



आपत्काले रक्षिष्यामि

General Insurance Corporation of India

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**TWENTY EIGHTH
ANNUAL REPORT
1999-2000**



अपत्याले रक्षिष्यामि

GENERAL INSURANCE CORPORATION OF INDIA

DIRECTORS	Shri D. Sengupta, <i>Chairman</i>	
	Shri B.K. Chaturvedi	(upto 13.06.2000)
	Shri P.K. Banerji	(w.e.f. 13.06.2000)
	Shri G. Krishnamurthy	(upto 30.06.2000)
	Shri G.P. Gupta	
	Shri Y.B. Desai	
	Shri G.G. Vaidya	(upto 31.10.2000)
	Shri G.N. Bajpai	(w.e.f. 10.10.2000)
	Dr. D.N. Buragohain	
	Prof. Manubhai Shah	
	Shri Hasmukh Shah	(upto 31.07.2000)
	Dr. (Mrs.) Indira Rajaraman	
	Shri S. Shanmugam	
	Dr. N.L. Mitra	
	Shri K.J. Reddy	
	Shri B.D. Banerjee, <i>Managing Director</i>	
	Shri M.K. Tandon, <i>Managing Director</i>	

MANAGEMENT

Chairman	Shri D. Sengupta
Managing Directors	Shri B.D. Banerjee Shri M.K. Tandon
General Managers	Shri V.C. Joshi Shri S. Ghosh Shri T. Lakshmanan
Chief Vigilance Officer	Shri V. Ramakrishnan
Financial Advisor	Shri V. Mohan
Asst. General Managers	Shri S. Narayanswamy Shri M. Raghavendra Shri R.K. Joshi Shri B. Chakraborty Shri S.V. Raju Shri P.K. Mor
Asst. General Manager & Company Secretary	Shri B.P. Deshmukh

AUDITORS	M/s. SHAH GUPTA & CO. Chartered Accountants, 38, Bombay Mutual Bldg., 2nd Floor, Dr. D.N. Road, Fort, Mumbai - 400 023.
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BANKERS	BANK OF INDIA CENTRAL BANK OF INDIA STATE BANK OF INDIA
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REGISTERED OFFICE	"Suraksha", 170, J. Tata Road, Churchgate, Mumbai - 400 020.
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28TH ANNUAL REPORT 1999-2000**Notice**

NOTICE is hereby given that the TWENTY EIGHTH ANNUAL GENERAL MEETING of the Members of the GENERAL INSURANCE CORPORATION OF INDIA will be held at the Registered Office of the Corporation at "Suraksha", 170, J. Tata Road, Churchgate, Mumbai-400 020 on Wednesday, the 20th day of December, 2000 at 12.30 p.m. to transact the following business:

- 1) To receive and adopt the Directors' Report and Audited Statements of Account for the year ended 31st March, 2000.
- 2) To declare dividend on equity shares.

For and on behalf of the Board

B.P. DESHMUKH

*Asst. General Manager &
Company Secretary*

Registered Office:

'Suraksha',
Churchgate,
Mumbai - 400 020.

Dated: 29th November, 2000.

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

GENERAL INSURANCE CORPORATION OF INDIA

Directors' Report

To the Members,

The Directors have pleasure in presenting the Twenty-Eighth Annual Report on the working and affairs of the Corporation and the audited statements of Account for the year ended 31st March, 2000.

DIRECT BUSINESS:

Gross direct premium income (GDPI) of the Corporation for the year amounted to Rs. 76.58 crores. The premium from Aviation insurance business amounted to Rs. 73.78 crores as against Rs. 55.69 crores in the previous year ended 31st March, 1999. The Corporation as an implementing agency, has written premium of Rs. 2.75 crores under the National Agricultural Insurance Scheme (NAIS) and Rs. 0.05 crores under the Pilot Scheme on Seed Crop Insurance (PSSCI).

UNDERWRITING EXPERIENCE AND FINANCIAL RESULTS:

The Corporation mainly transacts reinsurance business. The results of Fire, Miscellaneous and Marine Reinsurance Business for the year under review are summarised in Table I.

TABLE I

	(In crores of Rupees)			
	Fire	Misc.	Marine	Total
Net Premium Income	451.09	1201.94	233.28	1886.31
	(402.01)	(1078.95)	(229.30)	(1710.26)
Net Claims Payable	169.61	1216.02	130.00	1515.63
	37.6%	101.2%	55.7%	80.4%
	(157.05)	(987.02)	(108.22)	(1252.29)
	(39.1%)	(91.5%)	(47.2%)	(73.2%)
Net Commission	156.10	290.56	39.76	486.42
	34.6%	24.2%	17.1%	25.8%
	(138.98)	(262.16)	(39.38)	(440.52)
	(34.6%)	(24.3%)	(17.2%)	(25.7%)
Expenses of Management	8.90	12.34	2.08	23.32
	2.0%	1.0%	0.9%	1.2%
	(8.11)	(10.82)	(2.05)	(20.98)
	(2.0%)	(1.0%)	(0.9%)	(1.2%)
Other Outgo less Other Income	0.32	-0.12	0.25	0.45
	0.1%	0.0%	0.1%	0.0%
	(-3.68)	(-1.24)	(-0.72)	(-5.64)
	(-0.9%)	(-0.1%)	(-0.3%)	(-0.3%)
Increase in Reserve for Unexpired Risks	24.54	61.49	3.98	90.02
	5.4%	5.1%	1.7%	4.8%
	(12.07)	(84.27)	(7.40)	(103.74)
	(3.0%)	(7.8%)	(3.2%)	(6.1%)
Underwriting Profit/Loss(-)	91.62	-378.35	57.21	-229.53
	20.3%	-31.5%	24.5%	-12.2%
	(89.48)	(-264.08)	(72.97)	(-101.63)
	(22.2%)	(-24.5%)	(31.8%)	(-5.9%)

(Figures in brackets are for the year ended 31st March, 1999)

(Percentages relate to net premium of the corresponding year)

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Total net premium income of the Corporation recorded a growth rate of 10.29% as against a growth rate of 13.25% in the previous year. Besides Aviation business written directly, the premium income of the Corporation arises mainly from premium ceded by the four subsidiary companies as obligatory cessions and other inward reinsurance acceptances. The premium accretion rate recorded this year reflects the business growth of the general insurance industry.

The overall loss in underwriting operations during the year has gone up to Rs. 229.53 crores as compared to Rs. 101.63 crores in the previous year. This is due to increase in losses at the subsidiaries' level.

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

A Summary of the Profit and Loss Account is given below:

	(In crores of Rupees)	
	1999-2000	1998-1999
Profit/Loss (-) transferred from the Revenue Accounts	(-) 229.53	(-) 101.63
Interest, Dividends and Rents (gross)	649.61	615.96
Other Outgo less Other Income	2.50	8.01
Reserve for Doubtful Debts	11.91	15.88
Profit before Tax	405.67	490.44
Income-tax Deducted at Source and Provision for tax	92.07	117.83
Balance transferred to Profit & Loss Appropriation Account	313.60	372.62

DIVIDEND:

The Corporation has paid an interim dividend for the year at the rate of 30% amounting to Rs. 64.50 crores in May 2000. An amount of Rs 7.10 crores has been paid as tax on dividend. The Directors recommend confirmation of this payment as final dividend for the year ended 31st March, 2000.

CAPITAL AND FUNDS:

Capital and Funds of the Corporation stood at Rs. 3,352.54 crores as on 31st March, 2000, as detailed below:

	(In crores of Rupees)	
	As on 31-3-2000	As on 31-3-1999
Shareholders' Funds		
Paid-up Capital	215.00	215.00
General Reserve	2077.15	1729.25
Profit & Loss Appropriation Account Balance	0.01	0.03
	<u>2292.16</u>	<u>1944.28</u>
Insurance Funds	1059.80	969.78
Other Funds	0.58	0.58
	<u>3352.54</u>	<u>2914.64</u>

GENERAL INSURANCE CORPORATION OF INDIA

ASSETS:

Total assets of the Corporation increased from Rs. 5,686.59 crores as on 31st March, 1999 to Rs. 6,540.66 crores as on 31st March, 2000. Distribution of these assets into various classes and their percentages to total assets are given in Appendix II.

AVIATION BUSINESS:

The Gross Direct Premium Income in Aviation during the year amounted to Rs. 73.78 crores as against Rs. 55.69 crores during the previous year. The increase in the Gross Direct Premium Income is in part due to recovery of full annual premium from Indian Airlines on their 1999/2000 policy consequent upon a major loss to one of its A320 aircraft at Rangoon, resulting in a gross claim of US \$ 31 Million. The Indian inward premium out of obligatory cessions amounted to Rs. 22.97 crores as against Rs. 14.30 crores for the previous year. The increase is due to the premium relating to satellite business. Premium on foreign inward business declined to Rs. 2.97 crores from Rs. 4.16 crores mainly on account of rate reductions witnessed in the international markets during the second half of 1999. The losses on the foreign inward portfolio reflected the effect of major losses suffered by the global Aviation insurance market.

Retention levels fixed quite some time back were reviewed and with the help of Excess of Loss protection arranged, it has been possible to enhance the market retentions in the General Aviation portfolio substantially.

By consolidating the automatic reinsurance treaty facilities of the companies into a single market surplus treaty, it has been possible for the market to reduce the dependency on the facultative market for reinsurance support for a major portion of the General Aviation risks. The impact of these efforts will become clear during the year 2000-2001.

INVESTMENTS:

Total Investment of the Corporation as at 31.3.2000 amounted to Rs. 5,262.94 crores as against Rs. 4,556.15 crores as on 31.3.1999. Fresh investible funds for the year 1999-2000 amounted to Rs. 707 crores as against Rs. 566 crores for the preceding year. Investment income (including profit on sale of investments/conversion of debentures) increased to Rs. 739.26 crores from Rs. 660.44 crores. The mean yield (including dividend income from subsidiaries) worked out to 15.1% as against the mean yield of 15.5% for the previous year.

Non Performing Assets (NPAs) on net basis stood at 11.7% in the year under review as against 5.6% of last year in relation to the total financial assistance provided to the Corporate sector. The overall NPAs position is to be viewed in the context of continuing recessionary trends and declining commodity prices as a result of globalization having affected several sectors of the economy.

During the year, the Corporation subscribed to good offerings of debt, apart from taking up rights entitlement of equity. The Corporation also continued to be an active player in the Secondary Equity Market and was able to book a profit of Rs. 104.15 crores in the year under review, as against Rs. 57.03 crores in the previous year.

Sectorwise breakup of Investments in India of the Corporation as at 31st March, 2000 is given in Appendix III.

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (IRDA):

The IRDA has notified Insurance Regulations in relation to operating areas of the insurance companies. The regulations are applicable both to the existing insurers (GIC and Subsidiary Companies) as also the new insurance companies.

Government has issued a Notification that GIC shall be exclusively "Indian Reinsurer" under Section 101(A)(8)(ii) of the Insurance Act, 1938.

Consequently, GIC may have to limit its operations to areas which will not conflict with the direct insurers and would concentrate on reinsurance business. GIC may be a global insurer, increasing its reinsurance business in India as also from abroad.

Steps are being taken to give operational and functional autonomy to the Subsidiary Companies in the areas of Personnel, Investment and Reinsurance matters.

A General Insurer's (Public Sector) Association of India (GIPSA) is being set up for the purpose of co-ordination amongst the four Subsidiary Companies. The Association will be entrusted with coordination in the areas of Personnel, Technical, Reinsurance, Investment and other matters.

CROP INSURANCE:

Comprehensive Crop Insurance Scheme

The Comprehensive Crop Insurance Scheme (CCIS) was in force from Kharif 1985 to Kharif 1999 season. The Scheme was implemented in 15 States and 2 Union Territories. During the Kharif 1999 season, 54.94 lakh farmers were covered for a total sum insured of Rs. 2,780.06 crores and premium income for the period was Rs. 43.30 crores.

The Government of India introduced National Agricultural Insurance Scheme (NAIS), replacing Comprehensive Crop Insurance Scheme w.e.f. Rabi 1999-2000 season. The salient features of the new Scheme are as under:

1. The Scheme covers all farmers (both loanee and non-loanee).
2. In addition to crops covered under CCIS (Food crops & Oil seeds), Annual Commercial/Annual Horticulture Crops (Sugarcane, Potato and Cotton) are also covered.
3. The premium rates have been rationalized for Food crops and Oilseeds. For Annual Commercial/Annual Horticultural crops actuarial premium rates would be charged.
4. The sum-insured limit has been increased from Rs. 10,000/- per farmer (as under CCIS) to the value of 150% of Average Yield of the crop in the new scheme.
5. In case of localized calamities, loss assessment shall be on individual basis. To begin with, it will be experimented in limited areas.

The NAIS is implemented during Rabi 1999-2000 season in 8 states and 1 Union Territory (U.T.) viz. Assam, Goa, Gujarat, Himachal Pradesh, Kerala, Madhya Pradesh, Maharashtra, Orissa and Pondicherry.

During Rabi 1999-2000 season, 6.19 lakh farmers were covered (Loanee-5.89 lakh, Non-loanee-0.30 lakh) for a sum insured of Rs. 350.22 crores (Loanee-Rs.342.50 crores, Non-loanee-Rs.7.72 crores) and premium income was Rs.5.50 crores (Loanee-Rs.5.36 crores, Non-loanee-Rs.0.14 crore).

During Kharif 2000 season, in addition to above 9 states/U.T.s, the scheme has been implemented in 7 more states/U.T.s viz. Andhra Pradesh, Bihar, Karnataka, Meghalaya, Tamil Nadu, Andaman & Nicobar Islands and Uttar Pradesh.

As per the figures available as on 31st August, 2000, during Kharif 2000 season 23.63 lakh farmers were covered (Loanee-23.38 lakh, Non-loanee-0.25 lakh) for a sum insured of Rs. 2,607.28 crores (Loanee-Rs.2,600.78 crores, Non-loanee-Rs.6.50 crores) and premium income was Rs. 81.48 crores (Loanee-Rs.81.32 crores, Non-loanee-Rs.0.16 crores)

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A Central Sector Pilot Scheme on Seed Crop Insurance (PSSCI) was introduced from Rabi 1999-2000 season. The Scheme covers Breeder, Foundation and Certified Seed of Paddy, Wheat, Maize, Jowar, Bajra, Gram, Red Gram, Sunflower, Soyabean, Groundnut and Cotton in the states of Andhra Pradesh, Gujarat, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan and Uttar Pradesh. The Scheme covers all natural non-preventable risks at two stages, one at field stage and the other at seed certification stage. The scheme covers all farmers who have applied for certification and obtained registration with local SSCA.

Rural Insurance :

The Rural and Non-Traditional Insurance Business has registered a negative growth during the year 1999-2000. The premium acquired during the year was Rs 425.05 crores (provisional) as against Rs. 468.92 crores during 1998-99, resulting in a negative growth rate of 9.36%.

The performance of Cattle/Livestock Insurance Business was not satisfactory, with a negative growth of 3.82%. The Poultry Insurance Business has shown a growth of 8.05%. Janata Personal Accident (JPA) Insurance registered a sharp decrease with a negative growth rate of 54.56%. The high negative growth rate of JPA was due to certain underwriting measures such as restriction of sum insured to Rs. 1 lakh, limiting of all discounts put together to 30%. However, the drop in the cattle and JPA Insurance business was made good to some extent by the increase in the premium of other insurances such as the Farmers Package Insurance.

New policies and review of existing Insurance Covers:

Changes made in Janata Personal Accident Insurance Policy are as under:

Long Term and Group discount taken together not to exceed 30% (except special discount in lieu of Agency Commission).

Group discount is available only to the 7 listed groups.

The Central Sector Pilot Scheme on Cattle Insurance devised for poor people has been launched with effect from 1.6.2000 in 8 selected districts in the country (2 districts in each tariff Zone). Under this scheme the Insured would pay premium at the rate of 2.25%. The balance premium @ 1.75% would be funded by the Central Government.

REINSURANCE:

Reinsurance Programme for Indian Business

The Reinsurance Programme for the market for 1999-2000 was designed to maximise retention of premium within the country and securing the optimum protection with good securities at the minimum cost. Keeping in view the increased net worth of the industry, the Indian market retention was increased for all classes in 1999-2000.

The largest catastrophe for the Indian market so far was the Gujarat Cyclone during 9 to 11 June 1998 with estimated gross insured loss for the market at Rs. 1400 crores. Through reinsurance recovery, the net retained loss for the market for the Gujarat cyclone was only Rs. 17.50 cores. Considering the higher exposure from such catastrophe, increased level of protection was purchased in 1999/2000. In spite of such large recovery and also higher protection arranged, the reinsurance for 1999/2000 was placed at very reasonable terms.

Swift Division

In 1991, Foreign Inward Facultative and Non-Reciprocal treaty acceptances were centralised at GIC through SWIFT Division on behalf of the four companies and GIC, with the objective of ensuring reasonable limits of acceptances. During the year under review, treaty business of the Division generated net of retrocession accounted

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premium of Rs. 215.54 crores as against Rs. 203.31 crores in the previous year. After accounting for paid claims and other deductions, the Division has produced deficit of Rs. 45 crores. Outstanding loss provision for the year has increased from Rs. 225.7 crores to Rs. 259.6 crores due to catastrophe losses like Turkey and Taiwan earthquake, Hurricane Floyd, Kaiser Aluminium, European storms and other risk losses. This has led to a deficit of Rs. 79.1 crores.

Facultative business during the year has resulted in premium of Rs. 2.40 crores during the year as against Rs. 1.99 crores in the previous year. Net profit after all deductions and provision for outstanding losses amounted to Rs. 1 crore. Both treaty and facultative business accepted by SWIFT are being equally shared between GIC and four subsidiaries.

FOREIGN OPERATIONS:

The Corporation and the Subsidiary Companies operate through branches or agencies or Associate/Subsidiary Companies in 30 countries of the world, as listed in Appendix IV.

During the year ended 31st March, 2000, direct overseas operations of the four Subsidiary Companies produced a gross premium income of Rs. 488.76 crores as against Rs. 427.49 crores in the previous year. Branch net premium income was Rs. 440.36 crores as compared to Rs. 383.79 crores in the previous year. The branch net claims during the year amounted to Rs. 289.19 crores (65.7% of net premium).

KENINDIA ASSURANCE CO. LTD., KENYA:

The performance of Kenindia Assurance Co. Ltd., a joint venture company of the Indian insurers in Kenya, has been satisfactory in spite of general adverse economic condition prevailing in that country. The Directors of the company have proposed a dividend of 10% for the year 1999 as in the previous year. The total gross premium of the Company during the year amounted to K. Shs 2.119 billion as against K.Shs 2.010 billion in 1998.

GRIEVANCE CELL:

Customer Grievance Cells in the Regional Offices/Head Offices of the four Companies are functioning well and as per reports received, 80.63% of the grievances have been cleared. The Grievance Cell at GIC monitors the grievance cases received directly by GIC and also those received by the Companies. It also ensures that grievances received from the Ministry, Members of Parliament, Cabinet Secretariat, Directorate of Public Grievances and Consumers Guidance Societies/Registered Organisations, Consumers Disputes Redressal Forums/Commissions are dealt with expeditiously.

MARINE INSURANCE-VESSEL OPERATION APPROVAL:

During the year under review, 5,646 and 855 applications were received for considering approval of operation of vessels loading export and import cargo respectively. Out of the above, 5,302 and 805 vessels for export and import operations respectively were approved.

After review, GIC withdrew the blanket approval granted to the operations of four shipping lines during the said period. Time approval was extended to ten shipping lines for period ending 31st March, 2000 either for named vessels or for all their operations.

Keeping in mind the opening up of the insurance market in India and the possible shape of the environment in which the four Companies will be called upon to operate, it was decided to decentralize the Vessels Operation Approval function from GIC to the Companies, to enable them to respond promptly and independently.