

NOTICE

NOTICE is hereby given that the 102nd Annual General Meeting of the Members of National Insurance Company Limited will be held at 3, Middleton Street, Kolkata - 700071 on Thursday, the 16th day of July 2009 at 3:00 pm to transact the following business -

Ordinary Business :

1. To receive and adopt the Profit and Loss Account for the financial year ended 31st March 2009 and the Balance Sheet as at that date together with the Report of Directors and Auditors thereon.
2. To fix the overall remuneration of the Auditors, to be appointed by the Comptroller & Auditor General of India for the financial year 2009-10 and accordingly authorize the Board of Directors.

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

**(Rina Madia)
Dy. Company Secretary**

Kolkata
16th July 2009

Notes :

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



REPORT OF THE BOARD OF DIRECTORS TO THE MEMBERS

Your Directors take pleasure in submitting their 102nd Annual Report and the Audited Statement of Accounts for the financial year ended 31st March 2009 :

FINANCIAL RESULTS

A. GROSS DIRECT PREMIUM

(Rs. in crore)

PARTICULARS	FIRE		MARINE		MISCELLANEOUS		TOTAL	
Year	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
In India	393.59	380.72	200.78	174.98	3685.53	3451.53	4279.90	4007.23
Increase (%)	3.38	-22.70	14.74	-14.60	6.78	10.73	6.80	5.05
Outside India	5.61	5.40	3.31	2.80	7.03	6.54	15.95	14.74
Increase (%)	3.89	6.72	18.21	21.21	7.49	22.70	8.21	16.06
Total	399.20	386.12	204.09	177.78	3692.56	3458.07	4295.85	4021.97
Increase (%)	3.39	-22.40	14.80	-14.20	6.78	10.75	6.81	5.09

B. UNDERWRITING EXPERIENCE

(Rs. in crore)

PARTICULARS	FIRE		MARINE		MISCELLANEOUS		TOTAL	
Year	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Net Premium	329.89	258.94	127.11	117.84	3196.63	2811.20	3653.63	3187.98
Net Retention (%)	82.64	67.06	62.28	66.28	86.57	81.29	85.05	79.26
Net Incurred Claim	237.61	244.47	134.60	100.06	3021.46	2494.31	3393.67	2838.84
% to Net Premium	72.03	94.41	105.89	84.91	94.52	88.73	92.88	89.05
Commission	10.85	9.36	11.12	10.03	196.20	184.50	218.17	203.89
% to Net Premium	3.29	3.61	8.75	8.51	6.14	6.56	5.97	6.40
Expenses of Management	96.60	88.81	35.38	29.83	891.95	866.89	1023.93	985.53
% to Net Premium	29.28	34.30	27.83	25.31	27.90	30.84	28.03	30.91
Other Income(-)/ Outgo (+)	0.76	0.90	0.63	0.65	-9.95	2.10	-8.56	3.65
% to Net Premium	0.23	0.35	0.50	0.55	-0.31	0.07	-0.23	0.11
Increase in Reserve for Unexpired Risks	35.47	-32.23	3.08	9.67	192.72	192.01	231.27	169.45
% to Net Premium	10.75	-12.45	2.42	8.21	6.03	6.83	6.33	5.32
Investment Income including Profit on Sale of Investment	70.24	73.65	29.88	28.53	700.76	807.09	800.88	909.27
% to Net Premium	21.29	28.44	23.51	24.21	21.92	28.71	21.92	28.52
Net Underwriting Profit(+)/Loss(-)	18.84	21.28	-27.82	-3.87	-394.99	-121.52	-403.97	-104.11
% to Net Premium	5.71	8.22	-21.89	-3.28	-12.36	-4.32	-11.06	-3.27

C. WORKING RESULTS

	(Rs. in crore)	
PARTICULARS	2008-09	2007-08
Net Underwriting Profit(+)/Loss(-)	-403.97	-104.11
Interest, Dividend & Rent Income including Profit on Sale of Investments (Ûæroportionate share apportioned to Shareholders' Account)	238.74	271.65
Other Income & Outgo	31.70	4.52
Profit(+)/Loss(-) Before Tax	-133.53	172.06
Provision for Taxation	5.15	8.75
Deferred Tax	-	-
Net Profit(+)/Loss(-) After Tax	-138.68	163.31
Adjustment of Taxation for earlier years	-10.52	0.12
Balance available for appropriation	-149.20	163.43
Transfer to General Reserve	-149.20	125.22
Proposed Dividend	-	32.66
Dividend Distribution Tax	-	5.55

D. CAPITAL & FUNDS

	(Rs. in crore)	
PARTICULARS	2008-09	2007-08
Shareholders' Fund :		
Paid-up Share Capital	100.00	100.00
General Reserve (including Deferred Tax Reserve)	1308.05 1408.05	1457.25 1557.25
Policyholders' Fund :		
Reserve for Unexpired Risks	1835.08	1603.81
Estimated Liability for Outstanding Claims at the end of the year	4091.86 5926.94	3620.14 5223.95
	7334.99	6781.20

The accretion in total funds in 2008-09 has been Rs. 553.79 crore (decrease in Shareholders' Fund being Rs. 149.20 crore and increase in Policyholders' Fund Rs. 702.99 crore) as against Rs. 555.90 crore in the previous year. The total assets of the Company amounted to Rs. 12543.22 crore as against Rs. 15751.75 crore in 2007-08.

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

Class wise claim experience of the Company for the financial years 2008-09 and 2007-08 is given below :

(Rs. in crore)

CLASS OF BUSINESS	GROSS DIRECT PREMIUM INCOME		GROSS DIRECT INCURRED CLAIMS		INCURRED CLAIM RATIO TO GDPI IN %		INCREASE IN ICR (%)
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	
FIRE	393.59	380.72	267.87	166.05	68.06	43.61	56.07
MARINE CARGO	136.76	126.80	153.31	78.91	112.10	62.23	80.14
MARINE HULL	64.02	48.18	46.37	216.39	72.43	449.13	-83.87
MOTOR OD	1329.37	1356.14	1093.58	1008.20	82.26	74.34	10.65
MOTOR TP	816.92	790.17	907.42	1014.88	111.08	128.44	-13.52
ENGINEERING	166.36	144.98	69.77	53.33	41.94	36.78	14.03
AVIATION	56.72	52.34	58.44	22.76	103.03	43.48	136.96
P.A.	82.49	68.18	105.36	57.75	127.72	84.70	50.79
HEALTH	897.22	690.36	904.56	693.54	100.82	100.46	0.36
W.C.	32.71	29.36	8.49	8.78	25.96	29.90	-13.18
PUBLIC LIABILITY	19.11	16.69	1.21	12.65	6.33	75.79	-91.65
RNTB	54.41	50.96	49.20	70.46	90.42	138.27	-34.61
OTHER MISC.	230.22	252.35	60.33	58.79	26.21	23.30	12.49
TOTAL	4279.90	4007.23	3725.91	3462.49	87.06	86.41	0.75

COMMENTS ON GROSS DIRECT CLAIM EXPERIENCE (WITHOUT IBNR):

Gross Incurred Claim Ratio has increased from 86.41% in 2007-08 to 87.06% in 2008-09, mainly on account of increase in Incurred Claim Ratio (ICR) of Fire, Motor OD, Marine Cargo, Aviation, P.A. classes of business.

Marine Hull ICR has reduced to 72.43% from 449.13% in 2007-08. Motor TP Portfolio has further shown considerable improvement with ICR at 111.08% in 2008-09 from 128.44% in 2007-08 due to the continuing efforts of the Motor Special Task Force.

NET INCURRED CLAIMS:

The overall Net Incurred Claims has gone up to 92.88% in 2008-09 from 89.05% in 2007-08 with increase in Net Retention from 79.26% in the last fiscal to 85.05% during the current fiscal.

EXPENSES OF MANAGEMENT:

As per the provision of Section 40C of the Insurance Act, 1938, the permissible limit of expenses, being a ratio of the business underwritten, after due adjustment, was Rs.845.99 crore, as against Rs.792.75 crore in 2007-08. As against the allowable limit as aforesaid, the actual expenses incurred on business operations in India, after due adjustment, amounted to Rs.1019.71 crore. The Company has been making determined efforts to curtail the expenses and to bring it within the permissible limit as per Insurance Act.

The Company has recorded a Net Loss Before Tax of Rs.133.53 crore in the current year as against Net Profit Before Tax of Rs.172.06 crore in the preceding year.

Fire portfolio has continued to be profitable resulting in a surplus of Rs.18.84 crore. The underwriting performance of Marine and Miscellaneous portfolio continues to show significant losses of Rs.27.82 crore and Rs.394.99 crore as against the last year

loss figures of Rs.3.87 crore and Rs.121.52 crore respectively which contributed to adverse overall performance and thereby resulting in overall underwriting loss for the Company during the year.

A Loss of Rs.149.20 crore has been transferred to General Reserve to be adjusted against the Reserve of Rs.1457.25 crore of the previous year.

COMPLIANCE OF SOLVENCY MARGIN REQUIREMENTS :

The Company has the solvency margin of 1.56 as at 31st March 2009, calculated as per the method prescribed under IRDA (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000.

CRISIL RATING :

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

DONATIONS, ENTERTAINMENT, FOREIGN TOURS & PUBLICITY :

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

(in Rs.)		
Particulars	2008-09	2007-08
Donations	Nil	10,30,000
Entertainment	16,76,477	14,85,387
Foreign Tours	11,29,830	10,26,682
Publicity & Advertisement	13,43,66,500	18,89,09,839

FOREIGN EXCHANGE EARNINGS AND OUTGO :

The income and outgo in foreign exchange aggregated to Rs.60.99 crore and Rs.83.30 crore respectively. The income was on account of inward reinsurance acceptances, claims recovery on outward reinsurance cessions, inward remittances of funds and investments, while outgo was due to outward reinsurance cessions, claim settlement on inward reinsurance acceptances.



INVESTMENT :

The total Investment in India stands at Rs.5754.34 crore as on 31st March 2009 as against Rs.5703 crore as on 31st March 2008. Out of this, investment in Socially Oriented Sectors which include Central and State Government Securities, Government Guaranteed Bonds, Infrastructure Bonds, Loans to HUDCO and various State Governments for Housing and Fire Fighting Equipments amounts to Rs.2850.71 crore as on 31st March 2009 as against Rs.2964.67 crore as on 31st March 2008.

Investment Income (inclusive of profit on sale/redemption) has decreased to Rs.1039.62 crore in 2008-09 from Rs.1180.92 crores in the previous year. The corresponding yield on Investment for 2008-09 is 17.90% as against 21.36% in the previous year.

The Company has generated an accretion of Investment Fund to the tune of Rs.52.12 crore in the current year as against Rs.317.72 crore in the previous year. The Company continued to operate actively in the Secondary Market and the profit earned on the sale of securities of the Company has been Rs.497.15 crore as against last year's figure of Rs.638.54 crore.

The Company has followed the IRDA Norms relating to classification of Loans and Debentures and provision for Non-Performing Assets (NPA) as applicable to the Financial Institutions. The total provision for NPA has decreased by Rs.32.80 crore in 2008-09 and the net NPA percentage has gone up to 1.51% in the current year as compared to 0.22% in 2007-08. The Company has recovered Rs.7.51 crore from NPA during the year 2008-09.

Investment written off/down during the year was Rs.6.89 crore as against the last year's figure of Rs.0.84 crore.

The aggregate book value in Equity Investment in India as at 31st March 2009 amount to Rs.1938.17 crore. As against this Book Value, the Market Value of these Equity Shares stood at Rs.5544.62 crore as on 31st March 2009, showing an appreciation of 286.08%.

REINSURANCE :

The absence of large catastrophe losses of preceding years remained the crucial factor in arresting the hardening of the reinsurance markets. However, significant burdens from natural catastrophe like winter Storm 'Emma' in Europe, the floods in Australia and Hurricanes 'Gustav' and 'Ike' in the USA, did contribute in the partial reversal of this positive outlook. The financial meltdown also prompted write-downs which drained investment income of many reinsurers' thereby, draining their equity capital base. While some analysts expected large investment banks to announce write-downs as the sub-prime credit crisis widened, effects on reinsurance companies seemed limited because of their smaller exposure to mortgage-backed securities. However, Directors and Officers and Errors & Omissions reinsurers have seen a number of claims arising from the sub-prime issue and the claims were predicted in the realm of \$3 billion. Nevertheless, issues in the credit markets produced marginal impact on the 2008 renewals as conventional classes remained well insulated from this exposure. The airline insurance market also appeared to hold its nerve despite predictions of major capacity withdrawals and reduction in capacity. Instead, reinsurers seemed more cautious this renewal and risk selectivity became the pivotal consideration.

Due to the financial imbroglio, India - South Asia's most dynamic economy was affected due to the global financial crisis and the financial markets experienced a slowdown in 2008, thereby ending its run of five consecutive years of high growth. Growth in investment continued to be limited by faltering business confidence, fewer options of foreign financing, difficulties in securing domestic bank financing, need to maintain tight monetary conditions and high interest rates to reduce inflation. With industrial production on a slide, surging inflation and crude oil crossing USD 140 mark, generated concern for a country which depends significantly on oil imports. Manufacturing was also hit due to a decreased demand as a result of the global downturn. The Indian economy however recovered

helped by the government and central bank's stimulus packages. Though, India's growth is not totally dependent on the West, but the recession in the US, Europe and even the Far East was felt in India's exports.

Though, no catastrophe losses occurred in India during the year 2008, our company was affected by several large losses i.e RGPPL fire loss, marine off shore loss of NPCC, aviation losses of GMR and NAL Ltd. This influenced renewal negotiations with reinsurers leveraging the accumulated losses and the intensifying financial market storm to push through higher price. However, this could be mitigated by extensive data submission and write-ups elucidating the company's cautious approach to underwriting with a view to strengthen the bottom line. The terrorist attacks in Mumbai during December, also provided new dimension to terrorism losses which was so far dormant.

To augment automatic reinsurance capacity and reduce dependence on facultative reinsurance from the overseas market, limits of Property and Engineering Surplus treaty was increased. On suitable analysis of premium and liability ratio, the balance five surplus treaties did not merit any increase in limits and hence were renewed on expiring limits.

Increased Net retention levels concomitant with Net worth, gradual scaling down of obligatory cession, amplified exposures necessitating enhanced Net Account Excess of loss protection. Thus, increased protection was purchased in Property Risk XOL, Catastrophe XOL Cover, and Marine XOL programme. To align with the main programme of 2008-09, the EQ Catastrophe XOL cover was cancelled w.e.f 1.04.2008, and fresh cover purchased with same limits as the trigger point changed with vertical increase in Catastrophe XOL cover. The entire excess of loss programme was structured in various layers and placed with GIC and various overseas reinsurers. With deft negotiation and been able to source alternative reinsurance markets, the cost as percentage of EGNPI (net premium account of the Company) could be reduced to 2.031% in 2008-09 from 2.101% in 2007-08.

We have also been able to add and retain many large RI driven accounts in our portfolio by being able to obtain competitive facultative rates from the reinsurance market.

In an era of globalization and markets opening up, it became imperative that we take on Foreign Inward Acceptances in a significant way. It is now thought appropriate that we have to develop reasonable reinsurance acceptances so as to strengthen the premium base, and financial strengths of the Company. Inward reinsurance acceptances from the overseas market will enable us to reduce the shortfalls in reinsurance outgo as well as boost the net retention of the company. We are thus writing foreign inward business from the overseas market on selective basis which also enables in order to strengthen our net premium base and also develop an insight into the rating and covers prevalent in overseas markets. Suitable reinsurance protection has been arranged on Risk cum-Cat basis protecting our foreign acceptances.

Consequent to arranging apt reinsurance protection and scaling down of obligatory cession from 15% to 10% our Net Retained Premium increased from 79.26% in 2007-08 to 85.05% in 2008-09.

FOREIGN BUSINESS :

At present, the Company has operation in Nepal only.

NEPAL :

The Gross Direct Premium of our Nepal Operations is Rs. 15.95 crore with Net Profit of Rs 6.28 crore, Gross Incurred Claim Ratio to GDPI 30.08% and Expenses of Management Ratio of 19.17%.

Performance of the Nepal Branch Office was satisfactory during the fiscal 2008-09.

HONG KONG :

Hong Kong Branch had stopped accepting new business w.e.f. 18th February 2002. However, run-off operations are being handled by New India who continue to service existing policy and claims.

Working Results of the Foreign Operations for the fiscal 2008-09:

FOREIGN BRANCH RESULTS :

(Rs. in crore)

PARTICULARS	NEPAL		HONGKONG		TOTAL	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Gross Direct Premium	15.95	14.74	0.00	0.00	15.95	14.74
Net Premium	10.18	11.67	-0.15	0.00	10.03	11.67
Net Incurred Claims	4.37	5.20	1.17	-4.12	5.54	1.08
Net Commission	-0.41	1.24	0.00	0.00	-0.41	1.24
Expenses of Management	3.06	1.69	0.36	0.37	3.42	2.06
Decrease/Increase in Reserve for Unexpired Risk	-0.75	0.93	-0.08	0.00	-0.83	0.93
Investment and other Income	1.93	1.29	0.41	0.81	2.34	2.10
Foreign Exchange Gain/Loss	0.44	0.17	7.90	-2.25	8.34	-2.08
Net Profit (+)/Loss (-)	6.28	4.07	6.71	2.31	12.99	6.38

RURAL & SOCIAL SECTOR BUSINESS:

Rural & Social Sector obligations and achievements with details in respect of the year 2008-09 are furnished herein below :

Year	Total Gross Premium under written in India (Rs. in Cr.)	Policies u/w in Rural Areas (in nos.)	Gross Premium u/w in Rural Areas (Rs. in Cr.)	% of Rural business to total GDPI (Col (4/2x100))	Whether Rural Sector stipulations met? Yes/No	No. of Lives covered in the Social Sector	Whether Social Sector stipulations met? Yes/No
1	2	3	4	5	6	7	8
2008-09	4279.90	1305543	301.65	7.05	Yes	2456156	Yes

ORGANISATIONAL SET UP:

Total number of ROs, DOs, BOs and DABs as at 31st March 2009 –

ROs	24
DOs	311
BOs	559
DABs	71
Total	965

INTRODUCTION OF IMPORTANT SCHEME :

- Prize scheme to the Agents for promoting the sale of UHS (BPL) and Micro Insurance Products was introduced in the last quarter of 2008-09.

- Incentive/Recognition Scheme for Agents to promote Universal Health Insurance Scheme during the month of January 2009.
- Special Achievers Scheme implemented for operating office heads and also for operating offices.
- Framing and approval of policy document concerning Reorganization and Restructuring of Operating Offices.

Programmes :-

- Periodic Meet with Strategic Alliance Partners.
- Periodic Meet with Bancassurance Partners.
- Zone wise meet of Star Agents/Development Officers and AO(D)/AM(D).

- Zone wise performance review meet of Maruti coordinators.
- Business review through video conferencing of non performing offices.

Other initiatives undertaken in 2008-09

- In order to strengthen and motivate the marketing force vis-à-vis augmentation of business from the retail sector, zone-wise Star Development officers and Agents Meet was organized for the third time in succession. The Scale-I and Scale-II officers assigned with marketing function also participated this time. The Agents having a premium portfolio of Rs.40 lacs and above with a growth rate of minimum 20% and above for the last two consecutive years were also allowed to participate in the above meet from this year.
- During the fourth quarter of this fiscal, a vertical to develop the business from Corporate and SME Sector has been created in Marketing Department under the supervision of a Chief Manager.
- During the year 2008-09, SME focus was developed by identifying 85 offices which shall be focusing on the business from the SME Sector. All the Regions have identified few offices under their control. The total business procured from SME Sector during the fiscal 2008-09 was Rs.97.54 crore. A new business of Rs.6.35 crore was generated from SME focus. By the end of 2009-10, we shall have 125 SME focused offices targeting the business from SME sector.
- From Corporate Sector, the total premium income was Rs.821.07 crore. In the year 2009-10, a target of Rs.942.00 crore has been fixed. In 2008-09, 19 new accounts have been added. Divisional Offices at the Mumbai, Delhi, Hyderabad, Bangalore and Chennai have been identified to focus on development of business from Corporate Sector. These offices shall be catering to the requirements of the large business/corporate houses.

- One vertical each at Delhi and Mumbai Regions have been created to develop the business from Corporate and SME Sector. At these Regions a Regional Manager has been posted to guide the Divisional Offices for development of business from Corporate and SME Sector.
- Five more Regional offices have been advised to identify the office which can focus the business from Corporate Sector and identify an officer in the Scale-V or Scale-IV who can guide the Divisional In-charges for development of business from Corporate and SME Sector.
- The vertical at Head Office shall also be coordinating with the Technical/RI Departments for development of competitive quote and timely providing the same to the Regional/Divisional Offices.
- Some of our Regions held Retail Camps in residential areas on holidays to propagate the sale of Personal Lines of Insurance with encouraging results.
- In conformity with our usual practice we have also held two All India RMs Meet primarily to review the performance of each Regional Office on one-to-one basis for effective results in the month of October 2008 and to finalize Budget for the year 2009-10.

ACTIVITIES OF THE STRATEGIC ALLIANCES DEPARTMENT:

Despite the economic downturn in the country in general, the strategic alliances business of the Company continues to prosper. As on 31st March 2009, the total premium from the strategic alliances with Maruti, Hero Honda, MAGMA, SREI and Bancassurance business was Rs.1124.21 crore as against Rs.1056 crore during Financial Year 2007-08 (excluding the business from Allahabad Bank, UCO Bank & the local level strategic alliances with auto dealers by various operating offices), registering a growth rate of 6.46%. The contribution of strategic alliance business to the total GDPI of the Company in the Financial Year 2008-09 is around 26%.



The two major tie-ups with automobile manufactures namely Maruti & Hero Honda have procured a premium of Rs.680 crore and Rs.137.48 crore respectively during the Financial Year 2008-09 as against Rs.688 crore and Rs.92 crore during the Financial Year 2007-08 respectively. While the Maruti business has marginally declined, the Hero Honda Business has grown by almost 50% over the previous year.

The Bancassurance business growing at a rate of 5.45% has generated a premium of Rs.247.81 crore during F.Y. 2008-2009 as against Rs.235 crore during the F.Y. 2007-08. Apart from the 6 major banks which contributed to the most of the Bancassurance business, the Department has augmented its portfolio of Regional Rural Banks/ Co-operative banks by adding 5 new banks to its kitty during the Financial Year 2008-09. Total number of banks tied - up with the Company upto 31st March 2009 is 35. The business from the Regional Rural Banks/Co-operative banks has grown to Rs.12.13 crore in the F.Y. 2008-09 as against Rs. 11.89 crore during 2007-08 achieving a growth of 2%.

During the Financial Year 2008-09, the Strategic Alliances Management Department has undertaken some new initiatives which include-

- 'In principle' decision has been reached for opening a SAM-C at Mumbai and an IT-Accounts Hub at Head Office for managing the tie-ups with Automobile manufacturers.
- Sixteen Dedicated Offices were opened for conducting exclusively the Bancassurance business
- Bancassurance month was observed during October 2008.
- Centralized Claims Settlement Module for Maruti Business was made fully functional.
- Loss Control Measures have been initiated for bringing down the ICR in Maruti Business.
- Balancing of the Maruti Portfolio with regard to the new business and renewal business based on analysis of premium and ICR statistics.

- Reimbursement of out-of-pocket expenses scheme for the Agents was made fully functional and a total of 675 agents have been enrolled in the scheme during the Financial Year 2008-09.

The Company has initiated efforts to tie-up with two major automobile companies and new banks.

The Strategic Alliances Management Department has an action plan ready to align its activities and business goals with the ongoing IT enabled Business Process Re-engineering initiatives.

BUSINESS PROCESS RE-ENGINEERING:

NIC has embarked on an extensive Business Process Re-engineering (BPR) exercise. The consultant's report has been approved by the Board and is in the process of implementation. In the wake of emerging competition, NIC's new vision is "to be the most preferred choice of customers for general insurance by building relationship and grow profitably". In order to achieve this vision through BPR initiative, NIC will focus on managing profitable growth, build relationship with customers, channel and alliance partners, improve operational efficiency by managing cost and various risks and create a customer centric organization with productive HR infrastructure. The implementation of the BPR recommendations would entail:

1. Implementation of the Strategic Initiative provided in the BPR report,
 - with short term goals with the existing processes and organization structure
 - long term objectives with changed IT enabled business processes and new organizational structure
2. Implementation of the changed organizational structure.
3. Implementation of revised HR processes with a view to enable BPR recommendation
4. Implementation of IT enabled business processes through implementation of Enterprise Architecture Solution for Insurance (EASI)

Implementation of the Strategic Initiative provided in the BPR report.

The following strategic initiatives are being implemented:

1. Motor claims processing at shared services

- Initiatives were undertaken to improve customer services through faster settlement of claims and to standardize claims processing at a single location to bring about an effective claims control at Regional Office level.
- Centralized claim processing, surveyor appraisal and payment hub for Motor own damage claims at Kolkata, Chandigarh, Bangalore, Ahmedabad, Delhi and Lucknow.
- Average claims processing time reduced to 18 days and almost 36% reduction has been registered in number of claims intimation.

2. Dedicated offices for SME

- Identified 85 offices pan India as SME Focus Offices.
- In the year 2008-09, a premium of Rs.97.54 crore procured from SME Sector.

3. Bancassurance

- 16 Offices have been converted as Dedicated Offices.
- In the year 2008-09, these Dedicated Offices procured a premium of Rs.16.15 crore.

4. Agency Management

- An attractive Incentive Scheme based on business performance and profitability has been introduced to be effective from 2009-10.
- More than 8000 new Agents recruited during the year 2008-09.
- Agents have been associated in the Retail Camps and are generating an average

premium of Rs.25 to Rs.30 lacs per month through the Camps.

5. Corporate Business

- 2 Offices each have been identified as Dedicated Offices in Kolkata RO-I, Hyderabad RO and one each in Bangalore RO and Chennai RO. 16 more offices at various places have been identified for this purpose
- 19 new Corporate Clients added during the year 2008-09.
- Total premium of Corporate Clients for the year 2008-09 is Rs.821.07 crore with the growth of 24.55%.

6. Corporate Branding

- A branding agency has been selected to carry out publicity campaign print, electronic and out-door media activity.
- The Radio campaign in 7 channels has commenced w.e.f 8th February, 2009 across the country.
- The new logo has been launched.
- This theme of Simplicity with tag line "Thoda Simple Socho" has been introduced in all our communications.
- An extensive Television campaign started from March 2009.

7. Corporate Communications

- An audio-visual communication has been sent to all offices to provide standard communication on BPR to all employees. Various workshops/ meetings have been conducted to familiarize all employees in the organization on benefits of BPR.

Implementation of IT enabled business processes through implementation of EASI

To meet the objectives of the IT enabled BPR exercise and realize the benefits of the process improvement, a strong IT enablement of processes would be required. Insurance being a data and



information driven domain, support of robust systems that enables business processes would provide distinct competitive advantage and would help achieve the top line and bottom line targets.

Based on the strategic goals and business drivers an Enterprise Architecture Solution for Insurance (EASI) is being implemented that will allow workflow based modelling in the enterprise, so that IT and Business Process are aligned to NIC's goal. Eighteen application portfolios have been selected of which five applications form the core of the application suite viz. Core Insurance Solution, Document Management Solution, Customer Relationship Management Solution, Financial and HR Management Solution that forms the Enterprise Architecture. These application portfolios are being implemented by the implementation partner HCL Technologies Ltd. who has been appointed as the System Integrator.

Benefits that will accrue from EASI implementation are:

- Easy and user friendly access to its web portal
- Ability to access system from anywhere through Web, Kiosk, internet portal and partner sites
- Anytime anywhere policy issuance and claim intimation
- Enablement of shared services for claim processing, pay-roll and accounts processing
- Facilitate all modes of financial transaction and payments through credit/debit cards electronic transfer of fund etc.
- Migration from paper intensive document archival to document management system
- Workflow driven process with IT support for all critical processes
- Single view of customers, agents, brokers, strategic alliance partners and employees
- 24*7 call centers to service all stakeholders

- Improve fund flow and fund management through Cash Management Services
- Comprehensive and readily available MIS reports for all departments
- Implement Business Continuity plan through Disaster Recovery site at Bangalore

Implementation Status

- Agreement signed with HCL technologies for System Integration on 21st November 2008
- NIC and HCL Teams formed for system configuration and implementation
- Project Steering Committee, Domain Team, IT and BPR for SRS Members from NIC finalized
- Identification of Offices for 5% roll out completed
- Identification of Products (83) for first 5% roll out completed
- Proof of Concept completed
- System Requirement Study for configuring the applications in progress
- Hosting Services for DC and DR started in March 2009 – Servers, Network equipment delivered, installation in progress.

Implementation of revised HR processes with a view to enable BPR recommendation

IT led Business Process Re-engineering exercise has been conceptualized to transform NIC into a highly customer focused and growth oriented organization. Employees of NIC will be responsible for successfully making the transition. Accordingly, HR module is implemented to address the twin objectives of change management and enhanced HR Infrastructure.

Key issues being addressed in the existing HR infrastructure are Work flow planning, Succession and Career planning, Performance Management System, Training and Development, Rewards and Incentive. We have defined the roles and

responsibilities for the new business process. Implementation of HRMS process is in progress which will be enabled through self service module.

The IT enabled BPR will be implemented in two phases. In Phase-I all the transaction processes will be enabled. The pilot implementation shall cover 5% offices. After stabilization of the solution, roll-out will be completed at 100% offices by July 2010. In Phase -II analytical applications will be implemented.

PUBLICITY ACTIVITIES:

To establish our Brand and Brand Identity, as well as to create awareness of the Personal Insurance products, we launched an ambitious Integrated Advertising Media Campaign encompassing Print, Electronic, Out Of Home and Interactive Media with a Pan India reach.

The unveiling of the New Logo was a watershed moment for all of us and was received with much editorial support from All India Mainline dailies as well as other publications.

The new Brand Philosophy “**Thoda Simple Socho**” was adopted to create a contemporary image and a Feel- good factor amongst customers – both existing and prospective.

A Brand Manual has also been designed and disseminated to all offices to ensure standardisation of Stationery, In House Displays and Glow signs.

To sensitise the employees about Brand Belief and to develop soft skills, Workshops on Internal Communications were held at all Regional Centres with a cross section of employees. Trainers have been trained to carry forward the philosophy of Brand Belief and development of soft skills by imparting training to the rest of the employees.

CUSTOMER RELATIONSHIP MANAGEMENT:

Expeditious settlement of claims, providing hassle free services to the customers along with timely redress of grievances and timely issuance of documents are the focussed areas of customer service in order to meet the emerging challenges in the market.

During the fiscal, the Company has achieved document clearance ratio of 99.65%. Grievance redressal ratio is stood at 85.94% during the year 2008-09 against the previous year’s settlement ratio to the extent of 83.29%. Steps towards monitoring of grievances redressal system was undertaken and in line Video Conference with some of the Regional Offices and holding of Workshop during the month of February 2009 were the main initiative in this direction. The efforts made towards the grievance redressal have also been appreciated by the Regulator (IRDA).

The Company has achieved 79.97% non-suit claims settlement ratio during the financial year 2008-09. Total number of claims settled during the year are more in terms of number by 12429 in spite of the fact 74500 more numbers of claims were reported during the year in comparison to the previous year.

A periodical quarterly review is being made to get the status of non-suit outstanding claims and steps are being taken towards expeditious settlement of non-suit claims in order to improve the claim settlement ratio.

The redress of grievance, issuance of document, claim settlement (non-suit) and age-wise analysis of number of outstanding non-suit claims as on 31st March 2009 are given below:

i) Redressal of Grievances

Number of grievances outstanding as on 01/04/2008	Number of grievances reported during 2008-09	Number of grievances redressed during 2008-09	Number of grievances outstanding as on 31/03/2009	Grievances redressal ratio during 2008-09 (%)	Grievance redressal ratio during 2007-08 (%)
414	1,655	1,778	291	85.94	83.29

ii) Issuance of Documents

Number of documents reported pending as on 01/04/2008	Number of documents incepted during 2008-09	Number of documents issued during 2008-09	Number of documents pending as on 31/03/2009	Documentation ratio during 2008-09 (%)	Documentation ratio during 2007-08 (%)
48,938	1,20,57,470	1,20,64,457	41,951	99.65	99.54

iii) Claim Settlement (Non-suit)

Number of claims outstanding as on 01/04/2008	Number of claims reported during 2008-09	Number of claims settled during 2007-08	Number of claims outstanding as on 31/03/2009	Claim settlement ratio 2008-09 (%)	Claim settlement ratio 2007-08 (%)
1,10,078	6,19,911	5,83,797	1,46,192	79.97	83.85

iv) Age-wise analysis of number of outstanding non-suit claims as at 31st March 2009

Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	More than 3 years	Total
83,466	14,484	17,963	18,340	11,939	1,46,192

MOTOR TP CLAIMS:

The Special Task Force (STF) constituted earlier under the supervision of General Manager (TP) continued its 'Special Action Plan' (SAP) in efficient management of Motor TP claims for the financial year 2008-09.

Achievement of this team for the year 2008-09 are as follows:

- The TP incurred claims ratio without IBNR has also come down substantially from 128% last year to 111% this year due to the following improvements:
- Maximum settlement of cases through MACT as well as alternate fora.
- the overall claim settlement ratio has improved over the last financial year.
- TP cases SETTLED are *more* than the Number REPORTED during the current financial year 2008-09.
- Mega Lok Adalat for disposal of appeal cases and a seminar on Alternative Dispute Resolution Mechanism was organized by "National" on behalf of GIPSA

Companies in coordination with Orissa High Court Legal Services Committee on 28th and 29th June 2008 at Cuttack. The seminar was inaugurated by Hon'ble Dr. Justice Arijit Pasayat, Judge, Supreme Court of India and Shri Naveen Patnaik the Chief Minister of Orissa was the Chief guest. Hon'ble Judges from different High Courts and many other Legal Luminaries had attended the seminar. Our General Manager (TP) had shared the dias with the dignitaries and highlighted our role and achievement in Motor TP Claims Management.

The Special Action Plan will be continued for the current year 2009-10 with main focus on review of old cases and disposal of cases through alternative fora with emphasis on settlement of injury cases pending over 18 months in mofussil areas.

Annexure I shows 104622 claims settled through various Fora and MACT.

Annexure II gives an overall age-wise analysis of TP cases outstanding as at 31st March 2009.

Annexure III shows Motor TP claims disposal.

The statistical part is furnished in a captioned format:

ANNEXURE 'I'

Statement of Motor TP cases compromised through various Fora										
Forum	No of Claims settled					Amount settled (Rs in lac)				
	2008-09	2007-08	2006-07	2005-06	2004-05	2008-09	2007-08	2006-07	2005-06	2004-05
Lok-adalat	16,066	17,762	18,690	19,333	15,163	11,278	11,009	16,032	13,630	10,059
JRY	143	37	120	137	73	37	16	131	97	82
DICC/RICC	455	64	188	482	387	476	323	429	476	274
Conciliatory Forum	326	457	374	2,129	1,297	612	1,343	703	1,750	750
Total	16,990	18,320	19,372	22,081	16,920	12,403	12,691	17,295	15,953	11,165

Statement of Motor TP cases settled through MACT Awards

MACT (Tribunal)	87,632	81,357	90,815	67,485	53,312	87,725	87,076	79,491	78,985	70,686
Grand Total	104,622	99,677	110,187	89,566	70,232	100,128	99,767	96,786	94,938	81,851

ANNEXURE 'II'

Age-wise analysis of Outstanding Suit (MACT only) cases as at 31st March 2009

Amount (Rs in '000)

Pending for	2008-09		2007-2008		2006-07		2005-06		2004-05	
	No	Amt	No	Amt	No	Amt	No	Amt	No	Amt
Less than 3 months	14,910	1,799,825	15,919	2,143,606	19,192	2,171,883	27,632	3,287,738	26,463	2,543,143
3 months to 6 months	16,613	1,085,395	10,362	1,261,012	13,609	1,483,284	16,482	1,804,818	18,911	1,776,920
6 months to 1 year	38,247	2,695,987	24,358	2,836,296	30,931	3,652,063	36,906	3,968,751	33,565	3,055,015
1 year to 3 years	69,382	8,784,913	91,928	10,001,690	97,641	10,588,012	96,350	9,478,476	84,228	7,196,187
3 years to 5 years	52,780	6,287,970	56,230	5,555,040	50,602	4,596,311	51,544	4,439,110	48,306	3,929,695
More than 5 years	62,712	6,652,223	69,510	6,190,989	65,129	5,587,828	70,567	5,802,182	59,971	4,989,421
Total	254,644	27,306,313	268,307	27,988,633	277,104	28,079,381	299,481	28,781,075	271,444	23,490,381

Motor TP Claims disposal

ANNEXURE 'III'

Particulars	2008-09	2007-08	2006-07	2005-06	2004-05
No. of cases outstanding at the beginning of the year	268,307	277,104	299,481	271,444	233,772
Deleted (settled earlier)	-	-	9,179	-	-
Net No of cases	-	-	290,302	-	-
Add No. of cases reported during the year	90,959	90,880	87,810	117,603	107,904
Total	359,266	367,984	378,112	389,047	341,676
Less No. of cases settled during the year	104,622	99,677	101,008	89,566	70,232
No. of cases outstanding at the end of the year	254,644	268,307	277,104	299,481	271,444
Claims disposal %	29.12	27.09	26.08	23.02	20.56

HEALTH INSURANCE MANAGEMENT

Health Insurance remained a focus area in the year 2008-09. The emphasis was switched over from a wholistic approach of underwriting to a self-sustainable model of underwriting of group and tailor-made policies during the year. The objective of this switch over is to have a planned growth in the health insurance business and to strive for a reasonable margin from it.

The health portfolio has grown at a decent rate of 30% during the year and the total health business stands at Rs.897 crores. It constitutes around 21% of the total business pie of the Company for the

year. A total number of 11,06,753 policies were issued covering around 72.15 lacs persons during the year.

The incurred loss ratio under health policies remained at 101% in the year 2008-09.

The special importance given for the mobilization of UHIS (BPL) policies yielded good results in the year. A total number of 60,644 families comprising 2,60,481 family members were covered under the policies.

The mandate for implementing Rashtriya Swasthya Bima was received by us in the states of Punjab,

West Bengal, Karnataka and Union territory of Chandigarh during the year. The enrolment under the scheme started in 8 districts of Punjab and 2 districts in West Bengal. A total number of 1,77,704 families consisting of 5,47,798 family members were brought under coverage during the year. The commencement of enrolment however did not start in the state of Karnataka.

RESEARCH & DEVELOPMENT ACTIVITIES

The revisions in the following co branded health policies carried out during the year:

1. Baroda Health Policy
2. BOI National Swasthya Bima Policy

The initial work for design of the following new products carried out during the year. The products in the pipeline include:

- (1) Top-up Health Policy,
- (2) Co-branded health policy for Tripura Gramin Bank,
- (3) Cattle Micro Insurance Policy,
- (4) Agricultural Pump set Micro Insurance Policy.

DETARIFFING

Pricing pressures continued in the current financial year. Although there were signs of stability towards the end of 2008, February and March 2009 witnessed keen price competition especially amongst the Public Sector players.

Total fire premium for the fiscal 2008-09 is Rs.393.59 crore against last year premium of

Rs.380.72 crore, growth rate of 3.38%. Engineering business during 2008-09 has been Rs.166.36 crore with a growth of 14.75% over the previous year premium of Rs.144.98 crore.

Apart from full pricing decontrol, IRDA has permitted relaxations in the terms and conditions, warranties, clauses and endorsements of the erstwhile tariff classes of business in fire, engineering, IAR and Motor OD w.e.f 1st January 2009. Accordingly, we have informed the authority about our intention to issue IAR policies for risks having a sum insured of less than Rs.100 crore and to extend engineering insurances to movable/portable equipments. We are also ready to file our wordings on the new add on covers in conformity with the aforesaid directive of IRDA.

The stress has been to retain our existing renewals and be selectively aggressive in case of new business depending on the quality of business on offer.

Maintaining a balance between providing operational flexibility to the offices and maintaining underwriting controls, there has been a limited decentralization of authority for sanctioning discounts.

RIGHT TO INFORMATION :

Right to Information being a new Legislation has now been made a part of training curriculum of the Company at its Narendrapur Training Centre of Insurance Learning and thus our endeavour is to make the organization RTI compliant. Basic requirement of democracy – the informed citizenry and transparency of information well reflects in the statistics related to RTI pertaining to the financial year 2008-09, which revealed as under:

Sl. No.	Applications	2008-09	2007-08
1.	No. of requests received	758	596
2.	No. of cases where information imparted	671	521
3.	No. of requests where information was denied	87	75
	Appeals		
1.	No. of Appeals received	94	93
2.	No. of Appeals disposed in favour of information seekers	66	75
3.	No. of Appeals where information was refused	28	18



During the year, 20 appeals/complaints were filed at Central Information Commission (CIC) level by the information seeker against the decision of CPIO/Appellate Authority. Out of 20 cases, 9 cases were dismissed as found to be rightly disposed by RTI officials of the Company. Hon'ble Commission gave directions in seven cases, which were complied with. One case related to imposition of penalty and 3 cases related to compensation to the Appellants also came into notice during the year.

ESTATE & ESTABLISHMENT ACTIVITIES

During the year, the guiding principles of Estate and Establishment activities of the Company were cost control, income generation, quicker response time and customer centricity.

Activities relating to management of properties (owned and hired), physical infrastructure, communication and transport logistics have been directed towards supporting the core business as well as the BPR initiatives like restructuring (creation of Hubs, near site data center, etc.), relocation of offices, rebranding and repositioning of the Company (changing logo, signage, stationery, etc).

HUMAN RESOURCES:

1) NET ADDITION TO THE WORK FORCE OF THE COMPANY DURING THE YEAR ENDED 31ST MARCH 2009.

CLASS	Total recruitment made between 01.04.2008 to 31.03.2009.
I	6
II	-
III	-
IV	-
Total	6

2) TOTAL CLASSWISE STAFF STRENGTH AS ON 31ST MARCH 2009.

CLASS	NO. OF EMPLOYEES
I	4458
II	1918
III	7587
IV *	2109
Total	16072

* Class-IV staff strength includes 33 Part-time Sweepers.

3) RECRUITMENT OF SC/ST/OBC/PH/EX-SERV & MEASURES TAKEN FOR THEIR WELFARE/BENEFIT/UPLIFTMENT DURING 2008-2009.

RECRUITMENT MADE DURING 2008-09

CLASS	TOTAL	SC	ST	OBC	PH	EX-SERV
I	6			2		1
II	-	-	-	-	-	-
III	-	-	-	-	-	-
IV	-	-	-	-	-	-
TOTAL	6			2		1

From the Reserve Panel of Specialist Officers' (Scale – I) batch of 2007-08 recruitment exercise, 5 candidates have joined during the year 2008-09.

During the year 2008-09, all measures were taken to ensure implementation of the benefits/concessions normally prescribed for SC/ST/OBC/PH/EX-SERV employees as per rules.

HUMAN RESOURCES DEVELOPMENT

Our Company, poised for change, took the leap during this year and managing this transformation was the biggest challenge before it in 2008-09. To make this change sustainable and effective in the face of stiff competition, our training, internal communication and overall human resource development agenda for the year 2008-09 was formulated to best suit our human assets to bring about this change in our working environment.

This period was instrumental to the company's efforts to meet the challenges of introducing change internally and several new age initiatives were taken in the process of change management and inspiring awareness internally towards fulfilling the corporate goals of the Company.

The Company continued to engage the services of Management Development Institute, Gurgaon, one of the top B-Schools of the country to deliver its customized training module named National Insurance Executives' Education for Tomorrow (NIEET). The intensive customized training programmes in its module incorporated soft skills knowledge development to bring about transformational changes to reinforce our officers technical know-how in the ever changing business environment.

It helped to develop and cultivate strategic thinking towards a wealth creating mind set and to sensitize them on the criticality of decision making in business operations. The objective to achieve operational excellence and promote a customer centric organizational outlook was met.

During the year 2008-09, MDI provided slots for 15 batches from Head Office and Regional Offices. Officers in Scale VI (DGMs) / Scale V (CRMs / CMs / RMs) and selected officers in Scales IV, III, II and I from HO/ROs/DOs and BOs were trained at MDI. A total of 320 officers were trained in campus (NIEET) during 2008-09. This is in addition to the 696 participants trained at MDI during the previous two years.

Subsequently, MDI organized 8 slots for OUTBOUND training which were held at Jim Corbett Park, Uttarkhand. These programmes were undertaken to develop the spirit of team work and the capabilities for overcoming adversities through out-of-the box solutions amongst the participants. The first 2 batches comprised of officials from HO & all ROs. This was followed by 6 batches comprising of DO heads of profit making divisions for 2006-07 and 2007-08 as a reward cum training initiative. A total of 144 officers participated in this outbound training programmes during 2008-09.

Another initiative was taken during the year to finalize the modalities for Advanced Management Programmes for Special Achievers 2006-07. The first batch of 9 Super Achievers (DO/BO heads) would be visiting Singapore at the beginning of the new financial year. Subsequent batches would comprise Super Achievers (DO/BO heads) for 2007-08 and 2008-09.

In addition to this, we continued to nominate our officers from all over the country to undergo specialized insurance domain, Management and IT based training programmes at NIA, Pune. More than 500 officers were nominated for training at NIA during the year. The training programmes were identified in a manner best suited to benefit our officers dealing with work processes and development of skills as per today's market needs.

At NCIL Training Centre, Narendrapur, the training activities continued as per previous years. A total of 1684 officers were trained in various domain related and functional areas during the year 2008-09.

This year pre-promotional training was held for SC/ST officers at 5 venues around the country before the supplementary promotional exercise 2008-09. A total of 419 officers received this training.

During the year we also laid down the modalities for inducting summer trainees on internship from reputed financial and management institutions on a regular basis.

Several officials were also nominated for training, seminars and workshops by reputed external institutes and organizations namely IIM Calcutta, Construction Industry Development Council, CBI Training Academy, Ghaziabad, National Institute of Criminology and Forensic Sciences, Delhi, CRISIL, Institute of Company Secretaries of India, Organisation Development Institute, Calcutta Management Association among others.

Our house magazine, National Insurance News (NIN) is a very important communication platform for exchange of views between the management



and our internal audience. As part of our internal communication initiative the printing of the magazine was revived and two issues were brought out in

the last 6 months of the year. It is proposed to increase the frequency of the magazine in next financial year.

Training Statistics – 2008 - 09		
Management Development Institute (MDI) , Gurgaon		
<i>Officials from Regional Offices (incl. Divisional / Branch In-Charges) 20 batches – HO (2 batches) / DRO I / DRO II BRO / CRO I /CNRO / MBRO I MBRO II / BBRO / BDRO / CHRO I / HRO / DDRO / KRO</i> <i>Officials from Regional Offices / HO And In-Charges of profit making Divisional Offices for 2006 – 07 / 2007 - 08</i>	<i>Programme Title</i>	<i>Nos. of participants</i>
	<i>NIEET</i>	<i>320</i>
	<i>Outbound</i>	<i>144</i>
	Total	464
National Insurance Academy (NIA) , Pune		
<i>Class – I Officers</i>	<i>Nos. of participants</i>	
	531	
Internal Training programmes at NCIL, Narendrapur		
<i>Class – I Officers</i>	<i>Nos. of participants</i>	
	1684	
External Training Programmes / Seminars / Workshops etc.		
<i>Class – I Officers</i>	<i>Nos. of participants</i>	
	42	
Pre-promotional Training		
<i>Class – I Officers</i>	419	

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

During the Financial Year 2008-09, none of the employees were in receipt of remuneration in excess of the applicable limits i.e., Rs.2 lac per month or Rs.24 lac per annum as prescribed in Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

DIRECTORS' RESPONSIBILITY STATEMENT :

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

- i) in preparation of Annual Accounts for the Financial Year ended 31st March 2009 the applicable accounting standards had been followed with explanation relating to material departures, if any,
- ii) they have selected such accounting policies and applied them consistently and made judgement(s) and estimate(s) that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the year ended on that date,
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities,
- iv) Annual Accounts have been prepared on a going concern basis.

VIGILANCE :

On Preventive side, the Vigilance Department Officers have conducted Surprise Inspection at 107 Offices. On surveillance aspect, Agreed List has been finalized with CBI Authorities of different branches.

On Punitive side, during the year, 142 Disciplinary

Proceedings have been concluded. In 132 cases, penalties have been imposed out of which 51 were Major Penalties. 103 Disciplinary Proceedings have been commenced during the year.

Special attention has been given for expeditious disposal of long pending Disciplinary Proceedings. All India Vigilance Officers' Meet was held twice during the year for review of pending investigations and departmental inquiries.

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

INTERNAL AUDIT AND INSPECTION ACTIVITIES :

The Internal Audit of the Company as a part of corporate governance covers all 24 Regional Offices in 2008-09. While reviewing activities of the Company, internal audit points out weaknesses and other deficiencies in the guidelines framed by the Management apart from pre-incentive audit. The audit plan as approved by the Audit Committee is based on offices with high risk exposure in underwriting and claim operations. As regards compliance action, special emphasis was made on realizing the outstanding recoveries from employees which were long pending.

The Internal Audit department has completed Regular Audit of 785 offices besides 1354 Technical Audit, 273 Incentive Audit and 64 Special/TPA Audit. In addition, to the above the department has conducted audit of Nepal Offices during the year. Furthermore, Concurrent Audit investment operation is conducted by Audit Firms, who presented their summarized report before the Audit Committee.

During the year, Audit Compliance Committee (ACC) reviewed compliance action report in nine Regional Offices and the old outstanding recoveries were considerably reduced. Steps were also taken to dispose off the outstanding paras raised by Resident Audit Office in various zones. Similarly, Action Taken Notes (ATNs) were submitted to the Ministry to facilitate disposal of paras in co-ordination with Comptroller & Auditor General of India.



During May 2009, we have conducted special audit on Maruti performance (both underwriting and claims) with a view to bring all round improvement of Maruti portfolio.

AUDIT COMMITTEE

The "Audit Committee" was reconstituted by the Board of Directors at its meeting held on 22nd September 2008 and the reconstituted Audit Committee comprises of the following Members.

1. Shri D. K. Kapila (Chairman)
2. Shri Lalit Kumar
3. Shri A. Bandyopadhyay
4. Dr. K. Jayakumar
5. Shri S. K. Goel

Consequent to the retirement of Shri P. K. Gupta on 30th September 2008, he ceased to be the Chairman of Audit Committee of our Company. In his place, Shri D. K. Kapila was elected as the Chairman of the Audit Committee w.e.f. 20th October 2008. Shri A. Bandyopadhyay was made Member of Audit Committee in place of Shri Sujit Das w.e.f. 22nd September 2008. Shri S. K. Goel, Chairman of UCO Bank was inducted as Member to the Committee w.e.f. 24th November 2008

The Committee met five times during the year under review.

The Committee approves the annual audit plan of the Company and reviews various activities of the Company. It plays an active role in reviewing the status and functioning of Internal Audit activities including Internal Control System prevailing in the Company.

OFFICIAL LANGUAGE IMPLEMENTATION

Every possible steps were taken to achieve the targets set by the Annual Programme issued by the Ministry of Home Affairs, Govt. of India, Official Language Department, New Delhi. An Annual Programme was prepared for the Company on the basis of guidelines issued by the Ministry. To achieve the targets of the annual programme as well as to

implement the Official Language, Hindi workshops and training programmes were organized by all our Regional Offices.

Hindi Day/Week was celebrated with great enthusiasm in Head Office/Regional Offices. Various competitions were organized on this occasion and a number of participants participated in these competitions. On the occasion of Hindi Day our CMD awarded the prizes to the winners of the competitions. The awarded essays were published in various house magazines.

Inspection of 16 Regional Offices, regarding implementation of Official Language, was conducted by Head Office.

Hindi House Magazine Beema Varta published successfully by Head Office and distributed to all Regional Offices. Our various Regional Offices also published Hindi magazines and some of them were awarded by the concerned Town Official Language Implementation Committee (TOLIC).

During the year, the 3rd Sub-committee of the Committee of Parliament on Official Language had inspected our Delhi Regional Office-II on 14th July 2008. Drafting and Evidence Sub-committee of the Committee of parliament on Official Language visited our Mumbai Regional Office-II on 5th September 2008 and Varanasi DO on 19th November 2008 and held deliberations/discussions with the local TOLIC.

Prizes/Awards received during the year for the implementation of Official Language :

1. Jammu Branch Office under CHRO-II has been awarded 1st prize for the implementation of official language by OL Deptt., Ministry of Home Affairs, Govt. of India.
2. Dhramshala Branch Office under CHRO-II has been awarded 2nd prize for the implementation of official language by OL Deptt., Ministry of Home Affairs, Govt. of India.
3. Town Official Language Implementation Committee (PSU) Kolkata awarded Rajbhasha

Shield to our Head Office for the implementation of official language.

4. Town Official Language Implementation Committee (PSU) Kolkata also awarded our Hindi Magazine Beema Varta.
5. Kendriya Sachivalaya Hindi Parishad, Co-ordination Committee, Kolkata awarded 2nd prize to our Head Office for the implementation of Official Language.

INFORMATION TECHNOLOGY:

Our Organisation, Headquartered in Kolkata is spread across the country with 24 Regional Offices and all 965 Offices with a very strong IT Infrastructure supporting the business requirements. Some of the existing Infrastructure details are as follows:

A. Network Infrastructure:

1. All the Offices are connected through MPLS VPN Cloud provided by BSNL. This ensures an uptime of 99.9% of the overall network infrastructure. HO is connected to the MPLS Cloud using a 34 Mbps bandwidth, each of the RO using 2 Mbps bandwidth and each operating office using 128 Kbps bandwidth.
2. **Voice over IP (VoIP) and Video Conferencing:** VoIP has been implemented on our WAN infrastructure and is being used extensively for voice communication between our offices. Currently, this infrastructure is being converted to IP based communication system. Also, Video Conferencing have been implemented at all the 24 Regional Offices along with Head Office. Regular video conferencing sessions are held between the ROs and HO on matters related to Accounts closing, BPR, HR related issues, MACT etc.

B. Security Infrastructure:

1. **Active Directory (AD):** AD is used for user authentication while they try to login to NIC's network and use various IT resources. Each employee of NIC has been provided with a username, which is their employee no., and

password. AD is also used for deployment of various types of access policies.

2. **Anti-Virus:** All systems in our Organization are protected by means of Anti-virus software which is regularly and constantly updated through central repository.
3. **Web-Filtering:** Restricted Internet access has been provided to Class – I employees and certain others performing specific functions. Access to certain categories of websites such as personal e-mails, chat sites, illicit sites etc. have been disabled.
4. **Network Admission Control (NAC):** Using NAC, only those systems where anti-virus agent with latest patches, latest OS patches etc. have been deployed are allowed to connect to NIC's Corporate Network.

C. Application Infrastructure :

1. **Genisys:** This is the business application running in our Organisation. It is a distributed application running in each Operating Office and is being used to computerize the entire underwriting, claims and accounts handling process.
2. **GEM:** This application consolidates the data of all the Operating Offices at Regional Office level and then subsequently at Head Office.
3. **Lotus Domino:** Lotus Domino is our mailing/messaging software. Corporate e-mail ids have been provided to all the Class-I, Class-II Officers and offices within our Organisation numbering about 7300.
4. **Maruti Application:** Web based application hosted internally and used for settling claims related to Maruti.

D. Website Infrastructure:

1. **Corporate Website:** NIC's corporate website is www.nationalinsuranceindia.com. This website is mainly used to provide informations/documents related to various products of NIC, Office addresses, Tender document uploading, Circular uploading etc.



2. **Intranet:** The Intranet website has been hosted internally and caters mainly to internal communication related to BPR named as “GUFTUGU”, uploading of Genisys Patches etc.

E. Infrastructure Management Solution (IMS) :

IMS is used to monitor the entire IT Infrastructure of NIC. IT can provide alerts for failing/failed systems, deploy software/patches automatically on all systems etc. It also includes Service Desk used for logging and tracking IT related calls.

F. EASI (Enterprise Architecture Solution for Insurance) :

EASI is a project for 7 (seven) years wherein M/s. HCL Technologies Limited, the EASI System Integrator has been mandated to implement and maintain a stack of 19 application portfolios, build up Data Center, Disaster Recovery Center and Near Site.

Some of the most important applications that will be implemented in NIC includes eBao as Core Insurance Solution, Seibel as CRM solution, Oracle Financials as Financials, Documentum as DMS, PeopleSoft as HRMS, Oracle Portal, Oracle BPM Suite as BPM Workflow, Oracle Tool for Data Warehousing, Reporting and Insurance Intelligence from Oracle, SAS for Rating Engine and Corporate Performance Management etc. All these applications and others will be integrated with each other through workflow based processes which will lead to lot more flexibility and modularity to the entire solution stack.

All the applications will be web based and will be accessed only through web portal. Single Sign On will be implemented across all systems, i.e. once the end user is logged on to the PC/Laptop, depending on their roles and responsibilities they will be able to access applications without being challenged to provide their username and password at any other level. In case, the user forgets his/her password, there will be self help services through which the password can be changed/recovered by him/her only.

All documents such as proposals claim form, risk

survey report, claims survey report etc. will be scanned and uploaded into DMS. Hence, 2 (two) scanners are being provided to all Operating Offices for this purpose.

F.1 Data Center/Disaster Recovery Center/ Near Site

Integral part of the EASI project is building up of a Data Center, Disaster Recovery Center and Near Site. These Sites will house all the Servers, Storage, Networking and Security Equipments will ensure that NIC's data is protected both physically and logically. There will also be data replication between the three sites which will guarantee 'Zero Data Loss' in case of any Disaster and will also ensure that NIC can start its business activities within a period of 4 hours from the time of the disaster.

G. Timelines : Milestone on EASI Project to be attained in a span of 7 (seven) years, out of which the first 2 (two) years is the implementation phase and the next 5 (five) years will be the maintenance phase. The rollout of the EASI project will first happen in 5% i.e. in around 50 (fifty) offices comprising of all the offices under Kolkata Regional Office-I and Chennai Regional Office. This implementation is slated to take place at the end of 2009. Rollout in rest of the 95% offices will happen by middle of year 2010.

H. Conclusion : EASI being web based, once implemented, we will be able to achieve our goal of “Anytime Anywhere Insurance”. Certain pre-underwritten policies will be available on the website and can be obtained directly from the web by our customers through e-payments. They will also be able to track status of claims themselves through the web. Our Partner such as agents, banks, automobile companies etc. will have their own web portal through which they will be able to see details of the business that they have transacted with NIC.

Thus, NIC hopes that EASI initiative will result in greater customer and partner satisfaction thus resulting in higher growth and profitability.

BOARD OF DIRECTORS

Shri P. K. Gupta, Chairman and Managing Director of United Bank of India, ceased to be the Non-executive Director of our Company consequent to his retirement on attaining the age of superannuation on 30th September 2008. In his place, Shri S. K. Goel, Chairman & Managing Director of UCO Bank was appointed as a Non-executive Director with effect from 24th November 2008. The Board wish to convey their sincere appreciation for the valuable contribution made by Shri P. K. Gupta during his tenure as Director of the Company.

Shri V. Ramasaamy, CMD of the Company has retired from the services of the Company on attaining the age of superannuation on 31st May 2009. In his place, Shri N.S.R. Chandraprasad has been appointed as a Chairman-cum-Managing Director of the Company w.e.f. 1st June 2009. The Board wishes to convey their sincere appreciation for the leadership and valuable contribution made by Shri V. Ramasaamy during his tenure as Chairman-cum-Managing Director of the Company.

STATUTORY AUDITORS :

M/s. S. Ghose & Co., Chartered Accountants, Kolkata was re-appointed and M/s. Dutta Sarkar & Co. Chartered Accountants was newly appointed as Statutory Auditors of the Company in place of M/s M. Chowdhury & Co., Chartered Accountants for the year 2008-09 by Comptroller & Auditor General of India (CAG) in terms of Section 619(2) of the Companies Act, 1956 in addition to appointment/re-appointment of Branch Auditors for the various Regional and Divisional Offices and also for the Foreign Branches. The Board of Directors wish to convey their sincere appreciation to the Auditors for their guidance.

AUDIT BY COMPTROLLER AND AUDITOR GENERAL OF INDIA :

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

PLACEMENT OF ANNUAL REPORT BEFORE THE PARLIAMENT :

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

ACKNOWLEDGEMENT :

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

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

For and on behalf of the Board of Directors



(N.S R. Chandraprasad)
Chairman-cum-Managing Director

Kolkata, the 4th day of July 2009

ANNEXURE – ‘I’

STATEMENT SHOWING NUMBER OF BOARD MEETINGS HELD DURING THE FINANCIAL YEAR 2008-09 AND ATTENDANCE OF THE DIRECTORS AT THOSE MEETINGS

Name of Directors	Dates of Board Meetings							
	21/06/2008	24/07/2008	15/09/2008	22/09/2008	01/10/2008	02/12/2008	26/12/2008	11/02/2009
Shri V. Ramasaamy Chairman-cum-Managing Director (Retired on 31.05.2009)	Present	Present	Present	Present	Present	Present	Present	Present
Shri Lalit Kumar Govt. Nominee Director	Present	Present	Present	Present	Present	Present	Present	Present
Shri P. K. Gupta Bank Nominee Director (Retired on 30.09.2008)	Present	Present	Absent	Present	–	–	–	–
Shri Sujit Das Functional Director	Present	Present	Present	Present	Present	Present	Present	Present
Shri A. Bandyopadhyay Functional Director	Present	Present	Present	Present	Present	Present	Absent	Present
Shri D. K. Kapila Part-time Non-official Director	Present	Present	Absent	Absent	Present	Present	Present	Present
Dr. K. Jayakumar Part-time Non-official Director	Present	Present	Present	Present	Present	Present	Present	Present
Shri B. Ramani Part-time Non-official Director	Present	Present	Present	Present	Present	Present	Present	Present
Shri S. K. Goel Bank Nominee Director (Appointed w.e.f. 24.11.2008)	–	–	–	–	–	Present	Absent	Absent

ANNEXURE - ‘II’

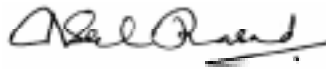
STATEMENT SHOWING NUMBER OF AUDIT COMMITTEE MEETINGS HELD DURING THE FINANCIAL YEAR 2008-09 & ATTENDANCE OF THE MEMBERS AT THOSE MEETINGS

Name of the Members	Date of Meetings				
	23/05/2008	21/06/2008	20/10/2008	26/12/2008	02/02/2009
Shri P. K. Gupta (Chairman) (Retired on 30.09.2008)	Present	Present	–	–	–
Shri D. K. Kapila (Appointed as Chairman w.e.f. 20.10.2008)	Present	Present	Present	Present	Present
Shri Lalit Kumar	Present	Present	Absent	Present	Absent
Shri Sujit Das (upto 22.09.2008)	Present	Present	–	–	–
Dr. K. Jayakumar	Present	Present	Present	Present	Present
Shri A. Bandyopadhyay (w.e.f. 22.09.2008)	–	–	Present	Absent	Present
Shri S. K. Goel (w.e.f. 24.11.2008)	–	–	–	Absent	Absent

**ADDENDUM TO DIRECTORS' REPORT
DATED 4TH JULY 2009 AS PER SECTION
217(3) OF THE COMPANIES ACT, 1956 –
EXPLANATION FOR THE QUALIFICATIONS IN
THE AUDITORS' REPORT DATED 4TH JULY
2009**

Difference between Company's holding and the holding of Stock Holding Corporation of India Limited (SHCIL) and confirmation of balances under various heads and reconciliation thereof as explained respectively in item No. 10 and item No. 15 of the Notes on Accounts (Schedule 17) are considered as continuous process and those are showing improvement in some aspects as compared to last year.

For and on behalf of the Board of Directors



(N.S.R. Chandraprasad)
Chairman-cum-Managing Director

Kolkata, the 4th day of July 2009

ANNEXURE - 'III'

DETAILS OF PERFORMANCES OF SOME OF THE PERSONAL LINE INSURANCES

JANATA PERSONAL ACCIDENT POLICY :

(Rs. in thousand)

Year	No. of policies issued	No. of persons covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2004-05	136009	11015163	148028	3617	2447	195541	199.66
2005-06	158261	957072	90109	5127	3077	251043	489.64
2006-07	170351	2725388	81696	5553	6947	159914	365.95
2007-08	267151	7970276	48054	4505	4195	206424	386.28
2008-09	142621	524562	84591	2035	1669	243568	264.49

GRAMIN PERSONAL ACCIDENT POLICY :

(Rs. in thousand)

Year	No. of policies issued	No. of persons covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2004-05	6853	2407137	131088	1713	1457	188381	67.25
2005-06	8887	104063	52204	467	373	23431	104.55
2006-07	6980	897628	87446	853	1203	69872	108.71
2007-08	906	154748	5543	93	109	3761	47.29
2008-09	727	34385	463	57	51	1157	112.00

PERSONAL ACCIDENT INSURANCE FOR KISSAN CREDIT CARD HOLDERS :

(Rs. in thousand)

Year	No. of policies issued	No. of persons covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2004-05	19149	308612	12344	99	85	2618	26.86
2005-06	40821	308460	11840	114	84	3043	20.99
2006-07	16277	515399	9521	104	59	2823	48.18
2007-08	6912	68182	5338	49	50	2190	32.33
2008-09	6836	1081850	16228	105	105	5237	32.72

RURAL INSURANCE BUSINESS :

(Rs. in thousand)

Year	No. of policies issued	No. of persons covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2004-05	216949	373300	527260	14683	12231	1097734	44.69
2005-06	220016	350248	572862	12916	9391	218438	55.55
2006-07	203288	1040813	595668	25929	20029	199622	40.86
2007-08	111028	999256	509621	28029	7118	151427	138.00
2008-09	118549	1066945	544144	38917	33405	501079	90.00

RAJRAJESHWARI MAHILA KALYAN BIMA YOJANA :

(Rs. in thousand)

Year	No. of policies issued	No. of persons covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2004-05	2115	11211	387	71	77	641	115.99
2005-06	607	31399	565	120	67	1236	107.56
2006-07	2059	4790	274	93	62	1323	149.45
2007-08	344	10449	240	19	56	519	216.00
2008-09	449	947	47	15	12	276	535.55

BHAGYASHREE CHILD WELFARE BIMA YOJANA :

(Rs. in thousand)

Year	No. of policies issued	No. of persons covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2004-05	2827	13879	4934	31	48	1179	29.02
2005-06	1656	108595	1529	1	1	25	1.76
2006-07	1028	30449	5576	9	9	256	9.01
2007-08	208	31000	14903	2	3	311	7.78
2008-09	444	105600	47115	1	1	25	0.05

JAN AROGYA POLICY :

(Rs. in thousand)

Year	No. of policies issued	No. of persons covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2004-05	8906	171603	16676	2216	1581	15412	88.20
2005-06	5418	35582	10715	3241	3116	11225	102.11
2006-07	5738	72343	5671	5119	5210	9364	172.05
2007-08	5981	20032	2278	931	818	3712	167.52
2008-09	5170	7894	1381	556	516	2336	171.76

UNIVERSAL HEALTH INSURANCE :

(Rs. in thousand)

Year	No. of policies issued	No. of persons covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2004-05	14577	27709	7749	2152	1659	3659	60.53
2005-06	2054	26699	3504	311	295	2586	55.20
2006-07	8387	28323	3825	361	318	1084	28.77
2007-08	35729	152184	28262	1170	785	2411	19.31
2008-09	87431	296652	47910	264	187	878	2.00

MEDICLAIM INSURANCE :

(Rs. in thousand)

Year	No. of policies issued	No. of persons covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2004-05	588370	7560666	3640745	245448	269934	4342986	135.01
2005-06	688842	2957739	3988566	236481	202597	4917365	128.71
2006-07	769043	5475273	4667464	237058	247439	5281488	117.96
2007-08	763995	5542300	6699193	286056	237175	6683045	101.00
2008-09	801175	6515165	8018872	225692	203478	7287238	91.00

VIDYARTHI MEDICLAIM POLICY :
(Rs. in thousand)

Year	No. of policies issued	No. of persons covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2007-08	1946	5561	5748	116	56	1168	20.31
2008-09	2995	7242	11951	769	177	2696	20.00

PARIVAR MEDICLAIM POLICY :
(Rs. in thousand)

Year	No. of policies issued	No. of persons covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2007-08	22314	60802	139506	1491	695	125321	97.00
2008-09	51411	155674	346532	7965	2985	82554	23.82

VARISTHA MEDICLAIM POLICY :
(Rs. in thousand)

Year	No. of policies issued	No. of persons covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2007-08	3177	3177	28612	432	159	3089	103.52
2008-09	11656	13819	99768	3765	745	23165	23.21

CATTLE INSURANCE:
(Rs. in thousand)

Year	No. of policies issued	No. of Lives covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim ratio (%)
2004-05	197660	2268742	266003	19881	2227533	151932	56.17
2005-06	196535	654203	308614	24060	46657	183115	61.35
2006-07	160546	565816	374242	16642	17391	183324	49.17
2007-08	125970	428298	299808	25149	23045	216564	79.56
2008-09	149814	405364	371259	18409	18889	220847	61.14

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

We certify that:

1. Renewal of Registration for carrying out the General Insurance Business of our Company has been obtained from the Authority (Registration No.58 dated 13.03.2009);
2. All dues payable during the year to the statutory authorities have been duly paid;
3. The shareholding pattern and transfer of shares effected during the year are in accordance with statutory/regulatory requirements;
4. The funds of the holders of policies issued in India have not been directly or indirectly invested outside India;
5. The required solvency margins as at 31st March, 2009 as per IRDA (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000 have been maintained;
6. The value of all the Assets have been reviewed on the date of the Balance Sheet and that in our belief the Assets set forth in Balance Sheet are shown in the aggregate at amounts not exceeding their realizable or market value, under the several headings - "Loans", "Investments", "Agents' Balances", "Outstanding Premiums", "Interest, Dividends and Rents accruing but not due", "Amounts due from other Persons or Bodies carrying on Insurance Business", "Sundry Debtors", "Bills Receivable", "Cash" and items specified under "Other Accounts";
7. The Company is exposed to various kinds of risks i.e. catastrophic/accidental/social etc. However, the strategy adopted to mitigate the same is mainly threefold. Firstly, we have devised a well laid out re-insurance programme to arrest our maximum liability in any one eventuality. The retentions are linked to net worth of the Company. The highest level of retentions are maintained in Fire Department as per international practices and graded down in other classes of business on an individual risk. Secondly, our thrust area is to have greater share of non-motor insurance market which is comparatively more profitable. Thirdly, we are trying to acquire more market share in organised sector business.
8. Out of the offices in two foreign countries situated in Nepal and in Hong Kong, the exposure in Nepal is predominantly in property insurance area and the assumption of risks of this kind is mainly taken care of by the reinsurance programme of the Company. In respect of Hong Kong Branch, an agreement has been entered into with New India Assurance Co. Ltd. to transfer the branch's operation, Assets and Liabilities at their carrying values. This transfer is subject to approval by the Insurance Authority of Hong Kong in accordance with Section 25D of the Insurance Companies Ordinance (chapter 41). The approval has been obtained. The present arrangement would continue as a pure run-off operation and the run-off exercise will be over once the entire outstanding liability is fully paid-off.
9. The ageing of claims (on gross business) is given in the annexure attached. Barring disputed cases, the claims are settled within a reasonable period of time.
10. All investments and stocks, as shown in the Balance Sheet, have been valued in the manner disclosed in Significant Accounting Policies (Schedule 16), i.e.
 - i) Investments other than Equity Shares and units of Mutual Funds are stated at cost and the premium paid on securities is amortised over the remaining period.
 - ii) Investments in Equity Shares that are actively traded in the market and the units of Mutual Funds are stated at fair value.
 - iii) Shares that are thinly traded are valued at lower of Cost or Break up value.
 - iv) Foreign Government securities are valued at the exchange rates prevalent at the end of the year of acquisition.

- v) In respect of loans and debentures, prudential norms as prescribed by IRDA regarding provisioning have been followed by the Company.

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

(Rs. In thousand)

Particulars	Book Value	Market Value	Income
Shares	19430000	55490000	6320000
Other than Shares	38160000	38160000	3010000
Total :	57590000	93650000	9330000

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

12. We confirm that:

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

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

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

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

For and on behalf of National Insurance Company Limited



(N.S.R. Chandraprasad)
Chairman-cum-Managing Director

Kolkata, the 4th day of July, 2009

Ageing of Claims (on gross basis) 2008-09

Annexure

(Rs. in thousand)

	30 Days	30 days to 6 months	6 months to 1 Year	1 Year to 5 Years	5 Years and above	TOTAL
FIRE (No. of Cases)	234600 (16500)	1594500 (503000)	942400 (73100)	1623500 (85300)	380300 (52400)	4775300 (730300)
MARINE (No. of Cases)	108500 (12300)	996400 (129300)	471500 (72500)	1451400 (88200)	175900 (17800)	3203700 (320100)
MISCELLANEOUS (No. of Cases)	2554000 (3541000)	6537300 (7444800)	4052900 (3373600)	19049100 (13088700)	6717600 (5429600)	38910900 (32877700)
TOTAL (No. of Cases)	2897100 (3569800)	9128200 (8077100)	5466800 (3519200)	22124000 (13262200)	7273800 (5499800)	46889900 (33928100)



Auditors' Report To The Members of National Insurance Company Limited

1. We have audited the attached Balance Sheet of National Insurance Company Limited as at 31st March 2009, the annexed Fire, Marine and Miscellaneous Revenue Accounts, Profit and Loss Account and Cash Flow Statement for the year ended on that date, in which are incorporated the audited returns of 24 Regional Offices, 309 Divisional Offices audited by other auditors and also the audited statements of account of 2 Foreign Branches audited by overseas auditors under the applicable local laws.

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

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

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

2. On the basis of audit indicated in paragraph 1 above, we report that:

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and found to be satisfactory;
- ii) In our opinion, proper books of accounts as required by law have been maintained by the company so far as appears from our examination of those books;
- iii) Proper returns adequate for the purpose of our audit have been received from the Branch/Divisional/Regional Offices;
- iv) The reports of the auditors on the accounts of Regional Offices, Divisional Offices, Foreign Branches audited by other auditors and such other particulars and information thereon available at Head Office, have been taken into consideration;
- v) The company's Revenue Accounts, Profit and Loss Accounts, Balance Sheet and Cash Flow Statement dealt with in this report are in agreement with the books of accounts and returns;
- vi) The accounting policies are in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and are also in conformity with the provisions of the IRDA (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002;
- vii) The provisions of section 274(1)(g) of the Companies Act, 1956 are not applicable to the Directors of the company in view of Company Law Board General Circular No. 8/2002 dated 22.03.2002;
- viii) Investments have been valued in accordance with the provisions of Insurance Act, 1938 and the provisions of IRDA (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002;

- ix) The actuarial valuation of liabilities is duly certified by the Appointed Actuary and relied upon by us;
3. Attention is invited to the following Notes in Schedule 17:
- Note No.10 regarding impact of pending reconciliation of various securities with the custodian;
 - Note No.15 regarding impact of adjustment, if any, in the accounts remaining unascertained on reconciliation/confirmation not obtained.
4. In our opinion and to the best of our information and according to the explanations given to us, the said Accounts read with the Significant Accounting Policies and the Notes on Accounts give the information as required by the Insurance Act, 1938, the Insurance Regulatory and Development Authority Act, 1999 and the Companies Act, 1956 to the extent applicable in the manner so required and subject to our observation in paragraph 3 above on the consequential effect remaining unascertained, give a true and fair view:
- in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2009;
 - in the case of the Revenue Accounts, of the surplus in Fire business and deficit in Marine business and Miscellaneous business for the year ended 31st March 2009;
 - in the case of the Profit and Loss Account, of the Loss for the year ended 31st March 2009;
 - in the case of the Cash Flow Statement, of the Cash Flow for the year ended 31st March 2009.
5. We further certify that:
- We have reviewed the Management Report and there is no apparent mistake or material inconsistency with the financial statements.
 - The Company has complied with the terms and conditions of the registration stipulated by the Insurance Regulatory and Development Authority.
 - We have verified cash and bank balances, securities relating to loans, investments by actual inspection or by production of certificates and/or other documentary evidences except to the extent stated in Note No. 10 in Schedule 17.
 - To the best of our information and explanations given to us and on the basis of representations made by the company, no part of the assets of the Policyholders' Funds has been directly or indirectly applied in contravention of the provisions of the Insurance Act, 1938 relating to the application and investments of the Policyholders' Funds.

S.GHOSE & CO.
Chartered Accountants

(Chandan Chattopadhyay)
Partner
Membership No. 51254

Kolkata, the 4th day of July 2009

DUTTA SARKAR & CO.
Chartered Accountants

(Karunamoy Banerjee)
Partner
Membership No. 7176



**COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE
ACCOUNTS OF NATIONAL INSURANCE COMPANY LIMITED
FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2009**

The preparation of financial statements of National Insurance Company Limited for the financial year ended 31st March 2009 in accordance with the financial reporting framework prescribed under the Insurance Act, 1938 read with the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 and Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller & Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, The Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 4th July 2009.

I, on behalf of the Comptroller & Auditor General of India, have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of National Insurance Company Limited for the financial year ended 31st March 2009. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to the inquiries of the statutory auditors and my supplementary audit, nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' Report under Section 619(4) of the Companies Act, 1956.

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

(Dr. Smita S. Chaudhri)
Principal Director of Commercial Audit &
Ex-officio Member, Audit Board - II
Kolkata

Kolkata, the 16th day of July 2009

Registration no. 58 dated 13th March, 2009

Fire Revenue Account for the year ended 31st March, 2009

Particulars	Schedule	2008-2009	2007-2008
		(Rs.'000)	(Rs.'000)
1 Premiums earned (Net)	1	2,944,153	2,911,715
2 Profit on sale/redemption of Investments (Net)		335,880	398,234
3 Exchange Gain		506	—
4 Interest, Dividend & Rent (Gross)		366,507	338,262
TOTAL (A)		3,647,046	3,648,211
1 Claims Incurred (Net)	2	2,376,079	2,444,675
2 Commission	3	108,498	93,576
3 Operating Expenses related to Insurance Business	4	965,965	888,146
4 Exchange Loss		8,090	8,965
TOTAL (B)		3,458,632	3,435,362
Operating Profit from Fire Business = (A - B)		188,414	212,849
APPROPRIATIONS			
Transfer to Shareholders' Account		188,414	212,849
TOTAL (C)		188,414	212,849

This is the Fire Insurance Revenue Account for the year ended 31st March, 2009 referred to in our report of even date.

We hereby certify that to the best of our knowledge and information, all expenses of management wherever incurred, whether directly or indirectly, in respect of Fire Insurance Business have been fully debited in the above Revenue Account as expenses

in accordance with the Accounting Policy No.7.1.

As required by Section 40C(2) of the Insurance Act, 1938, we hereby certify that all expenses of management, wherever incurred, whether directly or indirectly, in respect of Fire Insurance Business have been fully debited in the Fire Insurance Revenue Account as expenses in accordance with the Accounting Policy No.7.1

For and on behalf of the Board of Directors

S. GHOSE & CO.
Chartered Accountants

DUTTA SARKAR & CO.
Chartered Accountants

N. S. R. Chandraprasad

Chairman-cum-Managing Director

Lalit Kumar

Director

D. K. Kapila

Director

Sujit Das

Director

A. Bandyopadhyay

Director

Rina Madia

Dy. Company Secretary

(Chandan Chattopadhyay)
Partner
Membership No. 51254

(Karunamoy Banerjee)
Partner
Membership No.7176

Kolkata, the 4th day of July 2009



Registration no. 58 dated 13th March, 2009

Marine Revenue Account for the year ended 31st March, 2009

Particulars	Schedule	2008-2009 (Rs.'000)	2007-2008 (Rs.'000)
1 Premiums earned (Net)	1	1,240,321	1,081,677
2 Profit on sale/redemption of Investments(Net)		142,908	154,247
3 Exchange Gain		1,329	—
4 Interest, Dividend & Rent (Gross)		155,939	131,018
TOTAL (A)		1,540,497	1,366,942
1 Claims Incurred (Net)	2	1,346,031	1,000,578
2 Commission	3	111,245	100,333
3 Operating Expenses related to Insurance Business	4	353,783	298,196
4 Exchange Loss		7,640	6,541
TOTAL (B)		1,818,699	1,405,648
Operating Profit from Marine Business = (A - B)		-278,202	-38,706
APPROPRIATIONS			
Transfer to Shareholders' Account		-278,202	-38,706
TOTAL (C)		-278,202	-38,706

This is the Marine Insurance Revenue Account for the year ended 31st March, 2009 referred to in our report of even date.

We hereby certify that to the best of our knowledge and information, all expenses of management wherever incurred, whether directly or indirectly, in respect of Marine Insurance Business have been fully debited in the above Revenue Account as

expenses in accordance with the Accounting Policy No.7.1.

As required by Section 40C(2) of the Insurance Act, 1938, we hereby certify that all expenses of management, wherever incurred, whether directly or indirectly, in respect of Marine Insurance Business have been fully debited in the Marine Insurance Revenue Account as expenses in accordance with the Accounting Policy No.7.1.

For and on behalf of the Board of Directors

S. GHOSE & CO.
Chartered Accountants

DUTTA SARKAR & CO.
Chartered Accountants

N. S. R. Chandraprasad
Lalit Kumar

Chairman-cum-Managing Director
Director

D. K. Kapila

Director

Sujit Das

Director

A. Bandyopadhyay

Director

Rina Madia

Dy. Company Secretary

(Chandan Chattopadhyay)
Partner
Membership No. 51254

(Karunamoy Banerjee)
Partner
Membership No.7176

Kolkata, the 4th day of July 2009

Registration no. 58 dated 13th March, 2009

Miscellaneous Revenue Account for the year ended 31st March, 2009

Particulars	Schedule	2008-2009	2007-2008
		(Rs.'000)	(Rs.'000)
1 Premiums earned (Net)	1	30,039,141	26,191,863
2 Profit on sale/redemption of Investments(Net)		3,351,013	4,364,039
3 Exchange Gain		99,495	—
4 Interest, Dividend & Rent (Gross)		3,656,576	3,706,837
TOTAL (A)		37,146,225	34,262,739
1 Claims Incurred (Net)	2	30,214,616	24,943,101
2 Commission	3	1,962,033	1,844,966
3 Operating Expenses related to Insurance Business	4	8,143,871	7,790,686
3A Administrative Expenses Related to Motor Business		775,697	878,226
4 Exchange Loss		—	21,024
TOTAL (B)		41,096,217	35,478,003
Operating Profit from Miscellaneous Business = (A - B)		-3,949,992	-1,215,264
APPROPRIATIONS			
Transfer to Shareholders' Account		-3,949,992	-1,215,264
TOTAL (C)		-3,949,992	-1,215,264

This is the Miscellaneous Insurance Revenue Account for the year ended 31st March, 2009 referred to in our report of even date.

We hereby certify that to the best of our knowledge and information, all expenses of management wherever incurred, whether directly or indirectly, in respect of Miscellaneous Insurance Business have been fully debited in the above Revenue Account as expenses in accordance with the Accounting

Policy No.7.1.

As required by Section 40C(2) of the Insurance Act, 1938, we hereby certify that all expenses of management, wherever incurred, whether directly or indirectly, in respect of Miscellaneous Insurance Business have been fully debited in the Miscellaneous Insurance Revenue Account as expenses in accordance with the Accounting Policy No.7.1.

For and on behalf of the Board of Directors

S. GHOSE & CO. DUTTA SARKAR & CO.
Chartered Accountants Chartered Accountants

(Chandan Chattopadhyay) (Karunamoy Banerjee)
Partner Partner
Membership No. 51254 Membership No.7176

N. S. R. Chandraprasad Chairman-cum-Managing Director
Lalit Kumar Director
D. K. Kapila Director
Sujit Das Director
A. Bandyopadhyay Director
Rina Madia Dy. Company Secretary

Kolkata, the 4th day of July 2009

Registration no. 58 dated 13th March, 2009

Profit and Loss Account for the year ended 31st March, 2009

Particulars	Schedule	2008 – 2009 (Rs.'000)	2007 – 2008 (Rs.'000)
1 OPERATING PROFIT/(LOSS)		–4,039,780	–1,041,121
(a) Fire Insurance		188,414	212,849
(b) Marine Insurance		–278,202	–38,706
(c) Miscellaneous Insurance		–3,949,992	–1,215,264
2 INCOME FROM INVESTMENTS		2,387,416	2,716,527
(a) Interest, Dividend & Rent – Gross		1,245,759	1,247,662
(b) Profit on sale/redemption of investments		1,171,734	1,479,733
Less: Loss on sale/redemption of investments		30,077	10,868
3 OTHER INCOME		136,345	161,238
a) Profit on sale of other Asset		5,462	1,705
b) Miscellaneous Income		114,857	159,533
c) Exchange Gain		16,026	—
TOTAL (A)		–1,516,019	1,836,644
4 PROVISIONS (Other than taxation)		–300,000	30,000
(a) For diminution in the value of investments		–390,732	–21,236
(b) For doubtful debts		90,732	51,236
5 OTHER EXPENSES		119,346	86,092
(a) Expenses other than those related to Insurance Business		20,828	25,686
(b) Amortisation of Premium on Investments		29,550	27,266
(c) Amount written off in respect of depreciated Investments		68,966	8,393
(d) Exchange Loss		—	24,742
(e) Assets written off		2	5
(f) Foreign Income tax paid		—	—
TOTAL (B)		–180,654	116,092

Particulars	Schedule	2008 – 2009 (Rs.'000)	2007 – 2008 (Rs.'000)
PROFIT BEFORE TAX (A - B)		-1,335,365	1,720,552
Provision for Taxation :			
Current Tax		51,500	87,500
Deferred Tax		—	—
Adjustment of Taxation for earlier years		-105,222	1,250
PROFIT AFTER TAX		-1,492,087	1,634,302
APPROPRIATIONS			
(a) Proposed dividend	—	326,600	
(b) Dividend distribution tax	—	55,506	
(c) Transfer to General Reserve		-1,492,087	1,252,196
		-1,492,087	1,634,302

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

For and on behalf of the Board of Directors

S. GHOSE & CO. Chartered Accountants	DUTTA SARKAR & CO. Chartered Accountants	N. S. R. Chandraprasad Lalit Kumar D. K. Kapila Sujit Das A. Bandyopadhyay Rina Madia	Chairman-cum-Managing Director Director Director Director Director Dy. Company Secretary
(Chandan Chattopadhyay) Partner Membership No. 51254	(Karunamoy Banerjee) Partner Membership No.7176		

Kolkata, the 4th day of July 2009



Registration no. 58 dated 13th March, 2009

Balance Sheet as at 31st March, 2009

Particulars	Schedule	2008 – 2009 (Rs.'000)	2007 – 2008 (Rs.'000)
<u>SOURCES OF FUNDS</u>			
SHARE CAPITAL	5	1,000,000	1,000,000
RESERVES AND SURPLUS	6	13,094,887	14,586,974
FAIR VALUE CHANGE ACCOUNT		36,064,864	73,092,982
BORROWINGS	7	—	—
TOTAL		50,159,751	88,679,956
<u>APPLICATION OF FUNDS</u>			
INVESTMENTS	8	91,509,255	127,179,845
LOANS	9	3,784,006	3,917,999
FIXED ASSETS	10	561,138	637,119
DEFERRED TAX ASSET		—	—
CURRENT ASSETS :			
Cash and Bank Balances	11	3,936,912	6,192,608
Advances and Other Assets	12	25,640,908	19,589,916
Sub-Total (A)		29,577,820	25,782,524
CURRENT LIABILITIES	13	55,567,147	50,788,557
PROVISIONS	14	19,770,847	18,140,242
Sub-Total (B)		75,337,994	68,928,799
NET CURRENT ASSETS (C) = (A - B)		-45,760,174	-43,146,275
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	15	65,526	91,268
TOTAL		50,159,751	88,679,956
SIGNIFICANT ACCOUNTING POLICIES	16		
NOTES ON ACCOUNTS	17		

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

For and on behalf of the Board of Directors

S. GHOSE & CO. Chartered Accountants	DUTTA SARKAR & CO. Chartered Accountants	N. S. R. Chandraprasad Lalit Kumar	Chairman-cum-Managing Director Director
		D. K. Kapila	Director
		Sujit Das	Director
(Chandan Chattopadhyay) Partner	(Karunamoy Banerjee) Partner	A. Bandyopadhyay	Director
Membership No. 51254	Membership No. 7176	Rina Madia	Dy. Company Secretary

Kolkata, the 4th day of July 2009

Cash Flow Statement as at 31st March, 2009

CASH FLOW FROM OPERATING ACTIVITIES

INFLOW :

	2008-09 (Rs. '000)	2007-08 (Rs. '000)
Premium including Service Tax	27335946	26644548
Bank Guarantee/Deposit Premium Receipts	7768229	6925562
Sundry Debtors Recovery	170258	147859
Misc Receipts (Transfer, Duplicate, Sale of old items, Endorsement fees etc.)	34606	38654
Cash recovery on loans & advances including interest (excepting HB Loan)	449292	250665
Other Cash collection, if any	20414574	30193683
Total Inflow	56172905	64200971

OUTFLOW:

Claims paid	14520517	15403839
Commission & Brokerage paid including S.Tax	2418988	2238412
Mgt. Expenses & Advances for expenses	4336450	2905222
Refund/ Excess premium payments	646478	888244
Payment of Salary and deductions (Professional Tax, Income Tax etc.)	1626383	1525856
Loans and advances paid (except HBL)	624837	675522
Payment of Terminal dues	47246	117317
Other paymennts, if any	29209315	39468882
Total Outflow	53430214	63223294

Funds Transactions

Funds received from HO/RO/BO/Collection A/c	177403226	145672205
Funds sent to HO/RO	190604427	154381365
Net of Funds	-13201201	-8709160

NET CASH FLOW FROM OPERATING ACTIVITIES

-10458510 -7731483



CASH FLOW FROM INVESTING ACTIVITIES

	2008-09 (Rs. '000)	2007-08 (Rs. '000)
INFLOW :		
Sale of Assets	192282582	152000912
Recovery of House Building Loan	29611	35366
Interest on House Building Loan	8810	12389
Bank Interest	4815562	2763229
Total Inflow	197136565	154811896
OUTFLOW :		
Purchase of Assets	188507091	151163554
Disbursement of House Building Loan	44554	38172
Total Outflow	188551645	151201726
NET CASH FLOW FROM INVESTING ACTIVITIES	8584920	3610170
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend Paid	-326600	
Income Tax on Dividend	-55506	
NET CASH USED IN FINANCING ACTIVITIES	-382106	
Net Increase in Cash & Cash equivalent	-2255696	-4121313
Cash & Cash Equivalents at the beginning of the year	6192608	10313921
Cash & Cash equivalents at the end of the year	3936912	6192608

For and on behalf of the Board of Directors

S. GHOSE & CO.	DUTTA SARKAR & CO.	N. S. R. Chandraprasad	Chairman-cum-Managing Director
Chartered Accountants	Chartered Accountants	Lalit Kumar	Director
		D. K. Kapila	Director
		Sujit Das	Director
(Chandan Chattopadhyay)	(Karunamoy Banerjee)	A. Bandyopadhyay	Director
Partner	Partner	Rina Madia	Dy. Company Secretary
Membership No. 51254	Membership No. 7176		

Kolkata, the 4th day of July 2009

Segmental Report for the year ended 31st March, 2009

(Rs. in Thousand)

PARTICULARS	MARINE CARGO		OTHER THAN MARINE CARGO		TOTAL MARINE	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
PREMIUM EARNED (NET)						
PREMIUM FROM DIRECT BUSINESS WRITTEN	1400703	1296055	640251	481763	2040954	1777818
ADD: PREMIUM ON R/I ACCEPTANCE	14588	8633	108391	162184	122979	170817
LESS : PREMIUM ON R/I CEDED	309536	322820	583276	447437	892812	770257
NET PREMIUM	1105755	981868	165366	196510	1271121	1178378
ADJUSTMENT FOR CHANGE IN RESERVE FOR UNEXPIRED RISK	-61944	-33804	31144	-62897	-30800	-96701
TOTAL PREMIUM EARNED (NET)	1043811	948064	196510	133613	1240321	1081677
CLAIMS INCURRED (NET)						
CLAIMS PAID – DIRECT	864024	695616	565071	281085	1429095	976701
ADD : R/I ACCEPTANCE	6355	4895	95119	95033	101474	99928
LESS : R/I CEDED	163524	164438	495790	260446	659314	424884
NET CLAIMS PAID	706855	536073	164400	115672	871255	651745
ADD: CLAIMS O/S AT THE END OF YEAR	1344245	751011	392424	510882	1736669	1261893
LESS: CLAIMS OUTSTANDING AT THE BEGINING	751011	636788	510882	276272	1261893	913060
TOTAL CLAIMS INCURRED	1300089	650296	45942	350282	1346031	1000578
COMMISSION						
COMMISSION PAID – DIRECT	170978	154573	9182	16621	180160	171194
ADD: R/I ACCEPTANCE	3690	2261	18064	29028	21754	31289
LESS: R/I CEDED	54177	64283	36492	37867	90669	102150
NET COMMISSION	120491	92551	-9246	7782	111245	100333

Segmental Report for the year ended 31st March, 2009

(Rs. in Thousand)

PARTICULARS	MOTOR OWN DAMAGE		MOTOR THIRD PARTY		TOTAL MOTOR	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
PREMIUM EARNED (NET)						
PREMIUM FROM DIRECT BUSINESS WRITTEN	13331947	13601881	8169371	7901687	21501318	21503568
ADD: PREMIUM ON R/I ACCEPTANCE	7707	5865	3505672	2970101	3513379	2975966
LESS : PREMIUM ON R/I CEDED	1400202	2124467	4183683	4749231	5583885	6873698
NET PREMIUM	11939452	11483279	7491360	6122557	19430812	17605836
ADJUSTMENT FOR CHANGE IN RESERVE FOR UNEXPIRED RISK	-228087	-63972	-684402	-757789	-912489	-821761
TOTAL PREMIUM EARNED (NET)	11711365	11419307	6806958	5364768	18518323	16784075
CLAIMS INCURRED (NET)						
CLAIMS PAID – DIRECT	10370461	9697344	10014157	9981513	20384618	19678857
ADD : R/I ACCEPTANCE	4675	2596	221202	55	225877	2651
LESS : R/I CEDED	1456718	2238915	2061589	1520253	3518307	3759168
NET CLAIMS PAID	8918418	7461025	8173770	8461315	17092188	15922340
ADD: CLAIMS O/S AT THE END OF YEAR	3435200	2205803	24907715	23372994	28342915	25578797
LESS: CLAIMS OUTSTANDING AT THE BEGINING	2205803	1782617	23372994	22673582	25578797	24456199
TOTAL CLAIMS INCURRED	10147815	7884211	9708491	9160727	19856306	17044938
COMMISSION						
COMMISSION PAID – DIRECT	1361338	1518963	-70677	—	1290661	1518963
ADD: R/I ACCEPTANCE	2146	1718	—	20	2146	1738
LESS: R/I CEDED	267170	407951	89694	115818	356864	523769
NET COMMISSION	1096314	1112730	-160371	-115798	935943	996932

Segmental Report for the year ended 31st March, 2009

(Rs. in Thousand)

PARTICULARS	EMPLOYERS' LIABILITY		PUBLIC LIABILITY		ENGINEERING	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
PREMIUM EARNED (NET)						
PREMIUM FROM DIRECT BUSINESS WRITTEN	327271	293902	191195	166926	1673373	1458329
ADD: PREMIUM ON R/I ACCEPTANCE	-1503	—	—	53	182978	190187
LESS: PREMIUM ON R/I CEDED	32711	58721	19114	33375	1134480	579225
NET PREMIUM	293057	235181	172081	133604	721871	1069291
ADJUSTMENT FOR CHANGE IN RESERVE FOR UNEXPIRED RISK	-28938	-9463	-19239	-4517	173330	-27303
TOTAL PREMIUM EARNED (NET)	264119	225718	152842	129087	895201	1041988
CLAIMS INCURRED (NET)						
CLAIMS PAID – DIRECT	75607	94425	13791	10862	479551	445361
ADD: R/I ACCEPTANCE	4737	5867	—	—	51891	54552
LESS: R/I CEDED	12744	20736	2548	2170	133470	157313
NET CLAIMS PAID	67600	79556	11243	8692	397972	342600
ADD: CLAIMS O/S AT THE END OF YEAR	173886	157705	129565	136736	932514	840387
LESS: CLAIMS OUTSTANDING AT THE BEGINING	157705	167122	136736	42416	840387	755562
TOTAL CLAIMS INCURRED	83781	70139	4072	103012	490099	427425
COMMISSION						
COMMISSION PAID – DIRECT	31686	31087	18184	15160	83448	83213
ADD: R/I ACCEPTANCE	—	—	—	11	52541	51393
LESS: R/I CEDED	1	1	—	—	408064	102345
NET COMMISSION	31685	31086	18184	15171	-272075	32261

Segmental Report for the year ended 31st March, 2009

(Rs. in Thousand)

PARTICULARS	AVIATION		PERSONAL ACCIDENT		HEALTH INSURANCE	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
PREMIUM EARNED (NET)						
PREMIUM FROM DIRECT BUSINESS WRITTEN	579259	529118	825088	682005	8973079	6904591
ADD: PREMIUM ON R/I ACCEPTANCE	10703	3	—	—	—	—
LESS : PREMIUM ON R/I CEDED	558117	439490	82514	136412	897223	1380723
NET PREMIUM	31845	89631	742574	545593	8075856	5523868
ADJUSTMENT FOR CHANGE IN RESERVE FOR UNEXPIRED RISK	28895	34833	-98489	19506	-1275994	-843253
TOTAL PREMIUM EARNED (NET)	60740	124464	644085	565099	6799862	4680615
CLAIMS INCURRED (NET)						
CLAIMS PAID – DIRECT	232835	21910	844008	791691	8496582	6717736
ADD : R/I ACCEPTANCE	5814	—	—	—	—	—
LESS : R/I CEDED	202070	-22914	155880	158331	1569935	1343236
NET CLAIMS PAID	36579	44824	688128	633360	6926647	5374500
ADD: CLAIMS O/S AT THE END OF YEAR	65053	46316	1073552	933174	1950830	1311084
LESS: CLAIMS OUTSTANDING AT THE BEGINING	46316	36857	933174	1104407	1311084	1161764
TOTAL CLAIMS INCURRED	55316	54283	828506	462127	7566393	5523820
COMMISSION						
COMMISSION PAID – DIRECT	1672	3157	99305	88521	1004137	889727
ADD: R/I ACCEPTANCE	882	559	—	—	—	—
LESS: R/I CEDED	17586	14551	2	5	—	—
NET COMMISSION	-15032	-10835	99303	88516	1004137	889727

Segmental Report for the year ended 31st March, 2009

(Rs. in Thousand)

PARTICULARS	MISCELLANEOUS OTHERS		MISCELLANEOUS TOTAL	
	2008-09	2007-08	2008-09	2007-08
PREMIUM EARNED (NET)				
PREMIUM FROM DIRECT BUSINESS WRITTEN	2855026	3042324	36925609	34580763
ADD: PREMIUM ON R/I ACCEPTANCE	148305	199841	3853862	3366050
LESS : PREMIUM ON R/I CEDED	505101	333209	8813146	9834853
NET PREMIUM	2498230	2908956	31966325	28111960
ADJUSTMENT FOR CHANGE IN RESERVE FOR UNEXPIRED RISK	205362	-268139	-1927563	-1920097
TOTAL PREMIUM EARNED (NET)	2703592	2640817	30038762	26191863
CLAIMS INCURRED (NET)				
CLAIMS PAID – DIRECT	1380948	1596774	31907940	29357616
ADD : R/I ACCEPTANCE	121668	64454	409987	127524
LESS : R/I CEDED	173482	366307	5768436	5784347
NET CLAIMS PAID	1329134	1294921	26549491	23700793
ADD: CLAIMS O/S AT THE END OF YEAR	2649545	2648535	35317860	31652734
LESS: CLAIMS OUTSTANDING AT THE BEGINING	2648536	2686100	31652735	30410427
TOTAL CLAIMS INCURRED	1330143	1257356	30214616	24943100
COMMISSION				
COMMISSION PAID – DIRECT	416699	169145	2945792	2799247
ADD: R/I ACCEPTANCE	43246	55072	98815	108773
LESS: R/I CEDED	300057	422383	1082574	1063054
NET COMMISSION	159888	-198166	1962033	1844692



SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

SCHEDULE – 1 FIRE

PREMIUM EARNED [NET]

Particulars	2008 - 2009	2007 - 2008
	(Rs.'000)	(Rs.'000)
Premium from direct business written	3,991,985	3,861,146
Add: Premium on reinsurance accepted	437,583	486,755
Less : Premium on reinsurance ceded	1,130,686	1,758,477
Net Premium	3,298,882	2,589,424
Adjustment for change in reserve for unexpired risks	(354,729)	322,291
Total Premium Earned (Net)	2,944,153	2,911,715

SCHEDULE – 2 FIRE

CLAIMS INCURRED [NET]

Particulars	2008 - 2009	2007 - 2008
	(Rs.'000)	(Rs.'000)
Claims paid		
Direct	3,658,370	2,233,613
Add :Re-insurance accepted	177,833	168,466
Less :Re-insurance ceded	2,037,416	978,670
Net Claims paid	1,798,787	1,423,409
Add Claims Outstanding at the end of the year	3,864,106	3,286,814
Less Claims Outstanding at the beginning of the year	3,286,814	2,265,548
Total Claims Incurred	2,376,079	2,444,675

SCHEDULE- 3 FIRE

COMMISSION

Particulars	2008 - 2009	2007 - 2008
	(Rs.'000)	(Rs.'000)
Commission paid		
Direct	261,358	260,477
Add: Commission on Re-insurance accepted	114,976	110,871
Less: Commission on Re-insurance ceded	267,836	277,772
Net Commission	108,498	93,576

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

SCHEDULE – 1 MARINE

PREMIUM EARNED [NET]

Particulars	2008 - 2009	2007 - 2008
	(Rs.'000)	(Rs.'000)
Premium from direct business written	2,040,954	1,777,818
Add: Premium on reinsurance accepted	122,979	170,817
Less : Premium on reinsurance ceded	892,812	770,257
Net Premium	1,271,121	1,178,378
Adjustment for change in reserve for unexpired risks	(30,800)	(96,701)
Total Premium Earned (Net)	1,240,321	1,081,677

SCHEDULE – 2 MARINE

CLAIMS INCURRED [NET]

Particulars	2008 - 2009	2007 - 2008
	(Rs.'000)	(Rs.'000)
Claims paid		
Direct	1,429,095	976,700
Add :Re-insurance accepted	101,474	99,928
Less :Re-insurance ceded	659,314	424,884
Net Claims paid	871,255	651,744
Add Claims Outstanding at the end of the year	1,736,669	1,261,893
Less Claims Outstanding at the beginning	1,261,893	913,059
Total Claims Incurred	1,346,031	1,000,578

SCHEDULE- 3 MARINE

COMMISSION

Particulars	2008 - 2009	2007 - 2008
	(Rs.'000)	(Rs.'000)
Commission paid		
Direct	180,160	171,194
Add: Commission on Re-insurance accepted	21,754	31,289
Less: Commission on Re-insurance ceded	90,669	102,150
Net Commission	111,245	100,333

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

SCHEDULE – 1 MISCELLANEOUS PREMIUM EARNED [NET]

Particulars	2008 - 2009 (Rs.'000)	2007 - 2008 (Rs.'000)
Premium from direct business written	36,925,609	34,580,763
Add: Premium on reinsurance accepted	3,853,862	3,366,050
Less : Premium on reinsurance ceded	8,813,146	9,834,853
Net Premium	31,966,325	28,111,960
Adjustment for change in reserve for unexpired risks	(1,927,184)	(1,920,097)
Total Premium Earned (Net)	30,039,141	26,191,863

SCHEDULE – 2 MISCELLANEOUS CLAIMS INCURRED [NET]

Particulars	2008 - 2009 (Rs.'000)	2007 - 2008 (Rs.'000)
Claims paid		
Direct	31,907,940	29,357,616
Add :Re-insurance accepted	409,987	127,524
Less :Re-insurance ceded	5,768,436	5,784,347
Net Claims paid	26,549,491	23,700,793
Add Claims Outstanding at the end of the year	35,317,860	31,652,735
Less Claims Outstanding at the beginning	31,652,735	30,410,427
Total Claims Incurred	30,214,616	24,943,101

SCHEDULE- 3 MISCELLANEOUS COMMISSION

Particulars	2008 - 2009 (Rs.'000)	2007 - 2008 (Rs.'000)
Commission paid		
Direct	2,945,792	2,799,247
Add: Commission on Re-insurance accepted	98,815	108,773
Less: Commission on Re-insurance ceded	1,082,574	1,063,054
Net Commission	1,962,033	1,844,966

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

SCHEDULE – 4

OPERATING EXPENSES RELATED TO INSURANCE BUSINESS

Particulars	2008 – 2009	2007 – 2008
	(Rs.'000)	(Rs.'000)
1. Employees' remuneration & welfare benefits	7,180,728	7,071,486
2. Travel, conveyance and vehicle running expenses	332,013	307,727
3. Training expenses	36,121	26,743
4. Rents, rates & taxes	340,506	308,778
5. Repairs	7,263	1,530
6. Printing & stationery	154,425	158,882
7. Communication	111,052	109,494
8. Legal & professional charges	45,285	63,724
9. Auditors' fees, expenses etc		
(a) as auditor	17,126	16,341
(b) as adviser or in any other capacity, in respect of	—	—
(i) Taxation matters	—	—
(ii) Insurance matters	—	—
(iii) Management services; and	—	—
(c) in any other capacity	—	—
10. Advertisement and publicity	134,366	188,910
11. Interest & Bank Charges	54,782	56,540
12. Others	897,124	494,880
13. Depreciation	152,827	171,993
TOTAL	9,463,618	8,977,028
Allocated to :-		
Fire	965,965	888,146
Marine	353,783	298,196
Miscellaneous	8,143,870	7,790,686
TOTAL	9,463,618	8,977,028

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

SCHEDULE – 5

SHARE CAPITAL

Particulars	As at 31.03.2009	As at 31.03.2008
	(Rs.'000)	(Rs.'000)
1 Authorised Capital 20,00,00,000 Equity Shares of Rs.10 each	2,000,000	2,000,000
2 Issued, Subscribed and Paid-up 10,00,00,000 Equity Shares of Rs. 10 each (include 9,70,96,955 Equity Shares of Rs. 10 each as fully paid-up Bonus Shares by capitalisation of General Reserve and Share Premium)	1,000,000	1,000,000
TOTAL	1,000,000	1,000,000

SCHEDULE – 5A

SHARE CAPITAL

PATTERN OF SHAREHOLDING

Shareholder	As at 31.03.2009		As at 31.03.2008	
	Number of Shares	% of Holding	Number of Shares	% of Holding
Promoters				
• India	100,000,000	100%	100,000,000	100%
• Foreign	—	—	—	—
Others	—	—	—	—
TOTAL	100,000,000		100,000,000	

SCHEDULE – 6

RESERVES AND SURPLUS

Particulars	As at 31.03.2009	As at 31.03.2008
	(Rs.'000)	(Rs.'000)
1 General Reserves		
Balance as per last account	14,572,547	13,320,351
Less: Adjustment for Deferred Tax Asset		
Transfer from Profit and Loss Account	-1,492,087	1,252,196
	13,080,460	14,572,547
2 Investment Reserve	9,610	9,610
3 Exchange Reserve	4,817	4,817
TOTAL	13,094,887	14,586,974

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

SCHEDULE - 7

BORROWINGS

Particulars	As at 31.03.2009 (Rs.'000)	As at 31.03.2008 (Rs.'000)
1 Debentures/ Bonds	NIL	NIL
2 Banks	NIL	NIL
3 Financial Institutions	NIL	NIL
4 Others (to be specified)	NIL	NIL
TOTAL	NIL	NIL

Schedule –8

INVESTMENTS

Particulars	As at 31.03.2009 (Rs.'000)	As at 31.03.2008 (Rs.'000)
LONG TERM INVESTMENTS		
1 Government securities and Government guaranteed bonds including Treasury Bills (See note below)	17,133,291	16,866,148
2 Other Approved Securities	278,727	401
3 Other Investments		
(a) Shares		
(aa) Equity	55,487,870	89,860,085
(bb) Preference	731,779	781,317
(b) Mutual Funds		
(c) Debentures/ Bonds	3,885,373	3,460,614
(d) Auto Ancillary and Venture Capital	36,418	36,418
(e) Investment Properties-Real Estate	6,765	7,316
4 Investments in Infrastructure and Social Sector	8,008,545	7,855,858
5 Other than Approved Investments	865,671	1,317,566
SHORT TERM INVESTMENTS		
1 Government securities and Government guaranteed bonds including Treasury Bills	2,019,191	3,183,244
2 Other Investments		
(a) Mutual Funds	1,899,895	640,000
(b) Debentures/ Bonds	50,091	931,852
(c) Other securities (Commercial Paper)	—	458,768
3 Investments in Infrastructure and Social Sector	559,090	849,442
4 Other than Approved Investments	546,549	930,816
TOTAL	91,509,255	127,179,845

Notes: (i) Includes Rs.100706 thousand (Previous year Rs.100799 thousand) deposited with RBI In pursuant to Section 7 of Insurance Act, 1938.

(ii) Provision of Rs.291527 thousand (Previous year 346241 thousand) against non-performing debentures is grouped under provision for bad and doubtful debts in Schedule 14

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

SCHEDULE - 9

LOANS

Particulars		As at 31.03.2009 (Rs.'000)	As at 31.03.2008 (Rs.'000)
1	SECURITY-WISE CLASSIFICATION		
	Secured	2,841,141	2,842,848
	(a) On mortgage of property		
	(aa) In India	958,094	1,060,898
	(bb) Outside India	—	—
	(b) On Shares, Bonds, Govt. Securities	—	—
	(c) Others - HBL	1,883,047	1,781,950
	Unsecured	942,865	1,075,151
	TOTAL	3,784,006	3,917,999
2	BORROWER-WISE CLASSIFICATION		
	(a) Central and State Governments	490,420	539,246
	(b) Banks and Financial Institutions	15,182	15,182
	(c) Subsidiaries	—	—
	(d) Industrial Undertakings	1,049,385	1,160,649
	(e) Others	2,229,019	2,202,922
	TOTAL	3,784,006	3,917,999
3	PERFORMANCE-WISE CLASSIFICATION		
	(a) Loans classified as standard		
	(aa) In India	2,920,911	3,193,608
	(bb) Outside India	—	—
	(b) Non-performing loans less provisions		
	(aa) In India *	863,095	724,391
	(bb) Outside India	—	—
	TOTAL	3,784,006	3,917,999
4	MATURITY-WISE CLASSIFICATION		
	(a) Short Term	347,141	184,973
	(b) Long Term	3,436,865	3,733,026
	TOTAL	3,784,006	3,917,999

* Note : Provision of Rs.429278 thousand (Previous year Rs.702547 thousand) against non-performing loans is grouped under provision for bad and doubtful debts in Schedule 14

SCHEDULE FORMING PART OF FINANCIAL STATEMENTS

SCHEDULE – 10

FIXED ASSETS AS AT 31ST MARCH, 2009

(Rs.'000)

Particulars	Cost/ Gross Block				Depreciation			Net Block		
	Opening as at 01.04.2008	Additions during the year	Reductions during the year	Closing as on 31.03.2009	Upto 31.03.2008	For the Year	Adjustments	As at 31.03.2009	As on 31.03.2009	As on 31.03.2008
Goodwill	—	—	—	—	—	—	—	—	—	—
Intangibles (specify)	—	—	—	—	—	—	—	—	—	—
Land-Freehold	6,532	—	—	6,532	—	—	—	—	6,532	6,532
Leasehold Property	1,341	3,074	—	4,415	289	74	—	363	4,052	1,052
Buildings	327,288	1,277	—	328,565	99,965	12,873	—	112,838	215,727	227,323
Furniture & Fittings	240,167	7,373	513	2,47,027	2,11,177	6,497	-292	2,17,382	29,645	28,990
Information Technology Equipment	1,698,823	81,002	74,192	1,705,633	1,564,454	82,796	-4,984	1,642,266	63,367	134,370
Vehicles	343,771	127,714	101,398	370,087	194,352	49,145	-30,991	212,506	157,581	149,419
Office Equipment	164,377	5,525	1,550	168,352	139,330	4,462	-807	142,985	25,367	25,047
Others *	270,649	6,535	1,734	275,450	208,064	9,926	-1,407	216,583	58,867	62,585
TOTAL	3,052,949	232,500	179,387	3,106,062	2,417,631	165,773	-38,481	2,544,923	561,138	635,317
Capital Work in progress - A.C.	—	—	—	—	—	—	—	—	—	377
Others	—	—	—	—	—	—	—	—	—	1,425
Grand Total	3,052,949	232,500	179,387	3,106,062	2,417,631	165,773	-38,481	2,544,923	561,138	637,119
PREVIOUS YEAR	2,854,289	295,600	95,138	3,054,751	2,254,330	185,774	-22,472	2,417,631	637,119	—

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

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

SCHEDULE- 11

CASH AND BANK BALANCES

Particulars	As at 31.03.2009 (Rs.'000)	As at 31.03.2008 (Rs.'000)
1 Cash (including cheques, drafts and stamps)	288,985	315,832
2 Bank Balances		
(a) Deposit Accounts		
(aa) Short-term (due within 12 months)	1,450,435	2,531,260
(b) Current Accounts	1,569,375	2,703,437
3 Money at Call and Short Notice		
(a) With Banks	—	—
(b) With other Institutions	—	—
4 Remittances in Transit	628,117	642,079
TOTAL	3,936,912	6,192,608
Balances with non-scheduled banks included in 2 and 3 above (at Nepal Branch)	—	—

SCHEDULE – 12

ADVANCES AND OTHER ASSETS

Particulars	As at 31.03.2009 (Rs.'000)	As at 31.03.2008 (Rs.'000)
ADVANCES		
1 Reserve deposits with ceding companies	113,508	97,535
2 Application money for investments	—	239,734
3 Advance tax paid and taxes deducted at source (Net of provision for taxation)	2,187,625	1,532,890
4 Advance, Deposits & Pre-paid Expenses	683,340	546,342
TOTAL (A)	2,984,473	2,416,501
OTHER ASSETS		
1 Income accrued on investments	35,980	1,331,246
2 Outstanding Premiums	29,140	30,000
3 Agents' Balances	16,057	11,982
4 Due from other entities carrying on insurance business (including reinsurers)	16,327,152	11,676,011
5 Deposit with Reserve Bank of India [Pursuant to section 7 of Insurance Act, 1938]	—	—
6 Others (Interest, Dividend, Rent Outstanding, Debtors and Vehicle Loan)	6,248,106	4,124,176
7 Inter Office	—	—
TOTAL (B)	22,656,435	17,173,415
TOTAL (A+B)	25,640,908	19,589,916

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

SCHEDULE - 13

CURRENT LIABILITIES

	As at 31.03.2009 (Rs.'000)	As at 31.03.2008 (Rs.'000)
1 Agents' Balances	410,963	407,267
2 Balances due to other insurance companies	4,648,306	5,026,276
3 Deposits held on re-insurance ceded	3,919	3,474
4 Premiums received in advance	398,446	301,601
5 Sundry creditors	9,186,426	8,847,533
6 Due to former share holders	292	292
7 Claims Outstanding	40,918,635	36,201,443
8 Others - (Unclaimed Dividend)	—	—
9 Inter office	160	671
TOTAL	55,567,147	50,788,557

SCHEDULE – 14

PROVISIONS

	As at 31.03.2009 (Rs.'000)	As at 31.03.2008 (Rs.'000)
1 Reserve for Unexpired Risk	18,350,847	16,038,136
2 For proposed dividends	—	326,600
3 For dividend distribution tax	—	55,506
4 For doubtful debts	1,420,000	1,720,000
TOTAL	19,770,847	18,140,242

SCHEDULE – 15

MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

	As at 31.03.2009 (Rs.'000)	As at 31.03.2008 (Rs.'000)
1 Discount Allowed in issue of shares/ debentures	—	—
2 Deferred Revenue Expenditure - VRS Expenses		
Balance as per last year	91,268	600,242
Add: Expenses for the year (software only)	39,292	117,992
	130,560	718,234
Less: Amortised during the year		
i) On account of 2003-04	—	575,029
ii) On account of 2004-05	12,606	12,606
iii) Other Deferred Revenue Expenditure(cost of Software)	52,428	39,331
BALANCE AT THE END OF THE YEAR	65,526	91,268

Schedules forming part of Financial Statements

Schedule 16

SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING CONVENTION :

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

2. RE-INSURANCE :

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

3. FOREIGN BRANCH ACCOUNTS :

- 3.1 The cost of fixed assets and investments held in foreign currencies at the Company's foreign branches are converted at the exchange rates prevalent at the end of the year of acquisition.
- 3.2 Assets, other than those mentioned in 3.1 above, and liabilities of the foreign branches are converted at the rates of exchange at the year-end.
- 3.3 Revenue transactions relating to foreign branches are converted at the year end at the average of the rates of exchange prevailing at the beginning of each quarter.
- 3.4 Exchange gain/loss on conversion of foreign currencies is accounted for as revenue.

4. OUTSTANDING CLAIMS :

- 4.1 Estimated liability for outstanding claims is provided as follows:
 - (a) in respect of direct business in India on the basis of claim intimations received upto the year end,
 - (b) in respect of re-insurance business as intimated by foreign insurance companies/agents upto 30th April of the subsequent financial year,

- (c) wherever supporting information is not available, provisions are estimated on current trends and past underwriting experience.

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

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

5. RESERVE FOR UNEXPIRED RISK :

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

6. LOANS AND INVESTMENTS :

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

6.2 Investments are valued as per IRDA Regulations as follows:

- (a) **Debt Securities:** Debt securities including Government securities and Redeemable Preference shares other than those specified in Para (b) & (c) below are considered as "held to maturity" securities and are measured at historical cost and the premium paid is amortized over the residual period of maturity.

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

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

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

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

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

Provision is made equivalent to the amount of difference in acquisition cost and the break-up value of the share wherever break-up value is less. For this purpose the break-up value is arrived at as per the latest Balance Sheet, which should not be more than 1 year prior to

the date of valuation. When the break-up value is negative, provision shall be the difference between the acquisition cost and a nominal value of Re.1/- per company.

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

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

(d) **Preference Shares:** Investment in Preference Shares of such companies is valued as under:

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

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

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

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

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

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

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

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

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

- 6.5 Where contracts of purchase of shares/debentures are made but delivery/registration of certificates is pending, the same are accounted for as investments. If dividend is declared on such shares during the pendency of delivery immediately after purchase, the cost of shares is reduced by the amount of such dividend.
- 6.6 Where bonus shares are received, the number of shares is recorded as an increase without affecting the book value.
- 6.7 Investment in units of Mutual Fund is valued on Net Assets Value (NAV) basis and unrealized gain/loss is recognised in 'Fair Value Change Account'.
- 6.8 Investment Properties – Real Estates are valued at historical cost less depreciation and impairment loss.
- 6.9 Interest, dividend and rent income, net of expenses and profit/loss on sale/realisation of investments, are apportioned between Revenue Accounts (Policyholders' Account) and Profit and Loss Account (Shareholders' account) in the ratio of policyholders' fund and shareholders' fund balances at the beginning of the year.

7. EXPENSES OF MANAGEMENT/OPERATING EXPENSES :

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

8. IMPAIRMENT OF ASSETS :

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



9. INTANGIBLE ASSETS :

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

10. OTHERS :

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

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

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

For and on behalf of the Board of Directors

S. GHOSE & CO. Chartered Accountants	DUTTA SARKAR & CO. Chartered Accountants	N. S. R Chandraprasad Lalit Kumar	Chairman-cum-Managing Director Director
		D. K. Kapila	Director
		Sujit Das	Director
(Chandan Chattopadhyay) Partner Membership No. 51254	(Karunamoy Banerjee) Partner Membership No.7176	A. Bandyopadhyay Rina Madia	Director Dy. Company Secretary

Kolkata, the 4th day of July 2009

Schedules forming part of Financial Statements

Schedule – 17

NOTES FORMING PART OF THE ACCOUNTS

1. There are Contingent Liabilities as under:
 - (a) Uncalled amount on partly paid shares Rs. 4181 thousand (Rs.4181 thousand)
 - (b) Claims against the company not acknowledged as debts or under dispute Rs. 81082 thousand (Rs. 60346 thousand)
 - (c) Disputed Income Tax of Rs.284357 thousand (Rs.1144432 thousand), Interest Tax of Rs.10122 thousand (Rs.10122thousand), Wealth Tax of Rs. 'nil' (Rs.88 thousand).
2. Fixed Deposits amounting to Rs. 'nil' (Rs. 532330 thousand) have been deposited by contract or otherwise as security for policies/claims.
3. Capital commitments remaining outstanding are:
 - (a) Loans and Investments Rs.8060 thousand (Rs.8060 thousand)
 - (b) Fixed assets Rs. 15200 thousand (Rs. 15200 thousand)
 - (c) IT enabled Business Process Re-engineering (EASI) Rs. 4560000 thousand (nil)
4. (a) Claims, less reinsurance :

(Rs. in thousand)

Paid to	Fire	Marine	Miscellaneous	Total
i) Claimants in India	1735765	794234	26312215	28842214
	(1410692)	(635391)	(23637502)	(25683585)
ii) Claimants outside India	63022	77022	237277	377321
	(12717)	(16353)	(63291)	(92361)
(b) Premiums, less reinsurance				
	Fire	Marine	Miscellaneous	Total
i) in India	3287206	1237925	31910902	36436033
	(2553219)	(1150185)	(28059688)	(31763092)
ii) outside India	11676	33196	55423	100295
	(36205)	(28193)	(52272)	(116670)

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

	(Rs. in thousand)		
	Less than six months	Six months and more	Total
Fire	1829099 (1788851)	2946157 (3995050)	4775256 (5783901)
Marine	1104890 (2049836)	2098726 (979473)	3203616 (3029309)
Miscellaneous	9091295 (9308599)	29819639 (28180721)	38910934 (37489320)

6. The transfer of investments in Shares/Securities having book value of Rs. 24 thousand (Rs. 99 thousand) is under Demat rejection and pending.

7. (a) In accordance with the regulations prescribed by IRDA, unrealized gains (net) amounting to Rs. 36064864 thousand (Rs. 73092982 thousand), arising due to changes in the Fair Value of listed equity shares and mutual funds (excepting equities listed in stock exchanges outside India), are taken to 'Fair Value Change Account.' The historical cost of such investments amounted to Rs. 21281147 thousand (Rs.17368426 thousand). Pending realization the credit balance in the Fair Value Change Account is not available for distribution.

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

	(Rs. in thousand)		
	Market Value	Historical Cost	Fair Value Change Account (Unrealised Gain)
Equity Shares of PSU	8072157 (7528304)	6083527 (3697666)	1988630 (3830638)
Equity Shares of Indian Companies other than PSUs	47373958 (82292926)	13298120 (13030760)	34075838 (69262166)
Mutual Fund	1899895 (640178)	1899500 (640000)	395 (178)
Total	57346010 (90461408)	21281147 (17368426)	36064863 (73092982)

(b) Equities, having book value of Rs.43615 thousand (Rs. 40562 thousand) listed in Stock Exchanges outside India for which market value is not authentically available, have not been considered for the purpose of 'Fair Value Change Account' and have been taken at book value.

8. The nature of securities in respect of secured loans (referred to in Schedule 9) is:
- a first mortgage and charge in company's favour of the borrowers' all immovable properties, both present and future, and
 - a first mortgage by way of hypothecation in favour of the company of the borrowers' all movable properties, including book debts, all movable articles and such other movables as are agreed to by other lending/financial institutions.
- However the value of security referred to hereinabove at any time during the pendency of the loan is not less than 1.25 times of the loan amount outstanding.
- The mortgage and charge referred to above ranks pari-passu with the mortgages and charges created and/or to be created in favour of all lending/financial Institutions.
- The original security documents and the extent of coverage on any particular day are ascertainable at the Lead Institution level in case of Term Loan and Debenture Trustee level in case of debenture.
- Loans to HUDCO Rs. 315333 thousand (Rs. 420333 thousand) are secured by negative lien with Power of Attorney in favour of the company for creating first floating charge on all present and future properties and assets of HUDCO including the mortgage that may be obtained by HUDCO in its favour.
9. (a) Investments in Equity Shares of Rs.1888 thousand (Rs.1888 thousand) held by the company against ownership of certain immovable properties have been shown under 'Investment Properties – Real Estate'.
- As per valuation report of independent approved valuer the fair value of such real estate mentioned above is Rs. 171428 thousand (Rs. 173012 thousand).
10. (a) There is a difference as under between the Company's holding and holding certificate from Stock Holding Corporation of India Limited (SHCIL) which is under reconciliation.

(Rs. in thousand)

	2008-09		2007-08	
	SHORT	EXCESS	SHORT	EXCESS
Equity	1279	33	965	3079
Preference	0.029	36	0.035	2537
Debentures	3172	9925	21470	92991
Total:	4451.029	9994	22435.035	98607

- Investment in Debentures includes Rs. 137920 thousand (Rs.157376 thousand) against which the Company holds Allotment Letters only. The certificates are yet to be received from the concerned companies. However, necessary provision has already been made for Rs. 51837 thousand (Rs. 51837 thousand) in respect of those Debentures which have matured till 31.03.2009 and for which no certificate has been received.
11. (a) The total amount of Loan Assets to the extent restructured under CDR is given below :

(Rs. in thousand)

		TERM LOAN	DEBENTURE	PREFERENCE SHARES	TOTAL
a) Standard Assets	Current Year	13590	3295	2453	19338
	Previous Year	15217	—	—	15217
b) Substandard Assets	Current Year	—	—	—	—
	Previous Year	—	—	—	—
c) Doubtful Assets	Current Year	—	—	—	—
	Previous Year	—	—	—	—
d) Loss Assets	Current Year	7240	—	1058	8298
	Previous Year	—	—	—	—
Total:	Current Year	20830	3295	3511	27636
	Previous Year	15217	—	—	15217

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

i) Performing Investments	Rs. 14906731 thousand (Rs.16445164 thousand)
ii) Non-performing Investments	Rs. 949529 thousand (Rs.1084882 thousand)
Total book value	Rs. 15856260 thousand (Rs.17530046 thousand)

(c) Overdue interest, on loans and debentures considered NPA amounting to Rs. 1782983 thousand (Rs. 1140349 thousand), has not been accounted for in view of uncertainty of realisation.

12. In terms of Joint institutional decisions, restructuring of dues from various corporate houses has been done. In respect of such restructuring Rs. 24565 thousand (Rs. 10064 thousand) was waived during the year towards Principal and Rs. 163841 (Rs.52664) towards interest.

13 (a) Depreciation on Fixed Assets has been provided at the following rates:

(1) Office Equipments, Air-conditioner, Generators	...	15.00%
(2) Computer and I.T. Equipments	...	60.00%
(3) Fans & Electrical Equipments	...	13.91%
(4) General Furniture	...	18.10%
(5) Motor Cars	...	25.89%
(6) Cycle	...	20.00%
(7) Buildings used as – i. Office Premises	...	10.00%
ii. Residential House	...	5.00%

(b) Land and House property in India under fixed assets includes Rs. 74809 thousand (Rs. 89753 thousand) for which deeds of conveyance are pending. Stamp duty and registration costs will be taken into account in the year of execution of conveyance deed.

14. Barring disputed cases no settled insurance claim remained unpaid for more than six months as on the Balance Sheet date.

15. (a) Confirmation of balances shown under the following heads could not be obtained and reconciliation thereof is in progress:

- Agents' Balances	- Cr. Rs.407 thousand (Cr. Rs. 89 thousand)
- Loans and Advances	- Dr. Rs.16445 thousand (Dr. Rs. 2806 thousand)
- Inter Office Adjustments	- Cr. Rs. 160 thousand (Dr. Rs. 671 thousand)
- Amount due from/to other persons or bodies carrying on Insurance Business	- Dr. Rs.700000 thousand (Dr. Rs. 1000232 thousand) and Cr. Rs.955009 thousand (Rs. 930495 thousand)
- Unexplained Bank Debit and Credit in Bank Reconciliation Statement	- Dr. Rs.3396 thousand (Rs. 2301 thousand and Cr. Rs.5572 thousand (Rs. 4696 thousand)
- Sundry Debtors	- Rs. 90 thousand (Rs. 90 thousand)
- Sundry Creditors	- Rs.119 thousand (Rs. 243 thousand)

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

(b) Unlinked/unidentified old debits and credits in certain Bank Accounts of the company at Head Office reflected differences and are subject to reconciliation/adjustments. The differences amounting to Rs.22905 thousand (net credit) (Rs. 33259 thousand) were transferred to Bank Suspense account and shown under Current Liabilities – Sundry Creditors in the accounts.

16. In accordance with directives from IRDA, Indian Motor Third Party Insurance Pool (IMTPIP) for commercial vehicles has been created from 1st April 2007 with General Insurance Corporation of India as the Pool Administrator. The share of premium, claims, expenses and income pertaining to the company has been accounted for as per statement for the period from 01.03.2008 to 28.02.2009 received from the Pool Administrator.

17. (a) The Company entered into a transfer agreement on 27.12.2006 with The New India Assurance Co. Ltd. to transfer all the branch's operation, Assets & Liabilities of Hong Kong Branch at their carrying values subject to approval by the Insurance Authority of Hongkong. The approval has been obtained for transfer of business. The present arrangement would continue as a pure run-off operation and the run-off exercise will be over once the entire outstanding liability is fully paid-off.

(b) The amount of Gain/Loss on disposal of assets or settlement of liabilities attributable to the discontinuing operation will be accounted for at the appropriate time.

18. Related party disclosures are given below:

(a) Associates:

1. India International Insurance Pvt. Ltd., Singapore

Nature of transactions:

No. of shares held	—	50,00,000	(50,00,000)
Book value of shares	—	Rs. 28576 thousand	(Rs.28576 thousand)
Dividend received	—	Rs. 16149 thousand	(Rs.8651 thousand)



2. Kenindia Assurance Co. Ltd., Nairobi

Nature of transactions:

No. of shares held	—	3,32,790	(2,85,249)
Book value of shares	—	Rs. 7132 thousand	(Rs.4079 thousand)
Dividend received	—	NIL	(Rs.1614 thousand)

(b) Key Management Personnel:

1. Shri V. Ramasaamy, Chairman-cum-Managing Director.
2. Shri Sujit Das, Director and General Manager
3. Shri A Bandyopadhyay, Director and General Manager

Nature of transactions:

- (i) Salaries, allowances & contributions Rs.3413 thousand (Rs.21861 thousand)
- (ii) Loan balances due Rs 273 thousand (Rs.296 thousand)

19. The head "Advertisement and Publicity" in Operating Expenses (Schedule 4) represents expenses in the nature of business development.
20. Premium Deficiency has not been created since in the opinion of the management, the expected claim costs along with the related expenses and maintenance cost would not exceed the related Reserve for Unexpired Risks in respect of Fire Rs. (+)536500 thousand, Marine Rs. (+)608800 thousand and Miscellaneous Rs. (+)955900 thousand. While there is no deficiency in Motor Own Damage Segment which is Rs. (+) 1000300 thousand, the deficiency in Motor Third Party works out to Rs.1240400 thousand.
21. The Company has adopted the Accounting Standard 15 (Revised 2005) issued by The Institute of Chartered Accountants of India (ICAI) in respect of employee benefits.

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

(Rs. in thousand)

Defined Benefit Plan	31.03.2009	31.03.2008
Gratuity	352094	379986
Pension	636114	599000
Leave Encashment	77866	80088
Sick Leave	55447	277398
LTS	2098	163158

The status of the plan is given below:

	(Rs. in thousand)				
	Gratuity	Pension	Leave Encashment	Sick Leave	LTS
A) Present Value of Obligation					
At beginning of the year	2436723 (1941340)	7281400 (6393200)	1326131 (1246043)	277398 (—)	135345 (—)
Interest Cost	180317 (162533)	517373 (526494)	97153 (103089)	20805 (—)	10151 (—)
Service Cost	153521 (127138)	333163 (268751)	110909 (78879)	48800 (—)	— (—)
Actuarial (Gain)/Loss	309932 (264078)	1101779 (491255)	- 68672 (-35416)	-14157 (277398)	78394 (163158)
Benefits Paid	65000 (58366)	766200 (398300)	61523 (66464)	— (—)	58634 (61381)
At the end of the year	3015494 (2436723)	8467514 (7281400)	1403997 (1326131)	332845 (277398)	165256 (101777)
B) Change in Plan Asset					
Fair Value at beginning of the year	2028928 (1913531)	7010000 (6444000)	— (—)	— (—)	— (—)
Expected Return	162314 (153082)	560800 (515520)	— (—)	— (—)	— (—)
Actuarial (Gain)/Loss	129362 (20682)	755400 (171980)	— (—)	— (—)	— (—)
Benefits Paid	65000 (58366)	766200 (398300)	— (—)	— (—)	— (—)
Fair Value at end of the year	2635591 (2028929)	7560000 (6733200)	— (—)	— (—)	— (—)

(Rs. in thousand)					
	Gratuity	Pension	Leave Encashment	Sick Leave	LTS
C) Reconciliation of Fair Value of obligation and Present Value of Plan Assets					
Fair Value at the year end	2635591 (2028928)	7560000 (6733200)	— (—)	— (—)	— (—)
Present Value at the year end	3015494 (2436723)	8467514 (7281400)	— (—)	— (—)	— (—)
Net (Liability) recognized in Balance Sheet	-379903 (-407795)	-907514 (-548200)	— (—)	— (—)	— (—)
D) Assumptions					
Discount Rate (%)	7.50 (8.50)	7.50 (8.50)	7.50 (8.50)	7.50 (8.50)	7.50 (8.50)
Return on Plan Asset (%)	8.00 (8.00)	8.00 (8.00)	— (—)	— (—)	— (—)

22. In the light of having large amount of carry forward losses under tax laws, the recognition of Deferred Tax Asset/Liability in terms of Accounting Standard 22 has been dispensed with.
23. In the opinion of management, there is no impairment of assets of the company that requires any adjustment to be made in terms of Accounting Standard 28 issued by the ICAI.
24. The following information is given pursuant to Accounting Standard 29 issued by the ICAI:

(Rs. in thousand)			
	Disputed Statutory Matters	Provision for doubtful debts	Other Obligations
Opening Balance as on 01.04.2008	1154642	361227	—
Additions	—	90732	—
Reversal	860163	—	—
Closing Balance as on 31.03.2009	294479	451959	—

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

25. Service Tax credit as per Cenvat Rules has been considered in the accounts by debiting Service Tax Recoverable Account and crediting respective expenses accounts for Rs. 1631270 (Rs. 1183447) against payment of input Service Tax.

26. Current Tax includes:

	31.03.2009	(Rs. in thousand) 31.03.2008
Fringe Benefit Tax	45000	39500
Wealth Tax	6500	6500

27. Based on the proposal for wage revision (subject to approval by Government) made by GIPSA an amount of Rs. 950000 thousand for Class-I, III and IV (Rs.420000 thousand for Class-II) has been provided during the year for salary arrears.

28. Accounting Ratios prescribed by IRDA have been furnished in Annexure I.

29. Summary of working results for the last 5 years as prescribed by IRDA is furnished in Annexure II.

30. Expenditure includes Prior Period Items:

	(Rs. in thousand)	
Head of Account	As on 31.03.2009	As on 31.03.2008
Employee Remuneration and Welfare benefits	64	22
Travel, conveyance and vehicle running expenses	20	33
Rents, Rates and Taxes	377	376
Repairs	113	127
Printing & Stationery	14	67
Communication	15	86
Auditors' fees	7	—
Advertisement	73	—
Others	723	2561
Total:	1406	3272



31. Details of various penal actions taken by various Government Authorities :

(Rs. in thousand)

Sl. No.	Authority	Non-Compliance/Violation	Penalty Awarded	Penalty Paid	Penalty Waived/Reduced
1.	Insurance Regulatory and Development Authority	Non-compliance of obligation towards social sector in 2007-08	500	500	-
2.	Service Tax Authorities		-	-	-
3.	Income Tax Authorities		-	-	-
4.	Any other Tax Authorities (Municipal Corporation)	Due to late payment of tax	125	14	111
5.	Enforcement Directorate/ Adjudicating Authority/ Tribunal or any Authority under FEMA		-	-	-
6.	Registrar of Companies/ National Company Law Tribunal/Company Law Board/Department of Corporate Affairs or any other Authority under the Companies Act, 1956.		-	-	-
7.	Penalty awarded by any Court/Tribunal for any matter including claim settlement but excluding compensation.		-	-	-
8.	Securities and Exchange Board of India		-	-	-
9.	Competition Commission of India		-	-	-
10.	Any other Central/State/Local Government / Statutory Authority.		-	-	-

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

For and on behalf of the Board of Directors

S. GHOSE & CO. Chartered Accountants (Chandan Chattopadhyay) Partner Membership No. 51254	DUTTA SARKAR & CO. Chartered Accountants (Karunamoy Banerjee) Partner Membership No.7176	N. S. R. Chandraprasad Lalit Kumar D. K. Kapila Sujit Das A. Bandyopadhyay Rina Madia	Chairman-cum-Managing Director Director Director Director Director Dy. Company Secretary
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Kolkata, the 4th day of July 2009

RATIOS FOR NON-LIFE COMPANIES FOR THE YEAR ENDING ON 31.03.2009

Annexure - I

SL. NO.	PERFORMANCE RATIO	RATIO / PERCENTAGE FORMULA	RATIO / PERCENTAGE 2008-09	RATIO / PERCENTAGE 2007-08
1.	GROSS PREMIUM GROWTH RATE	(Gross Premium for the current year - Gross Premium for the previous year)*100/ Gross Premium for the previous year)		
	a) Fire		3.39	-22.40
	b) Marine Cargo		8.07	7.39
	c) Marine Hull		32.90	-44.31
	d) Motor Own Damage		-1.98	-1.93
	e) Motor Third Party		3.39	31.16
	f) Engineering		14.75	12.60
	g) Workmen's Compensation		11.35	8.76
	h) Public Liability		14.54	7.28
	i) Personal Accident		20.98	-6.67
	j) Health Insurance		29.96	43.95
	k) Aviation		9.48	-44.59
	l) Misc. Others		-6.16	-2.68
2.	GROSS PREMIUM TO SHAREHOLDERS' FUND RATIO	Gross premium for the current year / (Paid Up Capital + General Reserves)	3.05	2.56
3.	GROWTH RATE OF SHAREHOLDERS' FUND	(Shareholders' Funds as at the current Balance Sheet date - Shareholders' Funds as at the previous Balance Sheet date)/ Shareholders' Funds as at the previous Balance Sheet date	-0.10	1.10
4.	NET RETENTION RATIO	Net Premium / Gross Premium		
	a) Fire		0.83	0.67
	b) Marine Cargo		0.79	0.76
	c) Marine Hull		0.26	0.41
	d) Motor Own Damage		0.90	0.84
	e) Motor Third Party		0.92	0.77
	f) Engineering		0.43	0.73
	g) Workmen's Compensation		0.90	0.80
	h) Public Liability		0.90	0.80
	i) Personal Accident		0.90	0.80
	j) Health Insurance		0.90	0.80
	k) Aviation		0.05	0.17
	l) Misc. Others		0.88	0.96
5.	NET COMMISSION RATIO	Commission net of Reinsurance business / Net Premium		
	a) Fire		0.03	0.04
	b) Marine Cargo		0.11	0.09
	c) Marine Hull		-0.06	0.04

RATIOS FOR NON-LIFE COMPANIES FOR THE YEAR ENDING ON 31.03.2009

Annexure - I

SL. NO.	PERFORMANCE RATIO	RATIO / PERCENTAGE FORMULA	RATIO / PERCENTAGE 2008-09	RATIO / PERCENTAGE 2007-08
	d) Motor Own Damage		0.09	0.10
	e) Motor Third Party		-0.01	-0.02
	f) Engineering		-0.38	0.03
	g) Workmen's Compensation		0.11	0.13
	h) Public Liability		0.11	0.11
	i) Personal Accident		0.13	0.16
	j) Health Insurance		0.12	0.16
	k) Aviation		-0.47	-0.12
	l) Misc. Others		0.06	-0.07
6.	EXPENSES OF MANAGEMENT TO GROSS DIRECT PREMIUM RATIO	Expenses of Management / Total Gross Direct Premium * 100	23.84	24.44
7.	COMBINED RATIO	(Net Incurred Claims+ Expenses) * 100/ Gross Premium	102.83	124.44
8.	TECHNICAL RESERVES TO NET PREMIUM RATIO	(Reserves for Unexpired Risks + Premium Deficiency Reserves + Reserve for Outstanding Claims) / Net Premium	1.62	2.02
9.	UNDERWRITING BALANCE RATIO	Underwriting Profit / Net Premium		
	a) Fire		0.06	-0.20
	b) Marine Cargo		-0.36	-0.04
	c) Marine Hull		0.71	-1.40
	d) Motor Own Damage		-0.08	-0.12
	e) Motor Third Party		-0.24	-0.93
	f) Engineering		0.72	0.27
	g) Workmen's Compensation		0.43	0.25
	h) Public Liability		0.72	-0.20
	i) Personal Accident		-0.35	-0.25
	j) Health Insurance		-0.36	-0.59
	k) Aviation		-2.57	0.63
	l) Misc. Others		0.50	0.27
10.	OPERATING PROFIT RATIO	(Underwriting Profit + Investment Income + Other Income)/ Net Premium * 100	-3.65	5.37
11.	LIQUID ASSETS TO LIABILITIES RATIO	Liquid Assets / Policyholders' Liabilities	0.50	0.12
12.	NET EARNINGS RATIO	Profit after tax / Net Premium * 100	-4.08	5.12
13.	RETURN ON NET WORTH	Profit after tax / Net Worth	-0.11	0.11
14.	REINSURANCE RATIO	Risk Reinsured / Gross Premium * 100	14.95	30.74

Annexure - II

Working Result :

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

(Rs. in Crore)

Sl. No.	PARTICULARS	2008-09	2007-08	2006-07	2005-06	2004-05
a.	Income from Underwriting	3653.63	3187.98	2855.36	2683.00	2832.17
b.	Increase/Decrease in Unexpired Risk Reserve	231.27	169.45	87.80	-80.17	168.02
c.	Incurred Claims on Underwriting	3393.67	2838.84	2394.22	2830.33	2263.51
d.	Net Commission on Underwriting	218.17	203.89	114.04	140.55	77.50
e.	Expenses & other Outgo	1015.37	989.17	867.51	882.16	858.55
f.	Net Underwriting Result	-1204.85	-1013.37	-608.21	-1089.87	-535.41
g.	Net of other Income (Investment etc.)	1071.32	1185.43	1064.04	1030.23	676.62
h.	Profit/Loss before Tax	-133.53	172.06	455.83	-59.64	141.21
i.	Provision for Taxation	5.15	8.75	37.76	55.00	10.03
j.	Profit/Loss after tax	-138.68	163.31	418.07	-114.64	131.18

Break up of Commission Expenses :

(Rs. in Thousand)

CLASS OF BUSINESS	FOR THE YEAR 2008-09			FOR THE YEAR 2007-08		
	FIRE	MARINE	MISCELLANEOUS	FIRE	MARINE	MISCELLANEOUS
Agents	136292	120106	1628951	130385	114538	1518404
Brokers	52605	55954	369040	61651	52304	370009
Corporate Agents	71692	2975	464868	67880	2725	518815
Referral Fees	55	1125	208085	49	1030	116164
Others	714	0	274848	511	597	275855
Total	261358	180160	2945792	260477	171194	2799247



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

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

I. REGISTRATION DETAILS :

Registration No.	:	1713
State Code	:	21
Balance Sheet Date	:	31.03.2009

APPLICATION OF FUNDS :

Net Fixed Assets	:	-75981
Investments, Loans (net of Fair Value Change)	:	1223535
Net Current Assets	:	-2613899
Misc. Expenditure	:	-25742

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

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

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

Turnover (Net Premium, Investment and Other Income)	:	47335166
Total Expenditure	:	48670531
Profit/(Loss) before Tax	:	-1335365
Profit/(Loss) after Tax	:	-1492087
Earnings per Share (in Rupees)	:	Nil
Dividend Rate (%)	:	Nil

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

Total Liabilities (including Shareholders' funds)	:	50159751
Total Assets	:	50159751

SOURCE OF FUNDS :

Paid-up Share Capital	:	Nil
Reserve and Surplus	:	-1492087
Secured Loans	:	Nil
Unsecured Loans	:	Nil

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

(AS PER MONETARY TERMS)

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

New products to be launched

The company is planning to launch four new products in the market during the current year (2009-10) -

1) Credit insurance for domestic sales

2) Credit insurance for overseas sales

There has been an ever increasing demand for credit insurance from our existing clients and given the fact that our Bancassurance partners have also evinced interest in this regard we have decided to introduce such products to protect the interests of suppliers of goods and services on credit besides providing security to financial institutions in respect of their loans and advances. The cover would offer protection against insolvency and protracted default on the part of the debtor.

3) Package insurance policy for Automobile dealers

We are in addition to tie up arrangements with Maruti udyog and Hero Honda looking towards entering into similar such tieups with other Automobile manufacturers. To be able to protect the interests of the automobile dealers who are an intrinsic part of such arrangements we intend to launch a product to exclusively cater to their needs. As the name suggests the policy has various sections to protect the dealers against losses due to Fire and natural calamities, Burglary and Housebreaking, Breakdown of office equipment and appliances, Loss of money, Personal accident of employees/workmen etc.

4) Industrial package policy for small and medium sized manufacturing units

Hitherto there has been no package policies offering comprehensive covers to small and medium scale manufacturers. With the IRDA permitting the granting of cover under Industrial All risks(IAR) policy to units with value at risk of less than Rs.100 Crs we have decided to introduce a package policy which in addition to the covers as available under IAR policy has sections offering covers against Burglary, Transit risks in respect of finished goods/raw material, Loss of money, Public liability, Personal accident to workmen etc.