



अपकाले रक्षिष्यामि

---

# General Insurance Corporation of India

## 31st Annual Report 2002-03

### Contents

Corporate Information .....	2
Board of Directors .....	3
Management .....	4
Notice .....	5
Directors' Report .....	7
Management's Discussion & Analysis Report .....	16
Management Report .....	28
Comments & Review by C&AG .....	31
Auditors' Report .....	36
Revenue Accounts .....	39
Profit and Loss Account .....	42
Balance Sheet .....	43
Schedules Forming Part of Financial Statements .....	44
Significant Accounting Policies and Notes forming part of the Accounts .....	61
Summary of Financial Statement .....	71
Accounting Ratios .....	73
Cash Flow Statement .....	76
Balance Sheet Abstract and Company's Business Profile .....	78
Performance Highlights .....	79



## CORPORATE INFORMATION

### DIRECTORS

Shri D. Sengupta	Chairman (up to 30.06.2002)
Shri P.C. Ghosh	Chairman (w.e.f. 04.10.2002)
	Managing Director & Current-in-Charge (w.e.f. 01.07.2002 to 03.10.2002)
	Managing Director (up to 30.06.2002)
Shri P.B. Ramanujam	Managing Director (w.e.f. 31.05.2002)
Shri Ajit M. Sharan	(up to 08.06.2003)
Shri S.S. Kohli	(up to 30.09.2002)
Shri Janki Ballabh	(up to 31.10.2002)
Shri V. Jagannathan	(w.e.f. 24.09.2002 to 21.03.2003)
Shri S.B. Mathur	(w.e.f. 24.09.2002)
Dr. Dalbir Singh	(w.e.f. 01.10.2002)
Shri A.K. Purwar	(w.e.f. 02.01.2003)
Sri H.S. Wadhwa	(w.e.f. 21.03.2003)
Shri G.C. Chaturvedi	(w.e.f. 09.06.2003)

### MANAGEMENT

#### Chairman

Shri P.C. Ghosh

#### Managing Director

Shri P.B. Ramanujam

#### General Managers

Shri M. Raghavendra  
Shri R.K. Joshi  
Shri P.K. Mor  
Shri B.P. Deshmukh (G.M. & Co. Secretary)

#### Chief Vigilance officer

Shri K. Sridhar

#### Assistant General Managers

Smt. Bhagyam Ramani  
Shri G. Krishna Rao  
Shri M. Ravindran  
Smt. Sushila Venkatraman  
Shri Gulam Muntaqua

#### Auditors

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

#### Bankers

Bank of India  
Central Bank of India  
State Bank of India

#### Registered Office

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

## BOARD OF DIRECTORS



*P.C. Ghosh  
Chairman*



*G.C. Chaturvedi  
Director*



*P.B. Ramanujam  
Managing Director*



*S.B. Mathur  
Director*



*A.K. Purwar  
Director*



*Dr. Dalbir Singh  
Director*



*H.S. Wadhwa  
Director*



## MANAGEMENT



*P.C. Ghosh  
Chairman*



*P.B. Ramanujam  
Managing Director*



*M. Raghavendra  
General Manager*



*R.K. Joshi  
General Manager*



*P.K. Mor  
General Manager*



*B.P. Deshmukh  
(General Manager  
& Co. Secretary)*



*K. Sridhar  
Chief Vigilance Officer*



*Bhagyam Ramani  
Assistant General  
Manager*



*G. Krishna Rao  
Assistant General  
Manager*



*M. Ravindran  
Assistant General  
Manager*



*Sushila Venkatraman  
Assistant General  
Manager*



*Gulam Muntaqua  
Assistant General  
Manager*

**NOTICE**

NOTICE is hereby given that the 31st ANNUAL GENERAL MEETING of the Members of the GENERAL INSURANCE CORPORATION OF INDIA will be held at the Registered Office of the Corporation at "Suraksha", 170, J. Tata Road, Churchgate, Mumbai - 400 020, on Tuesday, the 30th day of September, 2003 at 5.00 p.m. to transact the following business:

**Ordinary Business**

1. To receive and adopt the Directors' Report and Audited Statements of Account for the year ended 31st March, 2003.
2. To declare dividend on equity shares.
3. Fixation of remuneration of auditors for the year 2003-04 and revision for 2002-03.

**Special Business**

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as a special resolution:  
"RESOLVED THAT pursuant to the provisions of Section 293(1)(a), and any other applicable provisions of the Companies Act, 1956, consent of the Shareholders be and is hereby accorded for hiving off the Crop Insurance business of the Corporation to M/s. Agricultural Insurance Company of India Ltd. (AICIL), a company registered under Companies Act, 1956, with effect from April 1, 2003."  
"RESOLVED FURTHER THAT Board either by itself or through Chairman be and is hereby authorised to do all such acts, deeds and things and to take all such consents, sanctions as are necessary to hive off the Crop Insurance business of the Corporation to M/s. Agricultural Insurance Company of India Ltd."
5. To consider change in the object clause in the Memorandum & Articles of Association of the Corporation and if thought fit, to pass with or without modification(s), the following resolution as a special resolution:  
"RESOLVED THAT Clause No. (III) Sub Clause (A) Sub clause - (1) be and is hereby stands deleted."  
"RESOLVED THAT Clause No. (III) Sub Clause (A) Sub clause - (2) line-3 the words 'except life insurance business' be and is hereby substituted by "including life insurance business"

For and on behalf of the Board

**B.P. Deshmukh**  
*Company Secretary*

Registered Office:  
"Suraksha",  
170, J. Tata Road,  
Churchgate,  
Mumbai - 400 020.  
Date : 16th September, 2003

**Note:**

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



**EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT, 1956**

**Item No. 4**

The Corporation was operating Comprehensive Agriculture Insurance Scheme till September, 1999 on behalf of Government of India. National Agricultural Insurance Scheme (NAIS) has been launched since 1st October, 1999, on behalf of the Central Government. As per the Scheme, the Corporation receives premium from farmers for coverage of food crops, oilseeds, commercial/horticultural crops. The Corporation is liable to indemnify farmers upto 100% of the premium received in case of food crops and 150% in case of commercial and annual horticulture crops. Consequently, the assets and liabilities of the CCIS and NAIS schemes are vested in the Corporation.

The Government had announced the formation of an insurance company exclusively dedicated to crop insurance. Accordingly, a new company, Agricultural Insurance Company of India Ltd. (AICIL), is formed under the Companies Act, 1956 has been registered with a paid-up capital of Rs. 200 crores. This Company has been promoted by the Corporation, GIPSA Companies and NABARD and will exclusively focus on crop and other agriculture related insurance. The Company is awaiting the formal permission of IRDA to commence operations. The Corporation has also been designated as a "National Reinsurer" and therefore cannot have direct insurance business with effect from the date of notification. Hence, it is proposed to transfer the assets and liabilities of the crop insurance business to the new Company w.e.f. April 1, 2003 at Book Value.

Mr. G.C. Chaturvedi, Joint Secretary, Banking and Insurance is a Director on the Board of AICIL. None of the other Directors of the Corporation are concerned or interested in the resolution. The Board recommends the resolution for the approval of Shareholders.

**Item No. 5**

As per the present one of the object of the Corporation is to supervise and control the business of General Insurance as also supervise the working of Subsidiary Companies etc. Subsequent to amendment of General Insurance Business (Nationalisation) Act, 1972 role of the Corporation has been confined to Reinsurance Business, Non-Life as well as Life. Consequently, changes need to be made in the object Clause of the Memorandum and Articles of Association of the Corporation. Resolution to give effect to the above changes is placed for the approval of shareholders.

For and on behalf of the Board

**B.P. Deshmukh**  
*Company Secretary*

**DIRECTORS' REPORT**

To the Members,

The Directors have pleasure in presenting the Thirty First Annual Report on the working and affairs of the Corporation and the audited statements of account for the year ended 31<sup>st</sup> March, 2003.

**FINANCIAL RESULTS:**

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

	(Rs in Crores)		(Rs in Crores)	
	2002-03	2001-02	2002-03	2001-02
<b>Revenue Account</b>				
1. Net Premium	<b>3832.79</b>	2671.23		
2. Net Earned Premium	<b>3186.33</b>	2438.47		
3. Net Incurred Claims	<b>2744.40</b>	2295.08		
	<b>86.13%</b>	94.12%		
4. Net Commission	<b>909.01</b>	636.34		
	<b>28.53%</b>	26.10%		
5. Operating Expenses and Other Outgo less Other Income	<b>21.91</b>	23.82		
	<b>0.69%</b>	1.04%		
6. Investment Income Apportioned to Revenue less expenses	<b>578.03</b>	568.70		
7. Total Profit/Loss(-) (2+6-3-4-5)	<b>89.04</b>	51.93		
	<b>2.79%</b>	2.13%		
<b>Profit &amp; Loss Account</b>				
8. Interest, Dividends and Rents (gross)	<b>371.18</b>	392.47		
9. Other Income less Other Outgo	<b>35.20</b>	14.80		
10. Reserve for Doubtful Debts and Investment incl. Amortisation of Investments Written off	<b>114.47</b>	102.49		
11. Investments in erstwhile subsidiaries written off	<b>38.05</b>			
12. Profit before Tax (7+8+9-10-11)	<b>342.90</b>	356.71		
13. Income-tax Deducted at Source and Provision for tax incl. deferred taxes	<b>81.43</b>	50.00		
14. Profit after Tax (12-13)	<b>261.47</b>	306.71		
15. Amts. Written back	<b>20.19</b>	5.47		
16. Profit available for appropriation (14+15)	<b>281.66</b>	312.17		
17. Balance of profit b/f from previous year	<b>0.03</b>	0.01		
18. Proposed Dividend incl. Dividend tax	<b>53.36</b>	43.00		
19. Transferred to General Reserves	<b>228.30</b>	269.15		
20. Balance of Profit carried forward (16+17-18-19)	<b>0.03</b>	0.03		

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

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

**PROPOSED DIVIDEND**

The directors recommend declaration of dividend at the rate of 22% for the year under review amounting to Rs. 47.30 crores, as against Rs. 43 crores at the rate of 20 % in the previous year. An amount of Rs. 6.06 crores has also been provided as dividend distribution tax on the dividend declared during the year.



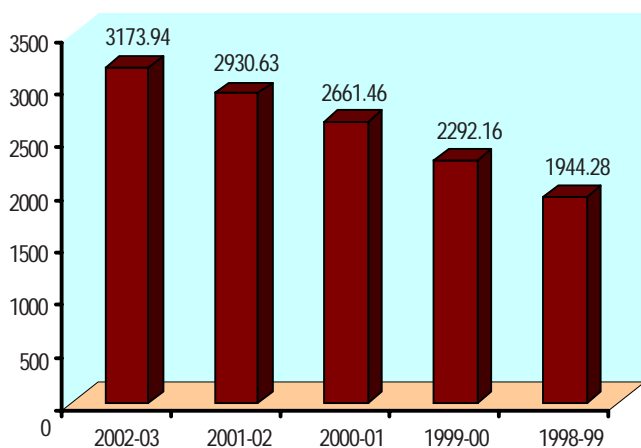
## CAPITAL AND FUNDS

Capital and Funds of the Corporation stood at Rs. 9073.64 crores as on 31<sup>st</sup> March, 2003 as detailed below:

(Rs in cr.)

	As on 31.03.2003	As on 31.03.2002
<b>Shareholders' Funds</b>		
Paid up Capital	215.00	215.00
General Reserve	2952.90	2715.60
Deferred Tax Liability	6.01	
Profit & Loss	0.03	0.03
Appropriation Account		
	<b>3173.94</b>	2930.63
<b>Policyholder's Funds</b>	<b>5899.12</b>	4569.12
<b>Other Funds</b>	<b>0.58</b>	0.58
<b>Total Funds</b>	<b>9073.64</b>	7500.33

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



## ASSETS

Total assets of the Corporation increased to Rs. 11695.11 crores as on 31<sup>st</sup> March, 2003 from Rs.10378.84 crores as on 31<sup>st</sup> March, 2002.

## INVESTMENTS

Total investments of the Corporation in India, (representing Investments & Loans made in India) during the year 2002-03 amounted to Rs. 8622.98 crores as against Rs. 7948.71 crores in previous year. Total investment income of the corporation including profit on sale of investments/securities amounted to Rs. 949.88 crores as against Rs. 961.80 crores for the previous year. As per accounting regulations, the income was apportioned between revenue and profit/loss accounts.

## INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (IRDA)

The Corporation being a Reinsurance company, its working and functions, are governed by the Insurance Regulatory and Development Authority (IRDA). The Corporation's existing paid-up equity capital of Rs. 215 crores conforms to the specifications of the IRDA. The Accounts of the Corporation are drawn up according to the stipulations prescribed in the IRDA (Preparation of Financial Statements and Auditor's Report), Regulations, 2002 which are incorporated in the accounts for the financial year 2002-03.

## DE-LINKING FROM SUBSIDIARY COMPANIES:

The Central Government vide Gazette Notification S.O.329(E) dated 21-03-2003 has notified the "appointed date" on which the General Insurance Business (Nationalisation) Act, 2002 shall come into force, as 21-03-2003. With effect from this date the book value of the shares in the four public sector undertaking held by the Corporation amounting to Rs. 38.05 crores stands transferred to the Central Government. In view of the said Notification, the Share Capital of the erstwhile four subsidiaries viz: National Insurance Co Ltd., The New India Assurance Co Ltd., The Oriental Insurance Co Ltd.,



and United India Insurance Co Ltd., is now vested in the Central Govt. and GIC has been formally delinked from the said subsidiary companies. Since no compensation is payable in respect of these shares, the same are written off in the books as on 31<sup>st</sup> March, 2003.

GIC having been notified as "Indian Reinsurer" has also ceased to carry on direct insurance business.

### **AGRICULTURAL INSURANCE COMPANY OF INDIA LTD. (AICIL)**

A new company registered under the Companies Act, 1956 called "Agricultural Insurance Company of India Limited" (AICIL) has been incorporated on 20-12-2002 with a paid up share capital of Rs. 200 crores to transact crop insurance and other allied agricultural insurance business in India.

The company is promoted by the Corporation in collaboration with NABARD and the four erstwhile subsidiary companies of the Corporation namely National Insurance Co. Ltd., The New India Assurance Co. Ltd., The Oriental Insurance Co. Ltd. and United India Insurance Co. Ltd. The Corporation holds 35% equity of AICIL and NABARD holds 30% while the balance is held equally to the extent of 8.75% by the four public sector insurance companies. The assets and liabilities of various crop cells and Central Crop Insurance Department (CCID), Delhi will be transferred to the new company based on the balances appearing in the audited books of accounts as on 31<sup>st</sup> March, 2003. IRDA has already given in-principle approval to AICIL to commence business.

### **PERSONNEL AND INDUSTRIAL RELATIONS:**

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

The Staff position in the Corporation as on 31<sup>st</sup> March, 2003 is as follows:

Class I	334
Class III	246
Class IV	79
Total	659

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

### **WELFARE OF SC/ST**

As per provisions of the Brochure on Reservation for Scheduled Castes and Scheduled Tribes,

(1) reservation of posts in service (for direct recruit and promotions) was given to persons belonging to Scheduled Caste and Scheduled Tribe Communities and (2) reservation of posts for direct recruitment was given to persons belonging to Other Backward Classes.

The National Commission for SC/ST visited GIC on 9<sup>th</sup> December, 2002. The Rosters were inspected by the officials of the National Commission and they were satisfied with the performance of the Corporation on this account.

### **BOARD OF DIRECTORS**

Shri V. Jagannathan, Chairman, GIPSA was appointed as a Director on the Board of the Corporation w.e.f. 24-09-2002 and ceased to be a Director of the Corporation w.e.f. 21-03-2003 as per terms of his appointment order.

Shri S.S.Kohli, Chairman, IBA ceased to be a Director of the Corporation w.e.f. 01.10.2002 as per terms of his appointment order.



Shri Janki Ballabh, Chairman, SBI ceased to be a Director of the Corporation w.e.f. 01-11-2002 on attaining the age of superannuation.

Shri Ajit M. Sharan, Joint Secretary (Banking and Insurance) ceased to be a Director of the Corporation w.e.f. 08-06-2003 on his transfer from the Insurance Division.

Shri S.B.Mathur, Chairman, LIC was appointed as a Director on the Board of the Corporation w.e.f. 24-09-2002.

Dr. Dalbir Singh, Chairman, IBA was appointed as a Director on the Board of the Corporation w.e.f. 01-10-2002.

Shri A.K.Purwar, Chairman, SBI was appointed as a Director on the Board of the Corporation w.e.f. 02-01-2003.

Shri H.S.Wadhwa, Chairman, GIPSA was appointed as a Director on the Board of the Corporation w.e.f. 21-03-2003.

Shri G.C.Chaturvedi, Joint Secretary (Banking and Insurance) was appointed as a Director on the Board of the Corporation w.e.f. 09-06-2003.

The Directors wish to place on record the co-operation received from Shri V. Jaganathan, Shri S.S. Kohli, Shri Janki Ballabh and Shri Ajit M. Sharan during their tenure as Directors on the Board and also for their valuable contribution to the cause of the General Insurance Industry.

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

**STATEMENT SHOWING NUMBER OF BOARD MEETINGS ATTENDED  
BY THE DIRECTORS DURING THE PERIOD APRIL 2002- MARCH 2003.**

Name of Director	Dates Of Meetings					
	29-06-02	01-08-02	07-09-02	30-09-02	31-12-02	10-03-03
Shri D.Sengupta	Present	Ceased				
Shri Ajit M. Sharan	Absent	Present	Present	Present	Present	Present
Shri Janki Ballabh	Absent	Absent	Absent	Absent	Ceased	
Shri. S.S.Kohli	Absent	Present	Present	Absent	Ceased	
Shri P.C. Ghosh	Present	Present	Present	Present	Present	Present
Shri P.B. Ramanujam	Present	Present	Present	Present	Absent	Present
Shri S.B. Mathur	Not on Board	Not on Board	Not on Board	Present(*)	Present	Present
Dr. Dalbir Singh	Not on Board	Not on Board	Not on Board	Absent(**)	Absent	Absent
Shri V. Jaganathann	Not on Board	Not on Board	Not on Board	Absent(***)	Absent	Absent
Shri A. K. Purwar	Not on Board	Not on Board	Not on Board	Not on Board	Not on Board	Absent

(\*) Appointed as Director with effect from 24-09-2002.

(\*\*) Appointed as Director with effect from 01-10-2002.

(\*\*\*) Appointed as Director with effect from 29-09-2002 and ceased with effect from 21-03-03.

### FOREIGN EXCHANGE EARNINGS & OUTGO AND OTHER INFORMATION

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

- a) Earnings       Rs. 725.45 crores
- b) Outgo         Rs. 586.71 crores

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

Expenses on (a) Entertainment (b) Foreign Tours and (c) Publicity and Advertisement amounted to Rs. 5,86,074/-, Rs. 45,40,947/- and Rs. 81,54,787/- respectively for the year under review.

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

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

### IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY OF THE CENTRAL GOVERNMENT

During the year under review, the Corporation maintained the progress/performance in the implementation of Official

Language Policy of the Government of India. The Corporation conducted four in-house workshops (for Banking and Insurance Industry) at Mumbai, during the year under review. A quarterly in-house journal of the Corporation, *kshitij* in Hindi, is published. The officials of the Ministry of Finance had conducted an inspection with regard to the implementation of official language in the Corporation and they had expressed their satisfaction with the measures taken in the area of official language implementation.

### VIGILANCE

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

Vigilance activities of the department are directed at preventive, detective as well as punitive aspects of vigilance. Thrust of the vigilance function was towards expeditious disposal of cases requiring departmental action. The activities undertaken to achieve the said objectives, were review of pending cases in vigilance Sub-Committee Board Meetings of the Corporation and its subsidiaries and also regular follow up with each company.

As per the directive of the Central Vigilance Commission, Vigilance Awareness Week was observed from 31<sup>st</sup> October to 6<sup>th</sup> November, 2002 in all the offices of the Corporation with a view to creating awareness of vigilance amongst the employees. Steps were also taken to implement the instructions and guidelines issued by the Central Vigilance Commission and to complete the activities connected with vigilance within the prescribed time-frame.



### FOREIGN OPERATIONS

Pursuant to notifying GIC as an “Indian Reinsurer” by the Government of India, the overseas operations of the Corporation is limited to participation in the Share Capital of Associate companies in Kenya viz. Kenindia Assurance Company Ltd., and Singapore viz. India International Insurance Pte Ltd. The Corporation also has opened two representative offices at London and Moscow to expand its foreign reinsurance business.

### KENINDIA ASSURANCE CO. LTD.:

The Kenindia Assurance Company Ltd., Nairobi , Kenya is an associate company of LIC, GIC and the four state owned Indian non-life Insurers.

In the year 2002, due to consolidation of business by booking quality business and concerted effort on containing losses in some miscellaneous departments, the Company recorded better performance than that of the year 2001. The Company maintained the dividend of 10% for the year. The total gross premium of the Company (non-life) during the year amounted to Kshs. 2350.70 million as against Kshs. 2273.54 million in 2001, registering a modest growth rate of 3.4%. The long term (life) recorded a gross premium income of Kshs. 585.09 million as against a premium income of Kshs. 610.03 million in 2001.

### India International Insurance Pte. Ltd., Singapore.

India International Insurance Pte. Ltd., had a share capital of S\$. 25 million. held by the Corporation and the four state-owned non-life insurance companies (20% each). In spite of stiff competition from other local and global players, the Company wrote a gross premium of S\$ 120.92 million during the year 2002 as against S\$ 77.26 million

written during the preceding year, thereby registering a commendable growth of 56.51%. The net retained premium registered a growth of 15.83% from S\$ 49.16 million in 2001 to S\$ 56.94 million in 2002. The net profit of the Company declined by 14.30% from S\$ 13.78 million in the previous year to S\$ 11.82 million in the year 2002, mainly due to the higher tax provision for the year 2002. For the financial year 2002, the Company paid a first and final dividend of 7.5% net of tax as against 5% paid during the previous year.

### DIRECTORS RESPONSIBILITY STATEMENT:

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

1. In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;
2. Appropriate accounting policies have been selected and have applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Corporation at the end of the financial year 2002-2003 and of the profit or loss of the Corporation for that period;
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Corporation and for preventing and detecting fraud and other irregularities;
4. The annual accounts have been prepared on a going concern basis.

### AUDITORS

M/s. K.S. Aiyar & CO., Chartered Accountants were appointed as Auditors to audit the accounts of the Corporation for the financial year 2002-03 by the Comptroller & Auditor General of India under Section 619 of the Companies Act, 1956.

### SUBMISSION OF ACCOUNTS BEFORE PARLIAMENT:

As confirmed by the Ministry of Finance, Insurance Division, the Annual Report of the Corporation for the year 2001-2002 along with Directors' Report were placed before both the Houses of Parliament under Section

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

*In LOK SABHA: On 13<sup>th</sup> December, 2002*

*In RAJYA SABHA: On 10<sup>th</sup> December, 2002*

### ACKNOWLEDGEMENT:

The Board places on record its deep appreciation of the agents, brokers, staff and officers of the Corporation and the subsidiary companies for their valuable contribution in achieving its plans and goals. The Directors are thankful for the guidance and support extended by Ministry of Finance, IRDA, and Principal Director of Commercial Audit and Ex-Officio Member, Audit Board-I, Mumbai.

**For and on behalf of Board**

**P.C.Ghosh**  
*Chairman*

**3<sup>rd</sup> September, 2003**  
Mumbai.



**SEC. 217 (2A) (B) (II) OF THE COMPANIES ACT, 1956  
READ WITH COMPANIES (PARTICULARS OF EMPLOYEES  
RULES 1975 FOR THE YEAR ENDED 31ST MARCH, 2003**

Sr. No.	Name of the Employee	Designation	Remuneration *	Age	Qualification	Date of Commencement of Employment	Last Employment
1.	Shri R. Chandrasekaran	AGM	Rs. 30,84,621/-	50	B.Com., CAIIB, FII	19-06-1978	Private Sector

\* Including Gross Salary, Gratuity, Leave Encashment, Co's Contribution to Provident Fund and Mediclaim including all other perquisites.

i.e. Accommodation, LTS and reimbursement of expenses.

---

**Certificate of Directors**

Certificate as required under Regulatory 7 of Part I of the First Schedule to the Insurance Act, 1938  
(Forming part of the Balance Sheet)

**We certify that:**

1. Valuation of Investments has been done in accordance with the stated significant accounting policies.
- 2.1 Investments in equity shares that are actively traded in stock markets are stated at the lowest of the last quoted closing price within the last one-month prior to the end of the financial year.
- 2.2 Other than actively traded equity shares, other securities are valued as under:
  - a) Securities, bonds issued or guaranteed by Government. At cost subject to amortisation
  - b) Debentures: At cost subject to amortisation and provision for NPAs as per RBI guidelines
  - c) Other than Actively equity shares and unlisted equity shares: At cost subject to provision for diminution in value when the break up value falls below cost.
  - d) Preference Shares : At cost subject to amortisation of redeemable preference shares
  - e) Foreign Investments: At book value in Indian currency
3. The values of all the assets have been reviewed as at 31<sup>st</sup> March, 2003 and after taking into account credit balances under the heads "Provision for Doubtful Loans, Investments & Debts" and "Investment Reserve" appearing on the liabilities side of the Balance Sheet, are shown in the aggregate amounts not exceeding their realisable or market value under the several headings: "Loans", "Investments", "House Property in India", "Interest and Dividends outstanding", "Interest accruing but not due", "Amounts due from other persons or bodies carrying on insurance business", "Reserve Deposits with ceding companies", "Sundry Debtors", "Advances and Deposits", "Taxes paid in advance", "Cash", "Application money for investments", "Furniture, fixtures, Motor cars, Office Equipments, etc." and "Loans against vehicles".

---

**P.C. Ghosh**  
**P.B. Ramanujam**  
**Dr. Dalbir Singh**  
**S.B. Mathur**

*Chairman*  
*Managing Director*  
*Director*  
*Director*

Mumbai  
Dated : 3rd September, 2003





## Management's Discussion & Analysis Report

### INTRODUCTION

Reinsurers in general can look back with some degree of comfort for the year ending 31<sup>st</sup> March, 2003 as the period of uncertainty following the World Trade Centre attacks on September 11, 2002 has diminished leading to a period of consolidation and stability. The year ending 31<sup>st</sup> March 2003 being the second year of the Corporation's operations as an Indian reinsurer, saw restructuring of the portfolio to suit the business environment. The Corporation continued to embark on increasing its dealings in the international reinsurance market and convert it to its advantage. The Corporation also maintained focus on the Indian market building on the strengths and relationships developed painstakingly over the past three decades.

The global reinsurance industry which was severely affected as a result of one of the worst catastrophic losses in 2001 saw consolidation and infusion of fresh capital. The hardening rates because of shrinkage of insurance and reinsurance capacity on account of the various losses arising from terrorism related risks, continued for some time. However with more capital forthcoming, there is bound to be additional capacity creation in the year, which will stabilize markets in the immediate future.

The global economic environment was also characterized by low economic growth in developed markets, falling stock market indices and weakening of major currencies like the dollar and the euro. This resulted in substantial erosion of yields on investment portfolios of insurers/re-insurers worldwide.

The Indian economy, which could not escape the consequences of the situation existing worldwide, also had to bear the brunt of a worst ever drought. This affected the economic growth rate and also the premium growth rates. However, insurers saw an increase in motor premiums as a result of tariff increases, but this was still not enough to compensate motor third party losses.

### INDIAN ECONOMY- MACRO ECONOMIC

#### PERSPECTIVES:

For the year under review, the economy was affected by a severe drought, which in turn brought down the GDP growth to 4.5%, as compared to 5.5% for the previous year. Inflation, as measured by movement in average Wholesale Price Index (WPI), remained low at 3.3% in the year under review, as against 3.6% in the previous year.

The manufacturing sector saw an upturn in its fortunes, partly fuelled by export growth and consumption, especially in housing, automobile and road building sectors. Credit off take in the Industrial sector remained sluggish and cut in bank rates and repo rates by the RBI to revive demand could not take off. This brought down the yields on govt. securities and other fixed income instruments. The fall in interest rates, was responsible for reduction in the yields of the fixed income portfolio held by the Corporation.

The current year has already seen a good monsoon which is bound to increase agricultural growth. It is expected that the GDP will increase by 6.5% in this year. There has also been a sustained rise in the index of industrial production. The Indian rupee has appreciated as against



the US dollar primarily because of continued inflows of foreign exchange. The foreign exchange reserves have already crossed 85 billion US dollars. The external trade position is also satisfactory with exports showing a 11% increase in the first quarter of the current year. It is expected that the momentum built up will sustain throughout the remaining period of the current year. The year has also seen a sharp rally in the stock markets since April, 2003 with the BSE sensex crossing 4,000 points. With the fundamentals of the economy being strong, it is expected that the rally in share prices will be sustained. The same is expected to improve the market value of the Corporation's equity portfolio. This will partly compensate loss of interest income as a result of reduction of yields caused by lower interest rates.

The insurance industry looks forward to share the benefits that are expected to flow in the economy due to the emphasis on the road building programme and various other infrastructural development projects in ports and telecomm.

### **FINANCIAL MARKETS OVERVIEW**

The financial markets remained stable during the year under review, and the Govt. continued its policy reforms to enable greater improved integration of the Indian Financial Markets with the Global Financial markets. The Reserve Bank of India (RBI) continued its policy of provision of adequate liquidity to meet credit growth and also to support investment demand in the country. The RBI continued to give policy signals of maintaining a soft interest rate bias by reducing both the Bank rate and Cash Reserve Ratio.

To boost investor confidence, the Government initiated many important policy measures in the capital market. Apart from removing tax on dividend in the hands of recipients, investments in equities after 1<sup>st</sup> April 2003 and held for one year in specified 500 scrips have also been exempted from long term capital gains tax.

The Securities and Exchange Board of India (SEBI) introduced the T+2 settlement system which will go a long way in facilitating shorter delivery and faster transactions in the capital market.

Higher levels of liquidity, accompanied by CRR and Bank rate cuts, drove the interest rates down throughout the year under review. Banks and Financial Institutions have been realigning their deposit and lending rates in tune with the fall in general interest rates.

The Govt. in association with the RBI has recently taken a number of major initiatives to address the problem of Non-Performing Assets (NPA) in the financial sector. These include revised guidelines issued by RBI for compromise settlements of Chronic NPA's, introduction of Corporate Debt Restructuring System, Enactment of Securitisation and Reconstruction of Financial Assets & Enforcement of Security Interest Act, 2002 and establishment of Asset Reconstruction Companies, to name a few.

### **INDUSTRY STRUCTURE & DEVELOPMENT**

#### **De-linking from subsidiary companies:**

The Central Government vide Gazette Notification S.O.329(E) dated 21-03-2003 has notified the "appointed date" on which the General Insurance Business (Nationalisation) Act, 2002 shall come into force, as



21-03-2003. With effect from this date the book value of the shares in the four public sector undertaking held by the Corporation amounting to Rs 38.05 crores stands transferred to the Central Government. In view of the said Notification, the Share Capital of the erstwhile four subsidiaries viz: National Insurance Co Ltd., New India Assurance Co Ltd., Oriental Insurance Co Ltd., and United India Insurance Co Ltd., is now vested in the Central Govt. and GIC has been formally delinked from the said subsidiary companies. Since no compensation is payable in respect of these shares, the same are written off in the books as on 31<sup>st</sup> March, 2003.

GIC having been notified as “Indian Reinsurer” has also ceased to carry on Crop Insurance business. As a result the Corporation will focus exclusively on reinsurance in conjunction with its designation as an Indian reinsurer.

### **AGRICULTURAL INSURANCE COMPANY OF INDIA (AICIL)**

A new company registered under the Companies Act, 1956 called “Agricultural Insurance Company of India Limited” (AICIL) has been incorporated on 20-12-2002 with a paid up share capital of Rs 200 crores to transact crop insurance and other allied agricultural insurance business in India.

The company is promoted by the Corporation in collaboration with NABARD and the four erstwhile subsidiary companies of the Corporation namely National Insurance Co. Ltd., New India Assurance Co. Ltd., The Oriental Insurance Co. Ltd. and The United India Insurance Co. Ltd. The Corporation holds 35% equity of AICIL and NABARD holds 30% while the balance is held equally to

the extent of 8.75% by the four public sector insurance companies. The assets and liabilities of various crop cells and Central Crop Insurance Department (CCID), Delhi will be transferred to the new company based on the balances appearing in the audited books of accounts as on 31<sup>st</sup> March, 2003. IRDA has already given in-principle approval to AICIL to commence business.

### **INDIAN INSURANCE REVIEW:**

In the year under review, the significant steps undertaken by the regulator (IRDA) included the regulations on brokers and surveyors. This will bring out a qualitative change in the procurement and conduct of business. IRDA has also brought out regulations for the protection of policy-holders interests. This will improve the prospects for better customer service.

During the year the law commission undertook a comprehensive review of the Insurance Act and the accompanying legislations. A draft document showing the proposed changes has been circulated amongst insurers and other bodies for their comments. It is expected that the Government of India would bring out the comprehensive legislation in the field of insurance in the light of experience gained ever since opening of insurance industry in the year 1999.

The performance of the non-life general insurance companies, including the four public sector insurers portrays a mixed picture. The new private sector players have grabbed about 10% of the total market share, mainly concentrating on the lucrative property segment. The concentration of insurers on profitable segments has resulted in a decline in tariffs, which have benefited

customers. However this has also resulted in increasing costs to insurers, partly arising because of rising intermediary margins and low prices charged for the product sold. This coupled with higher costs for reinsurance protection has shrunk margins. The reluctance of the private players has also resulted in concentration of motor portfolio, especially compulsory third party liability with existing companies. Though Motor Premium tariff have been revised, it does not compensate the losses on account of this portfolio, which does not have full reinsurance protection. This is a matter of great concern. The upturn in the economy and in the investment climate will hopefully result in upward growth in property businesses, which have a potential to be profitable.

### **OPPORTUNITIES**

A paradigm shift has taken place in the functioning of the insurance sector in India. The new environment provides immense opportunities for growth through increased competitiveness in the domestic and overseas markets. The Corporation is exploiting its financial strength and assets to tap increasing demands for higher capacities and retentions so as to widen its clientele base both in India & abroad.

The sound and sustained economic growth in India at the rate of around 6% holds promise for generation of physical and financial assets. Insurance Industry is concomitantly slated to grow in tandem therewith. Infrastructure development will lead to higher project insurances and subsequently operational insurances. Human Resources, the largest singular resource based in India, are enriched through literacy and longevity. Protection of human wealth

crystallizes into premium. Healthy and harmonious foreign trade of both manufacturing and service sector affords transit insurances. As India globalizes itself and integrates with the economic world, cross border mobility will facilitate economic well being with its attendant revenue generation for insurance industry. Regulatory prescriptions are being simplified to catalyze greater private participation which in turn will lead to greater insurance coverages in terms of people, place and property. As of now, GIC enjoys monopoly status in the country in respect of reinsurance, with enormous financial strength, technical expertise and brand image. All these are leveraged to both broaden and widen the base in India and abroad. International insurance cooperation by way of exchange of business and intelligence is the order of the day. Strategic alliance, business tie ups and delegation of underwriting powers will bring in a wealth of business. Thus, both on the domestic and foreign fronts, the future offers much hope which with some concerted efforts could be realized.

### **LIFE REINSURANCE**

The Corporation has been designated as an Indian reinsurer by the Government under Section 101(A)(8)(ii) of the Insurance Act, 1938. The Corporation also has decided to accept life reinsurance business to avail of the opportunities in the Indian life market. A separate desk has been established, with a view to develop relationships with old and new players so as to attract new business. This also represents a major diversification for the Corporation.

### **FINANCIAL REINSURANCE**

The Corporation, having been a public financial institution since 1976, is utilizing its contacts in the investment



arena and coupling the same with its competitive strengths in reinsurance and technical skills to offer new products in the field of credit/financial insurance. The Corporation's financial strengths add muscle to the capacity being offered. This too represents a foray into a new avenue of reinsurance for the Corporation.

### **CROP INSURANCE:**

The premium from Crop Insurance business amounted to Rs 369.83 crores in the year under review, as against Rs 288.05 crores in the previous year. Due to the drought in certain States like Karnataka, Gujarat, Andhra Pradesh and Maharashtra, the incurred claims rose to Rs429.53 crores as against Rs. 136.76 crores in the previous year. As already discussed earlier, a new company AICIL has been formed exclusively to carry out Crop and other agricultural insurance business. In the near future, the entire crop insurance portfolio will be transferred to the new company, pursuant to GIC being designated as an "Indian reinsurer".

### **FUTURE BUSINESS STRATEGIES:**

On account of the new business paradigms emerging, following the new role assigned to GIC as a sole Indian Reinsurer with enormous resource at its command, GIC has been seeking to expand its business frontiers. In order to understand the needs of the direct insurers, and also to deepen our relationship, for the first time, an Indian Insurers Meet was organized by GIC at Hyderabad in which, Insurance Regulators also participated. GIC sought to present to them its huge unutilized capacity

available and facilities created for certain special classes of business and the coverages available for the new products and also in general, communicate to them the brand image enjoyed in the international world. The direct insurers not only appreciated this effort but also subsequently responded to the Corporation's call for utilizing its capacity. Last year, the second Asian Reinsurers Summit was organized in Mumbai wherein Reinsurers from China, Hong Kong, Taiwan, Japan, South Korea, Malaysia, Singapore, Philippines, Indonesia and Thailand attended.

Further increase in business volume is targeted to be achieved through our associate companies in Singapore and Kenya. The Corporation is also planning to open through its Kenyan joint venture a company in Tanzania. Exploratory level talks are being held with certain African Reinsurance Companies for strategic as well as business tie ups if only to enhance our business. The Corporation's participation in the Federation of Afro Asian Insurers and Reinsurers (FAIR) Pool also helped in renewing ties in Afro Asian countries and the brand equity of GIC has been enhanced. As a part of creating goodwill efforts are also on to impart theoretical and practical training to some of the Afro Asian insurers and reinsurers.

In this connection, GIC takes pride in hosting the Fourteenth Insurance Congress of Developing Countries in New Delhi, from 7<sup>th</sup> March to 10<sup>th</sup> March, 2004. It is the second time that India will be hosting the conference, the last one being in 1992. It is expected that there will be tremendous participation for this mega event, considering that India is considered a major market nowadays.

### **FOREIGN REPRESENTATIVE OFFICES:**

As reported in the last year, our representative offices in London and Moscow are functioning smoothly and in view of the experience gathered in the last two years they have been able to establish contacts with local markets.

### **RISKS AND CONCERNS:**

During the year, IRDA had promulgated direct as well as reinsurance broking regulations. Some of the established multinational brokers have also obtained license to act as brokers. Since many of the licenses are explicit in character with a strong international communication network, there is a threat that they will dominate both direct as well as reinsurance placements whereas presently the direct insurers on their own mostly prefer GIC for the reinsurance protection. These multinational brokers may also bring in certain international practices to which both the insurers and reinsures have to acclimatize themselves.

The direct insurance companies are continuously impressing upon the insurance regulator to be allowed a choice for placing their reinsurance business. In the event of the regulator acceding to the demands of the direct insurance companies, the Corporation may lose the preferential placements of the business that is presently being followed.

In view of the continuous depletion in investment yield due to falling interest rates, interest incomes of the insurers are steadily declining and the operating surplus gets eroded. In order to make good the losses of investment income, insurance premium rates may have to be revised.

### **REVIEW OF PERFORMANCE**

#### **REINSURANCE:**

##### **Reinsurance Program for Indian Business:**

Consequent on the Corporation being designated as an "Indian reinsurer", reinsurance protection was purchased for its own net account only. However the Corporation has to keep its role as a reinsurance facilitator for the Indian insurance companies. The Corporation continued to act as the Manager of the Marine Hull Pool on behalf of the insurance industry.

The Corporation's reinsurance programme for 2002-03 was designed to fulfil the following objectives:

- a) Optimise retention within the country.
- b) Develop adequate capacity consistent with the strengths and capacities
- c) Secure the best possible protection commensurate with the reinsurance costs incurred at the lowest possible costs involved
- d) Maintain upto date accounts and statistics, so as to exercise control of costs.

#### **INDIAN BUSINESS**

During the year the Corporation continued to offer maximum support to the Indian insurers consistent with the above objectives. The Corporation has also developed vertical capacity to cover a Risk upto Rs 1500 Crores PML for the benefit of the Indian Market.

During the year under review, two major losses on account were reported due to Fire at Bhiwandi and floods at Vasai.



None of the Marine and Non-Marine XL protection covers were affected. The net premium from Indian Business rose from Rs. 2199.63 crores in 2001/2002 to Rs 2817.33 crores in the year under review, a rise of 28.1%. The net claims outgo however declined from Rs 1989.82 crores in the previous year to Rs. 1891.93 crores in the year under review, reflecting a catastrophe free year.

### **AVIATION BUSINESS**

During the year under review, GIC had extended increased reinsurance capacity to the Indian and International Aviation Markets. Better Retrocession arrangements and hardened market conditions following WTC events resulted in substantial increase in premiums. GIC has also taken a prima-facie lead in the SAARC region on a majority of the aviation risks.

The Indian inward aviation premium increased from Rs. 64.91 crores in the previous year to Rs. 91.66 crores in the year under review. Similarly, the foreign inward premium of the Corporation increased from Rs. 20.80 crores to Rs. 81.51 crores. The net premium on account, after retrocession, was Rs. 71.67 crores, as against Rs. 17.32 crores. The net claims were Rs. 71.77 crores, as compared to Rs. 12.53 crores in the previous year.

GIC no longer writes direct aviation business and only adjustments and refunds are accounted in respect of the run-off portfolio.

### **FOREIGN INWARD**

The Corporation started accepting from April, 2002 international treaty and facultative reinsurance business for its own account only, emerging as a preferred reinsurer

in the Afro-Asian region. The Corporation led the reinsurance arrangements for the insurance markets of Maldives, Kenya, Nepal, Malaysia, and Mauritius. The Corporation was also able to quote successfully on the various reinsurance offers received from the international market. The hardening of the insurance and reinsurance markets, in the aftermath of 11<sup>th</sup> September, 2001, led to very limited covers being available in the market at an expensive price. The Corporation was able to take adequate coverage, though at higher costs, which did not impact its operations.

The foreign inward premium income of the Corporation continued its increase. This has been possible through effective marketing and communication strategies, and also its linkages and relationships and capabilities as a professional reinsurer in various target markets

Net foreign inward premium (on an earned basis) rose sharply during the year to Rs. 645.63 Crores, as against Rs. 159.14 crores for the previous year. The net commission increased from Rs. 34 crores in 2001-02 to Rs. 149.42 crores in 2002-03. The net incurred claims during the year 2002-2003 increased to Rs. 423.04 crores from Rs. 162.42 crores during the previous year. There was a surplus of Rs. 73.17 crores in the year under review, as against a deficit of Rs. 37.28 crores in the previous year. However, it is pertinent that in case of foreign business, claims build up over a passage of time.

### **INVESTMENTS**

Despite recovery in the Industrial Sector, investment climate during the major part of the financial year 2002-03 remained subdued.



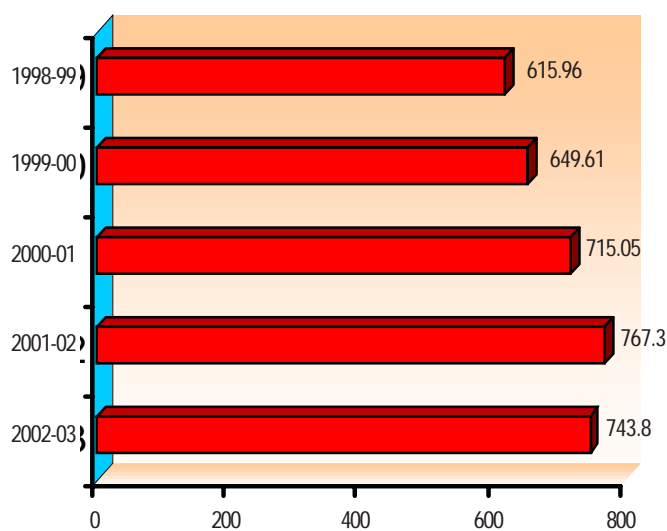
Total investment of the Corporation in India during the year 2002-03 amounted to Rs. 8622.98 crores as against Rs. 7948.71 crores in previous year. Fresh investible funds for the year 2002-03 increased by Rs. 674.27 crores as against Rs. 790.50 crores for the previous year. Investment Income (including profit on sale of investment.) decreased to Rs. 949.88 Crores from 961.80 crores, thus giving a Mean Yield (including dividend income from Subsidiaries) of 12.0% as against 14.2% in the previous year. (Mean Yield being measured as Investment Income from Investments to average of investments as at 31.3.2003 and investments as at 31.3.2002). The main reasons for the decrease in the Mean Yield were, the reduction of interest rates by as much as 300 basis points during the year, reflecting the climate of lowered interest rates. Incremental investments were made during the year at the prevailing lower interest rates. Further Investments were also restricted to rated papers, the yields on which were comparatively lower.

Non Performing Assets (NPAs) on net basis for the year under review stood at 7.3% as against the previous year's figure of 6.3% in relation to the total financial assistance provided to the corporate sector. The overall NPAs position is to be viewed in the context of continuing recessionary trends and declining commodity prices. It is hoped that in the coming year, with an upsurge in the steel and textiles sector, and with the debt recovery measures underway, the NPA levels will decline further.

The Corporation continued to be an active player in the Secondary Market for shares. In spite of the subdued outlook in the stock markets, the Corporation was able to book profits from sale of equity at Rs. 150.95 crores, in

the year under review, as against Rs. 159.26 crores in the previous year. Due to reduced payouts by Corporates and incremental investments made at current market levels, the dividend yield came down from 8.45% in the previous year to 5.24% in the current year. The Corporation also took advantage of the falling interest rate scenario, to book profits of Rs. 50.82 crores from sale of debt including govt. securities in the Secondary Market, as compared to Rs. 44.35 crores in the previous year.

■ Investment Income (Excluding sale of investments) for the past 5 years (Rs. in Cr.)



### Terrorism Pool:

Following the withdrawal of the cover for the risks of terrorism and sabotage by the international reinsurers, a 'Terrorism Pool' was formed by all the non-life insurance companies licensed to operate in India with effect from 01-04-02. The Corporation on behalf of all the non-life



insurance companies manages this pool including maintenance of accounts, investment of funds, etc.. The cover is available only in respect of fire, engineering and fire/engineering sections of miscellaneous policies

The rates charged for this cover are administered by Tariff Advisory Committee (TAC). The entire premium charged for this cover is ceded to the Pool after deducting 2% as service charges for the cedant company. The Corporation is also a member of this Pool and for this purpose a handling fee of 1% of the premium on the cessions is recovered from the participants.

The maximum loss payable by the Pool is Rs. 200 crores per risk with 'per risk' as defined by the TAC. The member companies have a share in the loss retention of the Pool as per agreement signed by each of them. The Pool is protected by an excess of loss cover with an underlying of Rs. 100 crores. IRDA has also given active guidance in the operation of this pool. The total assets of the terrorism pool stood at Rs. 265.19 Crores as on 31<sup>st</sup> March, 2003.

### INTERNATIONAL CREDIT RATING

A M Best, the international credit rating agency, has reaffirmed “**A (Excellent)**” Financial Strength rating of the Corporation. The affirmation reflects the Corporation's excellent financial position, conservative investment portfolio and leading position in the Indian insurance market.

### INFORMATION TECHNOLOGY

One of the inherent strengths of the Corporation is the extensive use of Information Technology in all facets of

operations both in front-end and back office operations. During the year, the hardware infrastructure was upgraded to the latest international standards. All personnel have access to the latest operating system and office applications with matching system configuration. The Upgradation in the IT network is capable of taking care of future requirements.

### INTERNAL CONTROL SYSTEMS

The Corporation has put in place systems and controls covering almost all areas in operations such as underwriting, investments and reinsurance. For effective check and balance, back office functions are separated from front office operations in sensitive areas.

The Internal audit department also conducts audit of business transactions from time to time and also reviews the prevalent systems and makes suitable recommendations for consideration of the Audit Committee of the Board (ACB).

Concurrent audit of investment operations as directed by Reserve Bank of India is conducted by a specially designated Concurrent Auditor. The concurrent audit reports are submitted to RBI. In line with the directives of the Ministry of Finance, Insurance Division, the Corporation has a joint audit-vigilance committee to examine areas prone to corruption based on internal audit findings.

The internal audit department is headed by a senior official in the rank of General Manager and reports directly to Chairman.



### FINANCIAL RESULTS

The Corporation mainly transacts reinsurance business. The results of Fire, Miscellaneous and Marine Insurance Businesses for the year under review are summarized below.

(Rs in Cr.) #

	Fire		Miscellaneous		Marine		Total	
	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02
Net Premium	<b>1123.90</b>	634.99	<b>2446.31</b>	1828.65	<b>262.57</b>	207.59	<b>3832.79</b>	2671.23
Net Earned Premium	<b>844.35</b>	507.08	<b>2134.38</b>	1704.64	<b>207.59</b>	226.75	<b>3186.33</b>	2438.47
Net Claims	<b>388.25</b>	356.23	<b>2204.17</b>	1807.83	<b>151.98</b>	131.02	<b>2744.40</b>	2295.08
	<b>45.98%</b>	70.25%	<b>103.27%</b>	106.05%	<b>73.21%</b>	57.78%	<b>86.13%</b>	94.12%
Net Commission	<b>337.69</b>	212.05	<b>508.79</b>	381.24	<b>62.53</b>	43.05	<b>909.01</b>	636.34
	<b>40.00%</b>	41.82%	<b>23.84%</b>	22.36%	<b>30.12%</b>	18.99%	<b>28.53%</b>	26.10%
Operating Expenses	<b>9.20</b>	7.66	<b>17.64</b>	15.77	<b>2.28</b>	1.71	<b>29.12</b>	25.14
	<b>1.09%</b>	1.51%	<b>0.83%</b>	0.93%	<b>1.10%</b>	0.75%	<b>0.91%</b>	1.03%
Other Outgo	<b>-1.12</b>	-1.61	<b>-3.34</b>	1.17	<b>-2.76</b>	-0.25	<b>-7.21</b>	-0.69
	<b>-0.13%</b>	-0.32%	<b>-0.16%</b>	0.07%	<b>-1.33%</b>	-0.11%	<b>-0.23%</b>	-0.03%
Underwriting Profit/Loss(-)	<b>110.33</b>	-67.25	<b>-592.88</b>	-501.37	<b>-6.44</b>	51.22	<b>-488.99</b>	-517.40
	<b>13.07%</b>	-13.26%	<b>-27.78%</b>	-29.41%	<b>-3.10%</b>	22.59%	<b>-15.35%</b>	-21.22%
Investment Income Apportioned to Revenue	<b>92.03</b>	65.88	<b>437.55</b>	446.92	<b>48.46</b>	56.53	<b>578.03</b>	569.33
	<b>10.90%</b>	12.99%	<b>20.50%</b>	26.22%	<b>23.34%</b>	24.93%	<b>18.14%</b>	23.35%
Total Classwise Profit/Loss(-)	<b>202.36</b>	-1.37	<b>-155.33</b>	-54.45	<b>42.02</b>	107.75	<b>89.04</b>	51.93
	<b>23.96%</b>	-0.27%	<b>-7.28%</b>	-3.19%	<b>20.24%</b>	47.52%	<b>2.79%</b>	2.13%

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

Percentages relate to net earned premium of the corresponding year

# 100 Cr=1 Billion, 10 lakh = 1 Million, 1Cr= 100 lakh

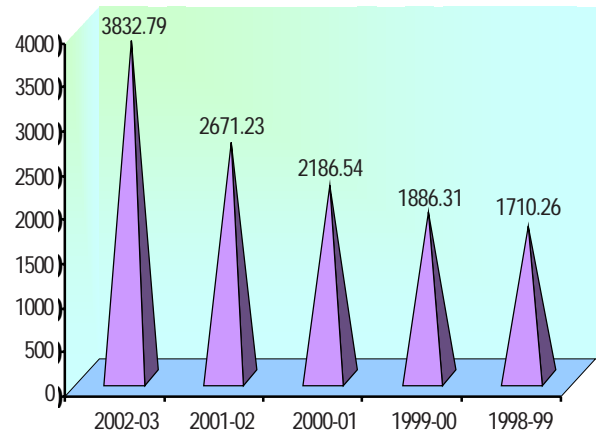
Class-wise analysis of results, reveal the growth in Fire business portfolio was 77.0%, Misc. business portfolio was 33.8%, and Marine business portfolio showed an increase of 26.5%.

The incurred claims in the respective segments of Fire, Misc. and Marine were 46.0%, 103.3% and 73.3% as compared to 70.3%, 106.0% and 57.8% last year. The hardening reinsurance rates had also the effect of reducing the commissions on cessions, especially in Fire business. Operating expenses remained under control, despite increase in staff costs.

Total net premium income of the Corporation recorded a growth rate of 43.5% in the year under review as against 22.2% in the previous year. Excluding the crop insurance business, the growth rate recorded was 45.3% as against 21.65% in the previous year. The premium income of the Corporation consisted of premia accepted under obligatory

cessions, other inward reinsurance arrangements by the four subsidiary companies and the new private insurers and premia on reinsurances accepted from the international market.

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

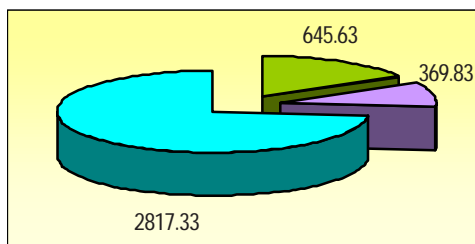


Break-up of Net Premium Income and Net Incurred Claims of the Corporation were as under:

(Rupees in Crores)

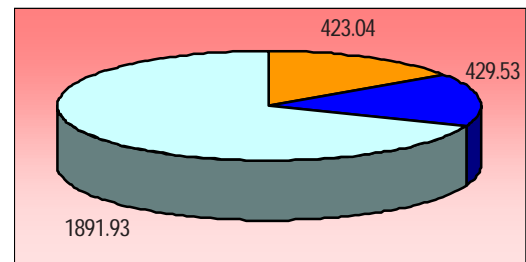
Department	Premium		Claims	
	2002-03	2001-02	2002-03	2001-02
Crop	369.83	288.06	429.53	136.76
Indian Business	2817.33	2199.63	1891.93	1989.82
Foreign Inward	645.63	159.14	423.04	149.89
<b>Total</b>	<b>3832.79</b>	<b>2671.23</b>	<b>2744.50</b>	<b>2295.08</b>

**Net Premium**



■ Crop ■ Indian ■ Foreign

**Net Incurred Claims**



■ Crop ■ Indian ■ Foreign

The overall loss in underwriting operations(excluding investment income apportioned to revenue accounts) decreased marginally from Rs.517.40 crores in the previous year to Rs 489.10 crores in the current year, primarily due to losses under the motor third party liability business. World-wide losses in marine hull portfolio also had an effect on the marine results.

Investment incomes were also affected by steady decline in interest rates. Stock market indices continued to be depressed during the year. The Corporation could however take measures to improve the yields by undertaking trading operations both in equity and fixed income instruments, by churning the portfolio. The not so favourable experience of the Corporation, especially in the loan portfolio and lack of opportunities in investment, saw a decline in the investments in loans.

### **HUMAN RESOURCES DEVELOPMENT (HRD)**

Various training programmes, designed to give awareness/ exposures in reinsurance, were conducted for the employees at National Insurance Academy in addition to

the other on-going training programs. Training was also arranged to address the specific need of facilitating preliminary documentation of the existing systems for ISO 9001 certification that the Corporation is pursuing through the Bureau of Indian Standards (BIS).

The Corporation considers its personnel as its key assets and continuous up-gradation of their skills and knowledge alone will equip them to attain the organisational objectives of becoming a national reinsurer of repute. The endeavor of the Corporation is to utilize the skills of its personnel and to motivate them so as to achieve greater heights in its functioning and standing.

### **FUTURE OUTLOOK**

The Corporation is confident of meeting future challenges and maintaining its pre-eminence as an Indian Reinsurer, as well as to establish a name in the International markets, by capitalising on its technical skills, expertise, financial strengths and capacities. The Corporation is confident of meeting these challenges through the strenuous efforts and the goodwill of its employees.



## Management Report

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

1. Confirms that the Registration No. 112 granted by the Authority continues to be valid.
2. Certifies that all the dues payable to the statutory authorities have been duly paid.
3. Confirms that the shareholding pattern as well as transfer of shares during the year are in accordance with the statutory or regulatory requirements.
4. Declares that the funds of the holders of policies in India are not directly or indirectly invested outside India.
5. Confirms that the required solvency margins have been maintained.
6. Certifies that the values of all the assets of the Corporation including that of Terrorism Pool business for which GIC is acting as Manager, have been reviewed on the date of the Balance Sheet and that in our belief the assets set forth in the Balance Sheet are shown in the aggregate at amounts not exceeding their realisable or market value under the several headings- "Loans", "Investments", "Interest, Dividends and Rents outstanding", "Interest, Dividends and Rents accruing but not due", "Amounts due from other persons or Bodies carrying on insurance business", "Sundry Debtors", "Cash" and the several items specified under "Other Accounts".
7. Confirms that the Corporation's risk exposure consists of a) Obligatory Cessions; b) Facultative support given to Indian Insurance companies; c) The Corporation's share in Indian Insurance companies through First/ Second Surplus Treaties and Excess of Loss programme; d) The Corporation's share in Market Surplus Treaties and e) Foreign inward business accepted. All these exposures are adequately protected by the Corporation's reinsurance programme for 2002-03.
8. Certifies that the Corporation does not operate directly in any other country except through its representative offices at London and Moscow. However, the entire reinsurance strategy is adopted at the head office and no acceptance is done at the representative offices.
9. The Corporation being a reinsurance company does not settle claims directly to the insured except in the case of agriculture insurance business and run off liabilities in aviation department. The agricultural insurance business has since been transferred to the Agricultural Insurance Company of India Ltd w.e.f. 01-04-03. The portion of the claims recoverable under the reinsurance obligations of the Corporation are settled with the reinsured through periodical accounts

statement. The position of outstanding claims under the categories of Indian, Foreign Inward and Aviation Business are as disclosed in Note No. 12.6 of the Disclosures forming part of Financial Statements.

10. This is to certify that the values as shown in the balance sheet, of the investments and stocks and shares have been arrived at as stated in Significant Accounting Policies No. 7.5 to 7.8, 7.13 and 7.14.
11. Declares that the review of asset quality and performance is as mentioned below for Loans and Investments:

### **Loans:**

Loan assets as on 31<sup>st</sup> March, 2003 is at Rs. 795.82 crores, as compared to Rs. 815.89 crores in the previous year. Out of the total loan assets of Rs. 795.82 crores, Rs. 763.29 crores are either secured or guaranteed by the Government Bodies representing 95.9% and balance of Rs. 32.53 crores are unsecured. Income from Loans amounted to Rs. 77.81 crores and the gross yield is 9.7%. Standard Performing Assets account for Rs. 591.55 crores and the net Non-performing Assets (NPA) is Rs.104.93 crores after making a provision of Rs. 99.34 crores.

### **Investments:**

The book value of the investment as on 31<sup>st</sup> March, 2003 has increased to Rs. 6677.48 crores from Rs. 5593.79 crores showing an increase of

Rs. 1083.69 crores. The realisable value of the investment is Rs. 7827.16 crores as at 31<sup>st</sup> March, 2003 showing an appreciation of 17.2% over book cost. Income from investment amounted to Rs. 530.58 crores as against an income of Rs. 569.28 crores in the previous year. Out of the total investments of Rs. 6677.48 crores, Rs. 2662.85 crores are invested in Government securities/guaranteed bonds. The Corporation has complied with the regulations of Investments prescribed by IRDA. For the purpose of investment limits in housing and infrastructure/social Sector, the compliance has been made on aggregate basis. Profit on sale of investments booked during the year is Rs. 206.07 crores as compared to Rs. 194.50 crores during the previous year.

12. Confirms that :
  - i. In the preparation of financial statements, the applicable accounting standards, principles and policies have been followed along with proper explanations relating to material departures.
  - ii. The management has adopted accounting policies and applied them consistently (including those specifically required by various IRDA regulations) and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the operating profit and net profit of the company for the year.



- iii. Proper and sufficient care for the maintenance of adequate accounting records in accordance with the applicable provisions of the Insurance Act 1938/ Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities have been taken.
- iv. The financial statements are prepared on a going concern basis.
- v. The management has ensured that an internal audit system commensurate with the size and

nature of the business exists and is operating effectively.

- 13. Certifies that no payment has been made to individuals, firms, companies and organisations in which the Directors of the Corporation are interested.

For and on behalf of the Board of Directors

**P.C. GHOSH**  
*Chairman*

**COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE  
COMPANIES ACT 1956, ON THE ACCOUNTS OF GENERAL INSURANCE CORPORATION OF INDIA  
MUMBAI FOR THE YEAR ENDED 31ST MARCH 2003.**

I have to state that the Comptroller & Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act 1956, on the accounts of General Insurance Corporation of India for the year ended 31st March 2003.

**BALVINDER SINGH**

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

Date : 25th September, 2003.



**REVIEW OF ACCOUNTS BY COMPTROLLER & AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF GENERAL INSURANCE CORPORATION OF INDIA FOR THE YEAR ENDED 31ST MARCH, 2003**

	(Rs. in Crores)		
	2002-03	2001-02	2000-01
<b>1. FINANCIAL POSITION</b>			
<b>Liabilities: (A)</b>			
(a) Paid up Capital	215.00	215.00	215.00
(b) Reserves & Surplus			
(i) Free Reserves & Surplus	2952.92	2716.21	2447.04
(ii) Committed Reserves	256.54	193.15 (*)	123.69
(iii) Fair Value Change Account	1149.67	1539.03	-
(iv) Deferred Tax Liability	6.01	-	-
(c) Reserve for unexpired risks	2085.87	1439.41	1206.65
(d) Estimated Liabilities in respect of outstanding claims	3813.25	3129.71	2654.19
(e) Current Liabilities & Provisions			
(i) Provisions	254.11	329.26	386.23
(ii) Other current liabilities	961.73	817.06	740.50
	<b>11695.10</b>	<b>10378.83</b>	<b>7773.30</b>
<b>Assets: (B)</b>			
Gross Block	65.36	65.83	47.94
Less: Cumulative Depreciation	24.38	24.73	22.04
(f) Net Block	<b>40.98</b>	41.10	25.90
(g) Investments & Loans @			
(i) Long Term Investments	6698.46	6692.69	4484.14
(ii) Short Term Investments	1128.71	440.15	234.77
(h) Current Assets, Loans & Advances	<b>3826.95</b>	3204.89	3028.49
Total Assets	<b>11695.10</b>	<b>10378.83</b>	<b>7773.30</b>
Capital Employed [f+g(ii)+h-A(e)]	<b>3780.80</b>	2539.82	2162.07
Net worth [a+b(i)]	<b>3167.92</b>	2931.21	2662.04
Net worth/share (Rs.)	<b>1473.45</b>	1363.35	1238.16

(\*) The Corporation does not have any committed reserves. Provisions for doubtful loans, investments and Debts (Rs. 153.40 cr) and Provision for Leave Encashment (Rs. 3.14 cr) shown in the Schedule 14 forming part of accounts have been considered as committed reserves as per the practice followed in previous years.

(@) The Balance Sheet format has been changed as at 31-03-2002. Consequently Long Term & Short Term investments and Current Assets, Loans & Advances have been re-grouped



	(Rs. in Crores)		
	2002-03	2001-02	2000-01
<b>2. RESERVES</b>			
<b>Free Reserves</b>			
(i) General Reserve	2952.31	2715.60	2446.45
(ii) Investment Reserve	0.58	0.58	0.58
(iii) Profit and Loss Appropriation A/c	0.03	0.03	0.01
	2952.92	2716.21	2447.04
<b>Committed Reserve</b>			
(i) Capital Reserve	–	–	–
(ii) Reserve for doubtful debts	253.40	190.40	121.00
(iii) Reserve for gratuity	–	–	–
(iv) Reserve for leave encashment	3.14	2.75	2.69
	256.54	193.15	123.69
Balance of Accounts	2085.87	1439.41	1206.65
Estimated Liability in respect of O/S			
Claims whether due or intimated	3813.25	3129.71	2654.19
<b>3. INVESTMENTS (SHORT-TERM)</b>			
(i) To Banks under certificate of Deposit Scheme	–	440.15	234.79
(ii) Short term loans with Non-banking Companies	1128.71	–	–
(iii) Cash at Bankers on FD A/c			
(iv) Cash at Bankers on Call Deposit			
(v) Loan to Banks under Commercial Paper Scheme			
	1128.71	440.15	234.79
<b>4. CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
(i) Sundry Debtors	55.98	37.66	38.92
(ii) Cash & Bank Balances	1516.81	1110.80	1211.26
(iii) Loans & Advances	795.82	815.89	833.92
(Total of loans minus items (i), (ii) and (v) of investments)			
(iv) Current Assets:			
(a) Deposits with Foreign Governments as security for policy holders			–
(b) Foreign Agencies balances			–
(c) Agents balances			–
(d) Outstanding Premium			–
(e) Interest, Dividends & Rents O/S			–
(f) Interest, Dividends and rents accruing but not due	175.64	171.18	150.93



	(Rs. in Crores)		
	2002-03	2001-02	2000-01
(g) Amounts due from other persons or bodies carrying on Insurance Business	458.62	524.44	274.26
(h) Advances, Deposits & Prepaid Expenses including Taxes	569.29	388.88	427.95
(i) Reserve Deposit with Ceding Cos.	249.79	136.74	65.62
(j) Application money for Investments	5.00	19.30	26.00
(k) Vehicles on contribution basis and loans against vehicles			
<b>TOTAL CURRENT ASSETS</b>	<b>3826.95</b>	3204.89	3028.86
Less: (iv)(f), (h) & (k)	744.93	560.06	578.88
<b>QUICK ASSETS</b>	<b>3082.02</b>	2644.83	2449.98
<b>5. CURRENT LIABILITIES &amp; PROVISIONS</b>			
Total Liabilities	11695.11	10378.83	7773.30
Less: Reserve & Surplus, Committed	9323.58	7693.48	6646.57
Reserves & Paid up Capital	2371.53	2685.35	1126.73
Less: Provisions	254.11	329.26	386.60
<b>Current Liabilities</b>	<b>2117.42</b>	2356.09	740.13

**6. LIQUIDITY & SOLVENCY**

- (a) The percentage of Current Assets to Total Net Assets which was 24.26 in 2000-01 and increased to 30.88 in 2001-02 and further increased to 32.72 in 2002-03.
- (b) The percentage of Current Assets to Current Liabilities (including Provisions) decreased from 167.40 in 2000-01 to 119.35 in 2001-02 and increased to 161.37 in 2002-03.
- (c) The percentage of Total Assets to Total Liabilities (excluding paid up capital and free reserve) decreased from 152.08 in 2000-01 to 139.36 in 2001-02 and to 137.14 in 2002-03.
- (d) The percentage of Quick Assets (Sundry Debtors, Advances, Cash and Bank balances) to Current Liabilities (excluding provisions) decreased from 178.72 in 2000-01 to 112.26 in 2001-02 and increased to 145.56 in 2002-03.

**7. SOURCES AND UTILISATION OF FUNDS**

Funds amounting to Rs. 1629.75 crores from Internal and External Sources were generated and utilised during the year 2002-03 as given below:

<b>Sources of Funds</b>	<b>2002-03</b>	2001-02	2000-01
(a) Addition to Reserves and Surplus	<b>236.71</b>	269.17	369.30
(b) Increase in Insurance Funds	<b>1393.39</b>	777.74	609.92
(c) Addition to Cumulative Depreciation	<b>-0.35</b>	2.69	0.86
	<b>1629.75</b>	1049.60	980.08
<b>Utilisation of Funds</b>			
(a) Addition to Gross Block	<b>-0.47</b>	17.89	-0.32
(b) Addition to Investments	<b>694.34</b>	2414.30	-181.00
(c) Increase in Working Capital	<b>935.88</b>	-1382.59	1161.40
	<b>1629.75</b>	1049.60	980.08

**8. WORKING RESULTS**

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

(a) Net Premium	<b>3832.79</b>	2671.23	2186.54
(b) Expenses, Commission (Net), Claims, Increase in unexpired risk reserve and other outgo	<b>4322.45</b>	3188.63	2521.43
(c) Net underwriting Income (a-b)	<b>-489.66</b>	-517.40	-334.89
(d) Net of other Income (Investment, etc.)	<b>832.56</b>	874.10	652.56
(e) Net Profit as per Accounts	<b>342.90</b>	356.70	317.67
(f) Profit before tax	<b>342.90</b>	356.70	317.67
(g) Provision for taxation (net)	<b>61.23</b>	44.53	75.38
(h) Profit after tax	<b>281.67</b>	312.17	242.29
(i) Percentage of incurred claims to net premium	<b>71.60</b>	85.92	84.69
(j) Percentage of expenses of management to net premium	<b>0.76</b>	0.94	1.08

Net commission in the three years 2000-01, 2001-02 and 2002-03 was Rs. 496.10 crores, Rs. 636.34 crores and Rs. 909.01 crores respectively.

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

**- NOT APPLICABLE -**

The Branch was closed down on 31-12-1996

**BALVINDER SINGH**

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

Place : Mumbai

Date : 25th September, 2003



## AUDITORS' REPORT

To the members of

General Insurance Corporation of India

1. We have audited the attached Balance Sheet of GENERAL INSURANCE CORPORATION OF INDIA, as at 31st March, 2003, and also the Revenue Accounts of Fire, Miscellaneous and Marine Insurance and the Profit and Loss Account and the Cash flow statement for the year ended on that date annexed thereto, in which are incorporated the returns under various Crop Insurance Schemes (referred to in Note 2 on the accounts) and two foreign representative offices audited by the Branch Auditors. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.  
  
We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. We report that:
  - a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and found them satisfactory.
  - b) In our opinion, proper books of accounts as required by law have been maintained by the Corporation so far as it appears from our examination of those books.
  - c) In our opinion, proper returns, audited, from other offices have been received and were adequate for the purpose of our audit.
  - d) The Balance Sheet, Revenue Accounts, Profit and Loss Account and Cash flow statement which is prepared adopting indirect method as detailed in note No. 16 to the accounts dealt with by this report are in agreement with the books of account and returns.
  - e) The actuarial valuation of liabilities is duly certified by the appointed actuary including to the effect that the assumptions for such valuation are in accordance with the guidelines issued by the Actuarial Society of India to its members.
  - f) As per General Circular No. 8/2002 dated 22/03/2002 of the Department of Company Affairs,

the Directors of the government Companies are exempt from the applicability of the provisions of Section 274(l)(g) of the Companies Act, 1956.

- g) In our opinion, the Balance Sheet, Revenue Accounts and Profit & Loss Account comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, to the extent applicable to the Corporation and are also in conformity with the accounting principles as prescribed in the IRDA Regulations.
- h) In our opinion, the investments have been valued in accordance with the provisions of the Insurance Act, 1938 and the applicable IRDA Regulations.
- i) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the significant accounting policies and notes thereon are prepared and give the information as required by the Insurance Act, 1938, the Insurance Regulatory Development Authority Act, 1999 and the Companies Act, 1956 to the extent applicable and in the manner so required and *subject to following:*

*(a) Note No. 5 regarding properties of the cost of Rs. 47.39 crores, for which conveyance deeds are yet to be executed/share certificates of the co-operative housing*

*societies are yet to be received in the name of the Corporation.*

- (b) Regarding certain amounts due to/from other persons or bodies carrying on Insurance Business and Reserve deposits held are subject to confirmation and have not been fully identified/analyzed/reconciled including those referred to in note no. 6 to the accounts. Pending such confirmation/reconciliation, its impact on the accounts is not ascertainable.*

give a true and fair view:

- (i) in the case of the Balance Sheet, of the state of affairs of the Corporation as at 31st March, 2003.
- (ii) in the case of the Revenue Accounts, of the surplus/deficit for the year ended on that date.
- (iii) in the case of the Profit and Loss Account, of the Profit of the Corporation for the year ended on that date.
- (iv) in the case of Cash flow Statement of the cash flow for the year ended on that date.

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

- (a) We have reviewed the management report and there is no apparent mistake or material inconsistency with the financial statements.



- (b) The Corporation has complied with the terms and conditions of the registration stipulated by the Insurance Regulatory and Development Authority.
- (c) We have verified the cash and bank balances, investments and securities relating to loans given by the Corporation, by actual inspection or by production of certificates or other documentary evidence except to the extent of investments of the value aggregating to Rs. 0.13 Crores as mentioned in Notes 4(a) to the accounts.
- (d) The Corporation is Manager of Terrorism pool as detailed in note No. 3 to the accounts. The investments relating to the pool are not separately identifiable but have been apportioned from out of the investments of the Corporation and transactions related to the pool have been accounted for as detailed in the note.
- (e) No part of the assets of the policyholders' funds have been directly or indirectly applied in contravention of the provisions of the Insurance Act, 1938 relating to the application and investments of the policyholders' funds.

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

**Ramakrishna Prabhu**  
*Partner*

Place : Mumbai  
Dated : 3rd September, 2003

Registration No. 112

Date of Registration with IRDA : 2nd April, 2001

**Revenue Account for the year ended 31st March, 2003 in respect of  
FIRE INSURANCE BUSINESS**

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Premiums earned (Net)	1	8443 557	5070 792
2. Profit on sale of Investments (Net)		199 896	133 230
3. Profit/-Loss on Exchange Fluctuation		11 162	16 071
4. Interest, Dividend & Rent - Gross		721 526	525 593
TOTAL (A)		9376 141	5745 686
1. Claims Incurred (Net)	2	3882 487	3562 365
2. Commission (Net)	3	3376 925	2120 508
3. Operating Expenses related to Insurance Business	4	92 051	75 832
4. Expenses relating to Investments		1 074	732
TOTAL (B)		7352 537	5759 437
<b>Operating Profit/-Loss from Fire Business C = (A-B)</b>		<b>2023 604</b>	<b>(-)13 751</b>
<b>APPROPRIATIONS</b>			
Transfer to Shareholders' Account		2023 604	(-)13 751
TOTAL (C)		2023 604	(-)13 751

As per our report of even date

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

**Ramakrishna Prabhu**  
*Partner*

Mumbai,  
Dated : 3rd September, 2003

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

Mumbai,  
Dated : 3rd September, 2003

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



Registration No. 112

Date of Registration with IRDA : 2nd April, 2001

**Revenue Account for the year ended 31st March, 2003 in respect of  
MISCELLANEOUS INSURANCE BUSINESS**

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Premiums earned (Net)	1	21343 783	17046 360
2. Profit on sale of Investments (Net)		950 342	903 772
3. Profit/-Loss on Exchange Fluctuation		33 431	(-)-11 666
4. Interest, Dividend & Rent - Gross		3430 266	3565 390
<b>TOTAL (A)</b>		<b>25757 822</b>	<b>21503 856</b>
1. Claims Incurred (Net)	2	22041 669	18078 332
2. Commission (Net)	3	5087 866	3812 378
3. Operating Expenses related to Insurance Business	4	176 481	152 754
4. Expenses relating to Investments		5 108	4 965
<b>TOTAL (B)</b>		<b>27311 124</b>	<b>22048 429</b>
<b>Operating Loss from Miscellaneous Business C = (A-B)</b>		<b>(-)-1553 302</b>	<b>(-)-544 573</b>
<b>APPROPRIATIONS</b>			
Transfer to Shareholders' Account		(-)-1553 302	(-)-544 573
<b>TOTAL (C)</b>		<b>(-)-1553 302</b>	<b>(-)-544 573</b>

As per our report of even date

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

**Ramakrishna Prabhu**  
Partner

Mumbai,  
Dated : 3rd September, 2003

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

Mumbai,  
Dated : 3rd September, 2003

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



Registration No. 112

Date of Registration with IRDA : 2nd April, 2001

### Revenue Account for the year ended 31st March, 2003 in respect of MARINE INSURANCE BUSINESS

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Premiums earned (Net)	1	2075 872	2267 547
2. Profit on sale of Investments (Net)		105 221	114 325
3. Profit/-Loss on Exchange Fluctuation		27 654	2 463
3a. Misc. Income (Claims settlement Fees)		-	29
4. Interest, Dividend & Rent - Gross		379 798	451 014
TOTAL (A)		2588 545	2835 378
1. Claims Incurred (Net)	2	1519 800	1310 151
2. Commission (Net)	3	625 301	430 465
3. Operating Expenses related to Insurance Business	4	22 757	16 517
4. Expenses relating to Investments		566	628
TOTAL (B)		2168 424	1757 761
<b>Operating Profit from Marine Business C = (A-B)</b>		<b>420 121</b>	<b>1077 617</b>
<b>APPROPRIATIONS</b>			
Transfer to Shareholders' Account		420 121	1077 617
TOTAL (C)		420 121	1077 617

As per our report of even date

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

**Ramakrishna Prabhu**  
*Partner*

Mumbai,  
Dated : 3rd September, 2003

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

Mumbai,  
Dated : 3rd September, 2003

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



# General Insurance Corporation of India

आसकाले रक्षिष्यामि

Registration No. 112

Date of Registration with IRDA : 2nd April, 2001

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Operating Profit/–Loss			
a) Fire Insurance		2023 604	(–)13 751
b) Marine Insurance		420 121	1077 617
c) Miscellaneous Insurance		(–)1553 302	(–)544 573
2. Income from Investments			
a) Interest, Dividend & Rent - Gross		2906 563	3131 007
b) Profit on sale of Investments (Net)		805 252	793 663
3. Other Income:			
Profit on Exchange		161 053	114 861
Profit on sale of Assets (Net)		574	–
Interest on Income-tax Refund		173 417	–
Miscellaneous Receipts		23 482	39 756
TOTAL (A)		<u>4960 764</u>	<u>4598 580</u>
4. Provision for Doubtful Loans, Investment & Debts		630 000	694 000
5. Amortisation of premium on Investments		128 571	–
6. Diminution in the value of investments written off		386 152	330 884
7. Investments written off in erstwhile subsidiaries		380 531	–
8. Other Expenses:			
Expenses relating to Investments		4 328	4 360
Interest Payable under Section 13(2) of the GIBNA 1972		–	51
Loss on sale of Assets (Net)		–	80
Sundry Balances Written off (Net)		2 281	2 201
TOTAL (B)		<u>1531 863</u>	<u>1031 576</u>
Profit Before Tax		3428 901	3567 004
Provision for Taxation:			
Current Tax		670 000	500 000
Deferred Tax		144 212	–
Profit after Tax		2614 689	3067 004
Provision for Tax in respect of earlier years written back		201 901	54 711
Balance brought forward from last year		339	124
Profit available for appropriation		<u>2816 929</u>	<u>3121 839</u>
<b>Appropriations</b>			
(a) Proposed final dividend		473 000	430 000
(b) Dividend distribution tax		60 603	–
(c) Transfer to General Reserve		2283 000	2691 500
(d) Balance carried forward to Balance Sheet		326	339
		<u>2816 929</u>	<u>3121 839</u>

As per our report of even date

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

**Ramakrishna Prabhu**  
Partner

Mumbai,  
Dated : 3rd September, 2003

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

Mumbai,  
Dated : 3rd September, 2003

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

Registration No. 112

Date of Registration with IRDA : 2nd April, 2001

### BALANCE SHEET AS AT 31ST MARCH, 2003

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>Sources of Funds</b>			
Share Capital	5	2150 000	2150 000
Reserves and Surplus	6	29529 270	27162 184
Deferred Taxation Liability		60 113	—
Fair Value Change Account		11496 764	15390 335
TOTAL		43236 147	44702 519
<b>Application of Funds</b>			
Investments	8	78271 594	71328 225
Loans	9	7958 217	8158 942
Fixed Assets	10	409 831	411 070
Current Assets:			
Cash and Bank Balances	11	15168 120	11108 022
Advances and Other Assets	12	15143 384	12782 197
SUB-TOTAL (A)		30311 504	23890 219
Current Liabilities	13	47749 714	39467 710
Provisions	14	25965 285	19618 227
SUB-TOTAL (B)		73714 999	59085 937
<b>Net Current Assets (C) = (A-B)</b>		<b>(-)43403 495</b>	<b>(-)35195 718</b>
TOTAL		43236 147	44702 519
<b>Contingent Liabilities</b>			
Claims against the Corporation not acknowledged pending arbitration		5 000	5 000

As per our report of even date

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

**Ramakrishna Prabhu**  
*Partner*

Mumbai,  
Dated : 3rd September, 2003

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

Mumbai,  
Dated : 3rd September, 2003

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



SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2003

**Schedule 1**  
**PREMIUM EARNED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>A. FIRE INSURANCE</b>		
Premium from Direct Business written	—	—
Add: Premium on Reinsurance accepted	13905 175	9932 485
Less: Premium on Reinsurance ceded	2666 205	3582 498
Net Premium	11238 970	6349 987
Adjustment for change in reserve for unexpired risks	(-)-2795 413	(-)-1279 195
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>8443 557</b>	<b>5070 792</b>
<b>B. MISCELLANEOUS INSURANCE</b>		
<b>(1) MOTOR</b>		
Premium from Direct Business written	—	—
Add: Premium on Reinsurance accepted	11260 955	8427 793
Less: Premium on Reinsurance ceded	—	—
Net Premium	11260 955	8427 793
Adjustment for change in reserve for unexpired risks	(-)-1416 581	(-)-377 268
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>9844 374</b>	<b>8050 525</b>
<b>(2) AVIATION</b>		
Premium from Direct Business written	(-)-6 863	235 185
Add: Premium on Reinsurance accepted	1731 723	857 158
Less: Premium on Reinsurance ceded	816 719	848 263
Net Premium	908 141	244 080
Adjustment for change in reserve for unexpired risks	(-)-332 031	(-)-85 676
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>576 110</b>	<b>158 404</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2003**

**Schedule 1  
PREMIUM EARNED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>(3) ENGINEERING</b>		
Premium from Direct Business written	–	–
Add: Premium on Reinsurance accepted	2486 813	1757 329
Less: Premium on Reinsurance ceded	824 172	225 222
Net Premium	1662 641	1532 107
Adjustment for change in reserve for unexpired risks	(–)96 286	(–)140 180
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>1566 355</b>	<b>1391 927</b>
<b>(4) CROP</b>		
Premium from Direct Business written	3698 294	2880 554
Add: Premium on Reinsurance accepted	–	–
Less: Premium on Reinsurance ceded	–	–
Net Premium	3698 294	2880 554
Adjustment for change in reserve for unexpired risks	(–)408 870	(–)302 339
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>3289 424</b>	<b>2578 215</b>
<b>(5) OTHER MISCELLANEOUS</b>		
Premium from Direct Business written	–	–
Add: Premium on Reinsurance accepted	7488 328	5849 561
Less: Premium on Reinsurance ceded	555 209	647 640
Net Premium	6933 119	5201 921
Adjustment for change in reserve for unexpired risks	(–)865 599	(–)334 632
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>6067 520</b>	<b>4867 289</b>



SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2003

**Schedule 1**  
**PREMIUM EARNED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>C. MARINE INSURANCE</b>		
<b>(1) MARINE CARGO</b>		
Premium from Direct Business written	—	—
Add: Premium on Reinsurance accepted	2097 189	1849 418
Less: Premium on Reinsurance ceded	325 732	247 921
Net Premium	1771 457	1601 497
Adjustment for change in reserve for unexpired risks	(-)-169 961	330 719
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>1601 496</b>	<b>1932 216</b>
<b>(2) MARINE HULL</b>		
Premium from Direct Business written	—	—
Add: Premium on Reinsurance accepted	2486 467	1035 097
Less: Premium on Reinsurance ceded	1632 206	560 721
Net Premium	854 261	474 376
Adjustment for change in reserve for unexpired risks	(-)-379 885	(-)-139 045
<b>TOTAL PREMIUM EARNED (NET)</b>	<b>474 376</b>	<b>335 331</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2003**

**Schedule 2  
CLAIMS INCURRED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>A. FIRE INSURANCE</b>		
<b>Claims Paid</b>		
Direct	—	—
Add: Reinsurance accepted	3758 056	4653 309
Less: Reinsurance ceded	1213 823	2619 060
Net Claims Paid	2544 233	2034 249
Add: Claims Outstanding at the end of the year	5438 274	4100 021
Less: Claims Outstanding at the beginning of the year	4100 020	2571 905
<b>TOTAL CLAIMS INCURRED</b>	<b>3882 487</b>	<b>3562 365</b>
<b>B. MISCELLANEOUS INSURANCE</b>		
<b>(1) MOTOR</b>		
<b>Claims Paid</b>		
Direct	—	—
Add: Reinsurance accepted	9412 622	8780 959
Less: Reinsurance ceded	—	—
Net Claims Paid	9412 622	8780 959
Add: Claims Outstanding at the end of the year	22561 758	20524 413
Less: Claims Outstanding at the beginning of the year	20524 413	17555 966
<b>TOTAL CLAIMS INCURRED</b>	<b>11449 967</b>	<b>11749 406</b>
<b>(2) AVIATION</b>		
<b>Claims Paid</b>		
Direct	139 351	421 938
Add: Reinsurance accepted	764 548	230 791
Less: Reinsurance ceded	561 930	544 415
Net Claims Paid	341 969	108 314
Add: Claims Outstanding at the end of the year	544 173	218 494
Less: Claims Outstanding at the beginning of the year	218 494	140 674
<b>TOTAL CLAIMS INCURRED</b>	<b>667 648</b>	<b>186 134</b>



SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2003

**Schedule 2**  
**CLAIMS INCURRED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>(3) ENGINEERING</b>		
<b>Claims Paid</b>		
Direct	—	—
Add: Reinsurance accepted	803 783	1007 595
Less: Reinsurance ceded	169 568	294 096
Net Claims Paid	634 215	713 499
Add: Claims Outstanding at the end of the year	1083 631	811 890
Less: Claims Outstanding at the beginning of the year	811 890	802 929
<b>TOTAL CLAIMS INCURRED</b>	<b>905 956</b>	<b>722 460</b>
<b>(4) CROP</b>		
<b>Claims Paid</b>		
Direct	2031 634	1957 807
Add: Reinsurance accepted	—	—
Less: Reinsurance ceded	—	—
Net Claims Paid	2031 634	1957 807
Add: Claims Outstanding at the end of the year	3480 858	1217 145
Less: Claims Outstanding at the beginning of the year	1217 145	1807 346
<b>TOTAL CLAIMS INCURRED</b>	<b>4295 347</b>	<b>1367 606</b>
<b>(5) OTHER MISCELLANEOUS</b>		
<b>Claims Paid</b>		
Direct	—	—
Add: Reinsurance accepted	4485 886	4091 181
Less: Reinsurance ceded	83 466	613 186
Net Claims Paid	4402 420	3477 995
Add: Claims Outstanding at the end of the year	2991 905	2671 574
Less: Claims Outstanding at the beginning of the year	2671 574	2096 843
<b>TOTAL CLAIMS INCURRED</b>	<b>4722 751</b>	<b>4052 726</b>



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2003**

**Schedule 2  
CLAIMS INCURRED (NET)**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>C. MARINE INSURANCE</b>		
<b>(1) MARINE CARGO</b>		
<b>Claims Paid</b>		
Direct	—	—
Add: Reinsurance accepted	1019 245	1008 066
Less: Reinsurance ceded	56 961	150 630
Net Claims Paid	962 284	857 436
Add: Claims Outstanding at the end of the year	1046 732	987 157
Less: Claims Outstanding at the beginning of the year	987 157	915 840
<b>TOTAL CLAIMS INCURRED</b>	<b>1021 859</b>	<b>928 753</b>
<b>(2) MARINE HULL</b>		
<b>Claims Paid</b>		
Direct	—	—
Add: Reinsurance accepted	783 545	985 531
Less: Reinsurance ceded	504 395	720 167
Net Claims Paid	279 150	265 364
Add: Claims Outstanding at the end of the year	985 192	766 401
Less: Claims Outstanding at the beginning of the year	766 401	650 367
<b>TOTAL CLAIMS INCURRED</b>	<b>497 941</b>	<b>381 398</b>



SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2003

**Schedule 3**  
**COMMISSION**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>A. FIRE INSURANCE</b>		
<b>Commission Paid</b>		
Direct	—	—
Add: Reinsurance accepted	3598 405	3854 487
Less: Commission on Reinsurance ceded	221 480	1733 979
NET COMMISSION	3376 925	2120 508
<b>B. MISCELLANEOUS INSURANCE</b>		
<b>(1) MOTOR</b>		
<b>Commission Paid</b>		
Direct	—	—
Add: Reinsurance accepted	2753 888	2092 699
Less: Commission on Reinsurance ceded	—	—
NET COMMISSION	2753 888	2092 699
<b>(2) AVIATION</b>		
<b>Commission Paid</b>		
Direct	—	—
Add: Reinsurance accepted	198 941	64 295
Less: Commission on Reinsurance ceded	85 708	92 373
NET COMMISSION	113 233	(-)28 078
<b>(3) ENGINEERING</b>		
<b>Commission Paid</b>		
Direct	—	—
Add: Reinsurance accepted	631 796	446 605
Less: Commission on Reinsurance ceded	90 972	30 279
NET COMMISSION	540 824	416 326

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2003**

**Schedule 3  
COMMISSION**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>(4) CROP</b>		
<b>Commission Paid</b>		
Direct	—	—
Add: Reinsurance accepted	—	—
Less: Commission on Reinsurance ceded	—	—
<b>NET COMMISSION</b>	<b>—</b>	<b>—</b>
<b>(5) OTHER MISCELLANEOUS</b>		
<b>Commission Paid</b>		
Direct	—	—
Add: Reinsurance accepted	<b>1698 175</b>	1381 103
Less: Commission on Reinsurance ceded	<b>18 254</b>	49 672
<b>NET COMMISSION</b>	<b>1679 921</b>	1331 431
<b>C. MARINE INSURANCE</b>		
<b>(1) MARINE CARGO</b>		
<b>Commission Paid</b>		
Direct	—	—
Add: Reinsurance accepted	<b>428 593</b>	381 919
Less: Commission on Reinsurance ceded	<b>20 076</b>	16 954
<b>NET COMMISSION</b>	<b>408 517</b>	364 965
<b>(2) MARINE HULL</b>		
<b>Commission Paid</b>		
Direct	—	—
Add: Reinsurance accepted	<b>285 716</b>	142 684
Less: Commission on Reinsurance ceded	<b>68 932</b>	77 184
<b>NET COMMISSION</b>	<b>216 784</b>	65 500



SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2003

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

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Employees' remuneration & welfare benefits	140 656	102 716
2. Travel, conveyance and vehicle running expenses	14 012	21 327
3. Training expenses	4 505	3 600
4. Rents, rates and taxes	15 547	10 908
5. Repairs	35 297	13 332
6. Printing & Stationery	2 621	1 680
7. Communication	6 708	7 875
8. Legal & professional charges	3 816	2 844
9. Auditors' fees, expenses, etc.		
a) as auditor	424	233
b) as advisor or in any other capacity, in respect of		
(i) Taxation matters	54	52
(ii) Insurance matters	13	12
10. Advertisement and publicity	9 478	11 943
11. Interest & Bank Charges	3 508	5 671
12. Others	28 142	40 644
13. Depreciation	26 509	22 266
<b>TOTAL</b>	<b>291 290</b>	<b>245 103</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2003**

**Schedule 5  
SHARE CAPITAL**

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

**Schedule 5A  
SHARE CAPITAL PATTERN OF SHAREHOLDING  
(AS CERTIFIED BY THE MANAGEMENT)**

Shareholders	Current Year		Previous Year	
	Number of Shares	% of Holding	Number of Shares	% of Holding
Promoters				
Indian	21500 000	100%	21500 000	100%



SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2003

**Schedule 6**  
**RESERVES AND SURPLUS**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. General Reserve	27156 000	
Add: Adjustment on a/c of DTA	84 099	
Add: Transferred from P/L a/c	2283 000	27156 000
2. Investment Reserve	5 845	5 845
3. Balance of Profit in Profit & Loss Account	326	339
<b>TOTAL</b>	<b>29529 270</b>	<b>27162 184</b>

**Schedule 7**  
**BORROWINGS**

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

NIL

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2003**

**Schedule 8  
INVESTMENTS - SHAREHOLDERS' FUND**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>Long Term Investments</b>		
1. Government securities and Government guaranteed bonds including Treasury Bills	7313 531	7695 179
2. Other Approved Securities	1004 369	889 289
3. Other Investments		
(a) Shares		
(aa) Equity	11163 388	11381 296
(bb) Preference	9 095	30 604
(b) Mutual Funds	-	-
(c) Debentures/Bonds	1770 512	2213 722
(d) Guaranteed Equity	195	204
(e) Subsidiaries	-	167 307
(f) Associates	29 479	-
4. Investments in Infrastructure and Social Sector	2568 758	2759 458
5. Other than Approved Investments	2333 753	2172 872
<b>Short Term Investments</b>		
1. Government securities and Government guaranteed bonds including Treasury Bills	2046 683	738 580
2. Other Approved Securities	40 874	46 314
3. Other Investments		
(a) Shares		
(aa) Equity	-	-
(bb) Preference	-	-
(b) Mutual Funds	246 759	284 862
(c) Debentures/Bonds	746 925	450 343
(d) Subsidiaries	-	-
4. Investments in Infrastructure and Social Sector	1228 084	49 596
5. Other than Approved Investments	101 252	226 244
<b>TOTAL</b>	<b>30603 657</b>	<b>29105 870</b>





SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2003

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

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>Long Term Investments</b>		
1. Government securities and Government guaranteed bonds including Treasury Bills	11402 463	11162 992
2. Other Approved Securities	1565 903	1290 045
3. Other Investments		
(a) Shares		
(aa) Equity	17404 742	16510 248
(bb) Preference	14 180	44 395
(b) Mutual Funds	—	—
(c) Debentures/Bonds	2760 390	3211 329
(d) Guaranteed Equity	305	296
(e) Subsidiaries	—	242 703
4. Investments in Infrastructure and Social Sector	4004 929	4003 000
5. Other than Approved Investments	3638 533	3152 071
<b>Short Term Investments</b>		
1. Government securities and Government guaranteed bonds including Treasury Bills	3190 965	1071 420
2. Other Approved Securities	63 726	67 186
3. Other Investments		
(a) Shares		
(aa) Equity	—	—
(bb) Preference	—	—
(b) Mutual Funds	384 720	413 235
(c) Debentures/Bonds	1164 525	653 289
(d) Subsidiaries	—	—
4. Investments in Infrastructure and Social Sector	1914 694	71 946
5. Other than Approved Investments	157 862	328 200
<b>TOTAL</b>	<b>47667 937</b>	<b>42222 355</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2003**

**Schedule 9  
LOANS**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>1. Security-wise Classification</b>		
Secured		
(a) On mortgage of property		
(aa) In India	2315 878	2421 567
(bb) Outside India	–	–
(b) On Shares, Bonds Government Securities	–	–
(c) Others	–	–
Unsecured	5642 339	5737 375
TOTAL	7958 217	8158 942
<b>2. Borrower-wise Classification</b>		
(a) Central and State Governments	3555 205	3193 329
(b) Banks and Financial Institutions	–	–
(c) Subsidiaries	–	–
(d) Industrial Undertakings	2385 638	2559 285
(e) Others	2017 374	2406 328
TOTAL	7958 217	8158 942
<b>3. Performance-wise Classification</b>		
(a) Loans Classified as standard		
(aa) In India	5915 496	6726 485
(bb) Outside India		
(b) Non-Performing loans less provisions		
(aa) In India	1049 303	685 858
(bb) Outside India		
Provisions	993 418	746 599
TOTAL	7958 217	8158 942
<b>4. Maturity-wise Classification</b>		
(a) Short-Term	987 813	1413 157
(b) Long-Term	6970 404	6745 785
TOTAL	7958 217	8158 942



SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2003

**Schedule 10**  
**FIXED ASSETS**

Particulars	Cost/Gross Block				Depreciation				Net Block	
	As at 01-4-02	Addi- tions	Deduc- tions	As at 31-3-03	Upto 31-3-02	For the year	On Sales/ Adjustment	Upto 31-3-03	As at 31-3-03	As at 31-3-02
Leasehold Land	247253			<b>247253</b>	41209	3434		<b>44643</b>	<b>202610</b>	206044
Buildings	274121			<b>274121</b>	88066	11123		<b>99189</b>	<b>174932</b>	186055
Furniture & Fittings	17870	371		<b>18241</b>	14675	728		<b>15403</b>	<b>2838</b>	3195
I.T. Equipments	72715	22875	31518	<b>64072</b>	67762	10190	31356	<b>46596</b>	<b>17476</b>	4953
Vehicles	11661	4457	2031	<b>14087</b>	4754	2746	1391	<b>6109</b>	<b>7978</b>	6907
Office Equipments	10006	1036	124	<b>10918</b>	7685	721	47	<b>8359</b>	<b>2559</b>	2321
AC & Water Coolers	11132	307	109	<b>11330</b>	10251	283	107	<b>10427</b>	<b>903</b>	881
Elevators	2073			<b>2073</b>	1923	38		<b>1961</b>	<b>112</b>	150
Canteen Appliances	257			<b>257</b>	215	10		<b>225</b>	<b>32</b>	42
Electric Fans	458	19		<b>477</b>	457	19		<b>476</b>	<b>1</b>	1
Electrical Installation	8599			<b>8599</b>	8158	110		<b>8268</b>	<b>331</b>	441
Fire Alarm Systems	933			<b>933</b>	887	12		<b>899</b>	<b>34</b>	46
Calculator	382			<b>382</b>	380	1		<b>381</b>	<b>1</b>	2
Typewriters	878			<b>878</b>	846	8		<b>854</b>	<b>24</b>	32
<b>Total</b>	<b>658338</b>	<b>29065</b>	<b>33782</b>	<b>653621</b>	<b>247268</b>	<b>29423</b>	<b>32901</b>	<b>243790</b>	<b>409831</b>	<b>411070</b>
Previous years	479338	179529	529	658338	220375	27330	437	247268	411070	258963

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2003**

**Schedule 11  
CASH AND BANK BALANCES**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Cash & Stamps (includes cheques on hand of Rs. 89291/- thousands)	89 357	62
2. Bank Balances		
(a) Deposit Accounts - Short term (due within 12 months)	14802 186	10880 454
(b) Current Accounts	35 563	42 101
(c) Remittances in Transit	21 132	115 872
3. Money at Call and Short Notice with Banks	219 882	69 533
TOTAL	15168 120	11108 022
Balances with non-scheduled banks included in 2 and 3 above		

**Schedule 12  
ADVANCES AND OTHER ASSETS**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>Advances</b>		
1. Reserve Deposits with Ceding Companies	2497 924	1367 422
2. Application Money for Investments	50 000	193 000
3. Prepayments	8 602	8 637
4. Advances to Directors/Officers	2 147	5 555
5. Advance Tax Paid and Taxes Deducted at Source (Net of provision for taxation)	2699 537	3568 275
6. Others	5 001	8 843
TOTAL (A)	5263 211	5151 732
<b>Other Assets</b>		
1. Income accrued on investments	1756 390	1711 834
2. Due from other entities carrying on insurance business (including reinsurers)	4586 230	5244 439
3. Deposit with Reserve Bank of India (S-7 of Insurance Act)	292 720	292 720
4. Sundry Debtors	559 824	376 626
5. Sundry Deposits	33 130	4 846
6. Terrorism Pool Assets	2651 879	-
TOTAL (B)	9880 173	7630 465
TOTAL (A+B)	15143 384	12782 197



SCHEDULES FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2003

**Schedule 13**  
**CURRENT LIABILITIES**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Balances Due to other insurance companies	4454 172	5966 209
2. Deposits held on re-insurance ceded	1450 266	800 348
3. Sundry Creditors	1060 873	1404 058
4. Claims Outstanding	38132 524	31297 095
5. Terrorism Pool Liabilities	2651 879	—
<b>TOTAL</b>	<b>47749 714</b>	<b>39467 710</b>

**Schedule 14**  
**PROVISIONS**

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1. Reserve for Unexpired Risk	20858 719	14394 093
2. For Taxation (less advance tax paid and taxes deducted at source)	2007 532	2862 630
3. For proposed dividends	473 000	430 000
4. For dividend distribution tax	60 603	—
5. For Doubtful Loans, Investment and Debts	2534 000	1904 000
6. For Leave Encashment	31 431	27 504
<b>TOTAL</b>	<b>25965 285</b>	<b>19618 227</b>

**Schedule 15**  
**MISCELLANEOUS EXPENDITURE**

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

NIL

---

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS**
**I. SIGNIFICANT ACCOUNTING POLICIES****1. ACCOUNTING CONVENTION**

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

**2. REINSURANCE BUSINESS****2.1 Reinsurance returns**

Reinsurance returns have been incorporated as follows:

- 1 Returns from Foreign insurance companies received up to 31<sup>st</sup> March.
- 2 Returns from Indian companies and State Insurance Funds received as of different dates up to the date of finalisation of accounts.
- 3 In respect of Indian business, acceptances and cessions thereon are accounted on the

basis of estimates, where actual are not available.

**2.2 Outstanding Claims**

- Estimated liability for outstanding claims in respect of direct business is provided based on intimations received up to the year end and are based on survey reports, information provided by clients and other sources, past experience and other applicable laws.
- Estimated liability for outstanding claims in respect of Reinsurance business carried out in India is based on advices received as of different dates up to the date of finalisation of accounts and wherever such advices are not received, on estimates based on available information, current trends, past underwriting experience of the management and actuarial estimation bases.
- Provision for claims incurred but not reported (IBNR) is provided as a percentage of net estimated liability for outstanding claims at 10.5% in respect of Motor and Engineering class of business and at 5.5% in respect of all other class of business (excepting aviation and credit guarantee) and the same is certified by the appointed actuary.

**3. FOREIGN CURRENCY TRANSACTIONS**

- 3.1 Revenue transactions in foreign currencies during a quarter are converted at the average rate of exchange of the quarter in which accounts are received and transactions are booked.



3.2 Non-Monetary items including fixed assets and Investments abroad are reported using the exchange rate applicable on the date of acquisition.

3.3 Monetary items such as receivables, payables and balances in bank accounts held in foreign currencies are converted using the closing rates of exchange at the balance sheet date.

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

#### 4. RESERVE FOR UNEXPIRED RISK

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

#### 5. OPERATING EXPENSES RELATED TO INSURANCE BUSINESS (EXPENSES OF MANAGEMENT)

##### 5.1 Depreciation

- (i) Depreciation on fixed assets is charged on written-down value method at the higher of the rates specified in the Income Tax Rules, 1962 and those specified in Schedule XIV to the Companies Act, 1956. In respect of leasehold properties, amortization is made over the period of lease.
- (ii) Depreciation is provided at 50% of the applicable rate on additions to fixed assets after 30<sup>th</sup> September. No depreciation is

provided on assets sold/discarded/destroyed during the year.

##### 5.2 Retirement Benefits to Employees

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

##### 5.3 Apportionment of Expenses:

Operating Expenses relating to insurance business are apportioned to the Revenue Accounts on the basis of Gross Direct Premium plus Reinsurance Premium accepted, giving weight of 75% for Marine business and 100% for Fire and Miscellaneous business. Expenses relating to investment are apportioned between Revenue and Profit & Loss Account in the same proportion as stated in Significant Accounting Policy No. 6.

#### 6. APPORTIONMENT OF INTEREST, DIVIDENDS AND RENTS

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

**7. INVESTMENTS**

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

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

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

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

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

**7.5** Investment portfolio in respect of equity shares are segregated into actively traded and thinly traded as prescribed by the IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002.

**7.6** Investments in equity shares that are actively traded are valued at fair value. Fair value for this purpose is the last quoted value in the month of March. The net unrealized gain/loss on such valuation is recognised in the Fair Value Change Account.

**7.7 a)** Unrealized gain/losses arising due to changes in the fair value of listed equity

shares are taken under the head "Fair Value Change Account" and on realization reported in profit and loss account.

- b) Pending realisation, the credit balance in the "Fair Value Change Account" is not available for distribution.

Provision is made for diminution in value of investments relating to thinly traded and unlisted shares equivalent to the amount of difference in average book cost and break-up value of the shares.

**7.8** Investment in equity and preference shares of companies, the net worth of which has been fully impaired or where the latest available audited accounts are older than 21 months in case of those Companies which close their annual accounts on dates other than 31<sup>st</sup> March or older than 12 months in case of those Companies which close their annual accounts on 31<sup>st</sup> March, as on the date of Balance sheet are valued as under:

- 1. Actively traded equity shares: At their Market Value.
- 2. Thinly traded equity shares: At nominal value of Re. 1.
- 3. Preference shares: At a value proportionate to the face value of the equity shares that bears to its market value.





**7.9** Dividend is accounted for as income in the year of declaration and Interim dividend is accounted as income where the warrants are dated 31<sup>st</sup> March or earlier.

**7.10** Dividends/Interest on shares/debentures under objection/ pending deliveries is accounted for on realization/payment.

**7.11** Profit or Loss on sale of investments is apportioned between Profit and Loss Account and Revenue Accounts in the ratio of Shareholders Funds and Policyholders Funds respectively at the beginning of the year. The same are further apportioned amongst the revenue accounts on the basis of the respective Policyholders' Fund at the beginning of the year. Shareholders fund consist of Share Capital and Free Reserves. Policyholders fund consist of provisions for outstanding claims and reserves for unexpired risks.

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

**7.12** Expenses relating to safe custody, collection of interest/dividend, bank charges, etc., on investments are charged to Profit and Loss Account and Revenue Accounts as stated in accounting policy no. 5.3.

**7.13** Debt securities including Government securities and redeemable preference shares have been

considered as 'held to maturity' and have been measured at historical cost subject to amortization of premium paid over the residual period.

**7.14** The quotations available on NSE are considered for valuation of equity shares. If the shares are not listed/traded on NSE, then quotation available on BSE, CSE, DSE and Madras Stock Exchange are, in that order, considered.

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

## **8. FIXED ASSETS**

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

## **9. TAXES ON INCOME**

In accordance with accounting standard 22 "Accounting for taxes on income" the corporation has recognized Deferred Tax arising out of timing differences between taxable income and accounting income.

Accumulated net deferred tax asset as at 01.04.2002 amounting to Rs. 8,40,98,694 arising out of timing differences have been credited to the General Reserve Account.

### II. NOTES FORMING PART OF THE ACCOUNTS

1. The Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002 have been adopted for presentation of this year's accounts.
2. (a) The Central Government had nominated the Corporation to administer Central Crop Insurance Fund (CCIF) for implementation of the Comprehensive Crop Insurance Scheme (1985) on its behalf vide their Notification No. 13011/2/83 - Credit II dated 18th March, 1986. In terms of the provisions of the said Scheme, which is now discontinued, the Corporation has recovered 50% of the expenses other than Legal & Investigation Expenses of the said Scheme from the Central Government. In case of Legal & Investigation Expenses 100% recovery is made from Central Government. Only expenses of management pertaining to the State level cells, duly audited by Statutory Auditors appointed by CAG, have been included in the books of the Corporation, and all other financial transactions relating to the Scheme have been included in the accounts of the CCIF.

schemes. Crop insurance premium is accounted for by GIC. Claims and expenses of management are shared between the Central Government, State Governments and GIC on specified basis. For the year under review 60% (Previous year 80%) of the total expenses of management incurred for NAIS recoverable from the Central Government and respective state governments is Rs. 47,648 thousands (Previous year Rs. 52,860 thousands). Accounts of the State level cells are duly audited by Statutory Auditors, and the same are incorporated in the accounts of the Corporation. Since there is no separate infrastructure and manpower identified for Uttaranchal State Crop Cell, no separate expenses of management in respect of Uttaranchal State Crop Cell has been allocated. The same are included in Delhi Liaison Office's expenses of management. The premiums accounted during the year are Rs. 3698,294 thousands (Previous year Rs. 2880,536 thousands) and Rs. Nil (Previous year Rs. 18 thousands) under NAIS and PSSCI schemes, respectively.
- (b) As per the decision of the Central Government, National Agricultural Insurance Scheme (NAIS) and Pilot Scheme on Seed Crop Insurance (PSSCI) were introduced with effect from Rabi 1999-00 season and GIC has been designated as the Implementing Agency until such time as an exclusive organization is set up for the
- (c) As announced by the Government of India last year, the Corporation along with four PSU non-life insurers and NABARD formed a separate company registered under Companies Act, 1956 called "Agriculture Insurance Company of India Limited" to take over the crop Insurance business schemes which are presently being administered by the Corporation. The said transfer would be effective from 1<sup>st</sup> April, 2003.



3. A market pool has been formed w.e.f. 1<sup>st</sup> April, 2002 by all the non-life insurers of India including the Corporation to provide cover for terrorism risk and the Corporation has been appointed to act as the manager of the pool. The revenue transactions in respect of Terrorism Pool are accounted by the members of the pool as per their respective share in their books. The assets and liabilities of the pool are shown in the books of the Corporation under Current assets and Current liabilities.
4. (a) Out of investment held in shares and debentures valued at Rs. 54317,953 thousands (Previous year Rs. 50310,054 thousands), no confirmation regarding actual custody or other documentary evidence was available in respect of investment valued at Rs. 1,300 thousands (Previous year Rs. 1,300 thousands).
- (b) The number of shares/debentures actually held by the Corporation/Custodian of the Corporation is in excess of number held as per the books of the Corporation. The face value of such excess is Rs. 439 thousands (Previous year Rs. 456 thousands).
- (c) A few investments in shares and debentures valued at Nil (Previous year Rs. 233 thousands) are under objection and the transfers are yet to be effected as on date.
- (d) The book value of bonus share entitlements taken in the books in respect of shares under objection, outstanding deliveries and on shares where documentary evidence is not available as on date is Rs. Nil (Previous year Rs. 167 thousands).
- (e) The aggregate amount of interest income not accounted for as per accounting Policy No. 7.1 as at 31st March 2003 is Rs. 4067,877 thousands (Previous year Rs. 3010,451 thousands).
- (f) Sale of equity shares of a company contracted through public offer in 1995-96 for Rs. 4,000 thousands (Previous year Rs. 4,000 thousands) has not been accounted for till date, on account of the significant uncertainty regarding completion of the sale, as the matter is sub-judice.
- (g) Amortization of premium paid on Investments is disclosed separately which hitherto was adjusted against the Profit on sale of investments.
5. Leasehold Land & Buildings under Fixed Assets includes 7 properties costing Rs. 473,901 thousands (Previous year 7 properties costing Rs. 473,901 thousands) for which conveyance deeds are yet to be executed.
6. The amounts due to/from other persons or bodies carrying on insurance business include:
- (a) Amounts due to/from Indian companies of Rs. 2 thousands credit (Previous year Rs. 1,627 thousands credit) in suspense accounts which have not been confirmed.
- (b) Amounts due to/from foreign companies include Rs. 1288 thousands debit and Rs. 85218 thousands credit (Previous year Rs. 24,008 thousands debit and Rs. 56,078 thousands credit) in suspense account which are in the process of being reconciled and confirmed.
- The adjustment, if any, will be made upon analysis/reconciliation.
7. Taxes paid in advance include an amount of Rs. 970,955 thousands (Previous year Rs. 1206,416 thousands) pertaining to assessments completed but in appeal either by Corporation or by the Income Tax Department as at 31st March, 2003.

8. The break up of Net Deferred Tax liability as on 31.03.2003 is as under.

	Deferred Tax	
	Asset	Liability
Timing difference on account of Difference in book depreciation & Depreciation under Income Tax Act, 1961.	—	Rs.1950,04 thousands
Provision for leave encashment.	Rs. 314,31 thousands	—
<b>TOTAL</b>	<b>Rs. 314,31 thousands</b>	<b>Rs. 1950,04 thousands</b>
Net Timing Differences	Rs. 1635,73 thousands	
Net Deferred Tax Liability	Rs. 601,13 thousands	

9. For the General Insurance Business (Nationalisation) Amendment Act, 2002, the Central Government has notified vide Gazette Notification No. S.O. 329(E) dated 21-03-2003 the “appointed date” on which the General Insurance Business (Nationalisation) Act 2002, shall come into force with effect from as 21-03-2003. With effect from this date the shares in the four public sector undertaking held by GIC amounting to Rs. 380531 thousands stand transferred to the Central Government. Since no compensation is payable in respect of these shares, the same are written off during the year.

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

	Change in the Accounting Policy	Accounting Policy No.	Impact on the accounts
1.	Writing off/down of Equity and Preference Shares	7.8	Book value of investment is lower by Rs. 296270 thousands with corresponding reduction in profit before tax.
2.	Accounting of foreign currency transactions-AS 11	3.1	The impact is insignificant.

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

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

12.1 Contingent Liabilities:

- a) Partly paid up investments. Nil
- b) Underwriting commitments outstanding: Nil
- c) Claims, other than under policies not acknowledged as debts:
  - A claim for an amount of Rs. 5,000 thousands on account of a legal dispute with a building Contractor has been filed in the High Court against the Corporation.
- d) Guarantees given by or on behalf of the Corporation- Nil



- e) Statutory demand/liabilities in dispute, not provided for - Nil (P.Y. Nil) with Clearing Corporation of India Limited as contribution towards Settlement Guarantee Fund.
- f) Reinsurances obligations to the extent not provided for in the accounts: 12.3 The Commitments made and outstanding for Loans, Investments and Fixed Assets as at 31<sup>st</sup> March, 2003 is Rs. 1399,225 thousands (Previous year Rs. 1215,000 thousands)
- NIL, in view of accounting policy no. 2.1.
- 12.2 As at 31-03-2003 all the assets of the Corporation in and outside India are free from encumbrances except for: 12.4 Claims, less reinsurance during the financial year 2002-03 paid in India are Rs. 18640,849 thousands (Previous year Rs. 17476,045 thousands) and outside India are Rs. 1967,677 thousands (Previous year Rs. 719,578 thousands).
- i) the Government of India stock 12.3%, 2016 for Rs. 292,720 thousands (Previous year 12.3%, 2016 for Rs. 292,720 thousands) deposited with IRDA as security under Section 7 of the Insurance Act, 1938 and, 12.5 Actuarial assumptions for determination of claim liabilities in the case of claims where the claims payments period exceeds four years.
- ii) the Government of India stock 11.03% 2012 for Rs. 25,000 thousands (P.Y. Nil) and cash deposit of Rs. 2,800 thousands Nil as there are no such liabilities reported.
- 12.6 Ageing of claims – distinguishing between claims outstanding for more than six months and other claims:

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

(Rs. in thousands)

	2002-03		2001-02	
	Number	Amount	Number	Amount
A) <i>Foreign Inward Business</i>				
Claims o/s more than 6 months	462	166,218	351	18,525
Claims o/s less than 6 months	66	137,613	117	1562,775
B) <i>Indian Business</i>				
Claims o/s more than 6 months	133	144,781	22	72,983
Claims o/s less than 6 months	64	76,116	45	29424,318
C) <i>Aviation Business</i>				
Claims o/s more than 6 months	551	1025,902	1122	212,275
Claims o/s less than 6 months	32	277,225	15	6,219

12.7 Premiums, less reinsurance, written from business during the financial year 2002-03 in India are Rs. 31871,519 thousands (Previous year Rs. 24947,771 thousands) and outside India are Rs. 6456,319 thousands (Previous year Rs. 1764,543 thousands).

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

12.9 Value of contracts in relation to investments, for

- a) Purchases where deliveries are pending Nil (Previous year Rs. 159,701 thousands)
- b) Sales where payments are overdue Nil (Previous Year Rs. Nil)

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

12.11 The historical cost of investments valued on Fair Value basis is Rs. 19512,407 thousands (Previous year Rs. 16221,643 thousands)

12.12 Computation of Managerial Remuneration is as follows:

Sr. No.	Name	Designation	Gross Salary	Corp.'s P.F.	House Perquisite	Loan Perquisite	Vehicle Perquisite
1	Shri P.C. Ghosh	Chairman	Rs. 4,66,329/-	Rs. 30,397/-	Rs. 30,757/-	Rs. 4,113/-	Rs. 14,400/-
2.	Shri P.B.Ramanujam	Managing Director	Rs. 3,67,985/-	Rs. 24,051/-	Rs. 24,545/-	NIL	Rs. 23,641/-
3.	Shri D. Sengupta	Chairman (Ex)	Rs. 8,21,080 including Gratuity & Leave Encashment	Rs. 7,800/-	Rs. 16,730/-	Rs. 1,831/-	Rs. 3,600/-

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

12.14 Provisions regarding unrealised gains/losses has been stated in the accounting policies No. 7.6.

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

12.16 Claims settled and remaining unpaid for a period of more than six months as on 31-03-2003: Nil

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



14. Related party Disclosures as per AS-18 of ICAI:
- The transactions between Kenindia Assurance Co. Ltd. and the Corporation consist of reinsurance accepted from Kenindia. The total volume of such transactions is 0.54% of the total net premium of the Corporation. The amount due to Kenindia Assurance Co. Ltd at the end of the year is Rs. 59,300 thousands.
- a) Associate Company:  
Kenindia Assurance Co. Ltd., Nairobi, Kenya.
- b) Key Management Personnel:  
Shri P.C. Ghosh - Chairman  
Shri P B Ramanujam- Managing Director  
Shri D. Sengupta – Chairman (Ex)
- Nature and volume of transactions:  
With (a) above
- With (b) above  
Remuneration Paid:  
The same is disclosed as per Note No. 12.12 of the Disclosures forming part of the Financial Statements.

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

	2002-03	2001-02
Basic and Diluted EPS:	Rs. 131.00	Rs. 145.20
Profit after Tax:	Rs. 2816,590 thousands	Rs. 3121,715 thousands
Number of equity shares:	2,15,00,000	2,15,00,000
Nominal value of share:	Rs. 100/-	Rs. 100/-

16. The Corporation has prepared Cash Flow statement adopting the indirect method in view of the IRDA circular No. IRDA/FA/01/8/2003-04 dated 8<sup>th</sup> August, 2003 deferring the requirement to prepare cash flow statement on Direct method until a suitable format is prescribed.
17. Prior period items have not been separately disclosed.
18. The summary of the financial statements of the Corporation for the last five years is as per Annexure I.
19. The Accounting Ratios of the Corporation are stated in Annexure II.

As per our report of even date

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

**Ramakrishna Prabhu**  
Partner

Mumbai,  
Dated : 3rd September, 2003

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

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

Mumbai,  
Dated : 3rd September, 2003



## Annexure - I

## SUMMARY OF FINANCIAL STATEMENT

(Rs. in lakhs)

Sl. No.	Particulars	2002-03	2001-02	2000-01	1999-00	1998-99
<b>Operating Results</b>						
1.	Gross Premium Written	451481	328246	291259	266566	249858
2.	Net Premium Income	383278	267123	218654	188631	171026
3.	Income from investments (net)	57870	56933	51474	44978	41687
4.	Profit on Exchange Fluctuation	722	60	—	—	564
5.	Total Income	441870	324125	270128	233609	213277
6.	Commissions	90901	63634	49610	48642	44052
7.	Brokerage	—	—	—	—	—
8.	Operating Expenses	2980	2514	2351	2332	2098
9.	Claims, increase in Unexpired Risk Reserve and Other outgoes	339086	252784	200047	160610	135603
10.	Operating Profit/Loss	8903	5193	18120	22025	31524
<b>Non-Operating Results</b>						
11.	Total Income under Shareholders account (Net)	25386	30477	29617	28957	23223
12.	Profit/(Loss) before tax	34289	35670	47602	50982	54747
13.	Provision for tax	8142	5000	7538	8500	11000
14.	Profit/(Loss) after tax	26147	30670	40064	42482	43747
<b>Miscellaneous</b>						
15.	Policy Holders' Account:					
	Fire	114087	72750	44677	44346	37217
	Miscellaneous	429249	345867	303069	243553	211585
	Marine	46576	38295	38338	41061	38876
	Total Funds	589912	456912	386084	328960	287678
	<b>Total Investments</b>	<b>616863</b>	<b>535337</b>	<b>486753</b>	<b>465321</b>	<b>412975</b>
	Yield on Investments	9.4	10.6	10.6	9.7	10.1





Annexure - I

SUMMARY OF FINANCIAL STATEMENT (Contd.)

(Rs. in lakhs)

Sl. No.	Particulars	2002-03	2001-02	2000-01	1999-00	1998-99
16.	Shareholders' Account:					
	Total Funds	<b>316735</b>	<b>293063</b>	<b>266146</b>	<b>229216</b>	<b>194428</b>
	Total Investments	<b>395656</b>	369034	339165	314489	256939
	Yield on Investments	<b>9.4</b>	10.6	10.6	9.7	10.1
17.	Paid up equity Capital	<b>21500</b>	21500	21500	21500	21500
18.	Net worth	<b>316735</b>	293063	266146	229216	194428
19.	Total assets	<b>1169512</b>	<b>1037884</b>	<b>935608</b>	<b>875696</b>	<b>757684</b>
20.	Yield on total investments	<b>9.4</b>	10.6	10.6	9.7	10.1
21.	Earnings per share (Rs.)	<b>131</b>	145	186	197	203
22.	Book Value per share (Rs.)	<b>1473</b>	1363	1238	1066	904
23.	Total Dividend	<b>4730</b>	4300	4300	6450	6450
24.	Dividend per share (Rs.)	<b>22</b>	20	20	30	30

As per our report of even date

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

**Ramakrishna Prabhu**  
Partner

Mumbai  
Dated : 3rd September, 2003

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

Mumbai  
Dated : 3rd September, 2003

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

## ACCOUNTING RATIOS

Sl. No.	Performance Ratio	2002-03	2001-02
1.	<b>Gross Premium Growth Rate</b> (segmentwise): (Gross premium for the current year divided by the gross premium for the previous year)		
	Fire Insurance	140.0%	113.7%
	Motor Insurance	133.6%	109.8%
	Aviation Insurance	157.9%	154.9%
	Engineering Insurance	141.5%	97.2%
	Crop Insurance	128.4%	126.6%
	Other Miscellaneous Insurance	128.0%	121.7%
	Marine Cargo	113.4%	79.7%
	Marine Hull	240.2%	129.0%
2.	Gross Premium to shareholders' fund ratio: (Gross premium for the current year divided by paid up capital plus free reserves)	142.1%	112.0%
3.	Growth rate of shareholders' funds: (Shareholders' funds as at the current balance sheet date divided by shareholders' funds as at the previous balance sheet date)	108.1%	110.1%
4.	Net retention ratio (segment wise): (Net premium divided by gross premium)		
	Fire Insurance	80.8%	63.9%
	Motor Insurance	100.0%	100.0%
	Aviation Insurance	52.7%	22.3%
	Engineering Insurance	66.9%	87.2%
	Crop Insurance	100.0%	100.0%
	Other Miscellaneous Insurance	92.6%	88.9%
	Marine Cargo	84.5%	86.6%
	Marine Hull	34.4%	45.8%



**ACCOUNTING RATIOS (Contd.)**

Sl. No.	Performance Ratio	2002-03	2001-02
5.	Net commission ratio (segment wise): (Commission net of reinsurance for a class of business divided by net premium)		
	Fire Insurance	30.0%	33.4%
	Motor Insurance	24.5%	24.8%
	Aviation Insurance	12.5%	-11.5%
	Engineering Insurance	32.5%	27.2%
	Crop Insurance	0.0%	0.0%
	Other Miscellaneous Insurance	24.2%	25.6%
	Marine Cargo	23.1%	22.8%
	Marine Hull	25.4%	13.8%
6.	Expenses of management to gross premium ratio: (Expenses of management divided by the total gross premium)	0.6%	0.8%
7.	Combined ratio: (Claims paid plus expenses divided by gross premium)	46.3%	56.2%
8.	Technical reserves to net premium ratio: (Reserve for unexpired risks plus premium deficiency reserve plus reserve for outstanding claims divided by net premium)	153.9%	171.0%
9.	Underwriting balance ratio (segment wise): (Underwriting profit divided by net premium for the respective class of business)		
	Fire Insurance	18.0%	(-)0.2%
	Motor Insurance	(-)11.5%	(-)32.2%
	Aviation Insurance	(-)18.8%	7.1%
	Engineering Insurance	18.4%	29.3%
	Crop Insurance	(-)18.6%	56.3%
	Other Miscellaneous Insurance	4.2%	1.5%
	Marine Cargo	28.3%	65.5%
	Marine Hull	(-)9.4%	6.0%

## Annexure - II

## ACCOUNTING RATIOS (Contd.)

Sl. No.	Performance Ratio	2002-03	2001-02
10.	Operating profit ratio: (Underwriting profit plus investment income divided by net premium)	12.0%	16.6%
11.	Liquid assets to liabilities ratio: (Liquid assets of the insurer divided by the policy holders' liabilities)	42.3%	32.3%
12.	Net earnings ratio: (Profit after tax divided by net premium)	6.8%	11.5%
13.	Return on net worth: (Profit after tax divided by net worth)	8.3%	10.5%
14.	Reinsurance ratio: (Risk reinsured divided by gross premium)	15.1%	18.6%

As per our report of even date

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

**Ramakrishna Prabhu**  
*Partner*

Mumbai  
Dated : 3rd September, 2003

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

Mumbai  
Dated : 3rd September, 2003

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



**CASH FLOW STATEMENT**

As per Indirect Method

(Rs. in thousands)

	31st March, 2003	31st March, 2002
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before taxation as per Profit & Loss A/c.	3428901	3567004
<b>Adjustments for:</b>		
Provision for diminution in value of investment	386152	330884
Provision for doubtful loans, investments & Debts	630000	694000
Amortisation of Premium on Investment	128571	—
Investment Written off in erstwhile subsidiaries	380531	—
Depreciation	26509	22266
-Profit/Loss on sale of Assets	(-574)	80
Provision for Leave Encashment	3927	580
Sundry Balances Written off/back	2281	2201
	<b>1557397</b>	<b>1050011</b>
	<b>4986298</b>	<b>4617015</b>
<i>Operating Profit before working capital changes</i>		
Changes in Unexpired Risk Reserves	6464626	2327616
Changes in Provisions for Outstanding Claims	6835429	4755225
Changes in Income accrued on Investments	(-44556)	(-202541)
Changes in Balances with Insurance Companies	(-1338725)	(-1115908)
Changes in Advance and Deposits	(-59283)	(-143964)
Changes in other Current Liabilities	(-340153)	(-1333710)
	<b>11517338</b>	<b>4286718</b>
<i>Cash generated from operations</i>	<b>16503636</b>	<b>8903733</b>
Income Tax paid (Net)	(-454459)	(-355653)
<b>Net Cash from Operating Activities</b>	<b>16049177</b>	<b>8548080</b>

**CASH FLOW STATEMENT (Contd.)**

(Rs. in thousands)

	31st March, 2003	31st March, 2002
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(-) <b>29065</b>	(-) <b>179529</b>
Proceeds from sale of Fixed Assets	<b>1455</b>	<b>12</b>
Changes in net Investments	(-) <b>11531469</b>	(-) <b>8899271</b>
<b>Net Cash used in Investing Activities</b>	(-) <b>11559079</b>	(-) <b>9078788</b>
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend Paid	(-) <b>430000</b>	(-) <b>430000</b>
Dividend Tax Paid	<b>-</b>	(-) <b>43860</b>
<b>Net Cash from Financing Activities</b>	(-) <b>430000</b>	(-) <b>473860</b>
<b>Net increase in Cash and Cash equivalents (A+B+C)</b>	<b>4060098</b>	(-) <b>1004568</b>
<b>Cash and Cash equivalents at beginning of period</b> (As per Schedule No. 11)	<b>11108022</b>	<b>12112590</b>
<b>Cash and Cash equivalents at the end of period</b> (As per Schedule No. 11)	<b>15168120</b>	<b>11108022</b>

As per our report of even date

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

**Ramakrishna Prabhu**  
Partner

Mumbai  
Dated : 3rd September, 2003

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

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

Mumbai  
Dated : 3rd September, 2003



**Balance Sheet Abstract and Company's General Business Profile**

**I. Registration Details**

Registration No. 1 6 1 3 3 State Code 1 1  
Balance Sheet Date 3 1 0 3 2 0 0 3

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

Public Issue N I L Right Issue N I L  
Bonus Issue N I L Private Placement N I L

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

Total Liabilities 4 3 2 3 6 1 4 7 Total Assets 4 3 2 3 6 1 4 7

**Sources of Funds**

Paid-up Capital 2 1 5 0 0 0 0 Reserves & Surplus 2 9 5 2 9 2 7 0  
Secured Loans N I L Unsecured Loans N I L  
Deferred Taxation Liability 6 0 1 1 3 Fair Value Change Account 1 1 4 9 6 7 6 4

**Application of Funds**

Net Fixed Assets 4 0 9 8 3 1 Investments 8 6 2 2 9 8 1 1  
Net Current Assets (-) 4 3 4 0 3 4 9 5 Misc. Expenditure N I L  
Accumulated Losses N I L

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

Turnover 5 4 6 4 6 9 4 4 Total Expenditure 5 1 2 1 8 0 4 3  
Profit/Loss Before Tax 3 4 2 8 9 0 1 Profit/Loss after Tax 2 6 1 4 6 8 9  
Earning per Share in Rs. 1 3 1 Dividend @% 2 2

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

Item Code No. N O T A P P L I C A B L E  
Product Description R E I N S U R A N C E S E R V I C E

### PERFORMANCE HIGHLIGHTS

(Rs. & US\$ in Thousands)

	2002-03		2001-02	
	Rs.	US \$	Rs.	US \$
Net Earned Premium	31863 212	671 794	24384 698	500 918
Net Claims	27443 955	578 620	22950 848	471 464
	86.13%	86.13%	94.12%	94.12%
Net Commission	9090 092	191 653	6363 351	130 718
	28.53%	28.53%	26.10%	26.10%
Operating Expenses and Other Outgo less other Income	219 044	4 618	238 206	4 893
	0.69%	0.69%	0.98%	0.98%
Investment Income Apportioned to Revenue less Expenses	5780 302	121 870	5687 000	116 824
	18.14%	18.14%	23.32%	23.32%
Underwriting Profit	890 423	18 773	519 293	10 667
	2.79%	2.79%	2.13%	2.13%
Interest, Dividends and Rents	3711 815	78 259	3924 670	80 622
Other Income less Other Outgo	351 917	7 420	147 925	3 039
Reserve for Doubtful Debts, Investment Written off and Amortisation of Premium on Investments	1144 723	24 135	1024 884	21 053
Investment in erstwhile subsidiaries written off	380 531	8 023	–	–
<b>Profit before Tax</b>	<b>3428 901</b>	<b>72 294</b>	<b>3567 004</b>	<b>73 275</b>
Provision for tax including deferred tax	814 212	17 167	500 000	10 271
<b>Profit after Tax</b>	<b>2614 689</b>	<b>55 127</b>	<b>3067 004</b>	<b>63 003</b>
<b>Assets:</b>				
Investments	78271 594	1650 255	71328 225	1465 247
Loans	7958 217	167 789	8158 942	167 604
Fixed Assets	409 831	8 641	411 070	8 444
Cash and Bank Balances	15168 120	319 800	11108 022	228 184
Advances and Other Assets	15143 384	319 278	12782 197	262 576
<b>Total Assets</b>	<b>116951 146</b>	<b>2465 763</b>	<b>103788 456</b>	<b>2132 055</b>
<b>Liabilities:</b>				
Share Capital	2150 000	45 330	2150 000	44 166
Reserve and Surplus	29529 270	62 586	27162 184	557 974
Deferred Tax Liabilities	60 113	1 268	–	–
Fair Value Change Account	11496 764	242 394	15390 335	316 153
Current Liabilities & Provisions	73714 999	1554 185	59085 937	1213 762
<b>Total Liabilities</b>	<b>116951 146</b>	<b>2465 763</b>	<b>10378 456</b>	<b>2132 055</b>

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

1 US \$ = Rs. 48.68 as on 31st March, 2002

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

Solely for the convenience of readers, performance highlights have been converted into United States Dollar.