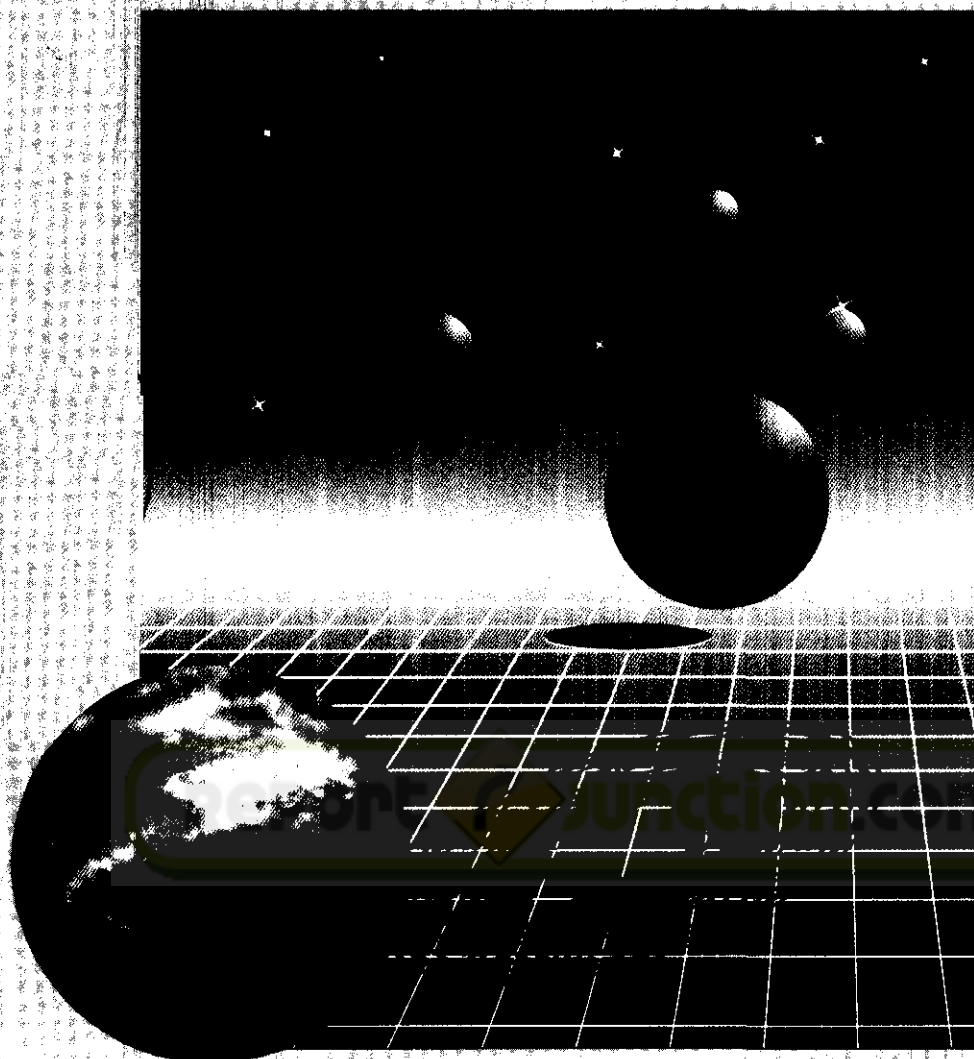


Ushering into the New Millennium.



2000

वार्षिक प्रतिवेदन 1998-99
Annual Report 1998-99



दि न्यू इन्डिया एश्योरन्स कं. लि.
THE NEW INDIA ASSURANCE CO. LTD.



Ushering into the New Millennium.

The New Millennium heralds a world of opportunities. New India, as India's largest non-life insurance company is poised to fulfill this promise. As we look back on our performance over the decades, we rededicate ourselves to customer satisfaction. Today, and all Millenniums to come.



THE NEW INDIA ASSURANCE CO. LTD.

Contents

<i>Directors & Management</i>	2
<i>Report of the Board of Directors</i>	4
<i>Annexure II to the Directors' Report</i>	17
<i>Certificate of the Directors</i>	21
<i>Auditors' Report</i>	22
<i>Fire Revenue Account</i>	26
<i>Miscellaneous Revenue Account</i>	28
<i>Marine Revenue Account</i>	30
<i>Profit & Loss Account</i>	32
<i>Balance Sheet</i>	34
<i>Significant Accounting Policies</i>	38
<i>Notes Forming Part of the Accounts</i>	42
<i>Classified Summary of Assets in India</i>	44
<i>Category of Investment</i>	45
<i>Sector-wise Distribution of Investments in India</i>	46
<i>Balance Sheet Abstract</i>	47
<i>Regional Offices in India</i>	49



THE NEW INDIA ASSURANCE CO. LTD.

Board of Directors

S. K. Kanwar
Chairman - Cum - Managing Director

C. S. Rao
K.C.Chowdhary
Subrata Ghosh
C.N.Ravi
A.P.Pradhan

Corporate Management General Managers

C. N. Ravi
A. P. Pradhan
K. Shenbagaraman
P. S. Sheth

Financial Advisor

S. L. Singla

Chief Vigilance Officer

S. Pandey

Assistant General Managers

<i>S. Narayanaswamy</i>	<i>M. D. Garde</i>
<i>K. B. Singh</i>	<i>R. M. Solanki</i>
<i>A. V. Purushothaman</i>	<i>M. K. Garg</i>
<i>Ajit Narain</i>	<i>M. Ramadoss</i>
<i>R. Beri</i>	<i>Vijay Khosla</i>
<i>Mathew Varghese</i>	<i>A. K. Guha</i>
<i>K. P. John</i>	

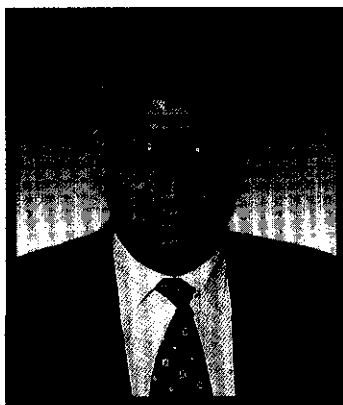
Company Secretary

A. V. Muralidharan

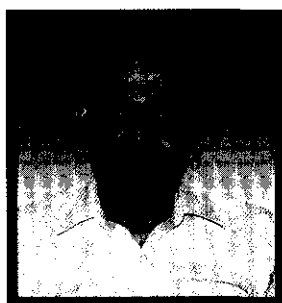
Auditors

R. K. Kumar & Co.,
M.P.Chitale & Co.
Prakash Chandra Jain & Co.
M. K. Goswami & Co.

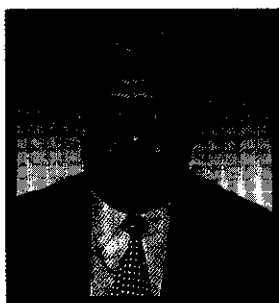
Registered Office
NEW INDIA ASSURANCE BUILDING,
87,M.G. ROAD, FORT, MUMBAI-400 001.
www.newindia.nic.in



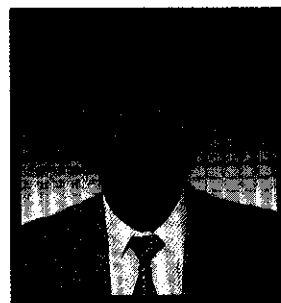
Shri S.K.Kanwar
Chairman-Cum-Managing Director



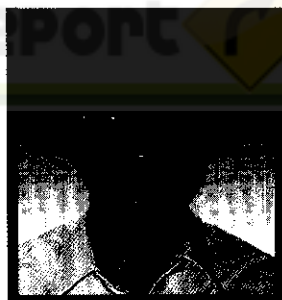
Shri C.S.Rao
Director



Shri K. C. Choudhary
Director



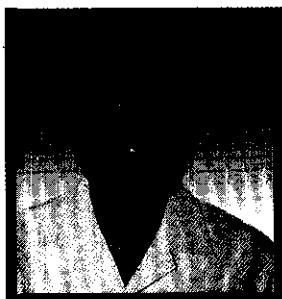
Shri S.Ghosh
Director



Shri C.N.Ravi
General Manager & Director



Shri A.P.Pradhan
General Manager & Director



Shri P.S.Sheth
General Manager



Shri K. Shenbagraman
General Manager



The New India Assurance Co. Ltd.

DIRECTORS' REPORT - 1998-99.

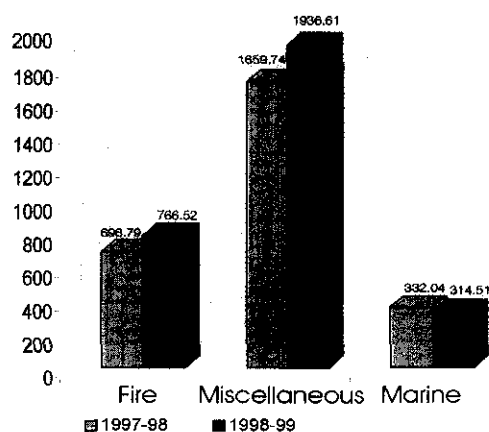
REPORT OF THE BOARD OF DIRECTORS OF THE NEW INDIA ASSURANCE COMPANY LIMITED UNDER SECTION 217 OF THE COMPANIES ACT, 1956.

TO THE MEMBERS : The Directors have pleasure in presenting the 80th Annual Report together with the Audited Statement of Accounts and Balance Sheet for the year ended 31st March, 1999.

SUMMARY OF RESULTS FOR THE YEAR 1998 - 99 : Figures for the previous year are shown in brackets.

GROSS DIRECT PREMIUM

(Rs. In Crore)



GROSS DIRECT PREMIUM INCOME :

(Rs. in Crores)

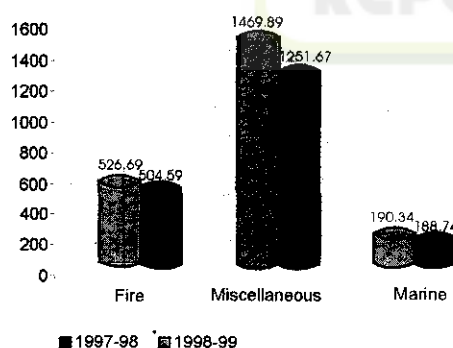
	Fire	Miscellaneous	Marine	Total
In India	681.78 (624.17)	1749.96 (1496.92)	297.74 (312.64)	2729.48 (2433.73)
Outside India	84.74 (72.62)	186.65 (162.82)	16.77 (19.40)	288.16 (254.84)
Total	766.52 (696.79)	1936.61 (1659.74)	314.51 (332.04)	3017.64 (2688.57)

UNDERWRITING EXPERIENCE :

	Fire	Miscellaneous	Marine	Total *
Net Premium	526.69 (504.59)	1469.89 (1251.67)	190.34 (188.74)	2186.92 (1945.00)
Net Incurred Claims	210.93 40.05% (207.10) (41.04%)	1253.84 85.30% (1079.58) (86.25%)	96.84 50.88% (102.66) (54.39%)	1561.61 71.41% (1389.34) (71.43%)
Commission on Direct, Reinsurance accepted and ceded	-33.61 -6.38% (-44.75) (-8.87%)	-21.47 -1.46% (-24.46) (-1.95%)	-30.99 -16.28% (-17.68) (-9.37%)	-86.07 -3.94% (-86.89) (-4.47%)
Expenses of Management & Other charges	172.64 32.78% (167.14) (33.12%)	358.30 24.38% (309.66) (24.74%)	45.50 23.90% (48.11) (25.49%)	576.44 26.36% (524.91) (26.99%)
Increase in Unexpired Risks Reserve	11.05 2.10% (21.93) (4.35%)	109.11 7.42% (55.63) (4.44%)	1.60 0.84% (-17.05) (-9.03%)	121.76 5.57% (60.51) (3.11%)
Net Underwriting Profit/Loss (-)	165.68 31.46% (153.17) (30.36%)	-229.89 -15.64% (-168.74) (-13.48%)	77.39 40.66% (72.70) (38.52%)	13.18 0.60% (57.13) (2.94%)

NET PREMIUM

(Rs. In Crore)





Annual Report 1998-99

WORKING RESULTS :

(Rs. in crores)

	1998-99	1997-98
Underwriting Profit/Loss (-)	13.18	57.13
Interest, Dividends and Rents	589.41	573.90
Other Income less Outgo	- 37.90	-10.37
Profit before Tax	564.69	620.66
Provision for Tax including Tax deducted at source	189.69	149.72
Net Profit after Tax	375.00	470.94
Proposed Dividend (subject to approval)	30.00	30.00
Dividend Tax on Proposed Dividend	3.30	3.00
Refund of IT and Sur-Tax	170.78	0.00
Balance transferred to General Reserve	512.48	437.94
Net Profit on Sale/Realisation of Investments credited to General Reserve	46.88	24.41
Total Transferred to General Reserve	559.36	462.35

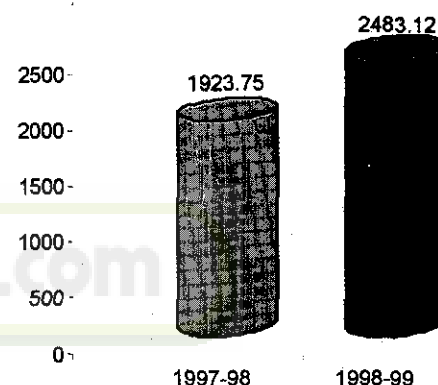
CAPITAL AND FUNDS :

(Rs. in crores)

	As on 31.3.1999	As on 31.3.1998
Paid-up Capital	40.00	40.00
Capital Reserve	0.06	0.06
General Reserve	2483.12	1923.75
Other Reserves	77.07	42.16
Reserve for Unexpired Risks	1188.63	1066.87
Total	3788.88	3072.84

GENERAL RESERVE

(Rs. In Crore)



1. DIVIDEND & GENERAL RESERVE :

Directors recommend a dividend of 75% i.e. Rs. 3.75 per share for the year amounting to Rs. 30 crores on the paid-up capital of Rs. 40 crores from the current year's profit after tax of Rs. 375.00 crores.

In terms of the provisions of Finance Act, 1997 and Section 115-O of the Income Tax Act, the Company will be liable for tax on distribution of this dividend at the rate of 10% on Dividend amount and a surcharge of 10% thereon. The necessary tax liability of Rs. 3.30 crores has been provided for alongwith the amount of the Proposed Dividend.

An amount of Rs. 512.48 crores representing 93.90% of Net Profit after taking credit of Rs. 170.78 crores for refund of Income Tax and Sur-Tax has been transferred to General Reserve against a minimum of 10% required to be transferred under Rule 2 of the Companies (Transfer of Profits to Reserve) Rules, 1975.

2. BUSINESS REVIEW :

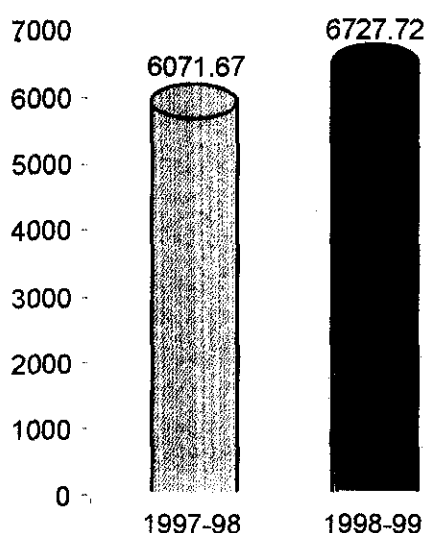
The Gross Direct Premium achieved by the Company during the year under review was Rs. 3017.64 crores registering a growth of 12.24%. Out of this, the premium generated through domestic operations accounted for Rs. 2729.48 crores showing an accretion of 12.15%. While the premium



The New India Assurance Co. Ltd.

ASSETS

(Rs. In Crore)



growth in the Miscellaneous Department was 16.90% and that of Fire Department 9.23%, Marine premium showed a fall of 4.77% from Rs. 312.64 crores in 1997-98 to Rs. 297.74 crores during 1998-99.

The premium procured through our overseas operations has gone up from Rs. 254.84 crores to Rs. 288.16 crores registering a growth of 13.07%.

The overall claims ratio has shown a marginal fall from 71.43% in 1997-98 to 71.41% during the year. The incurred claims ratio in the Fire Department was 40.05% as against 41.04% of previous year. Similarly the Miscellaneous Department has also registered a lower incurred claims ratio of 85.30% as against 86.25% of the previous year. However, the Marine Department has shown a notable decline in incurred claims ratio of 50.88% as against 54.39% of previous year. The Management expenses and other charges have fallen marginally to 26.36% from 26.99% of previous year.

The Company's overall operational results have shown an Underwriting surplus of Rs. 13.18 crores as against Rs. 57.13 crores of the previous year.

3. INCREASE IN ASSETS:

The total assets of the Company increased to Rs. 6727.72 crores during the year under review as compared to Rs. 6071.67 crores of 1997-98 thereby recording an increase of Rs. 656.05 crores.

4. CORPORATE LANDMARK :

The Company completed 80 years of dedicated service to the insuring public on 23rd July, 1999. It is symbolic that in this year New India has become the first Indian Non-life Insurance Company to cross the Rs. 3000 crores Gross Direct Premium and also to cross Rs. 2000 crores Net Premium income.



The Company has been assigned an "A (Excellent)" rating by A.M. Best Company of USA. A.M. Best Company is one of the oldest and premier rating agencies in the world, specialising exclusively in analysis of the Insurance Industry. This is for the first time that an International Rating Agency has rated a domestic state owned Insurance Company. As stated by the Rating Agency, the "A (Excellent)" rating has been awarded based on the Company's superior capital position, strong operating performance and strong market position. The Rating Agency has also noted that New India is the only Indian Company to develop significant international operations and has a long record of successful trading outside India. The Company has already been given 'AAA' rating by CRISIL and 'IAAA' rating by ICRA, the leading Indian Rating Agencies.

5. INVESTMENTS :

As at March 31, 1999, Investment Portfolio in India comprising investments in Equity and Preference Shares, Government Securities, Debentures etc., stood at Rs. 5451.83 crores. There was therefore, an increase of Rs. 513.18 crores this year as compared to Investment Portfolio of Rs. 4938.65 crores, as at 31st March, 1998, registering an increase of 10.4%. Investments in



Annual Report 1998-99

Socially Oriented Sector comprising of Government Securities and loans to State Governments for Housing/Fire Fighting Equipments amounted to Rs. 1901.27 crores representing 34.9% of the total Portfolio.

6. INVESTMENT INCOME :

Income generated from Investment operations (including profit on sale of investments) increased from Rs. 598.31 crores in 1997-98 to Rs. 636.29 crores during 1998-99 recording a net increase of Rs. 37.98 crores i.e. 6.35%. The mean yield on funds works out to 12.25% for the year under review.

The Company has been implementing the RBI guidelines in respect of Income Recognition, Asset Classification and Provisioning from the year 1995-96. Accordingly, income from such Non-Performing Assets is not recognised. This applies to Corporate Sector Investments covering Term Loans, Short Term Loans and Debentures/Bonds.

As on 31st March, 1999, the net Non-Performing Assets constituted 9.12% of the total financial assistance provided to the Corporate Sector as against 4.10% for last year. This has to be viewed in the backdrop of recessionary trend in certain sectors of the economy and decline in growth in the key industrial sectors.

7. FOREIGN OPERATIONS :

The Company's overseas operations earned a Gross Direct Premium of Rs. 288.16 crores (US \$ 67.9 Mn) in 1998-99 as against Rs. 254.84 crores (US \$ 60Mn) in 1997-98 thereby showing an accretion of 13.1%. The Net Premium was Rs. 278.60 crores (US \$ 65.6 Mn) in 1998-99 as against Rs. 253.86 crores (US \$ 59.8 Mn) in 1997-98, showing a growth of 9.7%. The International Market experienced another difficult year in 1998-99 characterised by excess capacity and rate-based competition resulting in thin profit margins for the insurers. Overseas operations were affected by catastrophic hurricanes (Hurricane George and Hurricane Mitch), typhoons in Japan, high Motor third party awards in Middle East Region and Japan.

8. REINSURANCE :

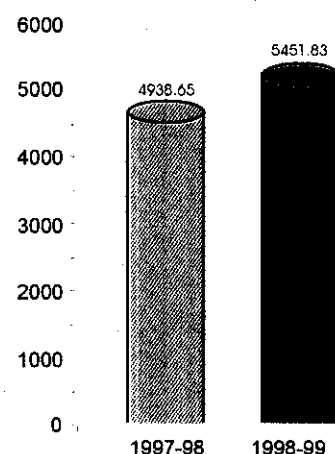
Market Reinsurance Programme is developed in consultation with GIC every year. This programme is aimed at optimising the retentions taking into account the financial strength of the Company and developing adequate automatic reinsurance capacity. The effectiveness of the programme in protecting the financial interest is evident from the recoveries made through reinsurance for Gujarat Cyclone/Catastrophic losses.

9. INFORMATION TECHNOLOGY :

Information Technology implementation and upgradation has taken a quantum leap during the year. Besides ensuring our Year 2000 readiness for the business, many new areas of Information Technology have been identified and systems selected for implementation. The company has started a new phase of our operating office computerisation in the contemporary Client/Server Technology with a new application package 'Genisys' which has been implemented in all 54 operating offices in Greater Mumbai. We have initiated an ambitious plan of computerising one office

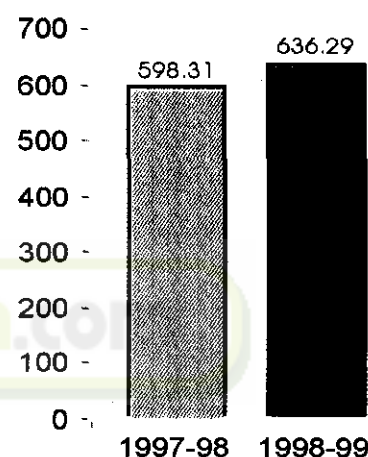
INVESTMENTS

(Rs. In Crore)



INVESTMENT INCOME

(Rs. In Crore)





The New India Assurance Co. Ltd.

per day through implementation of 'Genisys' in 250 offices in Delhi, Baroda, Chennai, Pondicherry, Bangalore, Hyderabad, Vishakhapatnam and other parts of Gujarat, Tamilnadu, Karnataka and Andhra Pradesh by 1st October, 1999. This will be followed by 'Genisys' implementation in the remaining offices. The company has also initiated computerisation activities in Regional Offices and Head Office. The company has trained over 1500 of our employees in IT related activities to support our computerisation. Computerisation of our Japanese operations is in progress. We are in the process of initiating networking of our operating offices with Regional Offices and Head Office which would not only help us in integrating our activities but also in better response to customers through Interactive Voice Response Systems (IVRS) and setting up Call Centres for customers. This would be followed by implementation of Image Processing and Document Management Systems, Groupware, Workflow and Decision Support Systems.

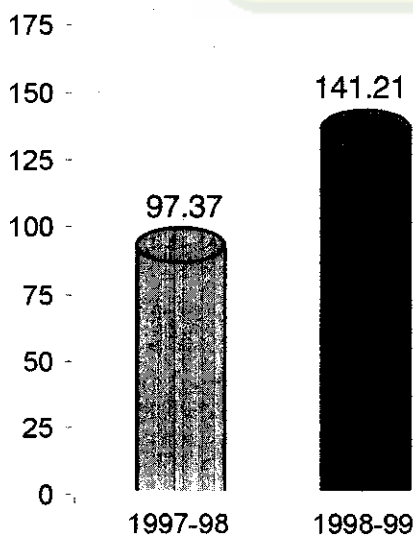
10. Y2K REMEDIATION :

The Company has taken steps to replace the existing Hardware which are not Y2K Compliant. Replacement of Software Programmes to make them Y2K Compliant is also being done in a phased manner. The Company had incurred an expenditure of Rs.1188 Lakhs so far towards Y2K Compliance.

11. PROJECT INSURANCE CELL :

The Project Insurance Cell at Head Office is increasingly involved in offering Single Window Techno-Marketing services for the rapidly growing need for package insurance covers for the Infrastructure Sector which will see maximum investment in the next 10 to 20 years in roads, bridges, ports, tele-communication, power and other sectors. The Cell is focusing on the multi-dimensional and complex risk exposures that mega-construction and operational ventures have to manage through suitable risk management techniques. Insurance Solutions are being conceptualised through continuous interactions with the International Market, Reinsurers and Brokers in order to offer to Indian Joint ventures comprehensive insurance products and services which are available overseas. This proactive customer and project specific marketing approach has resulted in New India being selected as lead insurer for several small, medium and large infrastructure projects which are being planned or have commenced construction.

RURAL INSURANCE
(Rs. In Crore)



12. RURAL INSURANCE :

The Company has made rapid progress in Rural Insurance business by registering a phenomenal increase of 43%. The Company became the market leader in rural insurance business during the year with a market share of 29.6%. There was an excellent market response to the long term Janata Personal Accident Policy which registered an accretion of 98% during the year. Farmers Package Policy as well as Horticulture/Plantation Insurance Policies have continued to register good growth with an increase of 69% and 29% respectively. An innovative cover named 'APATHBANDHU' was introduced in Andhra Pradesh to extend Personal Accident cover to 161 lakh persons belonging to the weaker sections of the society. Personal Accident cover was also finalised in Gujarat to benefit 131 lakh persons living below poverty line.