	3504	311	295	2586	55.20
2006-07	8387	28323	3825	361	318	1084	28.77
2007-08	35729	152184	28262	1170	785	2411	19.31

MEDICLAIM INSURANCE

(Rs. in thousand)

Year	No. of policies issued	No. of persons covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2003-04	505260	3122536	2980281	198573	186110	3047145	102.24
2004-05	588370	7560666	3640745	245448	269934	4342986	135.01
2005-06	688842	2957739	3988566	236481	202597	4917365	128.71
2006-07	769043	5475273	4667464	237058	247439	5281488	117.96
2007-08	763995	5542300	6699193	286056	237175	6683045	101.00



VIDYARTHI MEDICLAIM POLICY

(Rs. in thousand)

Year	No. of policies issued	No. of persons covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2007-08	1946	5561	5748	116	56	1168	20.31

PARIVAR MEDICLAIM POLICY

(Rs. in thousand)

Year	No. of policies issued	No. of persons covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2007-08	22314	60802	139506	1491	695	125321	97.00

VARISTHA MEDICLAIM POLICY

(Rs. in thousand)

Year	No. of policies issued	No. of persons covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2007-08	3177	3177	28612	432	159	3089	103.52

CATTLE INSURANCE

(Rs. in thousand)

Year	No. of policies issued	No. of lives covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2003-04	99530	99530	169253	20738	16227	108599	49.45
2004-05	197660	2268742	266003	19881	2227533	151932	56.17
2005-06	196535	654203	308614	24060	46657	183115	61.35
2006-07	160546	565816	374242	16642	17391	183324	49.17
2007-08	125970	428298	299808	25149	23045	216564	79.56



MANAGEMENT REPORT AS REQUIRED IN PART IV OF SCHEDULE 'B' OF INSURANCE REGULATORY & DEVELOPMENT AUTHORITY (PREPARATION OF FINANCIAL STATEMENTS AND AUDITORS' REPORT OF INSURANCE COMPANIES) REGULATIONS, 2002

We certify that:

1. Renewal of Registration for carrying out the General Insurance Business of our Company has been obtained from the Authority;
2. All dues payable during the year to the statutory authorities have been duly paid;
3. The shareholding pattern and transfer of shares effected during the year are in accordance with statutory/regulatory requirements;
4. The funds of the holders of policies issued in India have not been directly or indirectly invested outside India;
5. The required solvency margins as at 31st March, 2008 as per IRDA (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000 have been maintained.
6. The value of all the Assets have been reviewed on the date of the Balance Sheet and that in our belief the Assets set forth in Balance Sheet are shown in the aggregate at amounts not exceeding their realizable or market value, under the several headings – “Loans”, “Investments”, “Agents' Balances”, “Outstanding Premiums”, “Interest, Dividends and Rents accruing but not due”, “Amounts due from other Persons or Bodies carrying on Insurance Business”, “Sundry Debtors”, “Bills Receivable”, “Cash” and items specified under “Other Accounts”;
7. The Company is exposed to various kinds of risks i.e. catastrophic/accidental/social etc. However, the strategy adopted to mitigate the same is mainly threefold. Firstly, we have devised a well laid out re-insurance programme to arrest our maximum liability in any one eventuality. The retentions are linked to net worth of the Company. The highest level of retentions are maintained in Fire Department as per international practices and graded down in other classes of business on an individual risk. Secondly, our thrust area is to have greater share of non-motor insurance market which is comparatively more profitable. Thirdly, we are trying to acquire more market share in organised sector business.
8. Out of the 2 foreign branches situated in Nepal and in Hongkong, the exposure in Nepal is predominantly in property insurance area and the assumption of risks of this kind is mainly taken care of by the reinsurance programme of the Company. In respect of Hongkong Branch, an agreement has been entered into with New India Assurance Co. Ltd. to transfer all the branch's operation, Assets and Liabilities at their carrying values. This transfer is subject to approval by the Insurance Authority of Hongkong in accordance with Section 25D of the Insurance Companies Ordinance (chapter 41). The proposed transfer shall take effect retrospectively from 29-12-2006 on granting of approval.
9. The ageing of claims (on gross business) has been given in the Annexure attached. Barring disputed cases, the claims are settled within a reasonable period of time.
10. All investments and stocks, as shown in the Balance Sheet, have been valued in the manner disclosed in Significant Accounting Policies, (Schedule 16) i.e.
 - i) Investments other than Equity Shares and units of Mutual Funds are stated at cost and the premium paid on securities is amortised over the remaining period.
 - ii) Investments in Equity Shares that are actively traded in the market and the units of Mutual Funds are stated at fair value.
 - iii) Shares that are thinly traded are valued at lower of Cost or Break up value.
 - iv) Foreign Government securities are valued at the exchange rates prevalent at the end of the year of acquisition.
 - v) In respect of loans and debentures, prudential norms as prescribed by IRDA regarding provisioning have been followed by the Company.



11. Review of Assets quality and performance of Investment Portfolio :

(Rs. In crore)

Particulars	Book Value	Market Value	Income
Shares	1677	8987	754
Other than Shares	4029	4029	377
TOTAL :	5706	13016	1131

All investments are reviewed periodically and assets are classified into performing and non-performing based on Insurance Regulatory and Development Authority (IRDA) Prudential norms.

12. We confirm that:

- in the preparation of financial statements, the applicable accounting standards, principles and policies have been followed along with proper explanations relating to material departures, if any;
- the management has adopted accounting policies and applied them consistently and made judgements and estimates that are

reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the operating profit of the Company for the year;

- the management has taken proper and sufficient care for maintenance of adequate accounting records in accordance with the applicable provisions of the Insurance Act, 1938 (4 of 1938)/Companies Act, 1956 (1 of 1956), for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the management has prepared the financial statements on a going concern basis;
- the management has ensured that an internal audit system commensurate with the size and nature of the business exists and is operating effectively.

13. We confirm that no payments have been made to individuals, firms, companies and organizations in which the Directors of the Company are interested.

For and on behalf of National Insurance Company Limited

(V. Ramasaamy)

Chairman-cum-Managing Director

Kolkata, the 21st day of June, 2008

Annexure

Ageing of Claims (on gross basis) 2007-08

(Rs. In Lakhs)

	30 days	30 days to 6 months	6 months to 1 year	1 year to 5 years	5 years and above	TOTAL
FIRE (No. of Cases)	0 (0)	17888 (1135)	8454 (819)	29541 (706)	1956 (171)	57839 (2831)
MARINE (No. of Cases)	0 (0)	20497 (1484)	3385 (742)	4431 (752)	1980 (188)	30293 (3166)
MISCELLANEOUS (No. of Cases)	15850 (54286)	61137 (49376)	44918 (42299)	188353 (170533)	64635 (72910)	374893 (389404)
TOTAL (No. of Cases)	15850 (54286)	99522 (51995)	56757 (43860)	222325 (171991)	68571 (73269)	463025 (395401)



Auditors' Report To The Members of National Insurance Company Limited

1. We have audited the attached Balance Sheet of **National Insurance Company Limited** as at 31st March 2008, the annexed Fire, Marine and Miscellaneous Revenue Accounts, Profit and Loss Account and Cash Flow Statement for the year ended on that date, in which are incorporated the audited returns of 24 Regional Offices, 309 Divisional Offices audited by other auditors and also the audited statements of account of 2 Foreign Branches audited by overseas auditors under the applicable local laws.

These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

The Balance Sheet, the Revenue Accounts and Profit and Loss Account have been prepared in accordance with the provisions of Section 11(1) of the Insurance Act, 1938 read with the provisions of Sub-sections (1), (2) and (5) of Section 211 and Sub-Section (5) of Section 227 of the Companies Act, 1956 and as per the provisions of Insurance Regulatory and Development Authority Act, 1999 (IRDA).

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

2. On the basis of audit indicated in paragraph 1 above, we report that:
 - i. 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 to be satisfactory;
 - ii. In our opinion, proper books of account as required by law have been maintained by the company so far as appears from our examination of those books;

- iii. Proper returns adequate for the purpose of our audit have been received from the Branches/Divisional Offices/Regional Offices;
- iv. The reports of the auditors on the accounts of Regional Offices, Divisional Offices, Foreign Branches audited by other auditors and such other particulars and information thereon available at Head Office, have been taken into consideration;
- v. The company's Balance Sheet, Revenue Accounts, Profit and Loss Account and Cash Flow Statement dealt with in this report are in agreement with the books of account and returns;
- vi. The accounting policies are in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and are also in conformity with the provisions of the IRDA (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002;
- vii. The provisions of section 274(1)(g) of the Companies Act, 1956 are not applicable to the Directors of the company in view of Company Law Board General Circular No.8/2002 dated 22.03.2002;
- viii. Investments have been valued in accordance with the provisions of Insurance Act, 1938 and the provisions of IRDA (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002;
- ix. The actuarial valuation of liabilities is duly certified by the Appointed Actuary and relied upon by us.

3. Attention is invited to the following Notes in Schedule 17:

- i. Note No.10 regarding impact of pending reconciliation of various securities with the custodian;
- ii. Note No.15 regarding impact of adjustment, if any, in the accounts remaining unascertained on reconciliation/confirmation not obtained.

4. In our opinion and to the best of our information and according to the explanations given to us, the said



Accounts read with the Significant Accounting Policies and the Notes on Accounts give the information as required by the Insurance Act, 1938, the Insurance Regulatory and Development Authority Act, 1999 and the Companies Act, 1956 to the extent applicable in the manner so required and subject to our observation in paragraph 3 above on the consequential effect remaining unascertained, give a true and fair view:

- i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2008;
- ii) in the case of the Revenue Accounts, of the surplus in Fire business and deficit in Marine business and Miscellaneous business for the year ended 31st March 2008;
- iii) in the case of the Profit and Loss Account, of the Profit for the year ended 31st March 2008;
- iv) in the case of the Cash Flow Statement, of the Cash Flow for the year ended 31st March 2008.

5. We further certify that :

- i) We have reviewed the Management Report and there is no apparent mistake or material inconsistency with the financial statements.
- ii) The Company has complied with the terms and conditions of the registration stipulated by the Insurance Regulatory & Development Authority.
- iii) We have verified cash and bank balances, securities relating to loans, investments by actual inspection or by production of certificates and/or other documentary evidences except to the extent stated in Note No. 10 in Schedule 17.
- iv) To the best of our information and explanations given to us and on the basis of representations made by the company, no part of the assets of the Policyholders' Funds has been directly or indirectly applied in contravention of the provisions of the Insurance Act, 1938 relating to the application and investments of the Policyholders' Funds.

M. CHOUDHURY & CO.
Chartered Accountants

S. GHOSE & CO.
Chartered Accountants

(D. Choudhury)
Partner
Membership No. 52066

(Chandan Chattopadhyay)
Partner
Membership No. 51254

Kolkata, the 21st day of June, 2008

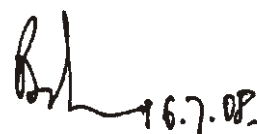


**COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE
ACCOUNTS OF NATIONAL INSURANCE COMPANY LIMITED
FOR THE YEAR ENDED 31 MARCH 2008**

The preparation of financial statements of National Insurance Company Limited for the year ended 31 March 2008 in accordance with the financial reporting frame work 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 auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 21 June 2008.

I, on 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 National Insurance Company Limited 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 the inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary 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 behalf of the
Comptroller & Auditor General of India


16.7.08

(B. Mazumdar)

Principal Director of Commercial Audit
& Ex-Officio Member, Audit Board – II
Kolkata

Place : Kolkata
Date : The 16th July 2008



Registration No. 58 dated 11th March 2008

Fire Revenue Account for the year ended 31st March, 2008

Particulars	Schedule	2007-2008 (Rs. '000)	2006-2007 (Rs. '000)
1. Premiums earned (Net)	1	2,911,715	3,383,610
2. Profit on sale/redemption of Investments (Net)		398,234	389,221
3. Exchange Gain		—	—
4. Interest, Dividend & Rent – Gross		338,262	365,422
TOTAL (A)		3,648,211	4,138,253
1. Claims Incurred (Net)	2	2,444,675	2,064,461
2. Commission	3	93,576	–267,194
3. Operating Expenses related to Insurance Business	4	888,146	1,107,573
4. Exchange Loss		8,965	193
TOTAL (B)		3,435,362	2,905,033
Operating Profit from Fire Business = (A - B)		212,849	1,233,220
APPROPRIATIONS			
Transfer to Shareholders' Account		212,849	1,233,220
TOTAL (C)		212,849	1,233,220

This is the Fire Insurance Revenue Account for the year ended 31st March, 2008 referred to in our report of even date.

We hereby certify that to the best of our knowledge and information, all expenses of management wherever incurred, whether directly or indirectly, in respect of Fire Insurance Business have been fully debited in the above Revenue Account as expenses in accordance with the Accounting Policy No. 7.1.

As required by Section 40C(2) of the Insurance Act, 1938, we hereby 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 Account as expenses in accordance with the Accounting Policy No. 7.1.

For and on behalf of the Board of Directors

M. CHOUDHURY & CO.
Chartered Accountants

S. GHOSE & CO.
Chartered Accountants

V. Ramasaamy Chairman-cum-Managing Director

Lalit Kumar Director

P. K. Gupta Director

D. K. Kapila Director

Sujit Das Director

A. Bandyopadhyay Director

V. Kumar Company Secretary

(D. Choudhury)
Partner

Membership No.52066

(Chandan Chattopadhyay)
Partner

Membership No.51254

Kolkata, the 21st day of June 2008



Registration No. 58 dated 11th March 2008

Marine Revenue Account for the year ended 31st March, 2008

Particulars	Schedule	2007-2008 (Rs.'000)	2006-2007 (Rs.'000)
1 Premiums earned (Net)	1	1,081,677	1,023,549
2 Profit on sale/redemption of Investments(Net)		154,247	140,245
3 Exchange Gain		—	29
4 Interest, Dividend & Rent – Gross		131,018	131,670
TOTAL (A)		1,366,942	1,295,493
1 Claims Incurred (Net)	2	1,000,578	1,008,524
2 Commission	3	100,333	56,635
3 Operating Expenses related to Insurance Business	4	298,196	340,636
4 Exchange Loss		6,541	—
TOTAL (B)		1,405,648	1,405,795
Operating Profit from Marine Business = (A - B)		-38,706	-110,302
APPROPRIATIONS			
Transfer to Shareholders' Account		-38,706	-110,302
TOTAL (C)		-38,706	-110,302

This is the Marine Insurance Revenue Account for the year ended 31st March, 2008 referred to in our report of even date.

We hereby certify that to the best of our knowledge and information, all expenses of management wherever incurred, whether directly or indirectly, in respect of Marine Insurance Business have been fully debited in the above Revenue Account as expenses in accordance with the Accounting Policy No. 7.1.

As required by Section 40C(2) of the Insurance Act, 1938, we hereby 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 Account as expenses in accordance with the Accounting Policy No. 7.1.

For and on behalf of the Board of Directors

M. CHOUDHURY & CO.
Chartered Accountants

S. GHOSE & CO.
Chartered Accountants

V. Ramasaamy Chairman-cum-Managing Director

Lalit Kumar Director

P. K. Gupta Director

D. K. Kapila Director

Sujit Das Director

A. Bandyopadhyay Director

V. Kumar Company Secretary

(D. Choudhury)
Partner

Membership No.52066

(Chandan Chattopadhyay)
Partner

Membership No.51254

Kolkata, the 21st day of June 2008



Registration No. 58 dated 11th March 2008

Miscellaneous Revenue Account for the year ended 31st March, 2008

Particulars	Schedule	2007-2008 (Rs.'000)	2006-2007 (Rs.'000)
1 Premiums earned (Net)	1	26,191,863	23,268,532
2 Profit on sale/redemption of Investments(Net)		4,364,039	3,877,414
3 Exchange Gain		—	—
4 Interest, Dividend & Rent – Gross		3,706,837	3,640,338
TOTAL (A)		34,262,739	30,786,284
1 Claims Incurred (Net)	2	24,943,101	20,869,239
2 Commission	3	1,844,966	1,351,011
3 Operating Expenses related to Insurance Business	4	7,790,686	6,606,498
3A Administrative Expenses related to Motor Business		878,226	607,413
4 Exchange Loss		21,024	12,855
TOTAL (B)		35,478,003	29,447,016
Operating Profit from Miscellaneous Business = (A - B)		-1,215,264	1,339,268
APPROPRIATIONS			
Transfer to Shareholders' Account		-1,215,264	1,339,268
TOTAL (C)		-1,215,264	1,339,268

This is the Miscellaneous Insurance Revenue Account for the year ended 31st March, 2008 referred to in our report of even date.

We hereby certify that to the best of our knowledge and information, all expenses of management wherever incurred, whether directly or indirectly, in respect of Miscellaneous Insurance Business have been fully debited in the above Revenue Account as expenses in accordance with the Accounting Policy No. 7.1.

As required by Section 40C(2) of the Insurance Act, 1938, we hereby 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 Revenue Account as expenses in accordance with the Accounting Policy No. 7.1.

For and on behalf of the Board of Directors

M. CHOUDHURY & CO.
Chartered Accountants

S. GHOSE & CO.
Chartered Accountants

V. Ramasaamy Chairman-cum-Managing Director

Lalit Kumar Director

P. K. Gupta Director

D. K. Kapila Director

Sujit Das Director

A. Bandyopadhyay Director

V. Kumar Company Secretary

(D. Choudhury)
Partner

Membership No.52066

(Chandan Chattopadhyay)
Partner

Membership No.51254

Kolkata, the 21st day of June 2008



Registration No. 58 dated 11th March 2008

Profit and Loss Account for the year ended 31st March, 2008

Particulars	Schedule	2007-2008 (Rs.'000)	2006 – 2007 (Rs.'000)
1 OPERATING PROFIT/(LOSS)		-1,041,121	2,462,186
(a) Fire Insurance		212,849	1,233,220
(b) Marine Insurance		-38,706	- 110,302
(c) Miscellaneous Insurance		-1,215,264	1,339,268
2 INCOME FROM INVESTMENTS		2,716,527	2,003,683
(a) Interest, Dividend & Rent – Gross		1,247,662	970,248
(b) Profit on sale/redemption of investments		1,479,733	1,033,435
Less: Loss on sale/redemption of investments		10,868	—
3 OTHER INCOME		161,238	133,198
a) Profit on sale of other Asset		1,705	1,588
b) Miscellaneous Income		159,533	111,139
c) Exchange Gain		—	20,471
TOTAL (A)		1,836,644	4,599,067
4 PROVISIONS (Other than taxation)		30,000	- 80,000
(a) For diminution in the value of investments		-21,236	- 75,127
(b) For doubtful debts		51,236	- 4,873
5 OTHER EXPENSES		86,092	120,762
(a) Expenses other than those related to Insurance Business		25,686	18,123
(b) Amortisation of Premium on Investments		27,266	60,218
(c) Amount written off in respect of depreciated Investments		8,393	42,226
(d) Exchange Loss		24,742	—
(e) Assets written off		5	1
(f) Foreign Income tax paid		—	194
TOTAL (B)		116,092	40,762



Particulars	Schedule	2007 – 2008 (Rs.'000)	2006 – 2007 (Rs.'000)
PROFIT BEFORE TAX (A - B)		1,720,552	4,558,305
Provision for Taxation :			
Current Tax		87,500	377,585
Deferred Tax		—	—
Adjustment of Taxation for earlier years		1,250	32,093
PROFIT AFTER TAX		1,634,302	4,212,813
APPROPRIATIONS			
(a) Proposed dividend		326,600	836,144
(b) Dividend distribution tax		55,506	142,102
(c) Transfer to General Reserve		1,252,196	3,234,567
		1,634,302	4,212,813

This is the Profit and Loss Account referred to in our report of even date.

M. CHOUDHURY & CO.
Chartered Accountants

S. GHOSE & CO.
Chartered Accountants

(D. Choudhury)
Partner
Membership No.52066

(Chandan Chattopadhyay)
Partner
Membership No.51254

Kolkata, the 21st day of June 2008

For and on behalf of the Board of Directors

V. Ramasaamy	Chairman-cum-Managing Director
Lalit Kumar	Director
P. K. Gupta	Director
D. K. Kapila	Director
Sujit Das	Director
A. Bandyopadhyay	Director
V. Kumar	Company Secretary



Balance Sheet as at 31st March, 2008

Registration No. 58 dated 11th March 2008

Particulars	Schedule	2007-2008 (Rs.'000)	2006-2007 (Rs.'000)
<u>SOURCES OF FUNDS</u>			
SHARE CAPITAL	5	1,000,000	1,000,000
RESERVES AND SURPLUS	6	14,586,974	13,334,778
FAIR VALUE CHANGE ACCOUNT		73,092,982	59,210,129
BORROWINGS	7	—	—
TOTAL		88,679,956	73,544,907
<u>APPLICATION OF FUNDS</u>			
INVESTMENTS	8	127,179,845	106,377,959
LOANS	9	3,917,999	4,172,135
FIXED ASSETS	10	637,119	599,959
DEFERRED TAX ASSET		—	—
CURRENT ASSETS :			
Cash and Bank Balances	11	6,192,608	10,313,921
Advances and Other Assets	12	19,589,916	14,544,819
Sub-Total (A)		25,782,524	24,858,740
CURRENT LIABILITIES	13	50,788,557	46,052,252
PROVISIONS	14	18,140,242	17,011,876
Sub-Total (B)		68,928,799	63,064,128
NET CURRENT ASSETS (C) = (A- B)		-43,146,275	- 38,205,388
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	15	91,268	600,242
TOTAL		88,679,956	73,544,907
SIGNIFICANT ACCOUNTING POLICIES	16		
NOTES ON ACCOUNTS	17		

This is the Balance Sheet referred to in our report of even date.

For and on behalf of the Board of Directors

M. CHOUDHURY & CO.
Chartered Accountants

S. GHOSE & CO.
Chartered Accountants

V. Ramasaamy

Chairman-cum-Managing Director

Lalit Kumar

Director

P. K. Gupta

Director

D. K. Kapila

Director

Sujit Das

Director

A. Bandyopadhyay

Director

V. Kumar

Company Secretary

(D. Choudhury)
Partner

(Chandan Chattopadhyay)
Partner

Membership No.52066

Membership No.51254

Kolkata, the 21st day of June 2008



A. Cash Flow Statement as at 31st March, 2008

Particulars	(Rs. '000) Amount
INFLOW FROM OPERATING ACTIVITIES	
Premium including Service Tax	26644548
Bank Guarantee/Deposit Premium receipts	6925562
Sundry Debtors Recovery	147859
Misc Receipts (Transfer, Duplicate, Sale of old items, Endorsement fees etc.)	38654
Cash recovery on loans & advances including interest (excepting HB Loan)	250665
Other Cash collection, if any	30193683
Total Inflow from Operating Activities	64200971
OUTFLOW :	
Claims paid	15403839
Commission & Brokerage paid including S. Tax	2238412
Mgt. Expenses & Advances for expenses	2905222
Refund/Excess premium payments	888244
Payment of Salary and deductions (Professional Tax, Income Tax etc.)	1525856
Loans and advances paid (except HBL)	675522
Payment of Terminal dues	117317
Other payments, if any	39468882
Total Outflow	63223294
Funds Transactions	
Fund received from HO/RO/BO/Collection A/c.	145672205
Fund sent to HO/RO	154381365
Net of Funds	- 8709160
NET CASH FLOW FROM OPERATION ACTIVITIES	- 7731483
INVESTING ACTIVITIES	
INFLOW	
Sale of Assets	152000912
Recovery of House Building Loan	35366
Interest on House Building Loan	12389
Bank Interest	2763229
Total Inflow	154811896
OUTFLOW	
Purchase of Assets	151163554
Disbursement of House Building Loan	38172
Total Outflow	151201726
NET CASH FLOW FROM INVESTING ACTIVITIES	3610170
Net Increase in Cash & Cash Equivalent	- 4121313
Cash & Cash Equivalents at the beginning of the year	10313921
Cash & Cash Equivalents at the end of the year	6192608



B. Cash Flow Statement (Indirect Method) as at 31st March, 2007

(Rs. '000)

Particulars

I. Cash Flow from Operating Activities

Net Profit(+)/Loss(-) before Taxation		4558305
Adjustment for :		
Add : Depreciation	195079	
Premium Reserve Strain	877952	
Provisions for O/S claims	-218528	
Provisions for Doubtful Debts	-80000	
Provisions for Leave Encashment/ Gratuity/Pension	1055939	
Investment Written Off	102444	
Exchange loss	13048	
Assets written off	1	1945935
Less: Investment Income (Net of Expenses)	10547993	
Miscellaneous Income	131639	
Profit on sale of Assets	1588	
Dividend including Tax	0	10681220
Funds from operations (Before working capital change)		-4176980
Adjustment for changes in working capital :		
Add : Increase/decrease in Miscellaneous Expenditure	-616590	
Less: Changes in Working Capital	-992393	375803
		-3801177
Add : Income Tax Refund Received	523152	
Less: Income Tax/Wealth Tax Paid	86367	436785
Net Cash Flow from Operating Activities		- 3364392
II. Cash Flow from Investing Activities		
Addition of Fixed Assets	-265276	
Proceeds from sale of Fixed Assets	7711	
Proceeds from sale of Investment	-8952299	



Purchase of Investments	3044425
Decrease in Loans	–419131
Investment Income (Net of Expenses)	10547993
Net Cash Flow from Investing Activities	3963423

III. Cash Flow from Financing Activities

Less: Dividend Paid	—
Dividend Tax Paid	—
Net Cash Flow from Financing Activities	—
Net increase in Cash & Cash Equivalent (I+II+III)	599031
Cash & Cash Equivalents at the beginning of the year	9714890
Cash & Cash Equivalents at the end of the year	10313921

Note : Previous Year's Cash Flow Statement was prepared under Indirect Method.

For and on behalf of the Board of Directors

M. CHOUDHURY & CO.
Chartered Accountants

S. GHOSE & CO.
Chartered Accountants

V. Ramasaamy Chairman-cum-Managing Director

Lalit Kumar Director

P. K. Gupta Director

D. K. Kapila Director

Sujit Das Director

A. Bandyopadhyay Director

V. Kumar Company Secretary

(D. Choudhury)
Partner

(Chandan Chattopadhyay)
Partner

Membership No.52066

Membership No.51254

Kolkata, the 21st day of June 2008



Segmental Report for the year ended 31st March 2008

(Rs. In Thousand)

PARTICULARS	MARINE CARGO		OTHER THAN MARINE CARGO		TOTAL MARINE	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
PREMIUM EARNED (NET)						
PREMIUM FROM DIRECT BUSINESS WRITTEN	1296055	1206830	481763	865117	1777818	2071947
ADD: PREMIUM ON R/I ACCEPTANCE	8633	7890	162184	81967	170817	89857
LESS : PREMIUM ON R/I CEDED	322820	300462	447437	813471	770257	1113933
NET PREMIUM	981868	914258	196510	133613	1178378	1047871
ADJUSTMENT FOR CHANGE IN RESERVE FOR UNEXPIRED RISK	- 33804	7982	- 62897	- 32304	- 96701	- 24322
TOTAL PREMIUM EARNED (NET)	948064	922240	133613	101309	1081677	1023549
CLAIMS INCURRED (NET)						
CLAIMS PAID - DIRECT	695616	1040002	281085	1447273	976701	2487275
ADD : R/I ACCEPTANCE	4895	30217	95033	45809	99928	76026
LESS : R/I CEDED	164438	364246	260446	1165582	424884	1529828
NET CLAIMS PAID	536073	705973	115672	327500	651745	1033473
ADD: CLAIMS O/S AT THE END OF YEAR	751011	636787	510882	276272	1261893	913059
LESS: CLAIMS OUTSTANDING AT THE BEGINNING	636788	865108	276272	72900	913060	938008
TOTAL CLAIMS INCURRED	650296	477652	350282	530872	1000578	1008524
COMMISSION						
COMMISSION PAID - DIRECT	154573	132779	16621	9473	171194	142252
ADD: R/I ACCEPTANCE	2261	2547	29028	13997	31289	16544
LESS: R/I CEDED	64283	63948	37867	38213	102150	102161
NET COMMISSION	92551	71378	7782	- 14743	100333	56635

Segmental Report for the year ended 31st March 2008

(Rs. In Thousand)

PARTICULARS	MOTOR OWN DAMAGE		MOTOR THIRD PARTY		TOTAL MOTOR	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
PREMIUM EARNED (NET)						
PREMIUM FROM DIRECT BUSINESS WRITTEN	13601881	13869639	7901687	6024412	21503568	19894051
ADD: PREMIUM ON R/I ACCEPTANCE	5865	3076	2970101	—	2975966	3076
LESS : PREMIUM ON R/I CEDED	2124467	2517379	4749231	1417432	6873698	3934811
NET PREMIUM	11483279	11355336	6122557	4606980	17605836	15962316
ADJUSTMENT FOR CHANGE IN RESERVE FOR UNEXPIRED RISK	- 63972	- 380252	- 757789	- 239272	- 821761	- 619524
TOTAL PREMIUM EARNED (NET)	11419307	10975084	5364768	4367708	16784075	15342792
CLAIMS INCURRED (NET)						
CLAIMS PAID - DIRECT	9697344	8541171	9981513	9679024	19678857	18220195
ADD : R/I ACCEPTANCE	2596	2	55	—	2651	2
LESS : R/I CEDED	2238915	1624953	1520253	2131890	3759168	3756843
NET CLAIMS PAID	7461025	6916220	8461315	7547134	15922340	14463354
ADD: CLAIMS O/S AT THE END OF YEAR	2205803	1782617	23372994	22673582	25578797	24456199
LESS: CLAIMS OUTSTANDING AT THE BEGINNING	1782617	2145418	22673582	23444859	24456199	25590277
TOTAL CLAIMS INCURRED	7884211	6553419	9160727	6775857	17044938	13329276
COMMISSION						
COMMISSION PAID - DIRECT	1518963	1483465	—	195944	1518963	1679409
ADD: R/I ACCEPTANCE	1718	615	20	—	1738	615
LESS: R/I CEDED	407951	491980	115818	240974	523769	732954
NET COMMISSION	1112730	992100	- 115798	- 45030	996932	947070



Segmental Report for the year ended 31st March 2008

(Rs. In Thousand)

PARTICULARS	EMPLOYERS' LIABILITY		PUBLIC LIABILITY		ENGINEERING	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
PREMIUM EARNED (NET)						
PREMIUM FROM DIRECT BUSINESS WRITTEN	293902	270220	166926	155599	1458329	1295163
ADD: PREMIUM ON R/I ACCEPTANCE	—	—	53	78	190187	73717
LESS: PREMIUM ON R/I CEDED	58721	53963	33375	31108	579225	354196
NET PREMIUM	235181	216257	133604	124569	1069291	1014684
ADJUSTMENT FOR CHANGE IN RESERVE FOR UNEXPIRED RISK	– 9463	– 13914	– 4517	– 4879	– 27303	– 77505
TOTAL PREMIUM EARNED (NET)	225718	202343	129087	119690	1041988	937179
CLAIMS INCURRED (NET)						
CLAIMS PAID – DIRECT	94425	94780	10862	13022	445361	598760
ADD: R/I ACCEPTANCE	5867	29228	—	—	54552	– 24828
LESS: R/I CEDED	20736	36467	2170	2603	157313	191891
NET CLAIMS PAID	79556	87541	8692	10419	342600	382041
ADD: CLAIMS O/S AT THE END OF YEAR	157705	167122	136736	42416	840387	755562
LESS: CLAIMS OUTSTANDING AT THE BEGINNING	167122	319479	42416	55689	755562	420476
TOTAL CLAIMS INCURRED	70139	– 64816	103012	– 2854	427425	717127
COMMISSION						
COMMISSION PAID – DIRECT	31087	29292	15160	12664	83213	80714
ADD: R/I ACCEPTANCE	—	—	11	20	51393	21252
LESS: R/I CEDED	1	2	—	—	102345	102356
NET COMMISSION	31086	29290	15171	12684	32261	– 390

Segmental Report for the year ended 31st March 2008

(Rs. In Thousand)

PARTICULARS	AVIATION		PERSONAL ACCIDENT		HEALTH INSURANCE	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
PREMIUM EARNED (NET)						
PREMIUM FROM DIRECT BUSINESS WRITTEN	529118	954930	682005	730766	6904591	4796491
ADD: PREMIUM ON R/I ACCEPTANCE	3	3588	—	—	—	—
LESS: PREMIUM ON R/I CEDED	439490	799223	136412	146159	1380723	959131
NET PREMIUM	89631	159295	545593	584607	5523868	3837360
ADJUSTMENT FOR CHANGE IN RESERVE FOR UNEXPIRED RISK	34833	– 50149	19506	42406	– 843253	– 261730
TOTAL PREMIUM EARNED (NET)	124464	109146	565099	627013	4680615	3575630
CLAIMS INCURRED (NET)						
CLAIMS PAID – DIRECT	21910	601090	791691	823269	6717736	5467283
ADD: R/I ACCEPTANCE	—	2248	—	—	—	—
LESS: R/I CEDED	– 22914	584090	158331	164654	1343236	1093223
NET CLAIMS PAID	44824	19248	633360	658615	5374500	4374060
ADD: CLAIMS O/S AT THE END OF YEAR	46316	36857	933174	1104407	1311084	1161764
LESS: CLAIMS OUTSTANDING AT THE BEGINNING	36857	143060	1104407	912766	1161764	834840
TOTAL CLAIMS INCURRED	54283	– 86955	462127	850256	5523820	4700984
COMMISSION						
COMMISSION PAID – DIRECT	3157	1368	88521	88138	889727	598035
ADD: R/I ACCEPTANCE	559	670	—	—	—	—
LESS: R/I CEDED	14551	48677	5	5	—	—
NET COMMISSION	– 10835	– 46639	88516	88133	889727	598035



Segmental Report for the year ended 31st March 2008

(Rs. In Thousand)

PARTICULARS	MISCELLANEOUS OTHERS		MISCELLANEOUS TOTAL	
	2007-08	2006-07	2007-08	2006-07
PREMIUM EARNED (NET)				
PREMIUM FROM DIRECT BUSINESS WRITTEN	3042324	3126170	34580763	31223390
ADD: PREMIUM ON R/I ACCEPTANCE	199841	68287	3366050	148746
LESS : PREMIUM ON R/I CEDED	333209	821779	9834853	7100370
NET PREMIUM	2908956	2372678	28111960	24271766
ADJUSTMENT FOR CHANGE IN RESERVE FOR UNEXPIRED RISK	- 268139	- 17939	- 1920097	- 1003234
TOTAL PREMIUM EARNED (NET)	2640817	2354739	26191863	23268532
CLAIMS INCURRED (NET)				
CLAIMS PAID – DIRECT	1596774	1269841	29357616	27088240
ADD : R/I ACCEPTANCE	64454	22593	127524	29243
LESS : R/I CEDED	366307	367965	5784347	6197736
NET CLAIMS PAID	1294921	924469	23700793	20919747
ADD: CLAIMS O/S AT THE END OF YEAR	2648535	2686100	31652734	30410427
LESS: CLAIMS OUTSTANDING AT THE BEGINNING	2686100	2184348	30410427	30460935
TOTAL CLAIMS INCURRED	1257356	1426221	24943100	20869239
COMMISSION				
COMMISSION PAID – DIRECT	169145	218722	2799247	2708342
ADD: R/I ACCEPTANCE	55072	22301	108773	44858
LESS: R/I CEDED	422383	518195	1063054	1402189
NET COMMISSION	- 198166	- 277172	1844966	1351011



Schedules forming part of Financial Statements

Schedule – 1 FIRE

PREMIUM EARNED [NET]

Particulars	2007-2008 (Rs.'000)	2006 - 2007 (Rs.'000)
Premium from direct business written	3,861,146	4,975,855
Add: Premium on reinsurance accepted	486,755	292,903
Less : Premium on reinsurance ceded	1,758,477	2,034,753
Net Premium	2,589,424	3,234,005
Adjustment for change in reserve for unexpired risks	322,291	149,605
Total Premium Earned (Net)	2,911,715	3,383,610

Schedule – 2 FIRE

CLAIMS INCURRED [NET]

Particulars	2007-2008 (Rs.'000)	2006 - 2007 (Rs.'000)
Claims paid		
Direct	2,233,613	3,164,465
Add :Re-insurance accepted	168,466	136,597
Less :Re-insurance ceded	978,670	1,093,530
Net Claims paid	1,423,409	2,207,532
Add Claims Outstanding at the end of the year	3,286,814	2,265,548
Less Claims Outstanding at the beginning of the year	2,265,548	2,408,619
Total Claims Incurred	2,444,675	2,064,461

Schedule- 3 FIRE

COMMISSION

Particulars	2007-2008 (Rs.'000)	2006 - 2007 (Rs.'000)
Commission paid		
Direct	260,477	296,300
Add: Commission on Re-insurance accepted	110,871	74,059
Less: Commission on Re-insurance ceded	277,772	637,553
Net Commission	93,576	(267,194)



Schedules forming part of Financial Statements

Schedule – 1 MARINE

PREMIUM EARNED [NET]

Particulars	2007 - 2008 (Rs.'000)	2006 - 2007 (Rs.'000)
Premium from direct business written	1,777,818	2,071,947
Add: Premium on reinsurance accepted	170,817	89,857
Less : Premium on reinsurance ceded	770,257	1,113,933
Net Premium	1,178,378	1,047,871
Adjustment for change in reserve for unexpired risks	(96,701)	(24,322)
Total Premium Earned (Net)	1,081,677	1,023,549

Schedule – 2 MARINE

CLAIMS INCURRED [NET]

Particulars	2007 - 2008 (Rs.'000)	2006 - 2007 (Rs.'000)
Claims paid		
Direct	976,700	2,487,275
Add :Re-insurance accepted	99,928	76,026
Less :Re-insurance ceded	424,884	1,529,828
Net Claims paid	651,744	1,033,473
Add Claims Outstanding at the end of the year	1,261,893	913,059
Less Claims Outstanding at the beginning of the year	913,059	938,008
Total Claims Incurred	1,000,578	1,008,524

Schedule- 3 MARINE

COMMISSION

Particulars	2007 - 2008 (Rs.'000)	2006 - 2007 (Rs.'000)
Commission paid		
Direct	171,194	142,252
Add: Commission on Re-insurance accepted	31,289	16,544
Less: Commission on Re-insurance ceded	102,150	102,161
Net Commission	100,333	56,635



Schedules forming part of Financial Statements

Schedule – 1 MISCELLANEOUS

PREMIUM EARNED [NET]

Particulars	2007 - 2008 (Rs.'000)	2006 - 2007 (Rs.'000)
Premium from direct business written	34,580,763	31,223,390
Add: Premium on reinsurance accepted	3,366,050	148,746
Less : Premium on reinsurance ceded	9,834,853	7,100,370
Net Premium	28,111,960	24,271,766
Adjustment for change in reserve for unexpired risks	(1,920,097)	(1,003,234)
Total Premium Earned (Net)	26,191,863	23,268,532

Schedule – 2 MISCELLANEOUS

CLAIMS INCURRED [NET]

Particulars	2007 - 2008 (Rs.'000)	2006 - 2007 (Rs.'000)
Claims paid		
Direct	29,357,616	27,088,238
Add :Re-insurance accepted	127,524	29,244
Less :Re-insurance ceded	5,784,347	6,197,735
Net Claims paid	23,700,793	20,919,747
Add Claims Outstanding at the end of the year	31,652,735	30,410,427
Less Claims Outstanding at the beginning of the year	30,410,427	30,460,935
Total Claims Incurred	24,943,101	20,869,239

Schedule- 3 MISCELLANEOUS

COMMISSION

Particulars	2007 - 2008 (Rs.'000)	2006 - 2007 (Rs.'000)
Commission paid		
Direct	2,799,247	2,708,342
Add: Commission on Re-insurance accepted	108,773	44,858
Less: Commission on Re-insurance ceded	1,063,054	1,402,189
Net Commission	1,844,966	1,351,011



Schedules forming part of Financial Statements

Schedule – 4

OPERATING EXPENSES RELATED TO INSURANCE BUSINESS

Particulars	2007 – 2008 (Rs.'000)	2006 – 2007 (Rs.'000)
1 Employees' remuneration & welfare benefits	7,071,486	6,085,446
2 Travel, conveyance and vehicle running expenses	307,727	294,663
3 Training expenses	26,743	24,487
4 Rents, rates & taxes	308,778	336,133
5 Repairs	1,530	40,038
6 Printing & stationery	158,882	145,658
7 Communication	109,494	109,079
8 Legal & professional charges	63,724	40,557
9 Auditors' fees, expenses etc		
(a) as auditor	16,341	15,107
(b) as adviser or in any other capacity, in respect of	—	—
(i) Taxation matters	—	—
(ii) Insurance matters	—	—
(iii) Management services; and	—	—
(c) in any other capacity	—	—
10 Advertisement and publicity	188,910	41,686
11 Interest & Bank Charges	56,540	47,537
12 Others	494,880	693,316
13 Depreciation	171,993	181,000
TOTAL	8,977,028	8,054,707
Allocated to :-		
Fire	888,146	1,107,573
Marine	298,196	340,636
Miscellaneous	7,790,686	6,606,498
TOTAL	8,977,028	8,054,707



Schedules forming part of Financial Statements

Schedule – 5

SHARE CAPITAL

Particulars	As at 31.03.2008 (Rs.'000).	As at 31.03.2007 (Rs.'000)
1 Authorised Capital 20,00,00,000 Equity Shares of Rs.10 each	2,000,000	2,000,000
2 Issued, Subscribed and Paid-up 10,00,00,000 Equity Shares of Rs. 10 each (include 9,70,96,955 Equity Shares of Rs. 10 each as fully paid-up Bonus Shares by capitalisation of General Reserve and Share Premium)	1,000,000	1,000,000
TOTAL	1,000,000	1,000,000

Schedule – 5A

SHARE CAPITAL

PATTERN OF SHAREHOLDING

Shareholder	As at 31.03.2008		As at 31.03.2007	
	Number of Shares	% of Holding	Number of Shares	% of Holding
Promoters				
● India	100,000,000	100%	100,000,000	100%
● Foreign	—	—	—	—
Others				
TOTAL	100,000,000		100,000,000	

Schedule – 6

RESERVES AND SURPLUS

Particulars	As at 31.03.2008 (Rs.'000)	As at 31.03.2007 (Rs.'000)
1 General Reserves Balance as per last account	13,320,351	10,085,784
Less: Adjustment for Deferred Tax Asset		
Transfer from Profit and Loss Account	1,252,196	3,234,567
	14,572,547	13,320,351
2 Investment Reserve	9,610	9,610
3 Exchange Reserve	4,817	4,817
TOTAL	14,586,974	13,334,778



Schedules forming part of Financial Statements

Schedule - 7

BORROWINGS

Particulars	As at 31.03.2008 (Rs.'000)	As at 31.03.2007 (Rs.'000)
1 Debentures/ Bonds	NIL	NIL
2 Banks	NIL	NIL
3 Financial Institutions	NIL	NIL
4 Others (to be specified)	NIL	NIL
TOTAL	NIL	NIL

Schedule - 8

INVESTMENTS

Particulars	As at 31.03.2008 (Rs. '000)	As at 31.03.2007 (Rs. '000)
LONG TERM INVESTMENTS		
1 Government securities and Government guaranteed bonds including Treasury Bills (See note below)	16,866,148	19,172,373
2 Other Approved Securities	401	401
3 Other Investments		
(a) Shares		
(aa) Equity	89,860,085	69,866,607
(bb) Preference	781,317	147,453
(b) Mutual Funds	—	—
(c) Debentures/Bonds	3,460,614	3,058,086
(d) Auto Ancillary and Venture Capital	36,418	91,135
(e) Investment Properties – Real Estate	7,316	7,888
4 Investments in Infrastructure and Social Sector	7,855,858	7,219,942
5 Other than Approved Investments	1,317,566	2,093,331
SHORT TERM INVESTMENTS		
1 Government securities and Government guaranteed bonds including Treasury Bills	3,183,244	695,441
2 Other Investments		
(a) Mutual Funds	640,000	—
(b) Debentures/Bonds	931,852	1,028,546
(c) Other securities (Commercial Paper)	458,768	1,368,482
3 Investments in Infrastructure and Social Sector	849,442	1,083,148
4 Other than Approved Investments	930,816	545,126
TOTAL	127,179,845	106,377,959

Notes: (i) Includes Rs.100779 thousand (Previous year Rs.100900 thousand) deposited with RBI in pursuant to Section 7 of Insurance Act, 1938.

(ii) Provision of Rs. 346241 thousand (P.Y. Rs. 379569 thousand) against non-performing debentures is grouped under provision for bad and doubtful debts in Schedule 14.



Schedules forming part of Financial Statements

Schedule - 9

LOANS

Particulars	As at 31.03.2008 (Rs. '000)	As at 31.03.2007 (Rs. '000)
1 SECURITY-WISE CLASSIFICATION		
Secured	2,842,848	2,938,267
(a) On mortgage of property		
(aa) In India	1,060,898	1,114,451
(bb) Outside India	—	—
(b) On Shares, Bonds, Govt. Securities	—	—
(c) Others – HBL	1,781,950	1,823,816
Unsecured	1,075,151	1,233,868
TOTAL	3,917,999	4,172,135
2 BORROWER-WISE CLASSIFICATION		
(a) Central and State Governments	539,246	591,836
(b) Banks and Financial Institutions	15,182	15,182
(c) Subsidiaries	—	—
(d) Industrial Undertakings	1,160,649	1,215,329
(e) Others	2,202,922	2,349,788
TOTAL	3,917,999	4,172,135
3 PERFORMANCE-WISE CLASSIFICATION		
(a) Loans classified as standard		
(aa) In India	3,193,608	3,449,590
(bb) Outside India	—	—
(b) Non-performing loans less provisions		
(aa) In India*	724,391	722,545
(bb) Outside India	—	—
TOTAL	3,917,999	4,172,135
4 MATURITY-WISE CLASSIFICATION		
(a) Short Term	184,973	57,578
(b) Long Term	3,733,026	4,114,557
TOTAL	3,917,999	4,172,135

*Note: Provision of Rs.702547 thousand (P. Y. Rs.705834 thousand) against non-performing loans is grouped under provision for bad and doubtful debts in Schedule 14.



Schedules forming part of Financial Statements

Schedule - 10

FIXED ASSETS AS AT 31ST MARCH, 2008

(Rs. '000)

Particulars	Cost/Gross Block				Depreciation				Net Block	
	Opening	Additions	Deduc-	Closing	Upto	For	Adjust-	As at	As on	As on
	As at 01.04.2007	during the year	tions during the year	As on 31.03.2008	31.03.2007	the year	ments	31.03.2008	31.03.2008	31.03.2007
Goodwill	—	—	—	—	—	—	—	—	—	—
Intangibles	—	—	—	—	—	—	—	—	—	—
Land-Freehold	6,532	—	—	6,532	—	—	—	—	6,532	6,532
Leasehold Property	1,341	—	—	1,341	248	41	—	289	1,052	1,093
Buildings	317,261	10,027	—	327,288	86,225	13,740	—	99,965	227,323	231,036
Furniture & Fittings	236,949	4,228	1,010	240,167	204,400	6,860	— 83	211,177	28,990	32,549
Information Technology										
Equipment	1,541,646	167,032	9,855	1,698,823	1,461,103	102,908	443	1,564,454	134,370	80,543
Vehicles	321,439	102,485	80,153	343,771	167,494	47,210	— 20,351	194,352	149,419	153,944
Office Equipment	161,661	4,697	1,980	164,377	136,209	4,410	— 1,289	139,330	25,047	25,452
Others*	267,460	5,330	2,140	270,649	198,650	10,606	— 1,192	208,064	62,585	68,810
TOTAL	2,854,289	293,798	95,138	3,052,949	2,254,330	185,774	— 22,472	2,417,631	635,317	599,959
Capital Work in progress										
(i) A.C	—	377	—	377	—	—	—	—	377	—
(ii) Other	—	1,425	—	1,425	—	—	—	—	1,425	—
GRAND TOTAL	2,854,289	295,600	95,138	3,054,751	2,254,330	185,774	— 22,472	2,417,631	637,119	599,959
PREVIOUS YEAR	2,751,980	265,276	162,967	2,854,289	2,076,222	195,079	— 16,972	2,254,330	599,959	—

*Others includes Electrical Equipments, Airconditioner, Generator and Cycle.



Schedules forming part of Financial Statements

Schedule - 11

CASH AND BANK BALANCES

Particulars	As at 31.03.2008 (Rs. '000)	As at 31.03.2007 (Rs. '000)
1 Cash (including cheques, drafts and stamps)	315,832	328,245
2 Bank Balances		
(a) Deposit Accounts		
(aa) Short-term (due within 12 months)	2,531,260	6,388,240
(b) Current Accounts	2,703,437	2,177,850
3 Money at Call and Short Notice		
(a) With Banks	—	—
(b) With other Institutions	—	—
4 Remittances in Transit	642,079	1,419,586
TOTAL	6,192,608	10,313,921
Balances with non-scheduled banks included in 2 and 3 above (at Nepal Branch)	—	—

Schedule - 12

ADVANCES AND OTHER ASSETS

Particulars	As at 31.03.2008 (Rs. '000)	As at 31.03.2007 (Rs. '000)
ADVANCES		
1 Reserve deposits with ceding companies	97,535	79,449
2 Application money for investments	239,734	4,999
3 Advance tax paid and taxes deducted at source (Net of provision for taxation)	1,532,890	1,189,899
4 Advance, Deposits & Pre-paid Expenses	546,342	466,356
TOTAL (A)	2,416,501	1,740,703
OTHER ASSETS		
1 Income accrued on investments	1,331,246	1,117,172
2 Outstanding Premiums	30,000	49,311
3 Agents' Balances	11,982	39,819
4 Due from other entities carrying on insurance business (including Reinsurers)	11,676,011	9,955,055
5 Deposit with Reserve Bank of India (Pursuant to Section 7 of Insurance Act, 1938)	—	—
6 Others (Interest, Dividend, Rent Outstanding, Debtors and Vehicle Loan)	4,124,176	1,642,759
7 Inter Office	—	—
TOTAL (B)	17,173,415	12,804,116
TOTAL (A+B)	19,589,916	14,544,819



Schedules forming part of Financial Statements

Schedule - 13

CURRENT LIABILITIES

Particulars	As at 31.03.2008 (Rs. '000)	As at 31.03.2007 (Rs. '000)
1 Agents' Balances	407,267	301,356
2 Balance due to other Insurance Companies	5,026,276	6,152,415
3 Deposits held on re insurance ceded	3,474	3,809
4 Premiums received in advance	301,601	326,774
5 Sundry Creditors	8,847,533	5,674,998
6 Due to former Shareholders	292	292
7 Claims Outstanding	36,201,443	33,589,034
8 Others – (Unclaimed Dividend)	–	–
9 Inter Office	671	3,574
TOTAL	50,788,557	46,052,252

Schedule - 14

PROVISIONS

Particulars	As at 31.03.2008 (Rs. '000)	As at 31.03.2007 (Rs. '000)
1 Reserve for Unexpired Risk	16,038,136	14,343,629
2 For Proposed Dividends	326,600	836,144
3 For Dividend Distribution Tax	55,506	142,103
4 For Doubtful Debts	1,720,000	1,690,000
TOTAL	18,140,242	17,011,876

Schedule - 15

MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

Particulars	As at 31.03.2008 (Rs. '000)	As at 31.03.2007 (Rs. '000)
1 Discount Allowed in issue of shares/debentures	–	–
2 Deferred Revenue Expenditure - VRS Expenses		
Balance as per last year	600,242	1,216,832
Add : Expenses for the year (Software only)	117,992	–
	718,234	1,216,832
Less : Amortised during the year		
i) On account of 2003-04	575,029	575,029
ii) On account of 2004-05	12,606	12,607
iii) Other Deferred Revenue Expenditure (cost of Software)	39,331	28,954
TOTAL	91,268	600,242



Schedules forming part of Financial Statements

Schedule 16

SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING CONVENTION :

The Balance Sheet, Profit and Loss Account and the Revenue Accounts are drawn up in accordance with the provisions of Section 11 (1A) of the Insurance Act, 1938, read with the relevant provisions of the Companies Act, 1956. The said statements are prepared on historical cost convention and comply with the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002 and the Companies Act, 1956 to the extent applicable and conform to the statutory provisions and practices prevailing in the general insurance industry in India except as otherwise stated.

2. RE-INSURANCE :

- 2.1 Inward returns from foreign insurance companies to the extent received upto 31st March and returns from Indian companies received subsequently upto the cut-off date are incorporated in the accounts.
- 2.2 Accounting of re-insurance cessions is done on the basis of advice/return received from operating offices. Wherever full particulars are not available, accounting is done from information available with the re-insurance department.
- 2.3 Revenue transactions relating to re-insurance of each quarter in foreign currencies are converted as per the rates of exchange advised by General Insurance Corporation of India.
- 2.4 Assets and liabilities in foreign currencies relating to re-insurance at the end of the year are converted at the rates of exchange prevailing on that date as advised by General Insurance Corporation of India.
- 2.5 Exchange gain/loss on conversion of transactions in foreign currencies are accounted for as revenue.

3. FOREIGN BRANCH ACCOUNTS :

- 3.1 The cost of fixed assets and investments held in foreign currencies at the company's foreign branches are converted at the exchange rates prevalent at the end of the year of acquisition.
- 3.2 Assets, other than those mentioned in 3.1 above, and liabilities of the foreign branches are converted at the rates of exchange at the year-end.



3.3 Revenue transactions relating to foreign branches are converted at the year end at the average of the rates of exchange prevailing at the beginning of each quarter.

3.4 Exchange gain/loss on conversion of foreign currencies is accounted for as revenue.

4. OUTSTANDING CLAIMS :

4.1 Estimated liability for outstanding claims is provided as follows:

- (a) in respect of direct business in India on the basis of claim intimations received upto the year end,
- (b) in respect of re-insurance business as intimated by foreign insurance companies/agents upto 30th April of the subsequent financial year,
- (c) wherever supporting information is not available, provisions are estimated on current trends and past underwriting experience.

4.2 Provisions for claims 'Incurred But Not Reported' (IBNR) are made on the basis of actuarial valuation.

4.3 Provisions in respect of motor third party claims, where court summons have been served on the company without adequate policy particulars, are made to the extent of 1/3rd of the value of such unidentified claims as estimated in accordance with the existing practice. For claims remaining unidentified over one year, full provision is made.

5. RESERVE FOR UNEXPIRED RISK :

Reserve for unexpired risk are made at 50% of net premium except in the case of marine hull business where it is made at 100% of net premium.

6. LOANS AND INVESTMENTS :

6.1 Cost of investments includes brokerage, share transfer stamps, fees etc. Incentives received are deducted from cost.

6.2 Investments are valued as per IRDA Regulations as follows:

- a) Debt Securities: Debt securities including Government securities and Redeemable Preference shares other than those specified in Para (b) & (c) below, are considered as "held to maturity"



securities and are measured at historical cost and the premium paid is amortized over the residual period of maturity.

The basis of amortisation for Debt securities, where face value is less than book value, is that the loss (book value less face value) is spread uniformly over the residual years.

- b) Equity Securities traded in active market: Listed equity securities which are traded in active markets are measured at Fair Value as at the Balance Sheet date. For the purpose of calculation of fair value, the market price of the actively traded securities is taken at the lower of the last quoted closing price at the National Stock Exchange (NSE) or Bombay Stock Exchange (BSE). Unrealised gain/loss arising due to changes in the fair value of listed equity shares is taken to equity under the head "Fair Value Change Account".

The impairment in value of listed equity securities is assessed as at the Balance Sheet date. The impairment is recognised as an expense in Profit & Loss Account to the extent of the difference between the market value of the security/investment and its book value. When capital is impaired and there is a three years' history of continuous losses or if the annual accounts are not available for the last three years, equity shares are written down to their market value.

Capital is considered to be impaired if the break-up value of a particular security is less than its face value.

- c) Unlisted and other than actively traded equity securities: These are measured at historical cost subject to impairment.

Provision is made equivalent to the amount of difference in acquisition cost and the break-up value of the share wherever break-up value is less. For this purpose the break-up value is arrived at as per the latest Balance Sheet, which should not be more than 1 year prior to the date of valuation. When the break-up value is negative, provision shall be the difference between the acquisition cost and a nominal value of Re.1/- per company.

When capital is impaired and there is three years' history of continuous losses or if the annual accounts are not available for the last three years, equity shares are written down to the break-up value where break-up value is positive else to a nominal value of Re.1/- per company.

Capital is considered to be impaired if the break-up value of a particular security is less than its face value.

- d) Preference Shares: Investment in Preference Shares of such companies is valued as under:
- i) If the equity shares of a Company are actively traded, its preference shares are written down to a value, which is in the same proportion that the market value of the equity share bears to its face value.



- ii) If the equity shares of a company are unlisted/thinly traded, its preference shares are written down to a value, which is in the same proportion that the break up value of equity share bears to its face value. Where the break up value of equity shares is negative or where the latest Balance Sheet is not available one year prior to the date of valuation, the preference shares are brought down to a nominal value of Re.1/- per company.

Impairment in Preference Shares is recognized, where the companies are making losses continuously for the three immediately preceding years and whose capital is impaired partially/fully or where the annual accounts for three immediately preceding years are not available.

- e) Loans: Loans (including Debentures) are measured at historical cost subject to impairment provision. The impairment provision is done on the basis of guidelines prescribed by IRDA.

Prudential norms for loans and debentures, as prescribed by IRDA regarding recognition of income, provisioning for non-performing assets etc. are followed by the Company. However, the value of security for the purpose of provisioning is ascertained based on asset coverage ratio as per latest available Balance Sheet with 'Capitaline'.

- f) Short Term Money Market Instruments such as Certificates of Deposit and Commercial Papers, which are discounted at the time of contract at the agreed rate, are accounted for at their discounted value.

- 6.3 Dividend is accounted for in the year in which it is declared though not received within the year. However, such dividend is not accounted for wherever the payment of the same is postponed due to objections raised by major stakeholders/financial institutions.

Where dividend is declared at the Annual General Meeting of the company, but subsequently the receipt of such dividend becomes doubtful, provision is made for the appropriate amount under the head 'Provision for Doubtful Loans, Investments and Debts'.

Dividend on shares, which are not transferred in the company's name, is accounted for on realisation.

- 6.4 Profit/Loss on realization of investments is taken to Revenue Accounts/Profit and Loss Account.

- 6.5 Where contracts of purchase of shares/debentures are made but delivery/registration of certificates is pending, the same are accounted for as investments. If dividend is declared on such shares during the pendency of delivery immediately after purchase, the cost of shares is reduced by the amount of such dividend.

- 6.6 Where bonus shares are received, the number of shares is recorded as an increase without affecting the book value.

- 6.7 Investment in units of Mutual Fund is valued on Net Assets Value (NAV) basis and unrealized gains/loss is recognised in 'Fair Value Change Account'.



- 6.8 Investment Properties – Real Estates are valued at historical cost less depreciation and impairment loss.
- 6.9 Interest, dividend and rent income, net of expenses and profit/loss on sale / realisation of investments, are apportioned between Revenue Accounts (Policyholders' Account) and Profit & Loss Account (Shareholders' account) in the ratio of policyholders' fund and shareholders' fund balances at the beginning of the year.

7. EXPENSES OF MANAGEMENT/OPERATING EXPENSES :

- 7.1 Expenses of Management, other than those charged to Profit and Loss Account are apportioned to the Revenue Accounts on the basis of Gross Direct Premium plus Reinsurance Acceptance Premium giving weightage of 75% for Marine business and 100% for Fire and Miscellaneous business.
- 7.2 (a) Depreciation on fixed assets is charged on written down value method at the rates prescribed under schedule XIV to the Companies Act, 1956 or in the Income Tax Rules, 1962, whichever is higher.
- (b) In case of leasehold properties, amortisation is made over the lease period.
- (c) In respect of additions during the year, the period for charging depreciation, is reckoned as per the provisions of the Income Tax Rules, 1962. No depreciation is charged on deductions during the year.
- (d) In respect of fixed assets in foreign countries, depreciation is charged as per local laws of those countries.
- 7.3 Terminal benefits by way of Ex-gratia and Incremental Liabilities on account of Gratuity, Pension and Leave encashment paid to Class I, III and IV employees under Special Voluntary Retirement Scheme and Terminal benefits by way of Ex-gratia paid to Class II employees under Special Voluntary Retirement Scheme are amortised over a period of five years.
- 7.4 Provision for gratuity, pension, leave encashment, sick leave and leave travel subsidy is made on actuarial valuation in accordance with Accounting Standard (AS 15), Employee Benefits (Revised 2005). Separate funds for gratuity and pension are being maintained.

8. IMPAIRMENT OF ASSETS :

An asset is treated as impaired when its carrying cost exceeds its recoverable value. Such impairment loss is charged to the Profit and Loss Account in the year in which impairment has occurred. Impairment loss recognized in a prior accounting year is reversed on the upward change in the estimate of recoverable value over the carrying cost.



9. INTANGIBLE ASSETS :

Computer Software is amortized equally over a period of 3 years.

10. OTHERS :

10.1 Interest on tax refunds is accounted for on the basis of orders passed by the Tax Authorities.

10.2 Salvage recoveries are accounted for on realization and credited to claims account.

10.3 Service Tax credit for input service tax paid by the company is considered in the accounts on the basis of the statements of various offices of the company.

For and on behalf of the Board of Directors

M. CHOUDHURY & CO.
Chartered Accountants

S. GHOSE & CO.
Chartered Accountants

V. Ramasaamy Chairman-cum-Managing Director

Lalit Kumar Director

P. K. Gupta Director

D. K. Kapila Director

Sujit Das Director

A. Bandyopadhyay Director

V. Kumar Company Secretary

(D. Choudhury)
Partner

(Chandan Chattopadhyay)
Partner

Membership No.52066

Membership No.51254

Kolkata, the 21st day of June 2008



Schedules forming part of Financial Statements

Schedule – 17

NOTES FORMING PART OF THE ACCOUNTS

1. There are Contingent Liabilities as under:
 - (a) Uncalled amount on partly paid shares, Rs.4181 thousand (Rs.4181 thousand)
 - (b) Claims against the company not acknowledged as debts or under dispute Rs.60346 thousand (Rs.44676 thousand)
 - (c) Disputed Income Tax of Rs.1144432 thousand (Rs.1392040 thousand), Interest Tax of Rs.10122 thousand (Rs. 10122 thousand), Wealth Tax of Rs.88 thousand (Rs.88 thousand).
2. Fixed Deposits amounting to Rs.532330 thousand (Rs. 693195 thousand) have been deposited by contract or otherwise as security for policies/claims.
3. Capital commitments remaining outstanding are :
 - (a) Loans and Investments Rs.8060 thousand (Rs.15570 thousand)
 - (b) Fixed assets Rs.15200 thousand (Rs. 15299 thousand)
4. (a) Claims, less reinsurance

(Rs. in thousand)

Paid to :	Fire	Marine	Miscellaneous	Total
i) Claimants in India	1410692	635391	23637502	25683585
	(2195345)	(950452)	(20343458)	(23489255)
ii) Claimants outside India	12717	16353	63291	92361
	(12187)	(83021)	(576289)	(671497)

(b) Premiums, less reinsurance :

	Fire	Marine	Miscellaneous	Total
i) in India	2553219	1150185	28059688	31763090
	(3200143)	(1024639)	(24230557)	(28455339)
ii) outside India	36205	28193	52272	116670
	(33863)	(23233)	(41209)	(98305)



5. Ageing of claims outstanding (on Indian gross business) is as follows: **(Rs. in thousand)**

	Less than six months	Six months and more	Total
Fire	1788851	3995050	5783901
	(1441549)	(4866239)	(6307788)
Marine	2049836	979473	3029309
	(277382)	(813115)	(1090497)
Miscellaneous	9308599	28180721	37489320
	(7590253)	(29980656)	(37570909)

6. The transfer of investments in Shares/Securities having book value of Rs.99 thousand (Rs. 89 thousand) is under Demat rejection and pending.

7. (a) In accordance with the regulations prescribed by IRDA, unrealized gains (net) amounting to Rs. 73092982 thousand (Rs. 59210129 thousand), arising due to changes in the Fair Value of listed equity shares and mutual funds (excepting equities listed in stock exchanges outside India), are taken to 'Fair Value Change Account.' The historical cost of such investments amounted to Rs.17368426 thousand (Rs.10617802 thousand). Pending realization the credit balance in the Fair Value Change Account is not available for distribution.

Break-up of Market Value and Historical Cost which have been valued on fair value basis is as follows :

(Rs. in thousand)

	Market Value	Historical Cost	Fair Value Change Account (Unrealised Gain)
Equity Shares of PSU	7528304 (5525393)	3697666 (2449305)	3830638 (3076088)
Equity Shares of Indian Companies other than PSUs	82292926 (64302538)	13030760 (8168497)	69262166 (56134041)
Mutual Fund	640178 (-)	640000 (-)	178 (-)
	90461408 (69827931)	17368426 (10617802)	73092982 (59210129)



- (b) Equities, having book value of Rs.40562 thousand (Rs. 40562 thousand) listed in Stock Exchanges outside India for which market value is not authentically available, have not been considered for the purpose of 'Fair Value Change Account' and have been taken at book value.

8. The nature of securities in respect of secured loans (referred to in Schedule 9) is :

- (a) a first mortgage and charge in Company's favour of the borrowers' all immovable properties, both present and future, and
- (b) a first mortgage by way of hypothecation in favour of the company of the borrowers' all movable properties, including book debts, all movable articles and such other movables as are agreed to by other lending/financial institutions.

However the value of security referred to hereinabove at any time during the pendency of the loan is not less than 1.25 times of the loan amount outstanding.

The mortgage and charge referred to above ranks pari-passu with the mortgages and charges created and/or to be created in favour of all lending/financial Institutions.

The original security documents and the extent of coverage on any particular day are ascertainable at the Lead Institution level in case of Term Loan and Debenture Trustee level in case of debenture.

- (c) Loans to HUDCO Rs.420333 thousand (Rs.525333 thousand) are secured by negative lien with Power of Attorney in favour of the company for creating first floating charge on all present and future properties and assets of HUDCO including the mortgage that may be obtained by HUDCO in its favour.

- 9. (a) Investments in Equity Shares of Rs.1888 thousand (Rs. 1888 thousand) held by the company against ownership of certain immovable properties have been shown under 'Investment Properties – Real Estate'.
- (b) As per valuation report of independent approved valuer the fair value of such real estate mentioned above is Rs.173012 thousand (Rs. 185455 thousand).
- 10. (a) There is a difference as under between the Company's holding and holding certificate from Stock Holding Corporation of India Limited (SHCIL) which is under reconciliation.



(Rs. In thousand)

	2007-08		2006-07	
	SHORT	EXCESS	SHORT	EXCESS
Equity	965	3079	1662	1799
Preference	0.035	2537	13908	25846
Debentures	21470	92991	16470	76770
Total:	22435.035	98607	32040	104415

(b) Investment in Debentures includes Rs.157376 thousand (Rs.176663 thousand) against which the Company holds Allotment Letters only. The certificates are yet to be received from the concerned companies.

11. (a) The total amount of Loan Assets subjected to restructuring under CDR is given below :

(Rs. In thousand)

		TERM LOAN	DEBENTURE	PREFERENCE SHARES	TOTAL
a) Standard Assets	Current Year	15217	—	—	15217
	Previous Year	1746	—	4000	5746
b) Substandard Assets	Current Year	—	—	—	—
	Previous Year	—	—	—	—
c) Doubtful Assets	Current Year	—	—	—	—
	Previous Year	—	—	—	—
d) Loss Assets	Current Year	—	—	—	—
	Previous Year	2850	—	—	2850
Total:	Current Year	15217	—	—	15217
	Previous Year	4596	—	4000	8596

(b) Segregation of loans and investments into performing and non-performing is given below :

i) Performing Investments	Rs	16445164 thousand	(Rs.16313298 thousand)
ii) Non-performing Investments	Rs.	1084882 thousand	(Rs.1111049 thousand)
Total book value	Rs	17530046 thousand	(Rs.17424347 thousand)



- (c) Overdue interest, on loans and debentures considered NPA amounting to Rs.1140349 thousand (Rs.1065065 thousand), has not been accounted for in view of uncertainty of realisation.
12. (a) In terms of joint institutional decisions, restructuring of loans to various corporate houses has been done. In respect of such restructuring Rs.10064 thousand (Rs.1250 thousand) was waived during the year towards Principal amount of Debentures not recoverable.
- (b) An amount of Rs.52664 thousand (Rs.41979 thousand) towards interest on loans and debentures in respect of companies classified as NPA was waived as per the terms of restructuring.
13. (a) Depreciation on Fixed Assets has been provided at the following rates :
- | | | |
|----------------------------------------------------|-----|--------|
| (1) Office Equipments, Air-conditioner, Generators | ... | 15.00% |
| (2) Computer and I.T. Equipments | ... | 60.00% |
| (3) Fans & Electrical Equipments | ... | 13.91% |
| (4) General Furniture | ... | 18.10% |
| (5) Motor Cars | ... | 25.89% |
| (6) Cycle | ... | 20.00% |
| (7) Buildings used as – | | |
| i. Office Premises | ... | 10.00% |
| ii. Residential Houses | ... | 5.00% |
- (b) Land and House property in India under fixed assets includes Rs.89753 thousand (Rs.104653 thousand) for which deeds of conveyance are pending. Stamp duty and registration costs will be taken into account in the year of execution of conveyance deed.
14. Barring disputed cases no settled insurance claim remained unpaid for more than six months as on the Balance Sheet date.
15. (a) Confirmation of balances shown under the following heads could not be obtained and reconciliation thereof is in progress :
- | | |
|--------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| - Agents' Balances | - Cr. Rs.89 thousand (Cr. Rs.789 thousand) |
| - Loans and Advances | - Dr. Rs.2806 thousand (Dr. Rs.5279 thousand) |
| - Inter Office Adjustments | - Cr. Rs.671 thousand (Dr. Rs.3574 thousand) |
| - Amount due from/to other persons or
bodies carrying on Insurance Business | - Dr. Rs.1000232 thousand (Dr. Rs.1116577 thousand)
and Cr. Rs.930495 thousand (Cr. Rs.937583 thousand) |



- Unexplained Bank Debit and Credit in	- Dr. Rs.2301 thousand (Rs. 1924 thousand) and
Bank Reconciliation statement	- Cr. Rs.4696 thousand (Rs. 7306 thousand)
- Sundry Debtors	- Rs.90 thousand (Rs. 82 thousand)
- Sundry Creditors	- Rs.243 thousand (Rs. 247 thousand).

The impact of adjustments on reconciliation in the accounts remains unascertained.

- (b) Unlinked/unidentified old debits and credits in certain Bank Accounts of the company at Head Office reflected differences and are subject to reconciliation/adjustments. The differences amounting to Rs.33259 thousand (net credit) (Rs. 22381 thousand) were transferred to Bank Suspense account and shown under Current Liabilities – Sundry Creditors in the accounts.
16. In accordance with directives from IRDA, Indian Motor Third Party Insurance Pool (IMTPIP) for commercial vehicles has been created from 1st April 2007 with General Insurance Corporation of India as the Pool Administrator. The share of premium, claims, expenses and income pertaining to the company has been accounted for as per statement received from the Pool Administrator.
17. (a) The Company entered into a transfer agreement on 27.12.2006 with New India Assurance Co. Ltd. to transfer all the branch's operation, Assets & Liabilities of Hong Kong Branch at their carrying values. This transfer is subject to approval by the Insurance Authority of Hong Kong in accordance with Section 25D of the Insurance Companies Ordinance (Chapter 41). The proposed transfer shall take effect retrospectively from 29.12.2006 on granting of approval.
- (b) The amount of Gain/Loss on disposal of assets or settlement of liabilities attributable to the discontinuing operation will be accounted for once the required approvals are obtained.
- (c) Fixed Deposits, deposited by contract or otherwise as security for policies/claims (as mentioned in Note No.2 above) include Rs. Nil (Rs.223573 thousand) for Hong Kong Branch under its local laws.
18. Related party disclosures are given below:
- (a) Associates:
- (1) India International Insurance Pvt. Ltd., Singapore
- Nature of transactions:
- | | | | |
|----------------------|---|--------------------|----------------------|
| No. of shares held | — | 50,00,000 | (50,00,000) |
| Book value of shares | — | Rs.285.76 thousand | (Rs.285.76 thousand) |
| Dividend received | — | Rs.86.51 thousand | (Rs.86.51 thousand) |



(2) Kenindia Assurance Co. Ltd., Nairobi

Nature of transactions:

No. of shares held	—	2,85,249	(2,85,249)
Book value of shares	—	Rs.40.79 thousand	(Rs.40.79 thousand)
Dividend received	—	Rs.16.14 thousand	(Rs.16.14 thousand)

(b) Key Management Personnel:

1. Shri V. Ramasaamy, Chairman-cum-Managing Director.
2. Shri Sujit Das, Director and General Manager
3. Shri D.K. Burman, Director and General Manager (upto 31.10.2007)
4. Shri A. Bandyopadhyay, Director and General Manager (from 07.11.2007)

Nature of transactions:

(i) Salaries, allowances and contributions	-	Rs.2186 thousand	(Rs.1861 thousand)
(ii) Loan balances due	-	Rs.296 thousand	(Rs.28 thousand)

19. The head "Advertisement and Publicity" in Operating Expenses (Schedule 4) represents expenses in the nature of business development.
20. Premium Deficiency has not been created since, in the opinion of the management, the expected claim costs along with the related expenses and maintenance cost of Fire, Marine and Miscellaneous business would not exceed the related Reserve for Unexpired Risks.
21. The company has adopted the Accounting Standard 15 (Revised 2005) issued by the Institute of Chartered Accountants of India (ICAI) in respect of employee benefits.

The following amounts have been recognized in the Profit & Loss Account :

(Rs. in thousand)

Defined Benefit Plan	31.03.2008	31.03.2007
Gratuity	379986	437920
Pension	599000	598700
Leave Encashment	80088	19319
LTS	163158	—
Sick Leave	277398	—



The status of the plan is given below :

	(Rs. in thousand)				
	Gratuity	Pension	Leave Encashment	Sick Leave	LTS
A) Present Value of Obligation					
At beginning of the year	1941340	6393200	1246043	—	—
Interest Cost	162533	526494	103089	—	—
Service Cost	127138	268751	78879	—	—
Actuarial (Gain)/Loss	264078	491255	(35416)	277398	163158
Benefits Paid	58366	398300	66464	—	61381
At the end of the year	2436723	7281400	1326131	277398	101777
B) Change in Plan Asset					
Fair Value at beginning of the year	1913531	644000	—	—	—
Expected Return	153082	515520	—	—	—
Actuarial (Gain)/Loss	20682	171980	—	—	—
Benefits Paid	58366	398300	—	—	—
Fair Value at end of the year	2028929	6733200	—	—	—
C) Reconciliation of Fair Value of obligation and Present Value of Plan Assets					
Fair Value at the year end	2028928	6733200	—	—	—
Present Value at year end	2436723	7281400	—	—	—
Net (Liability) recognized in Balance Sheet	407795	548200	—	—	—
D) Assumption					
Discount Rate (%)	8.50	8.50	8.50	8.50	8.50
Return on Plan Asset (%)	8.00	8.00	—	—	—



22. There is no material tax effect of timing difference based on the estimated computation of taxable income for a reasonable period and hence recognition of Deferred Tax Asset/Liability in terms of Accounting Standard 22 issued by (ICAI) is not required during the year.
23. In the opinion of management, there is no impairment of assets of the company that requires any adjustment to be made in terms of Accounting Standard 28 issued by the ICAI.
24. The following information is given pursuant to Accounting Standard 29 issued by the ICAI :

(Rs. in thousand)

	Disputed Statutory Matters	Provision for doubtful debts	Other Obligations
Opening Balance as on 1.4.2007	1402250	309991	—
Additions	NIL	51236	—
Reversal	247608	—	—
Closing Balance as on 31.3.2008	1154642	361227	—

Disputed statutory matters mainly include issues under litigation with respect to Income Tax, Interest Tax and Wealth Tax. Wherever the company is confident that they have a strong case, the amounts are not booked as liability but disclosed under contingent liabilities. The timing and the amount of Cash Flow that will arise from these matters will be determined only on settlement of cases.

25. Service Tax credit as per Cenvat Rules has been considered in the accounts by debiting Service Tax Recoverable Account and crediting respective expenses accounts for Rs.1183447 thousand (Rs.1015808 thousand) against payment of input Service Tax.
26. Current Tax includes :

(Rs. in thousand)

	<u>31.03.2008</u>	<u>31.03.2007</u>
Fringe Benefit Tax	39500	40400
Wealth Tax	6500	6000

27. Pending Gazette notification by the Government of India an amount of Rs.420000 thousand (Nil) has been provided during the year for salary arrears of Development Officers (Class-II).
28. Accounting Ratios prescribed by IRDA have been furnished in Annexure I.
29. Summary of working results for the last 5 years as prescribed by IRDA is furnished in Annexure II



30. Expenditure includes Prior Period Items :

(Rs. in thousand)		
Head of Account	As on 31.03.2008	As on 31.03.2007
Employee Remuneration and Welfare benefits	22	508
Travel, conveyance and vehicle running expenses	33	187
Rents, Rates and Taxes	376	2097
Repairs	127	47
Printing & Stationery	67	31
Communication	86	47
Auditors' fees	0	7
Advertisement	0	25
Others	2561	951
Total:	3272	3900

31. Figures of the previous year have been given in brackets.

		For and on behalf of the Board of Directors	
M. CHOUDHURY & CO.	S. GHOSE & CO.	V. Ramasaamy	Chairman-cum-Managing Director
Chartered Accountants	Chartered Accountants	Lalit Kumar	Director
		P. K. Gupta	Director
(D. Choudhury)	(Chandan Chattopadhyay)	D. K. Kapila	Director
Partner	Partner	Sujit Das	Director
Membership No.52066	Membership No.51254	A. Bandyopadhyay	Director
Kolkata, the 21st day of June 2008		V. Kumar	Company Secretary



RATIOS FOR NON-LIFE COMPANIES FOR THE YEAR ENDING ON 31.03.2008

Annexure-I

SL. NO.	PERFORMANCE RATIO	RATIO / PERCENTAGE FORMULA	RATIO/ PERCENTAGE 2007-08	RATIO/ PERCENTAGE 2006-07
1.	GROSS PREMIUM GROWTH RATE	(Gross premium for the current year - Gross premium for the previous year)*100 / Gross premium for the previous year		
	a) Fire		- 22.40	1.63
	b) Marine Cargo		7.39	- 7.15
	c) Marine Hull		- 44.31	88.83
	d) Motor Own Damage		- 1.93	4.72
	e) Motor Third Party		31.16	14.86
	f) Engineering		12.60	17.38
	g) Workmen's Compensation		8.76	19.57
	h) Public Liability		7.28	8.47
	i) Personal Accident		- 6.67	- 12.66
	j) Health Insurance		43.95	15.80
	k) Aviation		- 44.59	12.94
	l) Misc. Others		- 2.68	6.94
2.	GROSS PREMIUM TO SHAREHOLDERS' FUND RATIO	Gross premium for the current year / Paid up capital + Free Reserves	2.56	3.45
3.	GROWTH RATE OF SHAREHOLDERS' FUND	Shareholders' funds as at the current Balance Sheet date / Shareholders' funds as at the previous balance sheet date	1.10	1.29
4.	NET RETENTION RATIO	Net Premium / Gross Premium		
	a) Fire		0.67	0.65
	b) Marine Cargo		0.76	0.76
	c) Marine Hull		0.41	0.15
	d) Motor Own Damage		0.84	0.82
	e) Motor Third Party		0.77	0.76
	f) Engineering		0.73	0.78
	g) Workmen's Compensation		0.80	0.80
	h) Public Liability		0.80	0.80
	i) Personal Accident		0.80	0.80
	j) Health Insurance		0.80	0.80
	k) Aviation		0.17	0.17
	l) Misc. Others		0.96	0.76
5.	NET COMMISSION RATIO	Commission net of Reinsurance for a class of business / Net Premium		
	a) Fire		0.04	- 0.08
	b) Marine Cargo		0.09	0.08
	c) Marine Hull		0.04	- 0.11



SL. NO.	PERFORMANCE RATIO	RATIO / PERCENTAGE FORMULA	RATIO/ PERCENTAGE 2007-08	RATIO/ PERCENTAGE 2006-07
	d) Motor Own Damage		0.10	0.09
	e) Motor Third Party		- 0.02	- 0.01
	f) Engineering		0.03	—
	g) Workmen's Compensation		0.13	0.14
	h) Public Liability		0.11	0.10
	i) Personal Accident		0.16	0.15
	j) Health Insurance		0.16	0.16
	k) Aviation		- 0.12	- 0.29
	l) Misc. Others		- 0.07	- 0.12
6.	EXPENSES OF MANAGEMENT TO GROSS DIRECT PREMIUM RATIO	Expenses of Management / Total Gross Direct Premium * 100	24.44	21.05
7.	COMBINED RATIO	(Gross Claims paid+expenses) *100/Gross Premium	124.44	106.59
8.	TECHNICAL RESERVES TO NET PREMIUM RATIO	(Reserves for Unexpired Risks + Premium Deficiency Reserves + Reserve for Outstanding claims) / Net Premium	2.02	1.68
9.	UNDERWRITING BALANCE RATIO	Underwriting profit / Net Premium for the respective class of business		
	a) Fire		- 0.20	0.38
	b) Marine Cargo		- 0.04	0.34
	c) Marine Hull		- 1.40	- 3.17
	d) Motor Own Damage		- 0.12	0.29
	e) Motor Third Party		- 0.93	- 0.48
	f) Engineering		0.27	0.25
	g) Workmen's Compensation		0.25	11.39
	h) Public Liability		- 0.20	0.92
	i) Personal Accident		- 0.25	- 0.50
	j) Health Insurance		- 0.59	- 0.41
	k) Aviation		0.63	1.56
	l) Misc. Others		0.27	0.55
10.	OPERATING PROFIT RATIO	(Underwriting profit + Investment Income) / Net Premium*100	5.37	15.96
11.	LIQUID ASSETS TO LIABILITIES RATIO	Liquid assets of the insurer / Policy holders' Liabilities	0.12	0.22
12.	NET EARNINGS RATIO	Profit after tax / Net Premium*100	5.12	14.64
13.	RETURN ON NET WORTH	Profit after tax / Net Worth	0.11	0.29
14.	REINSURANCE RATIO	Risk reinsured / Gross Premium*100	30.74	26.78



Annexure-II

Working Result :

The working Results of the Company for the last five years are given below :

(Rs. in crore)

Sl. No	PARTICULARS	2007-08	2006-07	2005-06	2004-05	2003-04
a.	Income from Underwriting	3187.98	2855.36	2683.00	2832.17	2508.65
b.	Increase/Decrease in Unexpired Risk Reserve	169.45	87.80	-80.17	168.02	120.83
c.	Incurred Claims on Underwriting	2838.84	2394.22	2830.33	2263.51	2109.90
d.	Net Commission on Underwriting	203.89	114.04	140.55	77.50	71.73
e.	Expenses & other Outgo	989.17	867.51	882.16	858.55	733.01
f.	Net Underwriting Result	-1013.37	-608.21	-1089.87	-535.41	-526.82
g.	Net of other Income(Investment etc.)	1185.43	1064.04	1030.23	676.62	599.83
h.	Profit/Loss before Tax	172.06	455.83	-59.64	141.21	73.01
i.	Provision for Taxation	8.75	37.76	55.00	10.03	-4.06
j.	Profit/Loss after tax	163.31	418.07	-114.64	131.18	77.07

Break up of Commission Expenses :

(Rs. in Thousand)

CLASS OF BUSINESS	FOR THE YEAR 2007-08			FOR THE YEAR 2006-07		
	FIRE	MARINE	MISCELLANEOUS	FIRE	MARINE	MISCELLANEOUS
Agents	130385	114538	1518404	150381	99916	1712339
Brokers	61651	52304	370009	74043	37112	308734
Corporate Agents	67880	2725	518815	71152	4182	484247
Referral Fees	49	1030	116164	724	1042	43425
Others	511	597	275855	0	0	159597
TOTAL	260477	171194	2799247	296300	142252	2708342



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Statement pursuant to Part IV of Schedule VI to the Companies Act, 1956)

I. REGISTRATION DETAILS :

Registration No.	:	1713
State Code	:	21
Balance Sheet Date	:	31.03.2008

APPLICATION OF FUNDS :

Net Fixed Assets	:	37160
Investments, Loans (net of Fair Value Change)	:	6664897
Net Current Assets	:	(-)4940887
Misc. Expenditure	:	(-)508974
Accumulated Losses	:	Nil

II. CAPITAL RAISED DURING THE YEAR : (Amount Rs. in Thousand)

Public Issue	:	Nil
Right Issue	:	Nil
Bonus Issue	:	Nil
Private Placement	:	Nil

IV. PERFORMANCE OF COMPANY : (Amount Rs. in Thousand)

Turnover (Net Premium, Investment and Other Income)	:	43697542
Total Expenditure	:	41976990
Profit/(Loss) before Tax	:	1720552
Profit/(Loss) after Tax	:	1634302
Earnings per Share (in Rupees):	:	16.34
Dividend Rate (%)	:	32.66

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS : (Amount Rs. in Thousand)

Total Liabilities (including Shareholders' funds)	:	88679956
Total Assets	:	88679956

SOURCES OF FUNDS :

Paid-up Capital	:	Nil
Reserve and Surplus	:	1252196
Secured Loans	:	Nil
Unsecured Loans	:	Nil

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY :

(AS PER MONETARY TERMS)

Item Code No.	:	Not Applicable
Product Description	:	General Insurance