

वार्षिक प्रतिवेदन 1999-2000  
Annual Report 1999-2000

CREATING OUR OWN TOMORROW.

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



*T*he timing is perfect – heralding the emergence of a new era. New India is in the process of a continued corporate evolution. A transition that will build upon our glorious past and will serve as a springboard for a leap into the future.



## THE NEW INDIA ASSURANCE CO. LTD.

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# THE NEW INDIA ASSURANCE CO. LTD.

## Board of Directors

Shri C. N. Ravi } Chairman-Cum-Managing Director  
Shri A. P. Pradhan } (Joint Charge)

Shri A. M. Sharan  
Shri V. Leeladhar  
Shri S. Ghosh

## Management

### General Managers

Shri C. N. Ravi  
Shri A. P. Pradhan  
Shri K. Shenbagaraman  
Shri P. S. Sheth (Retired on 31.08.2000)

### Financial Advisor

Shri V. K. Gupta

### Chief Vigilance Officer

Shri S. Pandey

### Assistant General Managers

Shri K. B. Singh  
Shri A. V. Purushothaman  
Shri Ajit Narain  
Shri Mathew Varghese  
Shri K. P. John  
Shri D. K. Burman  
Shri M. D. Garde  
Shri R. M. Solanki  
Shri M. K. Garg  
Shri M. Ramadoss  
Shri Vijay Khosla  
Shri A. K. Guha  
Shri C. L. Narula

### Company Secretary

Shri A. R. Sekar

### Auditors

M. P. Chitale & Co.  
Prakash Chandra Jain & Co.  
M. K. Goswami & Co.  
S. Viswanathan

### Registered Office

NEW INDIA ASSURANCE BUILDING,  
87, M.G. ROAD, FORT, MUMBAI-400 001.

www.newindia.nic.in



1. Shri C. N. Ravi  
Chairman-cum-Managing Director  
(Joint Incharge)
2. Shri A. P. Pradhan  
Chairman-cum-Managing Director  
(Joint Incharge)
3. Shri A. M. Sharan  
Director
4. Shri S. Ghosh  
Director
5. Shri V. Leeladhar  
Director
6. Shri K. Shenbagaraman  
General Manager



## The New India Assurance Co. Ltd.

### DIRECTORS' REPORT - 1999-2000

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 81st Annual Report together with the Audited Statement of Accounts and Balance Sheet for the year ended 31st March, 2000.

**SUMMARY OF RESULTS FOR THE YEAR 1999 -2000 :** Figures for the previous year are shown in brackets.

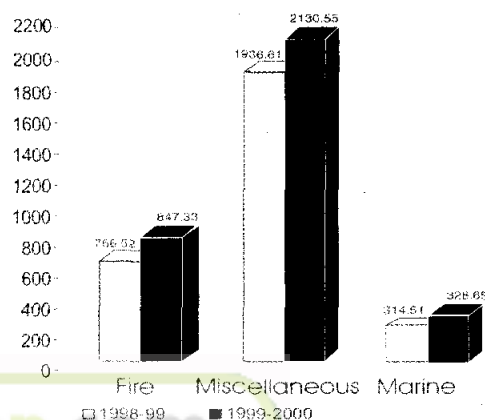
#### GROSS DIRECT PREMIUM INCOME :

(Rs. in Crores)

	Fire	Miscellaneous	Marine	Total
In India	760.29 (681.78)	1908.82 (1749.96)	310.42 (297.74)	2979.53 (2729.48)
Outside India	87.04 (84.74)	221.73 (186.65)	18.23 (16.77)	327.00 (288.16)
Total	847.33 (766.52)	2130.55 (1936.61)	328.65 (314.51)	3306.53 (3017.64)

#### GROSS DIRECT PREMIUM

(Rs. In Crore)



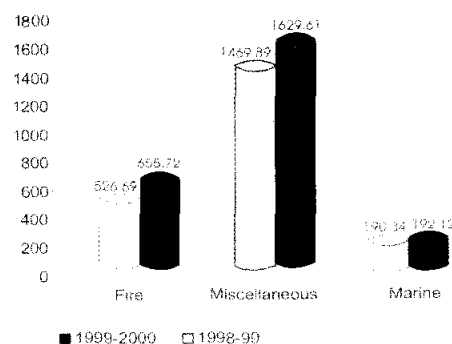
#### UNDERWRITING EXPERIENCE :

(Rs. in Crores)

	Fire	Miscellaneous	Marine	Total
Net Premium	655.72 (526.69)	1629.61 (1469.89)	192.12 (190.34)	2477.45 (2186.92)
Net Incurred Claims	297.30 45.34% (210.93) (40.05%)	1486.54 91.22% (1253.84) (85.30%)	122.41 63.72% (96.84) (50.88%)	1906.25 76.94% (1561.61) (71.41%)
Commission on Direct, Reinsurance accepted and ceded	-48.95 -7.47% (-33.61) (-6.38%)	-5.06 -0.31% (-21.47) (-1.46%)	-17.64 -9.18% (-30.99) (-16.28%)	-71.65 -2.89% (-86.07) (-3.94%)
Expenses of Management & Other charges	208.56 31.81% (172.64) (32.78%)	415.23 25.48% (358.30) (24.38%)	50.88 26.48% (45.50) (23.90%)	674.67 27.23% (576.44) (26.36%)
Increase in Unexpired Risks Reserve	64.52 9.84% (11.05) (2.10%)	79.86 4.90% (109.11) (7.42%)	1.78 0.93% (1.60) (0.84%)	146.16 5.90% (121.76) (5.57%)
Net Underwriting Profit/Loss (-)	134.29 20.48% (165.68) (31.46%)	-346.96 -21.29% (-229.89) (-15.64%)	34.69 18.06% (77.39) (40.66%)	-177.98 -7.18% (13.18) (0.60%)

#### NET PREMIUM

(Rs. In Crore)





## Annual Report 1999-2000

## WORKING RESULTS :

(Rs. in crores)

	1999-2000	1998-99
Underwriting Profit/Loss (-)	-177.98	13.18
Interest, Dividends and Rents	685.74	589.41
Other Income less Outgo	-72.44	- 37.90
Profit before Tax	435.32	564.69
Provision for Tax including Tax deducted at source	148.03	189.69
Net Profit after Tax	287.29	375.00
Proposed Dividend (subject to approval)	30.00	30.00
Dividend Tax on Proposed Dividend	3.30	3.30
Refund of IT and Sur-Tax	14.64	170.78
Balance transferred to General Reserve	268.63	512.48
Net Profit on Sale/Realisation of Investments credited to General Reserve	67.00	46.88
Total Transferred to General Reserve	335.63	559.36

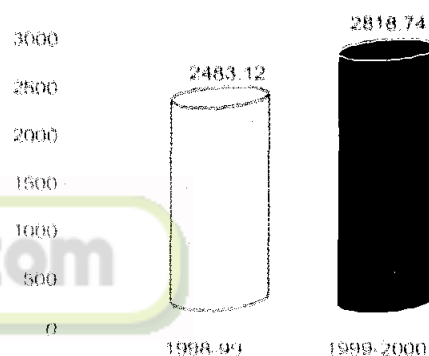
## CAPITAL AND FUNDS :

(Rs. in crores)

	As on 31.3.2000	As on 31.3.1999
Paid-up Capital	40.00	40.00
Capital Reserve	0.06	0.06
General Reserve	2818.74	2483.12
Other Reserves	101.03	77.07
Reserve for Unexpired Risks	1334.79	1188.63
Total	4294.62	3788.88

## GENERAL RESERVE

(Rs. In Crore)



## 1. DIVIDEND :

Directors at their Meeting held on 10th May, 2000 had announced an Interim Dividend of 75% (1998-99 Final 75%) on the Capital base of Rs. 40 Crores. The Dividend outgo including Dividend Tax was Rs. 33.30 Crores. The Dividend payment has already been effected. The Directors have recommended that this be treated as the final Dividend for the year 1999-2000.

## 2. BUSINESS REVIEW :

The Gross Direct Premium achieved by the Company during the year under review was Rs. 3306.53 Crores registering a growth of 9.57%. Out of this, the premium

generated through domestic operations accounted for Rs. 2979.53 Crores showing an accretion of 9.16%.

While premium in Fire Department showed a growth of 11.52% and Miscellaneous Department showed a growth of 9.08%, the Marine Department recorded a rise of 4.26% as compared to fall of 4.77% last year. Though the overall Net Premium showed a rise of 13.28% from Rs.2186.92 Crores to Rs.2477.45 Crores during 1999-2000 the Net Incurred Claims increased to Rs. 1906.45 Crores from Rs. 1561.61 Crores during 1998-99. The percentage of Net Incurred Claims to Net Premium increased from 71.41% during 1998-99 to 76.94%.





## The New India Assurance Co. Ltd.

The premium outside India increased from Rs. 288.16 Crores during 1998-99 to Rs. 327.00 Crores for 1999-2000 thus recording a rise of 13.48% over last year.

The expenses of management and other charges as percentage to Net Premium increased from 26.36% during 1998-99 to 27.23% during 1999-2000. This was mainly due to additional provision for wage arrears.

The Company's overall operational results have shown an underwriting loss of Rs. 177.98 Crores as against surplus of Rs. 13.18 Crores during 1998-99.

### 3. BUSINESS PLAN FOR 2000-2001

#### Domestic:

The Company has set a premium target of Rs. 3265 Crores envisaging a growth rate of 9.5% for the year 2000-01.

With the setting up of IRDA and opening up of the sector, competition is likely to put severe strain on the business. However, the Company is confident of meeting the challenges. The strategies include promotion of personal lines of Insurances in a big way and introduction of more need based package covers. Besides, the company has set an objective to develop the Engineering Portfolio. The Techno Marketing Cell at Corporate Office has been strengthened. The marketing team will continue to build rapport with the new entrepreneurs, Global Insurers/Reinsurers in order to win over the patronage of new projects which are being set up in the country.

#### Foreign

The Premium objective for 2000-

2001 is aimed at Rs. 373.50 Crores (Gross) and Rs. 335 Crores (net) with targeted accretion of 5.5% based on actual premium for 1999-2000.

### 4. INCREASE IN ASSETS:

The total assets of the Company increased to Rs. 7664.71 Crores during the year under review as compared to Rs. 6727.72 Crores of 1998-99, thereby recording an increase of Rs. 936.99 Crores.

### 5. INVESTMENTS :

As at 31st March, 2000, the Investment Portfolio in India comprising investments in Equity and Preference Shares, Government Securities, Debentures etc. stood at Rs. 6192.94 Crores. There was therefore, an increase of Rs. 741.11 Crores this year as compared to Investment Portfolio of Rs. 5451.83 Crores, as at 31st March, 1999, registering an increase of 13.59%. Investments in Socially Oriented Sector comprising of Government Securities and Loans to State Governments for Housing/Fire Fighting Equipments amounted to Rs. 2288.54 Crores representing 36.95 % of the portfolio.

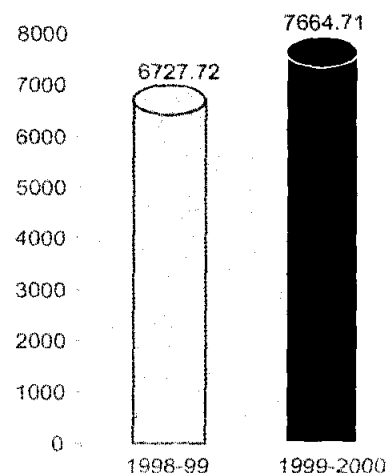
### 6. INVESTMENT INCOME :

Income generated from Investment operations (including profit on sale of investments) increased from Rs. 636.29 Crores in 1998-99 to Rs. 752.74 Crores during 1999-2000 recording a net increase of Rs. 116.45 Crores i.e. 18.30%. The yield on mean funds works out to 12.93% for year under review.

The Company has been implementing the Reserve Bank of India guidelines in respect of Income Recognition, Asset Classification and Provisioning since the accounting year 1995-96. Accordingly, income from

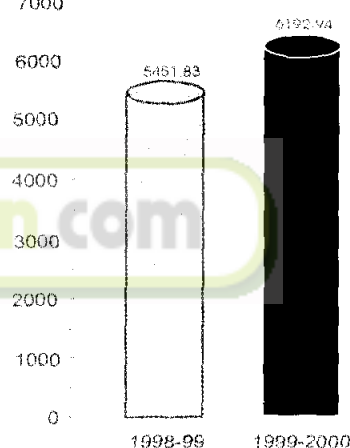
### ASSETS

(Rs. In Crore)



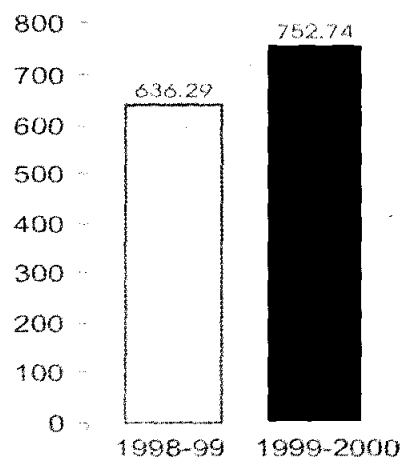
### INVESTMENTS

(Rs. In Crore)



### INVESTMENT INCOME

(Rs. In Crore)







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, 2000, the net Non-performing Assets constituted 13.65% of the total financial assistance provided to the Corporate Sector as against 9.12% for last year. Increase in Non-Performing-Assets is mainly due to assistance given alongwith consortium to incomplete projects in sectors like Steel which continued to face recessionary trends.

#### 7. FOREIGN OPERATIONS :

New India's overseas operations earned Gross Direct Premium of Rs. 326.96 Crores (US\$ 74.9 Mn.) in 1999-2000 as against Rs. 288.16 Crores (US\$ 67.9 Mn.) in 1998-99 thereby showing an accretion of 13.5%. The Net Premium was Rs. 316.79 Crores (US\$ 72.6 Mn.) in 1999-2000 as against Rs. 278.60 Crores (US\$ 65.6 Mn.) in 1998-99 showing a growth of 13.7%. For the third consecutive year, the International Insurance Market witnessed fierce competition, increase in number and severity of large claims contributing to thin/negative profit margins for general Insurers all over the world. Company's overseas operations were affected by catastrophic Hurricane Lenny in Caribbean Islands, Sydney Hail Storm, Fiji Floods, Typhoons in Hiroshima and Philippines and High Motor Third Party Awards in Middle East Region and Japan. The improved performance has been achieved due to implementation of stringent underwriting controls, improved operational efficiency and focus on value added customer service.

#### 8. REINSURANCE :

Reinsurance Programme for the

Company follows the Market Reinsurance Programme which is developed by the GIC in consultation with the Subsidiary Companies. The Industry Programme aims at optimum retention within the country, consistent with securing the maximum protection. The treaties are placed with good securities at an optimum cost. The retention and capacity has been increased this year, keeping in line with the increased net worth of the Company. The effectiveness of the Programme in protecting the financial interest is evident from various risks and catastrophe reinsurance recoveries.

#### 9. PROJECT INSURANCE CELL :

The Project Insurance Cell at Head Office offers single window Techno Marketing Services for the rapidly growing need for Package Insurance Covers for the Infrastructure Projects such as Road, Bridges, Ports, Telecommunication, Power and other sectors. The technical experts in the Cell analyse the complex risk exposures that mega construction and operational ventures are exposed to and help the insured to manage the same through Risk Management Techniques. The Cell was first amongst the Indian Subsidiaries to device Mega Risk Package Policy for Petrochemical Risks and the first Policy of its kind was offered to Reliance Industries Limited. Insurance solutions are being conceptualised through continuous interactions with the International Market, Reinsurers and Brokers in order to offer to Indian Joint Ventures single document insurance products and services at par with International standards. This proactive customer and project specific marketing approach has helped New India to lead insurance in several small medium and large privately financed power projects and ports which are being



## The New India Assurance Co. Ltd.

planned or have achieved financial closure.

### 10. RURAL INSURANCE :

The Company has maintained the leadership in Rural Insurance business for the second consecutive year with a market share of 29.7%. The overall rural insurance business showed a decline as a result of restrictions being brought in case of Janata Personal Accident Policy after the introduction of Market Agreement. Though the Janata Personal Accident business showed a decline of 43.60% the other classes of business registered an accretion of 14.40%. A cover named Gopala Raksha Scheme (Comprehensive Farmers Welfare Package Policy) was given to the Andhra Pradesh Dairy Development Co-operative Federation Limited covering about five lac milk producers supplying milk to the societies under various Union/Milk Sheds in the State of Andhra Pradesh. With a view to enhance the awareness of rural insurance covers, publicity campaigns were undertaken in various parts of the country through mass contact programmes, cattle melas, cattle health camps, wall paintings etc. The Company also participated in several exhibitions conducted in rural areas. Leaflets and pamphlets in vernacular language were distributed in weekly shandies and local festivals.

### 11. INFORMATION TECHNOLOGY :

The Company has extended implementation of the new Client/Server Technology based comprehensive application software package from 54 operating offices to 300 offices in Mumbai, Delhi, North/South Gujarat, Chennai and other parts of Tamilnadu, Pondicherry, Andhra Pradesh and Karnataka during the financial year. This would be further extended to 500

other selected offices during the next financial year, which would cover almost 85% of our total premium revenue. The Company is also in the process of implementing a new Client/Server architecture based HR and Payroll application package besides, accounting package at Head Office and Regional Offices. Computerisation of Rating Organisation requirements of our Japanese operations is over. Further computerisation of our Japanese operations is in progress. In addition, a considerable part of investment operations is computerised during the year.

Your Company is looking at various options of networking the operating offices, Regional Offices and Head Office and work on the same would start in the next financial year which would help us in securing our data through replication, providing access of customers to our database for underwriting, renewal and claims status, availing of our anytime and anywhere service through Interactive Voice Response System (IVRS) and/or Call Centres, consolidation of data for a Decision Support System for underwriting and finally seeking better terms for Reinsurance Arrangements on the basis of better risk analysis. The Company is looking at various options of computerising Reinsurance operations. The company's website is also being modified to improve the quality of the content with comprehensive details about the products and services offered by the Company with a view to make it more customer friendly.

### 12. CUSTOMER SERVICE :

The company is today facing challenges of a different kind. With the opening of the insurance sector, the focus on the customer is even more pronounced. New India has al-