



34वां वार्षिक प्रतिवेदन 2005-06
34th ANNUAL REPORT 2005-06



अवकाश रक्षिका
GIC Re

भारतीय साधारण बीमा निगम
General Insurance Corporation of India

Reinsuring across the globe

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Security Ratings

'A' (Excellent) Financial Strength rating by AM Best

'AAA'(In) Claims Paying Ability rating by CARE



General Insurance Corporation of India

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Note: Key to Indian Numbering System 10 Lakhs = 1 Million; 1 Crore = 10 Millions.



CORPORATE INFORMATION

DIRECTORS

Shri.R.K.Joshi	Chairman-cum-Managing Director
Shri.G.C.Chaturvedi, IAS	
Shri.A.K.Purwar	
Shri.R.N.Bhardwaj	Upto 31.05.2005
Shri.R.Beri	Upto 31.10.2005
Shri B. Chakrabarti	w.e.f. 25.11.2005
Shri A.K. Shukla	Upto 30.04.2006
Shri T.S. Vijayan	w.e.f. 11.05.2006

MANAGEMENT

Chairman-cum-Managing Director	Shri.R.K.Joshi
General Managers	Shri. T. V. Viswanathan Smt. Bhagyam Ramani Shri R. Chandrasekaran
Chief Vigilance Officer	Smt. Gopa Ray
Deputy General Managers	Smt.Sushila Venkatraman Shri H.G. Rokade Shri P.N. Gandhi Shri J. Augustine Shri K. Raghunath
COMPANY SECRETARY	Smt. Suchita Gupta

AUDITORS

M/s. K.S. AIYAR & CO.,
Chartered Accountants,
F-7, Laxmi Mills,
Shakthi Mills Lane,
Off. Dr. E. Moses Road,
Mahalakshmi,
Mumbai - 400 011.

BANKERS

Bank of India
State Bank of India
Bank of Baroda
Central Bank of India

REGISTERED OFFICE

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

BOARD OF DIRECTORS



Shri R.K. Joshi
Chairman-cum-Managing Director



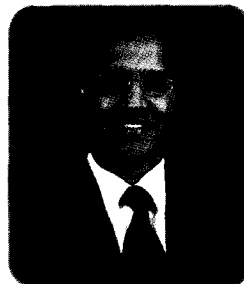
Shri G.C. Chaturvedi
Director



Shri A.K. Purwar
Director



Shri A.K. Shukla
Director



Shri T.S. Vijayan
Director



Shri B. Chakrabarti
Director



MANAGEMENT



R.K. Joshi
Chairman-cum-Managing Director



T.V. Viswanathan
General Manager



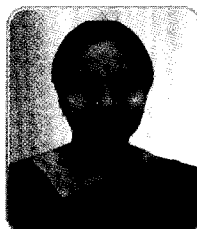
Bhagyam Ramani
General Manager



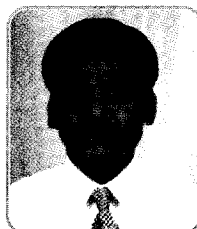
R. Chandrasekaran
General Manager



Gopa Ray
Chief Vigilance Officer



Sushila Venkatraman
Deputy General Manager



H.G. Rokade
Deputy General Manager



P.N. Gandhi
Deputy General Manager



J. Augustine
Deputy General Manager



K. Raghunath
Deputy General Manager



Suchita Gupta
Company Secretary



NOTICE

NOTICE is hereby given that the 34th 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 Friday, the 9th day of June, 2006 at 12.30 p.m. to transact the following business:

Ordinary Business

1. To receive and adopt the Directors' Report and Audited Statements of Account for the year ended 31st March, 2006.
2. To declare dividend on equity shares.
3. To fix remuneration of auditors for the year 2006-2007.

For and on behalf of the Board

Suchita Gupta
Company Secretary

Registered Office:

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

Dated : 1st June, 2006

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.



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DIRECTORS' REPORT**DIRECTORS' REPORT**

To the Members,

The Directors have pleasure in presenting the Thirty Fourth Annual Report on the working and affairs of the Corporation and the audited statements of account for the year ended 31st March, 2006.

FINANCIAL RESULTS:

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

(Rs in Crores)			(Rs in Crores)		
	2005-06	2004-05		2005-06	2004-05
1. Net Premium	4234.88	4613.87	10. Reserve for Doubtful Debts and Investment incl. Amortisation of Investments Written off	-9.76	81.47
2. Net Earned Premium	4458.84	4373.68	11. Profit before Tax (7+8+9-10)	442.94	800.08
3. Net Incurred Claims	4573.07	3702.80	12. Income-tax Deducted at Source and Provision for tax incl. deferred taxes	-155.58	600.06
	102.56%	84.66%	13. Profit after Tax(11-12)	598.52	200.02
4. Net Commission	1102.93	1207.49	14. Balance of Profit b/f from previous year	0.06	0.08
	24.74%	27.60%	15. Profit available for appropriation	598.58	200.02
5. Operating Expenses and Other Outgo less Other Income	43.01	35.67	16. Proposed Dividend incl. Dividend tax	98.06	73.54
	0.96%	0.82 %	17. Transferred to General Reserves	500.50	126.50
6. Investment Income			18. Balance of Profit carried forward(14+15-16-17)	0.02	0.06
Apportioned to Revenue less expenses	1095.70	850.51			
7. Total Profit/Loss (-)	(-)164.48	278.23			
(2+6-3-4-5)	(-)3.69%	6.36%			
8. Interest, Dividends and Rents (gross)	622.92	548.10			
9. Other Income less Other Outgo	-25.26	55.22			

(Net Earned Premium is arrived after adjustments for Reserve for Unexpired Risks)
(Percentages relate to the net earned premium of the corresponding year)

CAPITAL

In April 2005, the Authorized Capital of the Corporation has been increased from Rs.250 crores to Rs.1,000 crores consisting of 1,000 lakh equity shares of Rs.100/- each.

At an Extra Ordinary General Meeting of the members held on 27th April, 2005, it was decided to issue, fully paid-up bonus shares in the ratio of 1:1, which on allotment would rank pari-passu with the existing shares of the Corporation and would be entitled to dividends for the year ending 31st March, 2005. These Bonus shares were issued on 10th June, 2005. Consequently, the paid-up capital of the Corporation has increased to Rs.430 crores.

DIRECTORS' REPORT**PROPOSED DIVIDEND**

The directors recommend declaration of dividend at the rate of 20 % for the year under review amounting to Rs.86.00 crores, as against Rs.64.50 crores at the rate of 15 % in the previous year. An amount of Rs 12.06 crores has also been provided as dividend distribution tax on the dividend declared during the year.

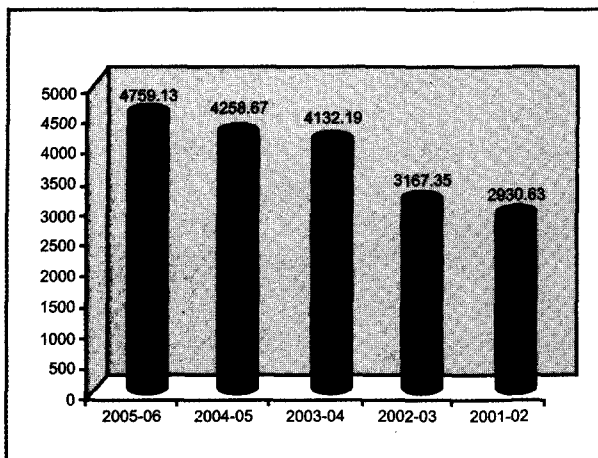
CAPITAL AND FUNDS

Capital and Funds of the Corporation stood at Rs.14228.21 crores as on 31st March, 2006 as against Rs. 11763.07 crores in the previous year, the details of which are given below:

(Rs. in Crores)

	As on 31.03.2006	As on 31.03.2005
Shareholders' Funds		
Paid up Capital	430.00	215.00
General Reserve	4329.11	4043.61
Profit & Loss account	0.07	0.06
	4759.13	4258.67
Policyholders' Fund	9469.09	7504.41
Total Funds	14228.21	11763.07

■ **Net worth (Shareholders' Funds) for the last 5 years (Rs. in Crores)**

**ASSETS**

Total assets of the Corporation increased to Rs.26424.03 crores as on 31st March, 2006 from Rs. 18784.67 crores as on 31st March, 2005.

INVESTMENTS

During 2005-06, all the sectors in the economy performed well except Infrastructure Sector where the performance was sluggish. This was reflected in the stock markets with the sensex rising from 6493 as on 31.3.2005 to an all time high of 11357 on 31.3.2006. Some of the Sectors viz. steel, metal, engineering, cement and FMCG contributed a great extent to the appreciation. The Corporation took advantage of the boom and realized profit on sale of equity to the extent of Rs.778.63 crores during the year under review.

Monetary and liquidity conditions remained comfortable during 2005-06 though there was tightness in liquidity conditions during the last four months of 2005-06. This was due to impact of redemption of India Millennium Deposits. The Reserve Bank of India injected enough liquidity through unwinding of Market Stabilisation Scheme and repo operations under the Liquidity Adjustment Facility along with private placement of Government of India Securities.

The inflation outcome during 2005-06 was influenced mainly by the price movement of petroleum products. Headline inflation, based on the movement in the wholesale price index (WPI) was 4% as at March, 2006 compared to 5.1% a year ago. Inflation initially increased to an intra year high of 6% in April, 2005. The average WPI inflation rate eased to 4.5% during 2005-06 from 6.4% in the previous years.

During the year under review, Government of India raised Rs.1, 31,000 crores through issuance of dated securities (excluding issuance under the Market Stabilisation Scheme) as against Rs.1,41,000 crores envisaged during the year.

The total investment of the Corporation in India (representing investments and loans made in India) during the year 2005-06 amounted to Rs.22,134.06 crores as against Rs.15,434.31 crores in the previous year. The net NPA in respect of Investments and Loans to Corporate stood at 1.82% as on 31.3.2006.

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (IRDA)

The Corporation being a Reinsurance Company, its working and functions, are governed by the Insurance Regulatory and Development Authority

DIRECTORS' REPORT

(IRDA). The Corporation's existing paid-up equity capital of Rs.430 crores conforms to the specifications of the IRDA. The Accounts of the Corporation are drawn up according to the stipulations prescribed in the IRDA (Preparation of Financial Statements and Auditor's Report), Regulations, 2002.

PERSONNEL AND INDUSTRIAL RELATIONS

I. STATEMENT UNDER SECTION 217(2A) OF COMPANIES ACT, 1956

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

II. WAGE REVISION:

Under Section 17A of the General Insurance Business (Nationalisation) Act, 1972, the Central Government notified Amendment Scheme, 2005 on 21st December, 2005 revising the scales of pay and allowances of Officers and Supervisory, Clerical and Subordinate Staff with effect from 1st August, 2002.

The above Schemes are applicable to Class I Officers and Supervisory, Clerical and Subordinate Staff who:-

- (i) were in service as on 1st August, 2002 and continue to be in service as on the date of the subject Notification; or who were appointed on any date after 1st August, 2002 ; or
- (ii) were in service as on 1st August, 2002, and have died, or retired on reaching the age of superannuation, or opted for voluntary retirement, other than the Special Voluntary Retirement under the General Insurance Officers'/Employees' Special Voluntary Scheme, 2004 in the month of April, 2004.

III. STAFF POSITION AS ON 31.03.2006:

Class I	236
Class III	155
Class IV	57
Total	448

IV. GIC – LPA MERGER – ABSORPTION OF EMPLOYEES:

As per the Merger Scheme approved by the Board in principle, 75 employees of LPA will be deployed to GIC and four Public Sector General Insurance Companies. 10 LPA employees will be absorbed in GIC.

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

WELFARE OF SC/ST/OBC

In consonance with the National Policy on reservation for SC/ST & OBC, GIC has framed rules accordingly which allow reservations and concessions/relaxation for SC/ST and OBC in recruitment and promotion wherever applicable. Special coaching classes for SC/ST employees are held in order to enable them to acquire knowledge so that they will be able to give a better account of themselves in written test and interview.

Dr. Ambedkar Welfare Trust of GIC has been established during the centenary year of Dr. B.R. Ambedkar. On behalf of the Trust, training on Personality Development for SC/ST and OBC employees was arranged in Daman and Mumbai. Training was imparted to 89 SC/ST/OBC employees in 3 batches. Various other Welfare Schemes are also implemented by the Trust for the benefit of SC/ST/OBC employees.

BOARD OF DIRECTORS

Shri A.K. Shukla, Chairman, Life Insurance Corporation of India was appointed as a Director on the Board of the Corporation w.e.f. 18.07.2005.

Shri B. Chakrabarti, Chairman GIPSA & CMD New India Assurance Co. Ltd. was appointed as a Director on the Board of the Corporation w.e.f. 25.11.2005.

Shri R.N. Bhardwaj, Chairman, Life Insurance Corporation of India ceased to be a Director of the Corporation w.e.f. 31.05.2005 on attaining the age of superannuation.

Shri R. Beri, Chairman, GIPSA & CMD, New India Assurance Co. Ltd. ceased to be a Director of the Corporation w.e.f. 31.10.2005 on attaining the age of superannuation.