

# TWENTY NINTH ANNUAL REPORT 2000-2001

## GENERAL INSURANCE CORPORATION OF INDIA

### DIRECTORS

Shri D. Sengupta	Chairman
Shri P.K. Banerji, IAS	(up to 23.04.2001)
Shri Ajit M. Sharan, IAS	(w.e.f. 23.04.2001)
Shri G.P.Gupta	(up to 31.01.2001)
Shri Y.B.Desai	(up to 30.04.2001)
Shri G.N. Bajpai	(w.e.f 10.10.2000)
Dr. D.N. Buragohain	(up to 31.03.2001)
Prof. Manubhai Shah	(up to 31.03.2001)
Dr. (Mrs.) Indira Rajaraman	(up to 31.03.2001)
Shri S. Shanmugam	(up to 31.03.2001)
Dr. N.L.Mitra	(up to 24.05.2001)
Shri K.J.Reddy	(up to 24.05.2001)
Shri S.S.Kohli	(w.e.f. 05.07.2001)
Shri Janki Ballabh	(w.e.f. 05.07.2001)
Shri K.N.Bhandari	(w.e.f. 13.08.2001)
Shri B.D.Banerjee	Managing Director (upto 01.03.2001)
Shri M.K.Tandon	Managing Director (upto 05.03.2001)
Shri P.C. Ghosh	Managing Director (w.e.f. 01.03.2001)

### MANAGEMENT

Shri D. Sengupta	Chairman
Shri P.C.Ghosh	Managing Director
Shri V.C.Joshi	General Manager
Shri V. Mohan	Financial Advisor & General Manager
Shri M.Raghavendra	General Manager
Shri R.K.Joshi	General Manager
Shri V.Ramakrishnan	Chief Vigilance Officer
Shri P.K. Mor	Assistant General Manager
Shri B.P. Deshmukh	Assistant General Manager
Shri A. V. Muralidharan	Assistant General Manager
Shri G.Krishna Rao	Assistant General Manager
Smt. Bhagyam Ramani	Assistant General Manager
Shri M. Ravindran	Assistant General Manager

### COMPANY SECRETARY

Shri B.P.Deshmukh	Assistant General Manager
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### AUDITORS

M/s SHAH GUPTA & CO.,  
Chartered Accountants,  
38, Bombay Mutual Building,  
2<sup>nd</sup> floor, Dr. D.N.Road, Fort,  
Mumbai – 400 023.

### BANKERS

BANK OF INDIA  
CENTRAL BANK OF INDIA  
STATE BANK OF INDIA

### REGISTERED OFFICE

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

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## **GENERAL INSURANCE CORPORATION OF INDIA**

### **NOTICE**

NOTICE is hereby given that the TWENTY NINTH 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 28<sup>th</sup> day of September, 2001 at 11.30 a.m. to transact the following business:

1. To receive and adopt the Directors' Report and Audited Statements of Account for the year ended 31st March, 2001
2. To declare dividend on equity shares

For and on behalf of the Board

**(B.P. DESHMUKH)**  
**ASSISTANT GENERAL MANAGER &**  
**COMPANY SECRETARY**

#### **Registered Office :**

"Suraksha",  
Churchgate,  
Mumbai - 400 020.

Dated: 12th September, 2001.

#### **NOTE:**

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

## Directors' Report

To the Members,

The Directors have pleasure in presenting the Twenty-ninth 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, 2001.

### DIRECT BUSINESS

Gross direct premium income (GDPI) of the Corporation for the year amounted to Rs.280.08 crores.

The premium from Aviation insurance business amounted to Rs.52.49 crores as against

Rs.73.78 crores in the previous year ended 31<sup>st</sup> March, 2000. The Corporation, as an implementing agency, recorded premium of Rs.227.57 crores under the National Agricultural Insurance Scheme (NAIS) and Rs.0.02 crores under the Pilot Scheme on Seed Crop Insurance(PSSCI).

### UNDERWRITING EXPERIENCE AND FINANCIAL RESULTS

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

**TABLE I**

(Rs in Cr.) #

	Fire	Misc.	Marine	Total
<b>Net Premium Income</b>	<b>379.16</b>	<b>1580.63</b>	<b>226.75</b>	<b>2186.54</b>
	(451.09)	(1201.94)	(233.28)	(1886.31)
<b>Net Claims Payable</b>	<b>230.76</b>	<b>1531.20</b>	<b>89.87</b>	<b>1851.83</b>
	<b>60.9%</b>	<b>96.9%</b>	<b>39.6%</b>	<b>84.7%</b>
	(169.61)	(1216.02)	(130.00)	(1515.63)
	(37.6%)	(101.2%)	(55.7%)	( 80.4%)
<b>Net Commission</b>	<b>129.32</b>	<b>330.72</b>	<b>36.06</b>	<b>496.10</b>
	<b>34.1%</b>	<b>20.9%</b>	<b>15.9%</b>	<b>22.7%</b>
	(156.10)	(290.56)	( 39.76)	(486.42)
	(34.6%)	(24.2%)	(17.1%)	(25.8%)
<b>Expenses of Management</b>	<b>7.24</b>	<b>14.33</b>	<b>1.94</b>	<b>23.51</b>
	<b>1.9%</b>	<b>0.9%</b>	<b>0.9%</b>	<b>1.1%</b>
	(8.90)	(12.34)	(2.08)	(23.32)
	(2.0%)	(1.0%)	(0.9%)	(1.2%)
<b>Other Outgo less Other Income</b>	<b>0.34</b>	<b>2.40</b>	<b>0.40</b>	<b>3.14</b>
	<b>0.1%</b>	<b>0.1%</b>	<b>0.2%</b>	<b>0.1%</b>
	(0.32)	( -0.12)	(0.25)	( 0.45)
	(0.1%)	( 0.0%)	( 0.1%)	( 0.0%)
<b>Increase in Reserve for Unexpired Risks</b>	<b>-35.96</b>	<b>189.34</b>	<b>-6.53</b>	<b>146.85</b>
	<b>-9.5%</b>	<b>12.0%</b>	<b>-2.9%</b>	<b>6.7%</b>
	( 24.54)	( 61.49)	(3.98)	(90.02)
	(5.4%)	( 5.1%)	(1.7%)	( 4.8%)
<b>Underwriting Profit/Loss(-)</b>	<b>47.46</b>	<b>-487.36</b>	<b>105.01</b>	<b>-334.89</b>
	<b>12.5%</b>	<b>-30.8%</b>	<b>46.3%</b>	<b>-15.3%</b>
	( 91.62)	( -378.35)	(57.21)	( -229.53)
	(20.3%)	( -31.5%)	( 24.5%)	( -12.2%)

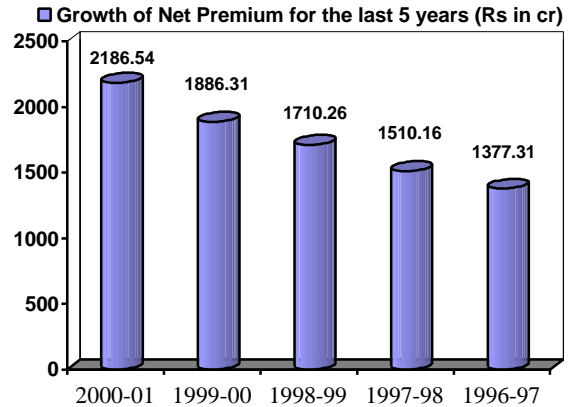
(Figures in brackets are for the year ended 31st March, 2000)

(Percentages relate to net premium of the corresponding year)

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

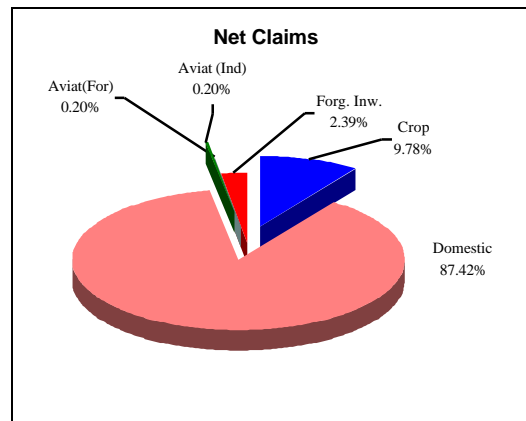
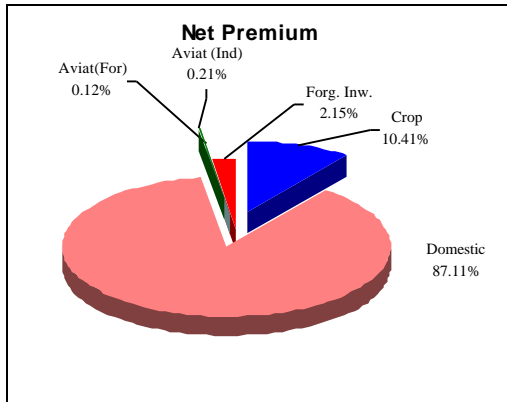
Total net premium income of the Corporation recorded a growth rate of 15.9% in the year under review as against 10.3% in the previous year. A significant portion of the growth came from the crop insurance business. The premium income of the Corporation consisted of premia ceded under obligatory cessions, other inward reinsurance arrangements by the four subsidiary companies and the new private insurers and premia on reinsurances accepted from the international market. The Corporation

wrote only the Aviation business as a direct insurer.



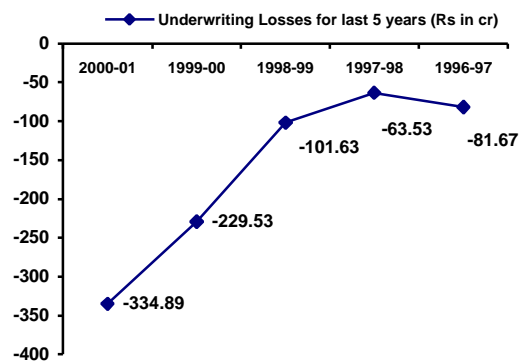
Break-up of Net Premium Income and Net Incurred Claims of the Corporation were as under:

Department	Premium(Rs in Cr)	Claims (Rs in Cr.)
Crop	227.59	181.20
Indian Business	1904.69	1618.94
Aviation (Indian)	4.60	3.79
Aviation (Foreign)	2.66	3.71
Foreign Inward	46.99	44.19
<b>Total</b>	<b>2186.54</b>	<b>1851.83</b>



The overall loss in underwriting operations rose from Rs.229.53 crores in the previous year to Rs.334.89 crores in the current year. The rise was attributable to increase in the loss levels of the subsidiaries and certain major losses such as Gujarat Earthquake etc.

Details of large claims for Rs.5 crores or more, intimated during the year, are given in Appendix I



**A summary of the Profit and Loss Account is given below :**

(Rs in cr.)

	<b>2000-2001</b>	1999-2000
Profit/Loss(-) transferred from the Revenue account	<b>-334.89</b>	-229.53
Interest, Dividends and Rents (gross)	<b>715.05</b>	649.61
Other Outgo less Other Income	<b>24.43</b>	2.50
Reserve for Doubtful Debts	<b>38.06</b>	11.91
Profit before Tax	<b>317.67</b>	405.67
Income-tax Deducted at Source and Provision for tax	<b>75.38</b>	92.07
Balance transferred to Profit & Loss Appropriation Account	<b>242.29</b>	313.60

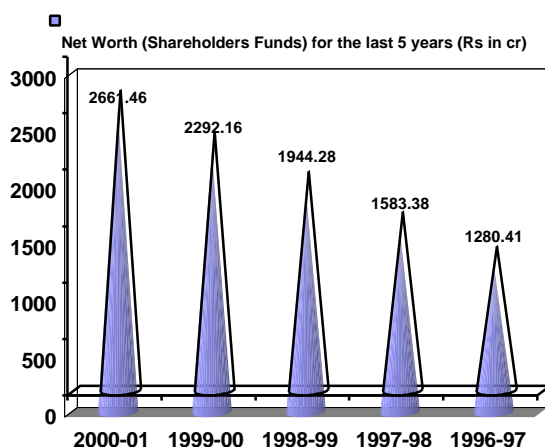
**PROPOSED DIVIDEND**

The Directors recommend declaration of dividend at the rate of 20% for the year under review amounting to Rs. 43 crores. A provision of Rs 4.39 crores has also been made in the Accounts for tax on dividend.

**CAPITAL AND FUNDS**

Capital and Funds of the Corporation stood at Rs.3868.69 crores as on 31<sup>st</sup> March, 2001 as detailed below:

	(Rs in cr.)	
	As on <b>31.03.2001</b>	As on 31.03.2000
<b>Shareholders' Funds</b>		
Paid up Capital	<b>215.00</b>	215.00
General Reserve	<b>2446.45</b>	2077.15
Profit & Loss		
Appropriation Account		
balance	<b>0.01</b>	0.01
	<b>2661.46</b>	2292.16
<b>Insurance Funds</b>	<b>1206.65</b>	1059.80
<b>Other Funds</b>	<b>0.58</b>	0.58
	<b>3868.69</b>	3352.54



**ASSETS**

Total assets of the Corporation increased from Rs.6540.66 crores as on 31<sup>st</sup> March, 2000 to Rs.7773.29 crores as on 31<sup>st</sup> March, 2001. Distribution of these assets into various classes and their percentages to total assets are given in Appendix II.

**AVIATION BUSINESS**

The Gross Direct Premium Income in the Aviation class of business for the year 2000-01 amounted to Rs.52.49 crores as against Rs.73.78 crores during the previous year. The decline was due to collection in 1999-00 of full annual premium instead of only two quarters' from Indian Airlines. The collection of additional two quarters' premium, which was due in 2000-01, was necessitated on account of a major loss to one of its aircraft at Yangon in 1999-00. The Indian inward premium out of obligatory cessions fell from Rs.22.97 crores to Rs.14.54 crores mainly due to reduction in satellite insurance premium. The foreign inward premium of the Corporation on gross basis increased from Rs.2.97 crores to Rs.3.47 crores and the net premium (net of retrocession) increased from Rs.2.34 to Rs.2.66 crores reflecting the rate increase in the global Aviation insurance market. The claims on gross basis at Rs.4.62 crores is better than the claims of Rs.7.13 crores during the previous year. The claims experience (net of retrocession) at Rs.3.71 crores is better than Rs.6.38 crores recorded previous year.

The market retention on the general aviation portfolio increased during the year on account of excess of loss protection arranged. Market surplus treaty arranged for the year reduced dependency on the facultative market for reinsurance support.

#### **REINSURANCE:**

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

The Reinsurance Program for the market for 2000-01 was designed to maximize retention of premium within the country by securing protection with good securities at minimum cost. Consequently, keeping also in view the increased net worth of the industry, the Indian Market retention was increased for all classes in 2000-01.

A devastating earthquake on 26.01.2001 in the state of Gujarat adversely affected the performance for the year under review. The estimated gross insured loss for the Indian Market in respect of Gujarat earthquake currently stands at about Rs.540 crores, of which about Rs.440 crores would be recoverable under GIC's various Excess of Loss Programs.

##### **SWIFT Division**

In 1991, Foreign Inward Facultative and Non-Reciprocal treaty acceptances on behalf of the four companies and GIC were centralized in GIC under the SWIFT Division with a view to ensuring reasonable limits of acceptances.

During the year under review, the Division generated a net (of retrocession) premium of Rs.234.67 crores as against Rs.217.91 crores in the previous year. After accounting for paid claims and other deductions, the Division produced a net deficit of Rs.21.28 crores as against Rs.43.76 crores (facultative and treaty) in the previous year. Provision for outstanding loss has increased from Rs.262.14 crores to Rs.294.37 crores.

Taking into account the outstanding loss provision the net deficit of the Division amounted to Rs.53.50 crores as against Rs.78.10 crores (facultative and treaty) in the previous year. The business accepted by SWIFT until 31<sup>st</sup> March, 2001 was equally shared between GIC and the four subsidiaries. However, in view of the proposed delinking of GIC from its subsidiaries, the sharing arrangement has been discontinued with effect from 1<sup>st</sup> April, 2001.

Reinsurance business is cyclic in nature. During the period, international market has witnessed soft conditions, impacting results of reinsurers across the world, adversely. Performance of the Division is in line with this trend. However, though the market conditions are expected to harden and the worldwide capacity to shrink, the Corporation's strategy for business development will enable us to make the most of the hardening conditions.

#### **CROP INSURANCE:**

##### **National Agricultural Insurance Scheme (NAIS)**

The Government of India introduced National Agricultural Insurance Scheme (NAIS) replacing Comprehensive Crop Insurance Scheme (CCIS) with effect from Rabi 1999-2000 season. The salient features of the Scheme are as under:

1. The Scheme covers all farmers (both loanee and non-loanee).
2. In addition to crops covered under CCIS (Food crops & Oilseeds), annual Commercial/ Horticulture Crops (Sugarcane, Potato and Cotton) in the 1<sup>st</sup> year and Onion, Ginger, Garlic and Turmeric in the 2<sup>nd</sup> year are also covered.
3. The premium rates have been rationalized for Food crops and Oilseeds. For annual Commercial/ Horticultural crops actuarial premium rates are to be charged.
4. The sum insured limit has been increased from Rs 10,000/- per farmer (as under CCIS) to the

value of 150% of Average Yield of the crop.

5. In case of localized calamities, loss assessment shall be on individual basis. To begin with, it will be experimented in limited areas.

The NAIS was implemented during Rabi 1999-00 season in 8 States and 1 Union Territory (U.T). viz., Assam, Goa, Gujarat, Himachal Pradesh, Kerala, Madhya Pradesh, Maharashtra, Orissa and Pondicherry. During Kharif 2000 season, in addition to above 9 States/U.Ts, the Scheme was implemented in 7 more States/U.Ts viz., Andhra Pradesh, Bihar, Karnataka, Meghalaya, Tamil Nadu, Andaman and Nicobar Islands and Uttar Pradesh. During Rabi 2000-01, two more states, viz., West Bengal and the new State of Chhatisgarh, were added to the Scheme. The total premium income from Crop Insurance amounted to Rs.227.59 crores.

During Kharif 2000 season, 84.09 lakh farmers covered (Loanee – 82.17 lakh, Non-loanee – 1.92 lakh), for a sum-insured of Rs.6903.46 crores (Loanee Rs.6807.99 crores, Non-loanee-Rs.95.47 crores). Claims reported for the season was Rs.1122.48 crores (for the crops for which the Yield Data was submitted by the State/U.T. Govts.), of which the Corporation's share amounted to Rs.180.47 crores.

As per data available for Rabi 2000-01 season, 9.50 lakh farmers were covered (Loanee- 7.84 lakh, Non-loanee 1.66 lakh) for a sum insured of Rs.603.47 crores (Loanee- Rs.535.66 crores, Non-loanee – Rs.67.81 crores).

## INVESTMENTS

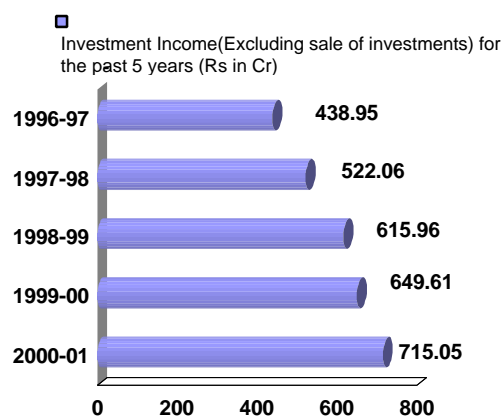
Total Investments of the Corporation in India for the year under review amounted to Rs.6345.33 crores as against Rs.5262.94 crores in the previous year. Fresh investible funds for the year 2000-01 increased to Rs.1082.39 crores as against Rs.707 crores for the previous year. Out of

these, Rs.335.83 crores was NAIS funds. Investment income (including profit on sale of investments/ conversion of debentures) increased to Rs.857.25 crores from Rs.739.26 crores, thus giving a mean yield (including dividend income from Subsidiary Companies) of 14.8% as against 15.1% in the previous year. Out of this investment income an amount of Rs.715.05 crores was from interest, dividend and rents as against Rs.649.61 crores during the previous year.

Non Performing Assets (NPAs) on net basis for the year under review stood at 11.3% as against last year's 11.7% 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.

During the year, the Corporation subscribed to good offerings of debt, apart from taking up rights entitlement of equity. The Corporation also continued to be an active player in the Secondary Equity Market and was able to book a profit of Rs.158.35 crores in the year under review, as against Rs.104.15 crores in the previous year.

Sectorwise break-up of Investments in India of the Corporation as at 31<sup>st</sup> March, 2001 is given in Appendix III.





## **INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (IRDA)**

The IRDA Act, 1999 provides for the establishment of an Insurance Regulatory and Development Authority (IRDA) to regulate, promote and ensure orderly growth of the insurance business and re-insurance business. The IRDA has accordingly notified Insurance Regulations in relation to various operating areas of the insurance companies. The regulations are applicable both to the existing insurers (GIC and Subsidiary companies) and the new insurers.

Under Section 6 of the Insurance Act, 1938, as amended by the IRDA Act, 1999 every reinsurer carrying on reinsurance business exclusively shall have a paid-up equity capital of Rs.200 crores and every insurer carrying on life or general insurance business shall have a paid-up equity capital of Rs.100 crores. GIC's existing paid-up equity capital of Rs.215 crores already conforms to the provisions of the Section *ibid*. As for the four subsidiary companies, each has raised its paid-up equity capital from Rs.40 crores to Rs.100 crores.

IRDA regulations on preparation of financial statements would be incorporated in the accounts for the financial year 2001-02.

## **NEW ROLE AND THRUST AREAS**

Following the establishment this year of General Insurer's (Public Sector) Association of India (GIPSA), for coordinating Personnel, Technical, Reinsurance, Investment and other matters amongst the four subsidiary companies, GIC was relieved of these responsibilities. GIC was redesignated as the 'Indian reinsurer' earlier in the year in terms of the Notification issued by the Government under Section 101(A)(8)(ii) of the Insurance Act, 1938, and with effect from the financial year 2001-02 it ceased to do

any direct business in India. In view of its repositioning as a reinsurer, GIC is currently engaged in redefining its focus to transform into a global reinsurer. In addition to the goal of maximizing retention of the insurance business emanating in India, it will now also pursue the goal of increased levels of reinsurance acceptances from the international reinsurance markets. In pursuit of the new goal, GIC Board has decided to establish functional presence in UK, London to interface with the reinsurance market and develop foreign business in meaningful volumes. GIC intends to establish in course of time similar strategic presence in certain other key markets as well. Further, in order to be globally competitive, it is implementing comprehensive strategies in the areas of process, technology, human resources and marketing. Consistent with its net worth, GIC will now offer treaty and facultative covers with per risk limit of US\$ 10 million and US\$ 50 million, respectively.

## **INTERNATIONAL CREDIT RATING**

A M Best, the renowned international credit rating agency, has rated the Corporation for **“Long-Term Financial Strength”** and given it a rating of **“A (Excellent)”**.

## **TECHNICAL: New Projects**

Consequent upon the Government directives to give operational autonomy to the companies, the new projects initiated by GIC in the Personal Insurance Sector, viz., Health Insurance and Returns Linked Insurance, which had reached implementation stage, were handed over to the companies for implementation.

## **Revision in Fire Tariff**

With effect from 1<sup>st</sup> May, 2000 the Tariff Advisory Committee introduced a simplified fire tariff with significant

reduction in premium rates which resulted in steep fall in the fire portfolio of the subsidiary companies.

### **Mega Risk Insurance Policies**

TAC had detariffed large risks complying with the following eligibility criteria:

(i) Where threshold limit PML is Rs.1054/- crores or above at any one location

Or

(ii) Sum insured at any one location is Rs.10,000/- crores or above.

Consequently insurers would now issue Comprehensive Insurance Package Policies for Mega Risk on reinsurance driven rates, terms and conditions. GIC as reinsurer facilitated placement of risks abroad in excess of certain values of Mega Risk Policies.

### **Marine Insurance – Vessel Operation Approval**

In view of the opening up of the insurance market, the Vessel Operation Approval system was delegated to the companies with effect from 1<sup>st</sup> April, 2000 after providing them adequate training on how to operate the system.

### **Motor Insurance – Lok Adalat**

The General Insurance Industry has institutionalised for the past few years the concept of Lok Adalat for amicable settlement of Motor Third Party claims and a number of claims were settled by the companies through this mechanism.

### **CUSTOMER RELATIONS**

Towards ensuring better customer relationships, GIC took measures to reduce response time for reinsurance acceptances and settlement of claims/accounts in relation to both direct and brokered businesses.

The key customer service parameters for companies, viz. promptness in issuance of documents and settlement

of claims, continued to receive top priority. Vigorous monitoring of operating units in these areas was continued through age-wise analysis of documentation and claims settlement. Attention to quick redressal of customer grievances received emphasis. Citizen's charter and networking of branch and divisional offices were the value drivers of the customer service improvement program.

During the year 2000-01, the companies were able to attain a document disposal ratio of 96.7%. As regards claims settlement, the companies registered an improved settlement ratio of 71.2% compared to last year's 69.9%. The performance with regard to claims settlement and issuance of documents during the year 2000-01 is given in Appendix IV.

### **FOREIGN OPERATIONS**

The Corporation and subsidiary companies operate through branches or agencies or Associate/Subsidiary companies in 30 countries of the world as listed in Appendix V.

During the year ended March 31, 2001, direct overseas operations of the four subsidiary companies produced a gross premium income of Rs.693.09 crores as against Rs.488.76 crores in the previous year. Branch net premium income was Rs.668.29 crores as compared to Rs.440.36 crores in the previous year. The branch net claims during the year amounted to Rs.406.77 crores (60.7% of net premium) compared to Rs.289.19 crores (65.7% of net premium).

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

The performance during the year 2000 of Kenindia Assurance Co. Ltd., a joint venture company of GIC, its subsidiaries and LIC in Kenya was satisfactory in spite of continued adverse economic conditions prevailing in that country. The

company maintained the dividend of 10% on the increased share capital (including bonus shares). The total gross premium of the Company during the year amounted to K.Shs 2.130 billion as against K.Shs 2.119 billion in 1999, while the net profit amounted to K.Shs. 44.91 million as against K.Shs 49.34 million in 1999.

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

During the year under review, the Corporation and its subsidiaries maintained the progress/performance in the implementation of Official Language Policy of the Government of India. The number of offices where more than 80% of the employees have working knowledge of Hindi, as notified under Rule 10(4), stood at 2,862 at the end of the year, the same as that in the previous year.

### **VIGILANCE**

As per the instruction of the Central Vigilance Commissioner, the Vigilance Awareness Week was observed in the offices of GIC at Mumbai, Delhi and the state level Crop Insurance Cells as well as in the offices of Tariff Advisory Committee from 31.10.2000 to 04.11.2000. On 31st October, each department head in the office of GIC administered the pledge to all the officers and employees in the respective department and thereafter read out the messages of Central Vigilance Commissioner.

During the year under review, thrust was given for completion of pending inquiries, and the four companies for preventive vigilance undertook surprise inspections.

### **INTERNAL AUDIT**

The Corporation has an Internal Audit Department to ensure that proper and adequate system and procedures are in place. The main focus of the

department is on systems audit of Reinsurance Underwriting and Accounting, Investments, ITMG, Communication and Personnel functions. The department through its specially designated Concurrent Auditor conducted concurrent audit of investment operations on a daily basis as before and placed quarterly reports of such audits before the Investment Committee. The reports were forwarded to RBI as per extant instructions.

The Corporation has in place a duly constituted Audit Committee of the Board which meets from time to time to review the findings of internal audit. A joint audit-vigilance committee has also been set up in terms of communication ref: F.No. 64(33)2001-Ins.I dated May, 11<sup>th</sup>, 2001 from the Ministry of Economic Affairs, Insurance Division to examine the areas prone to corruption on the basis of internal audit findings.

### **PERSONNEL**

The remuneration particulars of employees in terms of Section 217(2A) of the Companies Act, 1956 is NIL. Staff position in the Corporation and the Subsidiaries as on 31<sup>st</sup> March, 2001 is given in Appendix VI.

A five-member Constitution Bench of the Hon'ble Supreme Court in its judgement dated 19<sup>th</sup> March, 2001 dismissed the petitions filed by Employee Unions/Associations challenging, inter alia, powers of Central Government to revise the pay scales and other conditions of services of employees in General Insurance Industry in terms of Section 17-A of General Insurance Business (Nationalization) Act, 1972 and upheld the said powers of the Central Government.

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

As part of its human resources strategy, the Corporation conducted training programs focussed on reinsurance through in-house facilities, National Insurance Academy, College of Insurance, and certain other reputed management institutes such as Indian Institute of Management, Administrative Staff College of India and institutes abroad. Consistent with its marketing strategy, the Corporation in association with Alliance Francaise De Bombay, The British Institutes, Indo-Italian Chamber and Max Mueller Bhawan decided to conduct foreign language training programs for its employees in languages such as German, French, Italian, Arabic, Spanish, Chinese, Japanese and Russian. About 120 officers were selected to undergo the training in the first phase of the program.

## **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 also given to persons belonging to Other Backward Classes.

## **FOREIGN EXCHANGE EARNINGS & OUTGO**

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

- a) Earnings Rs. 208.71 crores
- b) Outgo Rs. 266.16 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 of all payments in foreign currency in respect of outward premium, claims on reinsurance accepted, commission and expenses of management.

## **ORGANISATIONAL SET-UP OF INDIAN SUBSIDIARIES**

The network of offices of the four subsidiary companies as on 31st March 2001 stood at 92 Regional Offices, 1337 Divisional Offices and 2748 Branch Offices. The company-wise position of network of offices is given in Appendix VII.

## **COMPUTERISATION IN GENERAL INSURANCE INDUSTRY:**

Constant developments in the field of information technology were sought to be incorporated into the Computerisation framework of the corporation and subsidiaries. A project to reorient and redesign GIC's computerized framework in line with global standards was initiated in collaboration with the Indian Institute of Technology, Guwahati.

## **BOARD OF DIRECTORS**

Shri G.P. Gupta, CMD IDBI, ceased to be a Director of the Corporation w.e.f. 01.02.2001 on attaining the age of superannuation.

Shri P.C. Ghosh has been appointed as MD of the Corporation, w.e.f. 01.03.2001.

Shri B.D. Banerjee ceased to be a Director of the Corporation w.e.f. 02.03.2001 on his appointment as CMD of Oriental Insurance Company Ltd.

Shri M.K. Tandon ceased to be a Director of the Corporation w.e.f. 06.03.2001 on his appointment as CMD of National Insurance Company Ltd.

The following Directors of the Corporation ceased to Directors w.e.f. 01.04.2001 on expiry of their tenure.

Shri S. Shanmugham, Dr.(Mrs) Indira Rajaraman, Prof. Manubhai Shah & Dr.D.N. Buragohain.

Shri P.K. Banerji, Special Secretary, Ministry of Finance ceased to be a Director of the Corporation w.e.f. 24.04.2001 on his transfer from the Insurance Division.

Shri Ajit M. Sharan, Joint Secretary (Insurance Division) Ministry of Finance, Govt. of India has been appointed as Director of the Corporation w.e.f. 23.04.2001.

Shri S.S.Kohli, Chairman, Indian Banks Association and Shri Janki Ballabh, Chairman, State Bank of India, have been appointed as Directors of the Corporation w.e.f. 05.07.2001

Shri K.N.Bhandari, Chairman, GIPSA, has been appointed as Director of the Corporation w.e.f. 13.08.2001.

Shri Y.B. Desai, MD Exim Bank, ceased to be a Director of the Corporation w.e.f. 01.05.2001 on attaining the age of superannuation.

Dr.N.L. Mitra and Shri K. Jaybharath Reddy ceased to be Directors of the Corporation w.e.f. 25.05.2001 on the expiry of their tenure.

The Directors wish to place on record the co-operation received from Shri P.K. Banerji, B.D.Banerjee, M.K. Tandon, Dr. N.L. Mitra, Shri K. Jaybharath Reddy, Shri S. Shanmugam, Dr.(Mrs) Indira Rajaraman, Prof Manubhai Shah, Dr. D.N. Buragohain, Shri Y.B. Desai, Shri G.P. Gupta 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 Appendix VIII.

## **DONATIONS AND OTHER ITEMS OF EXPENSES OF MANAGEMENT**

During the year under review the Corporation made the following donations:

Chief Minister's Relief Fund [Govt. of West Bengal] Rs.20,00,000/-

The Corporation shared the grief of the earthquake stricken people of Gujarat and decided to contribute rupees one crore towards the Gujarat Chief Minister's Relief Fund as a token of concern and sympathy for the affected people. Further, the employees of the Corporation also contributed a total amount of Rs.1,41,421/- to the Prime Minister's National Relief Fund towards relief work for the unfortunate earthquake victims.

Expenses on (a) Entertainment (b) Foreign Tours and (c) Publicity and Advertisement amounted to Rs.6,00,072/-, Rs.64,45,718/- and Rs.1,53,27,977/- respectively.

### **AUDITORS**

M/s SHAH GUPTA & CO., Chartered Accountants were re-appointed as Auditors to audit the accounts of the Corporation for the financial year 2000-01 by the Central Government on the advice of the Comptroller & Auditor General of India under Section 619 of the Companies Act, 1956.

### **Qualification to Auditors Report**

Auditor's comments in their report vide Para 6 refers to non provision of claims in respect of direct business incurred prior to 31<sup>st</sup> March but reported thereafter not conforming to Accounting Standard 4 and foreign currency transaction in respect of re-insurance not adhering to Accounting Standard 11 requirements.

Significant Accounting Policies and Notes forming part of the Accounts clearly disclose the practice adopted by the corporation on a uniform/consistent basis vide Para 2.2 (i) and 3.1 of Standard Accounting Policy.

Accounting of reinsurance cessions are done based on Bordeaux received from the reinsurers on quarterly basis. Revenue transactions are therefore converted at the average of buying and selling rates of exchanges at the last date of previous quarter, and this practice is prevalent among the underwriters.

#### **SUBSIDIARY COMPANIES:**

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

India International Insurance Pte. Ltd., had a share capital of S\$. 25 mn. held by the Corporation and its four Subsidiary Companies (20% each). The net premium income of the Company amounted to S\$ 40.1mn. as against S\$ 38.0 mn. in the previous year. The Company earned a net profit of S\$ 12.1mn. as against S\$ 11.2mn. in the previous year. An amount of S\$ 2,79,375 being the net dividend from the company, for the year ended 1999, on the shareholding of the Corporation, was received during the year under review.

##### **Indian Subsidiary Companies:**

###### **(i) Accounts:**

Annual Accounts of the four Indian subsidiary companies, viz., National Insurance Co. Ltd., The New India Assurance Co. Ltd., The Oriental Insurance Co. Ltd., and United India Insurance Co. Ltd., for the year ended 31st March, 2001 are appended to the accounts of the Corporation as required under Section 212 of the Companies Act, 1956.

###### **(ii) Performance of Companies:**

The total gross direct premium of the four subsidiary companies in India during the year ended 31st March, 2001 amounted to Rs.9799.81 crores, registering a growth rate of 6.25 %. Details of gross direct premium in India written by subsidiaries is given in Appendix IX. The net premium income amounted to Rs.8085.76 crores with a growth rate of 8.14%. The net incurred claims ratio for all classes was 86.8% during the year as

against 81.2% in the previous year. Net premium income, classwise claims experience and overall financial performance, are given in Appendices X, XI and XII, respectively.

#### **DIVIDENDS FROM SUBSIDIARIES IN INDIA**

National Insurance declared a dividend of 45% for the year ended 31st March 2000, whereas New India, United India and Oriental declared dividends of 75%, 50% and 60%, respectively. The dividends aggregating Rs.92 crores were received and accounted for by the corporation during the year ended 31st March, 2001. For the year ended 31st March, 2001, National, New India and Oriental have declared dividends of 20 %, 20%, and 25%, respectively whereas United India has not declared any dividend. The paid up equity capital of each of the four subsidiary companies as on 31st March, 2001 was Rs.100 crores, as against Rs.40 crores in the previous year.

#### **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.

#### **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 alongwith 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 2000-2001 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.

#### **SUBMISSION OF ACCOUNTS BEFORE PARLIAMENT:**

As confirmed by the Ministry of Finance, Insurance Division, the Annual Report of the Corporation for the year 1999-2000 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 19<sup>th</sup> March, 2001

In RAJYA SABHA: On 20<sup>th</sup> March, 2001

#### **INDUSTRIAL RELATIONS:**

Industrial relations in the Corporation remained very smooth and cordial throughout the year.

#### **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

**D.Sengupta**  
**Chairman**

September 7th, 2001  
New Delhi.

**GENERAL INSURANCE CORPORATION OF INDIA**

Statement of Interest in the Subsidiary Companies under Section 212 of the Companies Act, 1956

	NATIONAL INSURANCE COMPANY LIMITED	THE NEW INDIA ASSURANCE COMPANY LIMITED	THE ORIENTAL INSURANCE COMPANY LIMITED	UNITED INDIA INSURANCE COMPANY LIMITED	INDIA INTERNATIONAL INSURANCE PTE. LIMITED, SINGAPORE
	For the year ended 31st March, 1996				For the period ended 31st December, 1995
(a) The extent of the Corporation's interest in the Subsidiary at the end of the financial year of the Subsidiary Company	Out of the 8,00,00,000 shares of the face value of Rs.5/- each fully paid, the Corporation holds 7,99,74,860 shares (99.97%)	Out of the 8,00,00,000 shares of the face value of Rs.5/- each fully paid, the Corporation holds 7,99,99,990 shares (99.99%)	Out of the 8,00,00,000 shares of the face value of Rs.5/- each fully paid, the Corporation holds 7,99,99,990 shares (99.99%)	Out of the 8,00,00,000 shares of the face value of Rs.5/- each fully paid, the Corporation holds 7,99,99,990 shares (99.99%)	Out of the 2,50,00,000 shares of the face value of Sing. \$ 1/- each fully paid, the Corporation and its four Indian Subsidiary (20%) each
(b) The net aggregate amount of the Subsidiary's profit after deducting its losses or vice versa so far as it concerns the members of the Corporation and is not dealt with in the Corporation's accounts					
(i) For the current financial year of the Subsidiary	Profit Rs.82.00 crores	Profit Rs.196.69 crores	Profit Rs 91.42 crores	Profit Rs.118.85 crores	Profit Sing. \$ 1.12 crore
(ii) For the previous financial years of the Subsidiary since it became the Corporation's Subsidiary	Profit Rs.490.92 crores	Profit Rs.1132.16 crores	Profit Rs.410.37 crores	Profit Rs.520.10 crores	Profit Sing. \$ 3.00 crore
its losses or vice versa so far as these are dealt with in the Corporation's accounts					
(i) For the current financial year of the Subsidiary	Nil	Nil	Nil	Nil	Nil
(ii) For the previous financial years of the Subsidiary since it became the Corporation's Subsidiary	Profit Rs.151.30 crores	Profit Rs.177.81 crores	Profit Rs.161.81 crores	Profit Rs.173.11 crores	Profit Sing. \$ 0.21 crore

There has been no change in the Corporation's interest in India International Insurance Pte Ltd., Singapore between 31st December, 1996 and 31st March, 1997. During the period, investments of the Company increased by Sing. \$ 5,983,701/-. Apart from this, there are no other material changes in respect of the Subsidiary's fixed assets, moneys lent by it and moneys borrowed by it for any purpose other than meeting current liabilities.

-----! Chairman

-----! Managing Director

-----!

-----!

-----!

-----! Directors

-----!

-----!

-----!

-----!

Bombay,



**APPENDIX I**

**DETAILS OF INSURANCE CLAIMS REPORTED DURING THE YEAR ENDED  
31ST MARCH 2001, WHERE THE ESTIMATED LIABILITY (GROSS) OF THE  
THE GENERAL INSURANCE CORPORATION OF INDIA AND THE  
SUBSIDIARY COMPANIES IS RS. 5 CRORES OR MORE.**

<b>Department</b>	<b>Date of occurrence/ intimation of loss</b>	<b>Details of loss</b>	<b>Estimated loss (In crores of Rs.)</b>
<b>Fire</b>	26.01.2001	Tata Chemicals	10.10
	23.08.2001	Sony India	5.21
	12.07.2000	Indian Auto Ltd. (Premier)	5.53
	30.04.2001	Mysore Paper Mills	6.00
	12.07.2000	Bombay Dyeing	6.50
	05.06.2000	Amareswara Agri Technical	6.62
	08.06.2000	Dabhol Power Co.	9.00
	04.06.2000	Nahar Exports	9.00
	10.09.2000	Schenestady Specialities Asia Ltd.	10.00
	26.01.2001	Saurashtra Chemicals Ltd.	18.99
	26.01.2001	Indian Farmer Fertilizer Co., Kandla	25.00
	13.07.2000	Bombay Floods	107.95
	02.03.2001	Tata Chemicals	130.00
26.01.2001	Gujarat Earthquake	361.19	
<b>Misc.</b>		Continental Foundation J.V.	42.00
		ABB/BHEL	187.00
		Continental Foundation J.V.	39.43
	July 2000	Haldia Petrochemical	231.99
	Jan 2001	Gujarat Earthquake	140.00
	17.07.2000	Indian Airlines- Accident to VT-EGD at Patna	39.86
<b>Marine Cargo</b>	26.01.2001	Earthquake	14.04
<b>Marine Hull</b>	27.05.2000	Partibha Yamuna	45.83

**ASSETS OF THE CORPORATION****APPENDIX II**  
(In crores of Rupees)

	<b>As on 31.3.2001</b>		<b>As on 31.3.2000</b>	
	<b>Amount</b>	<b>% of total assets</b>	<b>Amount</b>	<b>% of total assets</b>
1. Indian Government Securities	<b>1284.74</b>	<b>16.5</b>	1130.44	17.3
2. State Government Securities	<b>388.91</b>	<b>5.0</b>	328.85	5.0
3. Bonds, Debentures, Stock and other Securities whereon interest is guaranteed by the Indian Govt. or a State Govt.	<b>159.59</b>	<b>2.1</b>	104.21	1.6
4. Debentures of Indian Companies	<b>1098.46</b>	<b>14.1</b>	971.33	14.9
5. Pref. Shares of Indian Companies	<b>41.74</b>	<b>0.5</b>	44.53	0.7
6. Ordinary Shares of Indian Companies (Other than holding in Subsidiary Companies)	<b>1366.12</b>	<b>17.6</b>	977.44	14.9
7. Holdings in Subsidiary Companies in India	<b>38.05</b>	<b>0.5</b>	38.05	0.6
8. Holdings in Subsidiary Companies outside India	<b>2.95</b>	<b>0.0</b>	2.95	0.0
9. Ordinary Shares of Companies incorporated outside India	<b>1.03</b>	<b>0.0</b>	0.49	0.0
10. Units in Venture Capital Fund/ Contribution to GIC - MF	<b>56.33</b>	<b>0.7</b>	52.78	0.8
11. Special Deposit Scheme of Govt. of India	<b>281.00</b>	<b>3.6</b>	307.00	4.7
12. Land and House Property	<b>24.68</b>	<b>0.3</b>	25.45	0.4
13. Loans on Mortgages	<b>244.06</b>	<b>3.1</b>	239.57	3.7
14. Loans for Housing Schemes of State Government and others	<b>526.18</b>	<b>6.8</b>	393.88	6.0
15. Loans to Staff for Housing	<b>5.33</b>	<b>0.1</b>	4.43	0.1
16. Loans to Banks under Bills Rediscounting Scheme Certificate of Deposit & to Companies under Commercial Paper	<b>4.74</b>	<b>0.1</b>	35.11	0.5
17. Other Loans	<b>38.48</b>	<b>0.5</b>	43.60	0.7
18. Cash at Bankers on Deposit Account	<b>1123.55</b>	<b>14.5</b>	891.71	13.6
19. Cash at Bankers on Current Account and in hand, including cheques in hand and cash in transit	<b>87.71</b>	<b>1.1</b>	34.14	0.5
20. Outstanding Premium and Amount due from other Insurers	<b>274.26</b>	<b>3.5</b>	179.59	2.7
21. Interest and Dividends accrued and Outstanding	<b>150.93</b>	<b>1.9</b>	135.20	2.1
22. Fixed Deposit with Non-Banking Companies	<b>14.07</b>	<b>0.2</b>	14.64	0.2
23. Miscellaneous (including Sundry Debtors, Advances and Deposits, Advance taxes etc)	<b>560.38</b>	<b>7.2</b>	585.27	8.9
<b>Total</b>	<b>7773.29</b>	<b>100.0</b>	6540.66	100.0

**SECTORWISE BREAK-UP OF INVESTMENTS IN INDIA OF THE CORPORATION AS ON 31ST MARCH 2001.**

PARTICULARS OF INVESTMENT	(In Crores of Rs.)
<b>Public Sector:</b>	
1. Government of India Securities	1284.74
2. State Government Securities	388.91
3. Shares, debentures & bonds of statutory corporations, public sector companies & State electricity boards	822.37
4. Loans to State Govts. for social housing programme & for purchase of fire fighting equipment	297.28
5. Loans for housing to HUDCO/DDA/GIC HOUSING	263.64
6. Loans to Public sector companies	1.25
7. Special Deposit Scheme of Government of India	281.00
8. Holding in Subsidiary companies	38.05
9. Loans to State Electricity Boards	3.75
10. In Call Money and Fixed Deposit with Nationalised Banks	664.50
11. Application Money for Shares/Bonds/Debentures	26.00
<b>Total</b>	<b>4071.49</b>
<b>Joint Sector:</b>	
1. Equity shares of companies	13.88
2. Preference shares of companies	2.06
3. Debentures	10.24
4. Loans to companies	0.68
5. Fixed deposits with non-banking companies	1.00
<b>Total</b>	<b>27.86</b>
<b>Private Sector:</b>	
1. Bonds and debentures of companies	713.30
2. Preference shares of companies	36.08
3. Equity shares of companies	1067.98
4. Loans to companies	242.13
5. Fixed deposits with non-banking companies	13.07
6. Units in Venture Funds	1.83
7. Loans to Employees for Housing	5.33
8. Loans under Commercial Paper	4.74
9. In Call Money and Fixed Deposit With Non-nationalised Banks	198.00
10. Application Money for Shares/Bonds/Debentures	9.60
11. Units of GIC-Mutual Fund	44.90
12. Units of Unit Trust of India	44.90
<b>Total</b>	<b>2336.96</b>
<b>Total of Investments</b>	<b>6436.31</b>

## APPENDIX IV

THE FOLLOWING APPENDIX INDICATES THE PERFORMANCE OF THE SUBSIDIARY COMPANIES WITH REGARDS TO SETTLEMENT OF CLAIMS AND ISSUE OF DOCUMENTS DURING 2000-2001.

## (A) SETTLEMENT OF CLAIMS DURING 2000-2001.

COMPANY	NO. OF CLAIMS OUTSTANDING AS ON 1.4.2000	NO. OF CLAIMS INTIMATED DURING 2000-2001	NO. OF CLAIMS SETTLED DURING 2000-2001	NO. OF CLAIMS OUTSTANDING AS ON 31.3.2001	CLAIMS SETTLEMENT ( in %) (3)/(1)+(2)	CORRESPONDING PERCENTAGE FOR 1999-2000
	(1)	(2)	(3)	(4)	(5)	(6)
NATIONAL	201,880	702,774	655,257	249,397	72.4	73.0
NEW INDIA	283,987	1,084,034	1,056,482	311,539	77.2	74.5
ORIENTAL	247,139	587,610	563,164	271,585	67.5	65.4
UNITED INDIA	276,536	496,462	498,246	274,752	64.5	64.2
<b>TOTAL .. ..</b>	<b>1,009,542</b>	<b>2,870,880</b>	<b>2,773,149</b>	<b>1,107,273</b>	<b>71.5</b>	<b>69.8</b>

## (B) DOCUMENTS ISSUED DURING THE YEAR 2000-2001

COMPANY	NO. OF DOCUMENTS OUTSTANDING AS ON 1.4.2000	NO. OF DOCUMENTS INCEPTED DURING 2000-2001	NO. OF DOCUMENTS ISSUED DURING 2000-2001	NO. OF DOCUMENTS OUTSTANDING AS ON 31.3.2001	DOCUMENTATION ( in %) (3)/(1)+(2)	CORRESPONDING PERCENTAGE 1999-2000
	(1)	(2)	(3)	(4)	(5)	(6)
NATIONAL	162,957	7,925,903	7,935,315	153,545	98.1	97.8
NEW INDIA	317,226	13,108,929	13,120,819	305,336	97.7	97.3
ORIENTAL	148,217	8,339,996	8,335,170	153,043	98.2	98.0
UNITED INDIA	384,508	7,952,314	7,902,698	434,124	94.8	95.3
<b>TOTAL .. ..</b>	<b>1,012,908</b>	<b>37,327,142</b>	<b>37,294,002</b>	<b>1,046,048</b>	<b>97.3</b>	<b>97.1</b>

## APPENDIX V

### LIST OF FOREIGN COUNTRIES IN WHICH THE CORPORATION OR A SUBSIDIARY COMPANY IS OPERATING

---

#### A. Directly:

- |              |                          |
|--------------|--------------------------|
| 1. Aruba     | 9. Nepal                 |
| 2. Australia | 10. Netherlands Antilles |
| 3. Bahrain   | 11. Oman                 |
| 4. Fiji      | 12. Philippines          |
| 5. Hong Kong | 13. Saudi Arabia         |
| 6. Japan     | 14. Thailand             |
| 7. Kuwait    | 15. United Arab Emirates |
| 8. Mauritius | 16. United Kingdom       |

#### B. Through Subsidiary Companies and Associated Companies:

- |             |                       |
|-------------|-----------------------|
| 1. Barbados | 8. Nigeria            |
| 2. Dominica | 9. Sierra Leone       |
| 3. Guyana   | 10. Trinidad & Tobago |
| 4. Ghana    | 11. St. Lucia         |
| 5. Jordan   | 12. Antigua           |
| 6. Kenya    | 13. Liberia           |
| 7. Malaysia | 14. Singapore         |

APPENDIX VI

Staff position in the Corporation and the Indian Subsidiary Companies as on 31-3-2001 was as under

Category	GIC	National	New India	Oriental	United India	Total as on 31.3.2001	Total as on 31.3.2000
Officers	273	3892	4975	4086	4652	17,878	16,908
Development Officers		2781	3,839	2,932	2,947	12,499	12,396
Supervisory & Clerical Staff	316	9,917	11,943	9,618	10,953	42,747	44,391
Subordinate Staff	110	2,338	2,782	2,375	2,313	9,918	10,047
<b>Total .. ..</b>	<b>699</b>	<b>18,928</b>	<b>23,539</b>	<b>19,011</b>	<b>20,865</b>	<b>83,042</b>	<b>83,742</b>

## APPENDIX VII

### ORGANISATIONAL SET UP AS ON MARCH 31, 2001.

COMPANY	REGIONAL OFFICES	DIVISIONAL OFFICES	BRANCH OFFICES
NATIONAL	20 (20)	272 (273)	670 (664)
NEW INDIA	26 (26)	394 (383)	703 (714)
ORIENTAL	21 (21)	311 (291)	638 (663)
UNITED INDIA	25 (25)	360 (352)	737 (742)
TOTAL .. ..	92 (92)	1337 (1299)	2748 (2783)

(Figures in bracket indicate the number as on March 31, 2000).

-

**APPENDIX VIII**

**STATEMENT SHOWING NUMBER OF BOARD MEETINGS ATTENDED  
BY THE DIRECTORS DURING THE PERIOD APRIL 2000- MARCH 2001.**

Name of Director	Dates of Meeting				
	26-06-2000	28-09-2000	25-11-2000	20-12-2000	26-03-2001
Shri D.Sengupta	Present	Present	Present	Present	Present
Shri P.K.Banerji	Present	Present	Present	Present	Present
Shri G.Krishnamurthy	Absent	Ceased			
Shri G.P.Gupta	Absent	Absent	Absent	Absent	Ceased
Shri Y.B.Desai	Present	Absent	Present	Present	Absent
Shri G.G.Vaidya	Absent	Absent	Ceased		
Shri Hasmukh Shah	Present	Ceased			
Dr. (Mrs.) Indira Rajaraman	Present	Present	Present	Absent	Absent
Dr. D.N.Buragohain	Present	Absent	Present	Present	Absent
Prof. Manubhai Shah	Present	Present	Present	Absent	Present
Shri K.J.Reddy	Present	Present	Present	Absent	Present
Dr. N.L.Mitra	Present	Present	Present	Present	Present
Shri S. Shanmugam	Present	Present	Present	Present	Present
Shri B.D.Banerjee	Present	Absent	Present	Present	Ceased
Shri M.K.Tandon	Present	Present	Present	Present	Ceased
Shri G.N.Bajpai	Not on Board	Not on Board	Absent	Present	Present
Shri P.C.Ghosh	Not on Board	Not on Board	Not on Board	Not on Board	Present



## APPENDIX IX

## GROSS DIRECT PREMIUM INCOME IN INDIA

(In crores of Rs.)

Name of the Company	Fire		Miscellaneous		Marine		Total	
	2000-2001	1999-2000	2000-2001	1999-2000	2000-2001	1999-2000	2000-2001	1999-2000
National	408.09	460.87	1505.99	1334.47	203.80	197.98	2117.88	1993.32
New India	654.24	760.29	2073.09	1908.82	313.84	310.42	3041.17	2979.53
Oriental	471.28	485.03	1540.49	1429.35	187.90	209.79	2199.67	2124.17
United India	526.11	606.03	1635.42	1465.74	279.56	276.80	2441.09	2348.57
Total .. ..	2059.72	2312.22	6754.99	6138.38	985.10	994.99	9799.81	9445.59

## APPENDIX X

## NET PREMIUM INCOME

(In crores of Rs.)

Name of the Company	Fire		Miscellaneous		Marine		Total	
	2000-2001	1999-2000	2000-2001	1999-2000	2000-2001	1999-2000	2000-2001	1999-2000
National	365.51	395.51	1289.92	1079.94	149.12	139.27	1804.55	1614.72
New India	599.64	655.72	1883.72	1629.61	188.12	192.12	2671.48	2477.45
Oriental	393.43	412.72	1210.21	1087.23	121.71	132.08	1725.35	1632.03
United India	412.33	487.65	1329.27	1115.84	142.78	149.51	1884.38	1753
Total	1770.91	1951.6	5713.12	4912.62	601.73	612.98	8085.76	7477.2

## APPENDIX XI

**CLASSWISE NET INCURRED CLAIM RATIOS**

(In percentages)

Name of the Company	Fire		Miscellaneous		Marine		Total	
	2000-2001	1999-2000	2000-2001	1999-2000	2000-2001	1999-2000	2000-2001	1999-2000
National	49.0	41.3	95.0	95.3	38.2	79.0	81.0	80.7
New India	65.5	45.3	92.7	91.2	75.4	63.7	85.3	76.9
Oriental	67.7	42.0	94.6	97.7	75.1	73.4	87.1	81.6
United India	69.9	32.7	103.1	113.8	83.3	66.8	94.3	87.2
	63.6	40.6	96.0	98.7	68.0	70.0	86.8	81.2

**APPENDIX XII**

**UNDERWRITING EXPERIENCE AND PROFITS OF THE INDIAN SUBSIDIARY COMPANIES.**

	<b>National</b>		<b>New India</b>		<b>Oriental</b>		<b>United India</b>		<b>Total</b>	
	2000-2001	1999-2000	2000-2001	1999-2000	2000-2001	1999-2000	2000-2001	1999-2000	2000-2001	1999-2000
Net Premium	1804.55	1614.72	2671.48	2477.45	1725.35	1632.03	1884.38	1753.00	8085.76	7477.20
Net Claims Payable	1461.63	1302.74	2279.74	1906.25	1502.06	1332.17	1776.93	1528.91	7020.36	6070.07
	81.0%	80.7%	85.3%	76.9%	87.1%	81.6%	94.3%	87.2%	86.8%	81.2%
Commission, expenses of management and other charges	488.44	471.49	742.76	603.02	457.41	494.24	465.45	430.15	2154.06	1998.90
	27.1%	29.2%	27.8%	24.3%	26.5%	30.3%	24.7%	24.5%	26.6%	26.7%
Increase in Reserve for unexpired Risks	99.84	72.40	95.02	146.16	41.48	104.12	62.33	70.57	298.67	393.25
	5.5%	4.5%	3.6%	5.9%	2.4%	6.4%	3.3%	4.0%	3.7%	5.3%
Underwriting profit/loss	-245.36	-231.91	-446.04	-177.98	-275.60	-298.50	-420.33	-276.63	-1387.33	-985.02
	-13.6%	-14.4%	-16.7%	-7.2%	-16.0%	-18.3%	-22.3%	-15.8%	-17.2%	-13.2%
Gross Investment Income	377.68	340.20	737.55	685.74	396.23	367.53	484.29	444.46	1995.75	1837.93
Other income less other outgo	-42.94	-7.84	-52.67	-72.44	-45.50	-8.23	-54.89	-17.42	-196.00	-105.93
Profit before tax	89.38	100.45	238.84	435.32	75.13	60.80	9.07	150.41	412.42	746.98
Income tax deducted at source and provision for tax	2.60	3.92	65.30	148.03	0.95	5.61	0.92	28.82	69.77	186.38
Net Profit	86.78	96.53	173.54	287.29	74.18	55.19	8.15	121.59	342.65	560.60

(Figures in brackets are percentages to corresponding net premium income).

**GENERAL INSURANCE CORPORATION OF INDIA**

**Certificate of the Directors**

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

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We certify that :

1. Investments have been shown in the Balance Sheet at or below cost. The holdings in Subsidiary Companies in India have been shown at the amount payable under Section 11 of the General Insurance Business (Nationalisation) Act, 1972 for acquiring the shares and undertakings of the insurers.
  2. The market value of investments quoted on the Stock Exchanges has been ascertained by a reference to the official quotations of the Stock Exchanges published for the last working day of the year. The market value of unquoted investments and investments listed on Stock Exchanges in respect of which transactions have not taken place or the same are prior to 1st October, 2000 is arrived at on the basis of the lower valuation in respect of each category of investments as indicated below:
    - (a) Securities, bonds and shares issued or guaranteed by the Government
      - (i) Book value
      - (ii) Yield to Maturity as per RBI valuation norms
    - (b) Preference shares/Debentures
      - (i) Book value
    - (c) Equity shares
      - (i) Book value
      - (ii) Break-up value
  3. The values of all the assets have been reviewed as at 31st March, 2001 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".
- 

**D. SENGUPTA**  
Chairman

**P. C. GHOSH**  
Managing Director

**AJIT M. SHARAN**  
**G.N. BAJPAI**  
rectors

New Delhi,  
Dated : 7th September, 2001

**REVIEW OF ACCOUNTS BY COMPTROLLER & AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF  
GENERAL INSURANCE CORPORATION OF INDIA FOR THE YEAR ENDED 31ST MARCH, 2001**

	2000-01	1999-00	(Rupees in Crores) 1998-99
<b>1. FINANCIAL POSITION</b>			
LIABILITIES: (A)			
(a) Paid up Capital	215.00	215.00	215.00
(b) Reserves & Surplus			
(i) Free Reserves & Surplus	2,447.04	2,077.74	1,729.86
(ii) Committed Reserves	123.69	85.01	73.35
(c) Reserves for unexpired risks	1,206.65	1,059.80	969.78
(d) Estimated Liabilities in respect of outstanding claims	2,654.19	2,229.80	1,907.00
(e) Current Liabilities & Provisions			
(i) Provisions	386.23	541.30	451.92
(ii) Other current liabilities	740.50	332.01	339.68
	<u>7,773.30</u>	<u>6,540.66</u>	<u>5,686.59</u>
ASSETS: (B)			
Gross Block	47.93	48.26	47.39
Less: Cumulative Depreciation.	22.04	21.18	19.62
(f) Net Block	<u>25.89</u>	<u>27.08</u>	<u>27.77</u>
(g) Investments & Loans			
(i) Long Term Investments	4,718.93	3,958.08	3,180.91
(ii) Short Term Investments	1,142.36	941.46	948.85
(h) Current Assets, Loans & Advances	1,886.12	1,614.04	1,529.06
	7,773.30	6,540.66	5,686.59
Capital Employed [f+g(ii)+h-A(e)]	1,927.64	1,709.27	1,714.08
Net worth [a+b(i)]	2,662.04	2,292.74	1,944.86
Net worth/share (Rs.)	1,238.16	1,066.39	904.59
<b>2. RESERVES</b>			
FREE RESERVES			
(i) General Reserve	2,446.45	2,007.15	1,729.25
(ii) Investment	0.58	0.58	0.58
(iii) Profit and Loss Appropriation A/c	0.01	0.01	0.03
	<u>2,447.04</u>	<u>2,077.74</u>	<u>1,729.86</u>

	2000-01	1999-00	(Rupees in Crores) 1998-99
<b>COMMITTED RESERVE</b>			
(i) Capital Reserve	-	-	-
(ii) Reserve for doubtful debts	121.00	82.94	71.03
(iii) Reserve for gratuity	-	-	-
(iv) Reserve for leave encashment	2.69	2.07	2.32
	<u>123.69</u>	<u>85.01</u>	<u>73.35</u>
Balance of Accounts	1,206.65	1,059.80	969.78
Estimated Liability in respect of O/S Claims whether due or intimated	2,654.19	2,229.80	1,907.00
<b>3. INVESTMENTS (SHORT TERM)</b>			
(i) To Banks under Certificate of Deposit Scheme	-	9.75	60.00
(ii) Short term loans with Non-banking Companies	14.07	14.64	21.14
(iii) Cash at Bankers on FD A/c.	1,088.16	890.85	746.70
(iv) Cash at Bankers on Call Deposit	35.39	0.86	21.01
(v) Loan to Banks under Commercial Paper Scheme	4.74	25.36	100.00
	<u>1,142.36</u>	<u>941.46</u>	<u>948.85</u>
<b>4. CURRENT ASSETS. LOANS &amp; ADVANCES</b>			
(i) Sundry Debtors	38.92	7.09	10.81
(ii) Cash & Bank Balances	87.71	34.14	56.82
(iii) Loans & Advances (Total of loans minus items (i), (ii) and (v) of investments)	814.05	681.47	678.43
(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	16.88	10.60	19.24
(f) Interest, Dividends and Rents accruing but not due	134.05	124.60	101.11
(g) Amounts due from other persons or bodies carrying on Insurance Business	274.26	179.59	249.74
(h) Advances, Deposits & Prepaid Expenses including Taxes	427.57	509.56	356.02
(i) Reserve Deposit with Ceding Cos.	65.62	53.20	51.19
(i) Application money for investments	26.00	13.00	5.00
(k) Vehicles on contribution basis and loans against vehicles	1.06	0.79	0.70
<b>TOTAL CURRENT ASSETS</b>	<u>1,886.12</u>	<u>1,614.04</u>	<u>1,529.06</u>
Less : (iv)(f), (h) & (k)	562.68	634.95	457.83
<b>QUICK ASSETS</b>	<u>1,323.44</u>	<u>979.09</u>	<u>1,071.23</u>

	2000-01	1999-00	1998-99
<b>5. CURRENT LIABILITIES &amp; PROVISIONS</b>			
Total Liabilities	7,773.30	6,540.66	5,686.59
Less: Reserve & Surplus, Committed Reserves & Paid up capital	6,646.57	5,667.35	4,894.99
	1,126.73	873.31	791.60
Less : Provisions	386.23	541.30	451.92
<b>Current Liabilities</b>	<b>740.50</b>	<b>332.01</b>	<b>339.68</b>

#### 6. LIQUIDITY & SOLVENCY

- (a) The percentage of Current Assets to Total Net Assets decreased from 26.89 in 1998-99 to 24.68 in 1999-00 and to 24.26 in 2000-01.
- (b) The percentage of Current Assets to Current Assets to Current Liabilities (including Provisions) decreased from 193.16 in 1998-99 to 184.82 in 1999-00 and to 167.40 in 2000-01.
- (c) The percentage of Total Assets to Total Liabilities (excluding paid up capital and free reserve) increased from 151.98 in 1998-99 to 153.97 in 1999-00 and decreased to 152.08 in 2000-01.
- (d) The percentage of Quick Assets (Sundry Debtors, Advances, Cash and Bank balances) to Current Liabilities (excluding provisions) decreased from 315.36 in 1998-99 to 294.90 in 1999-00 and to 178.72 in 2000-01.

#### 7. SOURCES AND UTILISATION OF FUNDS

Funds amounting to Rs. 980.08 crores from Internal and External Sources were generated and utilised during the year 2000-01 as given below:

Sources of funds	(Rupees in Crores)		
	2000-01	1999-00	1998-99
(a) Addition to Reserves and Surplus	369.30	347.88	360.89
(b) Increase in Insurance Funds	609.92	424.48	315.08
(c) Addition to Cumulative Depreciation	0.86	1.56	2.10
	<b>980.08</b>	<b>773.92</b>	<b>678.07</b>
<b>Utilisation of funds</b>			
(a) Addition to Gross Block	(0.33)	0.87	0.68
(b) Addition to Investments	961.75	769.78	546.54
(c) Addition to Cumulative Depreciation	18.66	3.27	130.85
	<b>980.08</b>	<b>773.92</b>	<b>678.07</b>



	2000-01	1999-00	(Rupees in Crores) 1998-99
<b>8. WORKING RESULTS</b>			
The working results of the Company for the last three years are given below :-			
(a) Net Premium	2,186.54	1,886.31	1,710.26
(b) Expenses, Commission(Net), Claims, Increase in unexpired risk reserve and other outgo	2,521.43	2,115.84	1,811.89
(c) Net underwriting Income (a-b)	(334.89)	(229.53)	(101.63)
(d) Net of other Income (Investment, etc.)	652.56	635.20	592.08
(e) Net Profit as per Accounts	317.67	405.67	490.45
(f) Profit before tax	317.67	405.67	490.45
(g) Provision for taxation (net)	75.38	92.07	117.83
(h) Profit after tax	242.29	313.60	372.62
(i) Percentage of incurred claims to net premium	84.69	80.35	73.22
(j) Percentage of expenses of management to net premium	1.08	1.24	1.23

Net commission in the three years 1998-99, 1999-00, and 2000-01 was Rs. 440.52 crores, Rs.486.42 crores and Rs.496.10 crores respectively.

**9. THE WORKING RESULTS OF FOREIGN OPERATIONS OF THE COMPANY FOR THE LAST 3 YEARS ARE TABULATED BELOW**

	2000-01	1999-00	(Rupees in Crores) 1998-99
(a) Net operating Profit (+)/Loss(-)	-	-	-
(b) Net of other income	-	-	-
(c) Net Profit/Loss	-	-	-

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, 2001

## AUDITOR'S REPORT

### To the members of General Insurance Corporation of India

We have audited the attached Balance Sheet of the GENERAL INSURANCE CORPORATION OF INDIA as at 31st March, 2001 and the Fire, Miscellaneous and Marine Insurance Revenue Accounts, the Profit and Loss Account and the Profit and Loss Appropriation Account for the year ended on that date and annexed thereto, in which are incorporated the returns under various Crop Insurance Schemes (referred to in Note 2 on the accounts) which have been duly audited by the Independent Auditors appointed by the Corporation.

I. The accounts of the Corporation have been drawn up in accordance with the Insurance Act, 1938 read with the General Insurance Business (Nationalisation) Act, 1972 and the General Insurance Business (Nationalisation) Rules, 1973 and the Companies Act, 1956 to the extent applicable and in the manner so required, as per Accounting Policy No.1 read with Note 1 on the accounts.

II. We report that

1. 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.0.17 crores as mentioned in Notes 3(a), 3(c), and 3(d) on the accounts.
2. Attention is drawn to
  - (a) Accounting Policy 5.9 and Note 3(f) regarding profit (net of loss) on realisation of investments of Rs. 158.35 crores taken directly to General Reserve.
  - (b) Note 4 regarding properties of the cost of Rs. 31.87 crores, for which conveyance deeds are yet to be executed and included in House Property.
  - (c) Note 3 (j) regarding not writing down of diminution in value of investments in a telecom project amounting to Rs.1.46 crores.
3. 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.
4. In our opinion, proper Books of Account as required by law have been kept by the Corporation so far as it appears from our examination of those books.
5. The Balance Sheet, Revenue Accounts, Profit and Loss Account and Profit and Loss Appropriation Account dealt with by this report are in agreement with the Books of Account and Returns.
6. In our opinion, the Balance Sheet, Revenue Accounts, Profit & Loss Account and Profit & Loss Appropriation Account comply with the Accounting Standards referred to in section 21 1 (3C) of the Companies Act, 1956, to the extent applicable to the Corporation except relating to:
  - (i) Non provision of claims in respect of Direct Business incurred prior to 31<sup>st</sup> March but reported thereafter (refer Accounting Policy No.2.2 (I)) which

is not in accordance with the Accounting Standard 4 on 'Contingencies and Events Occurring After the Balance Sheet Date'.

(ii) Foreign Currency Transaction in respect of reinsurance have been translated as per Accounting Policy No. 3.1, which is not in accordance with the Accounting Standard 11 on 'Accounting for the Effects of Changes in Foreign Exchange Rates'. The effect of the above on the financial statements is not ascertainable.

7. On the basis of written representations received from the Directors of the Company, taken on record by the Board of Directors, none of the Directors is disqualified as on 31<sup>st</sup> March, 2001 from being appointed as a Director in terms of section 274(1)(g) of the Companies Act, 1956.
8. 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 and subject to following:
  - (i) Note No. 6 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/ analysed/reconciled. Pending such confirmation/ reconciliation, its impact on the accounts is not ascertainable.
  - (ii) Non compliance of Accounting Standards 4 and 11 as mentioned in para 6 above. Effect of the above on Assets, Liabilities and Reserves & Surplus could not be determined.

give the information required by the Companies Act, 1956 in the manner so required as applicable to Insurance Companies and give a true and fair view

- i) in so far it relates to the Balance Sheet, of the state of affairs of the Corporation as at 31<sup>st</sup> March, 2001 and
- ii) in so far it relates to the Profit and Loss Account, of the Profit of the Corporation for the year ended on that date.

For **SHAH GUPTA & CO.**  
Chartered Accountants

New Delhi,  
Dated: 7th September 2001

**VIPUL K. CHOKSI**  
Partner

**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 FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2001.**

I have to state that the Comptroller & Auditor General of India has no comments upon or supplemental 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 31<sup>st</sup> March, 2001.

(BALVINDER SINGH)  
PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT  
& EX-OFFICIO MEMBER, AUDIT BOARD-I, MUMBAI.

Mumbai,  
Date: 25, September 2001.

**GENERAL INSURANCE CORPORATION OF INDIA**

**Revenue Account for the year ended 31st March, 2001  
in respect of Fire Insurance Business**

	Rupees	Rupees	Previous Year Rupees
CLAIMS UNDER POLICIES, LESS REINSURANCES :			
Paid during the year	191,47,37,282		122,87,02,356
Add: Total estimated liability in respect of outstanding claims at the end of the year, whether due or intimated	<u>257,19,05,169</u> 448,66,42,451		<u>217,90,82,921</u> 340,77,85,277
Less: Outstanding at the end of the previous year	<u>217,90,82,921</u>		<u>171,17,25,620</u>
		230,75,59,530	169,60,59,657
COMMISSION ON REINSURANCES ACCEPTED		297,72,25,460	375,83,39,958
EXPENSES OF MANAGEMENT		7,24,43,739	8,89,82,919
LOSS ON EXCHANGE (NET)		34,46,155	32,48,979
PROFIT TRANSFERRED TO PROFIT AND LOSS ACCOUNT		47,45,55,354	91,62,30,085
BALANCE OF ACCOUNT AT THE END OF THE YEAR AS SHOWN IN THE BALANCE SHEET :			
Reserve for Unexpired Risks being fifty percent (50%) of the premium income of the year		189,57,97,869	225,54,43,366
		<u>773,10,28,107</u>	<u>871,83,04,964</u>
Claims paid to claimants in India		169,07,74,329	105,29,35,277
Claims paid to claimants outside India		22,39,62,953	17,57,67,079

As required by Section 40C (2) of the Insurance Act, 1938, we certify that, to the best of our knowledge and according to the information and explanations given to us, and so far as appears from our examination of the Corporation's books of account, all expenses of management, wherever incurred, whether directly or indirectly, in respect of FIRE INSURANCE BUSINESS have been fully debited in the FIRE INSURANCE REVENUE ACCOUNT as expenses.

As per our Report of even date  
For **SHAH GUPTA & CO.**  
Chartered Accountants

**Vipul K. Choksi**  
Partner

New Delhi,  
Dated : 7th September, 2001

29TH ANNUAL REPORT 2000-01

	Rupees	Previous Year Rupees
BALANCE OF ACCOUNT AT THE BEGINNING OF THE YEAR		
Reserve for Unexpired Risks	225,54,43,366	201,00,35,143
PREMIUMS, LESS REINSURANCES	379,15,95,738	451,08,86,731
COMMISSION ON REINSURANCES CEDED	168,39,89,003	219,73,83,090
	<u>773,10,28,107</u>	<u>871,83,04,964</u>
Premiums derived from business effected in India	351,62,62,638	425,90,19,662
Premiums derived from business effected outside India	27,53,33,100	25,18,67,069

As required by Section 40C (2) of the Insurance Act, 1938, we certify that, all expenses of management, wherever incurred, whether directly or indirectly, in respect of FIRE INSURANCE BUSINESS have been fully debited in the FIRE INSURANCE REVENUE ACCOUNT as expenses.

**D. SENGUPTA**  
Chairman

**P.C. Ghosh**  
Managing Director  
**AJIT M. SHARAN**

Director  
**G. N. BAJPAI**  
Director

New Delhi,  
Dated : 7th September, 2001

**Revenue Account for the year ended 31st March, 2001  
in respect of Miscellaneous Insurance Business**

	Rupees	Rupees	Previous Year Rupees
CLAIMS UNDER POLICIES, LESS REINSURANCES :			
Paid during the year	1125,38,12,309		957,82,19,364
Add: Total estimated liability in respect of outstanding claims at the end of the year, whether due or intimated	<u>2240,37,58,170</u> 3365,75,70,479		<u>1834,56,08,339</u> 2792,38,27,703
Less: Outstanding at the end of the previous year	<u>1834,56,08,339</u>	1531,19,62,140	<u>1576,36,50,741</u> 1216,01,76,962
COMMISSION ON REINSURANCES ACCEPTED		360,85,22,436	318,83,19,722
EXPENSES OF MANAGEMENT		14,32,72,383	12,33,81,618
LOSS ON EXCHANGE (NET)		2,39,50,545	-
BALANCE OF ACCOUNT AT THE END OF THE YEAR AS SHOWN IN THE BALANCE SHEET :			
Reserve for Unexpired Risks being fifty percent (50%) of the premium income of the year		790,31,32,388	600,97,21,489
		<u>2699,08,39,892</u>	<u>2148,15,99,791</u>
Claims paid to claimants in India		1114,02,43,511	939,31,42,835
Claims paid to claimants outside India		11,35,68,798	18,50,76,529

As required by Section 40C (2) of the Insurance Act, 1938, we certify that, to the best of our knowledge and according to the information and explanations given to us, and so far as appears from our examination of the Corporation's books of account, all expenses of management, wherever incurred, whether directly or indirectly, in respect of MISCELLANEOUS INSURANCE BUSINESS have been fully debited in the MISCELLANEOUS INSURANCE REVENUE ACCOUNT as expenses.

As per our Report of even date  
For **SHAH GUPTA & CO.**  
Chartered Accountants

**Vipul K. Choksi**  
Partner

New Delhi,  
Dated : 7th September, 2001

29TH ANNUAL REPORT 2000-01

	Rupees	Previous Year Rupees
BALANCE OF ACCOUNT AT THE BEGINNING OF THE YEAR		
Reserve for Unexpired Risks	<b>600,97,21,489</b>	539,47,66,593
PREMIUMS, LESS REINSURANCES	<b>1580,62,64,775</b>	1201,94,42,979
COMMISSION ON REINSURANCES CEDED	<b>30,12,58,500</b>	28,26,99,688
PROFIT ON EXCHANGE	-	12,03,430
LOSS TRANSFERRED TO PROFIT AND LOSS ACCOUNT	<b>487,35,95,128</b>	378,34,87,101
	<b><u>2699,08,39,892</u></b>	<u>2148,15,99,791</u>
Premiums derived from business effected in India	<b>1568,64,33,317</b>	1189,32,69,640
Premiums derived from business effected outside India	<b>11,98,31,458</b>	12,61,73,339

As required by Section 40C (2) of the Insurance Act, 1938, we certify that, all expenses of management, wherever incurred, whether directly or indirectly, in respect of MISCELLANEOUS INSURANCE BUSINESS have been fully debited in the MISCELLANEOUS INSURANCE REVENUE ACCOUNT as expenses.

**D. SENGUPTA**  
Chairman

**P.C. GHOSH**  
Managing Director

**AJIT M. SHARAN**  
Director

**G. N. BAJPAI**  
Director

New Delhi,  
Dated : 7th September, 2001

**GENERAL INSURANCE CORPORATION OF INDIA**

**Revenue Account for the year ended 31st March, 2001  
in respect of Marine Insurance Business**

	Rupees	Rupees	Previous Year Rupees
CLAIMS UNDER POLICIES, LESS REINSURANCES :			
Paid during the year	110,57,25,285		112,13,85,525
Add: Total estimated liability in respect of outstanding claims at the end of the year, whether due or intimated	<u>156,62,06,824</u> 267,19,32,109		<u>177,32,65,939</u> 289,46,51,464
Less: Outstanding at the end of the previous year	<u>177,32,65,939</u>	89,86,66,170	<u>159,46,18,743</u> 130,00,32,721
COMMISSION ON REINSURANCES ACCEPTED		55,60,03,551	60,56,48,825
EXPENSES OF MANAGEMENT		1,94,35,118	2,08,35,991
LOSS ON EXCHANGE (NET)		40,35,382	24,90,539
PROFIT TRANSFERRED TO PROFIT AND LOSS ACCOUNT		105,01,37,412	57,20,46,869
BALANCE OF ACCOUNT AT THE END OF THE YEAR AS SHOWN IN THE BALANCE SHEET :			
Reserve for Unexpired Risks being hundred percent (100%) of the premium income of the year		226,75,46,522	233,28,32,838
		<u>479,58,24,155</u>	<u>483,38,87,783</u>
Claims paid to claimants in India		98,69,59,346	101,48,76,079
Claims paid to claimants outside India		11,87,65,939	10,65,09,446

As required by Section 40C (2) of the Insurance Act, 1938, we certify that, to the best of our knowledge and according to the information and explanations given to us, and so far as appears from our examination of the Corporation's books of account, all expenses of management, wherever incurred, whether directly or indirectly, in respect of MARINE INSURANCE BUSINESS have been fully debited in the MARINE INSURANCE REVENUE ACCOUNT as expenses.

As per our Report of even date  
For **SHAH GUPTA & CO.**  
Chartered Accountants

**Vipul K. Choksi**  
Partner

New Delhi,  
Dated : 7th September, 2001



	Rupees	Previous Year Rupees
BALANCE OF ACCOUNT AT THE BEGINNING OF THE YEAR		
Reserve for Unexpired Risks	233,28,32,838	229,29,85,137
PREMIUMS, LESS REINSURANCES	226,75,46,522	233,28,32,838
COMMISSION ON REINSURANCES CEDED	19,54,42,055	20,80,61,444
MISCELLANEOUS RECEIPTS	2,740	8,364
	<b>479,58,24,155</b>	<b>483,38,87,783</b>
Premiums derived from business effected in India	216,62,20,025	225,32,28,014
Premiums derived from business effected outside India	10,13,26,497	7,96,04,824

As required by Section 40C (2) of the Insurance Act, 1938, we certify that, all expenses of management, wherever incurred, whether directly or indirectly, in respect of MARINE INSURANCE BUSINESS have been fully debited in the MARINE INSURANCE REVENUE ACCOUNT as expenses.

**D. SENGUPTA**  
Chairman

**P.C. GHOSH**  
Managing Director

**AJIT M. SHARAN**  
Director

**G. N. BAJPAI**  
Director

New Delhi,  
Dated : 7th September, 2001

## GENERAL INSURANCE CORPORATION OF INDIA

### Profit and Loss Account for the year ended 31st March, 2001

	Rupees	Rupees	Previous Year Rupees
EXPENSES OF MANAGEMENT RELATING TO CENTRAL CROP INSURANCE FUND (See Note No. 2 (a) )	2,21,50,713		2,92,85,882
Less : Recoverable from Central Government	<u>1,10,75,356</u>		<u>1,46,42,941</u>
		1,10,75,357	1,46,42,941
OTHER EXPENSES (Not relating to any revenue account incl. custodial charges. )		1,20,54,928	1,74,54,376
AMOUNT WRITTEN OFF IN RESPECT OF DEPRECIATED INVESTMENTS		29,27,17,439	10,45,68,409
INTEREST PAYABLE UNDER SECTION 13 (2) OF THE GENERAL INSURANCE BUSINESS (NATIONALISATION) ACT, 1972		51,600	51,600
LOSS TRANSFERRED FROM MISCELLANEOUS INSURANCE REVENUE ACCOUNT		487,35,95,128	378,34,87,101
LOSS ON SALE OF ASSETS (NET)		72,432	5,632
LOSS ON EXCHANGE (NET)		2,05,62,783	—
SUNDRY BALANCES WRITTEN OFF (NET)		1,56,213	—
PROVISION FOR DOUBTFUL LOANS, INVESTMENTS & DEBTS		38,06,00,000	11,91,00,000
PROVISION FOR TAXATION		75,00,00,000	85,00,00,000
BALANCE FOR THE YEAR CARRIED TO APPROPRIATION ACCOUNT		242,28,56,346	313,60,23,361
		<u>876,37,42,226</u>	<u>802,53,33,420</u>

### Profit and Loss Appropriation Account for the year ended 31st March, 2001

	Rupees	Rupees
TRANSFERRED TO GENERAL RESERVE	210,94,50,491	243,75,43,408
INTERIM DIVIDEND	—	64,50,00,000
PROPOSED DIVIDEND	43,00,00,000	—
TAX ON DIVIDEND	4,38,60,000	7,09,50,000
BALANCE AT THE END OF THE YEAR AS SHOWN IN THE BALANCE SHEET	1,24,226	65,425
	<u>258,34,34,717</u>	<u>315,35,58,833</u>

As per our Report of even date  
For **SHAH GUPTA & CO.**  
Chartered Accountants

**Vipul K. Choksi**  
Partner

New Delhi,  
Dated : 7th September, 2001

	Rupees	Rupees	Previous Year Rupees
INTEREST, DIVIDENDS AND RENTS	715,04,61,175		649,60,61,881
Less : Income-tax thereon	37,64,162		46,80,615
: Interest Tax	<u>                    </u>		<u>6,60,00,000</u>
		<b>714,66,97,013</b>	<b>642,53,81,266</b>
PROFIT TRANSFERRED FROM FIRE INSURANCE REVENUE ACCOUNT		<b>47,45,55,354</b>	91,62,30,085
PROFIT TRANSFERRED FROM MARINE INSURANCE REVENUE ACCOUNT		<b>105,01,37,412</b>	57,20,46,869
MISCELLANEOUS RECEIPTS		<b>2,90,61,574</b>	3,66,47,576
SUNDRY BALANCES WRITTEN BACK (NET)		-	62,04,356
PROFIT ON EXCHANGE (NET)		-	6,88,23,268
COMPENSATION FOR SURRENDAR OF PREMISES		<b>2,88,66,000</b>	-
PRIOR PERIOD ADJUSTMENTS		<b>3,44,24,873</b>	-
		<u><b>876,37,42,226</b></u>	<u><b>802,53,33,420</b></u>

	Rupees	Rupees
BALANCE BROUGHT FORWARD FROM LAST YEAR	<b>65,425</b>	3,01,657
PROVISION FOR TAX IN RESPECT OF EARLIER YEARS NO LONGER REQUIRED (NET)	<b>16,05,12,946</b>	1,72,33,815
BALANCE FOR THE YEAR BROUGHT FROM PROFIT AND LOSS ACCOUNT	<b>242,28,56,346</b>	313,60,23,361
	<u><b>258,34,34,717</b></u>	<u><b>315,35,58,833</b></u>

**D. SENGUPTA**  
Chairman

**P.C. GHOSH**  
Managing Director

**AJIT M. SHARAN**  
Director

**G. N. BAJPAI**  
Director

New Delhi,  
Dated : 7th September, 2001

## GENERAL INSURANCE CORPORATION OF INDIA

### Balance Sheet as at 31st March, 2001

LIABILITIES	Rupees	Rupees	Previous Year Rupees
<b>SHAREHOLDERS' CAPITAL</b>			
<i>Authorised :</i>			
250,00,000 Equity Shares of Rs. 100/- each		<u>250,00,00,000</u>	<u>250,00,00,000</u>
<i>Issued, Subscribed and Paid-up :</i>			
215,00,000 Equity Shares of Rs. 100/- each fully paid-up [Includes 191,00,000 shares issued as fully paid-up bonus shares 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]		215,00,00,000	215,00,00,000
<b>RESERVE OR CONTINGENCY ACCOUNTS</b>			
General Reserve(See Para 5.9 of Accounting Policy)	2446,45,00,000		2077,15,00,000
Investment Reserve	<u>58,44,741</u>		<u>58,44,741</u>
		2447,03,44,741	2077,73,44,741
<b>PROFIT AND LOSS APPROPRIATION ACCOUNT BALANCE</b>			
		1,24,226	65,425
<b>BALANCE OF ACCOUNTS :</b>			
Fire Insurance Business Account	189,57,97,869		225,54,43,366
Miscellaneous Insurance Business Account	790,31,32,388		600,97,21,489
Marine Insurance Business Account	<u>226,75,46,522</u>		<u>233,28,32,838</u>
		1206,64,76,779	1059,79,97,693
<b>PROVISIONS :</b>			
For Taxation (Including foreign taxes)	338,83,81,109		469,71,39,030
For Interim Dividend	-		64,50,00,000
For Proposed Dividend	43,00,00,000		-
For Tax on Dividend	4,38,60,000		7,09,50,000
For Doubtful Loans, Investments & Debts	121,00,00,000		82,94,00,000
For Leave encashment	<u>2,69,24,191</u>		<u>2,06,80,000</u>
		509,91,65,300	626,31,69,030
<b>ESTIMATED LIABILITY IN RESPECT OF OUTSTANDING CLAIMS WHETHER DUE OR INTIMATED (See Para 2.2 of Accounting Policy)</b>			
		2654,18,70,163	2229,79,57,199
<b>AMOUNTS DUE TO OTHER PERSONS OR BODIES CARRYING ON INSURANCE BUSINESS (Net including Rs.23544 lakhs due to Subsidiary Companies in India (See Note No. 6))</b>			
		414,72,62,500	246,09,34,114
<b>RESERVE DEPOSITS HELD ON ACCOUNT OF REINSURANCE CESSIONS (See Note No.6)</b>			
		51,34,75,433	41,07,56,828
<b>SUNDRY CREDITORS (Including outstanding and accruing expenses and taxes)</b>			
DUE TO EMPLOYEES' PROVIDENT FUND TRUST	258,06,15,465		34,60,62,975
DUE TO EMPLOYEES' GRATUITY FUND TRUST	33,710		48,033
	<u>49,71,366</u>		<u>1,06,90,678</u>
		258,56,20,541	35,68,01,686
Carried forward		<u>7757,43,39,683</u>	<u>6531,50,26,716</u>

ASSETS	Rupees	Rupees	Previous Year Rupees
<b>LOANS :</b>			
On Mortgages of Property within India (Including Rs.3692 lakhs considered doubtful and provided as per contra)	244,05,76,895		239,57,23,930
To Banks under Certificate of Deposit	—		9,74,52,876
To Employees under Housing Loan Scheme (Including Rs. 1 lakhs considered doubtful and provided as per contra)	5,32,56,113		4,42,94,890
To Housing and Urban Development Corporation Ltd. (Secured by floating charge on its assets)	228,90,93,339		143,74,72,672
To State Governments for housing and fire fighting equipments	297,27,50,138		250,12,78,874
To Companies on short term (Including Rs.1249 lakhs considered doubtful and provided as per contra)	14,06,73,815		14,63,73,815
To Banks under Commercial Paper Scheme	4,73,99,500		25,35,67,333
To Others	38,48,32,995		43,59,99,663
		<b>832,85,82,795</b>	<b>731,21,64,053</b>
<b>INVESTMENTS (At or below cost) :</b>			
Indian Government securities	1284,74,47,511		1130,44,36,511
State Government securities	388,91,24,642		328,85,11,208
Bonds, Debentures, Stocks and other securities whereon interest is guaranteed by the Central Government or a State Government	159,58,91,800		104,20,86,800
Other Debentures and Debenture Stock of Companies incorporated in India (Including Rs.5531 lakhs considered doubtful and provided as per contra)	1098,45,50,923		971,33,26,190
Preference Shares of Companies incorporated in India	41,73,60,593		44,53,32,008
Ordinary Shares of Companies incorporated in India	1366,12,12,670		977,44,00,147
Ordinary Shares of Companies incorporated outside India	1,02,87,453		49,36,107
Holding in Subsidiary Companies in India	38,05,30,641		38,05,30,641
Holding in Subsidiary Company outside India	2,94,78,835		2,94,78,835
Special Deposit Scheme of the Government of India	281,00,00,000		307,00,00,000
Units in Venture Capital Funds	46,73,46,542		25,77,93,582
Units in GIC Mutual Fund	9,60,36,000		27,00,00,000
		<b>4718,92,67,610</b>	<b>3958,08,32,029</b>
<b>HOUSE PROPERTY IN INDIA (At cost, including cost of 370 shares of Rs. 50/- each of Co-operative Housing Societies Rs.18,500/-) (See Note No. 4)</b>			
Leasehold	24,72,52,800		24,72,52,800
Freehold	11,34,84,719		11,33,63,773
	<b>36,07,37,519</b>		<b>36,06,16,573</b>
Less : Depreciation to date	11,39,26,918		10,61,01,695
		<b>24,68,10,601</b>	<b>25,45,14,878</b>
<b>INTEREST AND DIVIDENDS OUTSTANDING (Including Rs.22 lakhs considered doubtful and provided as per contra) (See para 5.1, 5.7, and 5.8 of Accounting Policy &amp; Note No. 3 (e))</b>			
		<b>16,88,27,668</b>	<b>10,59,99,411</b>
<b>INTEREST ACCRUING BUT NOT DUE</b>			
		<b>134,04,65,229</b>	<b>124,59,51,612</b>
<b>AMOUNTS DUE FROM OTHER PERSONS OR BODIES CARRYING ON INSURANCE BUSINESS (Net including Rs.368 lakhs due from Subsidiary Company outside India)</b>			
Carried forward		<b>5727,39,53,903</b>	<b>4849,94,61,983</b>

## GENERAL INSURANCE CORPORATION OF INDIA

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LIABILITIES (Contd.)	Rupees	Rupees	Previous Year Rupees
Brought forward		<b>7757,43,39,683</b>	6531,50,26,716
<b>PREMIUM RECEIVED IN ADVANCE</b>		<b>15,21,98,288</b>	8,51,81,999
<b>AMOUNT PAYABLE TO FORMER SHAREHOLDERS OF INDIAN INSURANCE COMPANIES AND TO OTHER INSURERS (Including interest amounting to Rs.14.63 lakhs)</b>		<b>64,10,709</b>	63,59,109
		<b><u>7773,29,48,680</u></b>	<b><u>6540,65,67,824</u></b>
<b>CONTINGENT LIABILITIES</b>			
Claims against the company not acknowledged as debt pending arbitration		<b>50,00,000</b>	50,00,000

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As per our Report of even date  
For **SHAH GUPTA & CO.**  
Chartered Accountants

**Vipul K. Choksi**  
Partner

New Delhi,  
Dated : 7th September, 2001

ASSETS (Contd.)	Rupees	Rupees	Previous Year Rupees
Brought forward		5727,39,53,903	4849,94,61,983
Rs.1599 Lakhs considered doubtful and provided as per contra) (See Note No.6)		274,25,95,312	179,58,65,823
<b>RESERVE DEPOSITS WITH CEDING COMPANIES</b> (See Note No.6)		65,61,74,226	53,20,34,787
<b>SUNDRY DEBTORS</b> (Including Rs. 6 lakhs considered doubtful and provided as per contra)		38,91,87,206	7,08,97,260
<b>ADVANCES AND DEPOSITS</b> (Advnces includes Rs. 719 lakhs towards purchase of House Property)		9,20,39,491	1,60,36,453
<b>TAXES PAID IN ADVANCE</b>		4,18,36,62,291	507,95,59,688
<b>CASH :</b>			
At Bankers on Fixed Deposit	1088,16,42,028		890,85,03,350
At Bankers on Call Deposit account	35,38,68,285		86,41,704
At Bankers on Current Account and on hand, including cheques and stamps on hand and cash in transit	<u>87,70,79,489</u>		<u>34,14,02,301</u>
		1211,25,89,802	925,85,47,355
<b>APPLICATION MONEY FOR INVESTMENTS</b>		26,00,00,000	13,00,00,000
<b>FURNITURE, FIXTURES, MOTOR CARS, OFFICE EQUIPMENTS ETC :</b> (See Para 4.1 of Accounting Policy)			
At Cost	11,86,00,425		12,20,37,718
Less: Depreciation to-date	<u>10,64,47,684</u>		<u>10,57,46,344</u>
		1,21,52,741	1,62,91,374
<b>LOANS AGAINST VEHICLES</b> (See Note No.8 )		1,05,93,708	78,73,101
		<u>7773,29,48,680</u>	<u>6540,65,67,824</u>

**D. SENGUPTA**  
Chairman

**P.C. GHOSH**  
Managing Director

**AJIT M. SHARAN**  
Director

**G. N. BAJPAI**  
Director

New Delhi,  
Dated : 7th September, 2001

# **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; the Profit and Loss Appropriation 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 said statements are prepared on historical cost convention and on accrual basis except as otherwise stated and conforms 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:

- (i) Returns from Foreign insurance companies received up to 31<sup>st</sup> March
- (ii) Returns from Indian companies and State Insurance Funds received as of different dates up to the date of finalisation of accounts
- (iii) In respect of Indian business, acceptances and cessions thereon are accounted on the basis of estimates, where actuals are not available

#### **2.2 Outstanding Claims**

- (i) 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.
- (ii) 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 on estimates based on available information, current trends and past underwriting experience of the management, wherever not received.
- (iii) Provision for claims 'incurred but not reported' (IBNR) is provided as a percentage of net liability of outstanding claims recorded, except for Aviation and Foreign Reinsurance business.
- (iv) Salvage is accounted on realisation and credited to claims.

### **3. FOREIGN CURRENCY TRANSACTIONS**

- 3.1 Revenue transactions of reinsurance in foreign currencies are converted at the average of buying and selling rates of exchange at the last day of the previous quarter.
- 3.2 All current assets and liabilities in foreign currencies are converted at the end of the year at the average of

buying and selling rates of exchange prevalent on the date.

- 3.3 The exchange gain/ loss due to conversion of foreign currencies is accounted for as revenue.

### **4. EXPENSES OF MANAGEMENT**

#### **4.1 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.

#### **4.2 Retirement Benefits to Employees**

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

#### **4.3 Apportionment of Management Expenses**

Expenses of management, other than those charged to Profit and Loss Account are apportioned to the Revenue Accounts on the basis of Gross Direct Premium plus Reinsurance Premium Accepted, giving weightage of 75% for Marine business and 100% for Fire and Miscellaneous business.

### **5. INVESTMENTS**

- 5.1 Prudential norms prescribed by the Reserve Bank of India are followed in regard to
  - (i) Revenue recognition,
  - (ii) Classification of assets in to performing and non-performing, and
  - (iii) Provisioning against performing and non-performing assets
- 5.2 Since Corporation is a financial institution, Accounting Standard 13 on Accounting for Investments issued by the Institute of Chartered Accountants of India is not applicable.
- 5.3 Purchases and sales of shares are accounted for as on the date of contracts.
- 5.4 Investments are stated at cost, unless written-down in accordance with the policies below The cost of investments includes premium on acquisition, expenses such as brokerage, service tax on brokerage, transfer stamps, transfer charges, etc., and is net of commission/ fee earned thereon. In respect of purchase of shares pending delivery, the cost of acquisition is reduced by the dividend declared in the



first year immediately after purchase of such shares on realisation.

- 5.5 Short Term Money Market instruments such as Certificate of Deposit and Commercial Paper, which are discounted at the time of contract at the agreed rate are accounted at their discounted value.
- 5.6 Provision for diminution in the value of investments is made by computing such diminution on a global basis, and not in respect of individual investments nor each category of investments. However, in the following cases, individual investments in shares of companies which have been continuously making losses, for a period of 3 years or more and the capital of which has been impaired have been written down
- (a) In the case of equity shares, to their market value, where such shares were quoted on the Stock Exchanges and transacted during the six months prior to the end of the accounting year. Such shares not quoted/transacted as above, have been written down to a nominal value of Re.1.
- (b) In the case of Preference Shares:
- (i) If the equity shares of the company are not transacted or quoted on any stock exchange during the six months prior to the end of the accounting year, the book value of the preference shares is brought down to a nominal value of Re.1.  
OR
- (ii) If the equity shares of the Company are last quoted below par during the six months prior to the end of the accounting year, the preference shares are written down to a value which bears to its face value, the same proportion as such last equity quotation bears to the face value of the equity share.
- 5.7 Dividend is accounted for as income in the year of declaration, except as mentioned in accounting policy No. 5.4 above. Interim dividend is accounted as income where the warrants are dated 31<sup>st</sup> March or earlier.
- 5.8 Dividends/Interest on shares/debentures under objection/ pending deliveries is accounted for on realisation/payment.
- 5.9 Profit or Loss on realisation of investments, (including on those written down in earlier years as mentioned in accounting policy 5.6 above) is directly taken to General Reserve. Profit/Loss on realisation of investments is computed at average book value of investments, except in case of `repos', where profit/loss is determined on the basis of difference between selling and buying rates.
- 5.10 Investments in foreign currencies are stated at the exchange rates adopted during the year of purchase.

- 5.11 Expenses relating to safe custody, collection of interest/ dividend, bank charges, etc., on investments are charged to Profit and Loss Account.

## 6. FIXED ASSETS

- 6.1 Fixed assets are stated at cost less depreciation.  
6.2 Cost of shares in and deposits and non-refundable loans to co-operative societies/ companies for property rights acquired is included under the head `House Property in India'.

## II. NOTES FORMING PART OF THE ACCOUNTS

The Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2000 have not been adopted for presentation of this year's accounts in terms of the exemption under the provisions of Regulation 30 of IRDA (Registration of Companies) Regulations, 2000 on (i) Accounts, (ii) Assets, Liabilities and Solvency Margin, (iii) Reinsurance.

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 of the said Scheme from the Central Government. Only expenses of management and capital expenditure pertaining to the State level cells, duly audited by Independent Auditors, 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
- (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 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. Accounts of the State level cells are duly audited by Independent Auditors and the same are incorporated in the accounts of the Corporation. The premiums accounted during the year are Rs. 227.57 crores (Previous year Rs. 2.75 crores) and Rs. 0.02 crore (Previous year Rs. 0.05 crore) under NAIS and PSSCI schemes, respectively.

3. (a) In respect of investment held in shares and debentures valued at Rs. 2764.26 crores (Previous year Rs. 2191.78 crores), no confirmation regarding actual custody or other documentary evidence was available for investment valued at Rs. 0.13 crores (Previous year Rs. 0.14 crores).
- (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. 0.04 crore (Previous year Rs. 0.04 crore).
- (c) A few investments in shares and debentures valued at Rs. 0.02 crore (Previous year Rs. 0.03 crore) 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.0.02 crore (Previous year Rs. 0.02 crore).
- (e) The aggregate amount of interest income not accounted for as per Accounting Policy No. 5.1 as at 31st March, 2001 is Rs. 216.16 crores (Previous year Rs. 149.62 crores).
- (f) The profit (net of loss) directly taken to general reserve as mentioned in the Significant Accounting Policy No.5.9 amounted to Rs.158.35 crores (Previous year Rs. 104.15 crores). The aggregate amount of profit (net of loss) directly taken to General Reserve upto 31<sup>st</sup> March, 2001 is Rs. 459.75 crores (upto 31<sup>st</sup> March, 2000 Rs. 301.40 crores).
- (g) Sale of equity shares of a company contracted through public offer in 1995-96 for Rs. 0.40 crore has not been accounted for till date; on account of the significant uncertainty regarding completion of the sale, as the matter is sub-judice.
- (h) Corporation is holding SUS units of Rs. 26.60 crores subscribed to meet redemption obligation in respect of GIC Rise-II scheme. Considering asset base of the scheme, NAV and market scenario it is considered prudent to write down the investment though it does not fall within the Accounting Policy No. 5.6. Accordingly, units are written down on the basis of NAV by Rs. 17.40 crores.
- (i) Corporation has agreed to meet its share of deficit of Rs. 27.60 crores in respect of GIC Rise1991 (redeemed) by subscribing to the units of GIC Special Unit Scheme (SUS)-II of GIC Mutual Fund in the subsequent year. On payment by all the sponsors, the assets and liabilities of GIC Rise1991 would be part of GIC SUS-II scheme. NAV of GIC Rise 1991 units of face value of Rs: 10 each is Rs. 0.03 as on 31st March, 2001. Pending subscription of SUS-II, no provision is considered necessary.
- (j) Market prices of equity investments of Rs. 4.99 crores in a Telecom project made during the year is less by Rs. 1.46 crores as compared to the average book price. Considering that investment made in a project which will achieve breakeven in the year 2004

and the present state of affairs/ nature of the industry and the potential thereof, no diminution in the value of investments is considered necessary.

4. "House property in India" includes 6 properties costing Rs. 31.87 crores (Previous year 6 properties costing Rs.31.87 crores) for which conveyance deeds are yet to be executed.
5. Depreciation/ amortization on house property amounting to Rs.0.75 crore (Previous year 0.79 crore) has been treated as part of property expenses which have been reduced from "Interest, Dividends and Rents".
6. The amounts due to/from other persons or bodies carrying on Insurance Business include:  
(a) Amounts due to/from Indian subsidiaries of Rs. 2.03 crores debit (Previous year Rs. 0.29 crores debit) which have not been confirmed. (b) Amounts due to/from foreign companies and Reserve Deposits include Rs. 1.47 crores debit and Rs. 2.55 crores credit (Previous year Rs. 1.46 crores debit and Rs. 2.47 crores 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. 74.18 crores (Previous year Rs. 146.25 crores) pertaining to assessments completed but in appeal either by Corporation or by the Income Tax Department as on 31st March, 2001.
8. Loans against vehicles include Rs. 0.02 lakh (Previous year Rs. 3.0 lakhs) due from a Director.
9. Figures relating to the previous year have been regrouped wherever necessary.

As per our Report of even date

**D.SENGUPTA**  
Chairman

For **SHAH GUPTA & CO.**  
Chartered Accountants

**P C. GHOSH**  
Managing Director

**Vipul K. Choksi**  
Partner

**AJIT M. SHARAN**  
**G.N. BAJPAI**  
Directors

New Delhi

Dated: 7<sup>th</sup> September, 2001.