

# C ontents

Directors and Management .....	2
From CMD's Desk .....	4
Report of the Board of Directors .....	6
Details of Socially Relevant Schemes .....	35
Review of Accounts and Comments by CAG .....	37
Addendum to Directors' Report .....	44
Management Report .....	46
Auditors' Report .....	48
Certificate as required by Schedule 'C' of IRDA Regulations 2002 (for preparation of Financial Statements and Auditors' Report of Insurance Companies) .....	51
Revenue Accounts & Schedules of Fire, Marine and Miscellaneous Insurance Businesses .....	52
Profit & Loss Account .....	58
Balance Sheet .....	59
Schedule of Operating Expenses and Balance Sheet Schedules .....	60
Segment Reporting Schedules .....	70
Receipts and Payments Account (Cash Flow Statement) .....	76
Policyholders' & Shareholders' Funds .....	77
Significant Accounting Policies .....	78
Notes and Disclosures forming part of Accounts .....	84
Balance Sheet Abstract .....	97
<b><u>Annual Reports of Subsidiaries</u></b>	
The New India Assurance Co. (Trinidad & Tobago) Limited .....	98
The New India Assurance Co. (Sierra Leone ) Limited .....	115
Regional Offices in India .....	122
Global Net-Work	



## Directors and Management

### BOARD OF DIRECTORS

R. Beri

*Chairman-cum-Managing Director*

G. C. Chaturvedi, IAS

R. K. Joshi

Dr. A. K. Khandelwal

A. V. Purushothaman, up to 31.05.2005

Kumar Bakhru

### GENERAL MANAGER & FINANCIAL ADVISOR

V. K. Gupta, IRS

### GENERAL MANAGERS

A. V. Purushothaman,  
up to 31.05.2005

Kumar Bakhru

M. K. Garg,  
up to 3.12.2004

M. Ramadoss,  
up to 10.02.2005

A. V. Muralidharan

J. K. Gupta

### APPOINTED ACTUARY

A. R. Prabhu

### AGM & COMPANY SECRETARY

A. R. Sekar

### ASSISTANT GENERAL MANAGERS

S. K. Mutneja

P. Manokaran

M. A. Kharat

N. K. Singh

K. G. Arora

R. C. Grover

R. Sengupta

Dr. B. Sundar Raman

P. J. Joseph

N. Toppo

P. Senthilkumar

H. P. Singh

Dr. A. P. Mittal

Dr. A. K. Saxena

A. V. Girjakumar

S. Yugandhar Rao

M. Selvakumar

Mrs. Asha Nair

B. K. Samant

### AGM & CHIEF VIGILANCE OFFICER

Mrs. Gopa Ray

### INVESTMENT COMMITTEE

R. Beri

G. C. Chaturvedi, IAS

Dr. A. K. Khandelwal

M. K. Garg, up to 3.12.2004

V. K. Gupta, IRS

A. R. Prabhu

A. V. Muralidharan, w.e.f. 12.02.2005

### AUDIT COMMITTEE

G. C. Chaturvedi, IAS

A. V. Purushothaman,  
up to 31.05.2005

R. K. Joshi

Dr. A. K. Khandelwal

### AUDITORS

Khandelwal Jain & Co.  
*Chartered Accountants*

Contractor Nayak & Kishnadwala  
*Chartered Accountants*

Sharp & Tannan  
*Chartered Accountants*

### REGISTERED OFFICE

New India Assurance Building, 87, M. G. Road, Fort, Mumbai 400 001.

Website : [www.niacl.com](http://www.niacl.com)

## Board of Directors and Management

### CMD



R. Beri  
Chairman-cum-Managing Director

### Directors



G. C. Chaturvedi  
IAS



R. K. Joshi



Dr. A. K.  
Khandelwal

### Director & GM



Kumar Bakhru

### GM & FA



V. K. Gupta  
IRS

### General Manager



A. V.  
Muralidharan

### General Manager



J. K. Gupta

### CVO



Mrs. Gopa Ray

## FROM THE CMD'S DESK

The 2004-05 was a remarkable year in India's economic history. The year witnessed several glorious achievements on the macroeconomic front. The economy recorded an impressive growth of 6.9%, continuing its uptrend on the backdrop of a robust 8.2% growth last year. The fact that the growth rate was impressive in spite of a larger base of the previous year lends credence to the widely held belief that the surging growth of the Indian economy is here to stay. The economy witnessed a boom on all fronts- surging manufacturing growth, soaring stock markets, ballooning services exports etc. While the manufacturing sector posted an impressive performance once again, the services sector grew sharply especially the software and BPO segments. India Inc. reported healthy bottomline and top-line growth rates. Consumerist spirits are at an all time high. The stock markets are zooming and the sensex is on its way to touch the magic figure of 8000. FIIs are pouring their money into the Indian market like never before. It's boom time for the Indian economy.

The Indian economy is poised for a major leap in the years to come. The strong fundamentals of the economy, coupled with an all-round reforms initiatives could usher in a sustained high growth in the years to come. Experts are forecasting a healthy growth of 6.5%-7% for the coming year. Overall, the outlook is positive and the mood is upbeat. However, there is a note of caution. The spiraling oil prices may prove to be a hindrance to the economic growth. So far, we have been insulated from the oil crisis. How we manage the omnipresent "oil factor" of the Indian economy in the short term and the long term is going to determine the future prospects of the Indian economy. With Western Europe maintaining its stable growth rate and the US economy chugging along defying the twin deficits so far and Japan posting healthy growth rates for the first time in a decade, the Indian economy has also ample opportunities to keep growing.

### GENERAL INSURANCE:

The Indian general insurance market moved in tandem with the Indian economy. The sector, riding on the crest of a strong economic growth, posted an impressive growth of 13% for the current financial year. The most impressive spectacle has been the foray of the private players. This has led to the demolition of capitalism's bete-noire "monopoly". In only their fifth year of operations, the private players have garnered a market share of 19.7%, up from about 14% a year ago. The Gross premium procured by the general insurers amounted to Rs.18,000 cr. as compared to Rs.16,118 cr. in the previous financial year.

The public sector general insurance companies are in the process of restructuring their operations to cope up with the competitive pressures unleashed by the private players. The companies are restructuring their business portfolios and are planning innovative products.

The global insurance market has shown a better record on the underwriting front in 2004 than in the previous years. The property/casualty market recorded the best underwriting year in the last 26 years. The combined ratio(a measure of loss and expenses as a % of net premium written) of the US insurance market amounted to 98.1%, the first time it has come down in the last 26 years. The US property / casualty industry grew 29%, recording a robust increase in premiums over the previous year. The net underwriting profit of the US property/casualty insurers stood at \$5.04 bn. The present trend of soft premium rates is expected to continue. The steady growth rate of the global economy portends to a stable scenario for the global insurance market in the coming financial year.

### REINSURANCE:

The price increases in the reinsurance market, which started in the year 2000 and dramatically increased after the 11<sup>th</sup> September 2001 events had peaked in 2002/2003, had softened to a degree in 2004. Property

classes having better loss experience fared better in getting competitive terms both in risk and catastrophe excess of loss programs.

The year 2004 saw many major catastrophe events worldwide, which was never experienced before. Four major tropical hurricanes hit south east coast of USA and the Caribbean. The insured losses could be reaching US\$ 30bn. In Japan, ten typhoons made landfall of which typhoon Songda is expected to cause an insured loss of US \$ 2.5 bn. Then there was at the end of the year the devastating Tsunami in the Indian Ocean, which caused huge loss of life and homes. But here were very few insured losses other than the coastal holiday resorts. The year also had events like earthquake, winter storms, floods and landslides in many parts of the world including our sub-continent.

Despite the catastrophic events, there was ample capacity for property class of business. It is expected that most of the re-insurers will make profits in 2004. This can be attributed to many ceding companies having higher retentions following the hard market years.

Modeling of catastrophic perils continued to be of importance in reinsurance pricing. Prices based on modeling is getting worldwide acceptance and is less impacted by price volatility. However, the frequent catastrophe in one territory within a short period of time has made some 'cat models' to have a re-look in the system.

Liability classes had sufficient capacity with the rates appearing to have reached a peak and in some cases it had declined.

The proportional (surplus) treaty market remains hard with the continued pressure for having event limits, cession limits, cat aggregates and improvement in commission etc. The lead insurers, which are limited, want greater control in the treaties. However, the Indian market is yet to follow the international practice of having event limits/cession limits in their surplus treaties.

The 2005 renewals showed that property rates continued its slow southwards movement notwithstanding the catastrophe events of 2004. There was sufficient capacity for almost all classes and capital providers expected better returns than from any other source.

The Indian general insurance industry is on the threshold of a paradigm change. A momentous transformation pervading various aspects like the regulatory framework, the intermediaries, equity and ownership structures is on the anvil.

The policy of liberalization may sooner or later bring about changes in the limits of FDI permissible, paving way for increased foreign ownership. The advent of the brokers and the banks as intermediaries will radically transform the distribution network of the insurance industry. Plans are afoot for the phased de-tariffing of the general insurance industry. The above aspects pose daunting challenges and at the same time create lucrative opportunities. The general insurance industry should prepare to brace the challenges ahead through prudent underwriting and sound management practices. The galloping services sector presents many opportunities for insurance, which are yet to be tapped. The global business trends and the increasing exposure of the Indian businesses to the international legal environment present tremendous opportunities for liability insurance, which are yet to be explored. Personal line insurance business is another branch of insurance with tremendous potential. The insurance penetration achieved so far is just the tip of the iceberg. A journey to the zenith of the iceberg will need a concerted and a dedicated effort from the industry players, the regulator and the intermediaries. New India, as the torchbearer of the industry and with a rich legacy to live with, has to lead the next General Insurance revolution. Surely, the 'leader is on the prowl' with a view to contribute to the industry as well as to the nation.

**DIRECTORS' REPORT : 2004-05**

**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 are pleased to present the 86<sup>th</sup> Annual Report together with the Audited Statement of Accounts and Balance Sheet of the Company for the year ended 31<sup>st</sup> March, 2005.

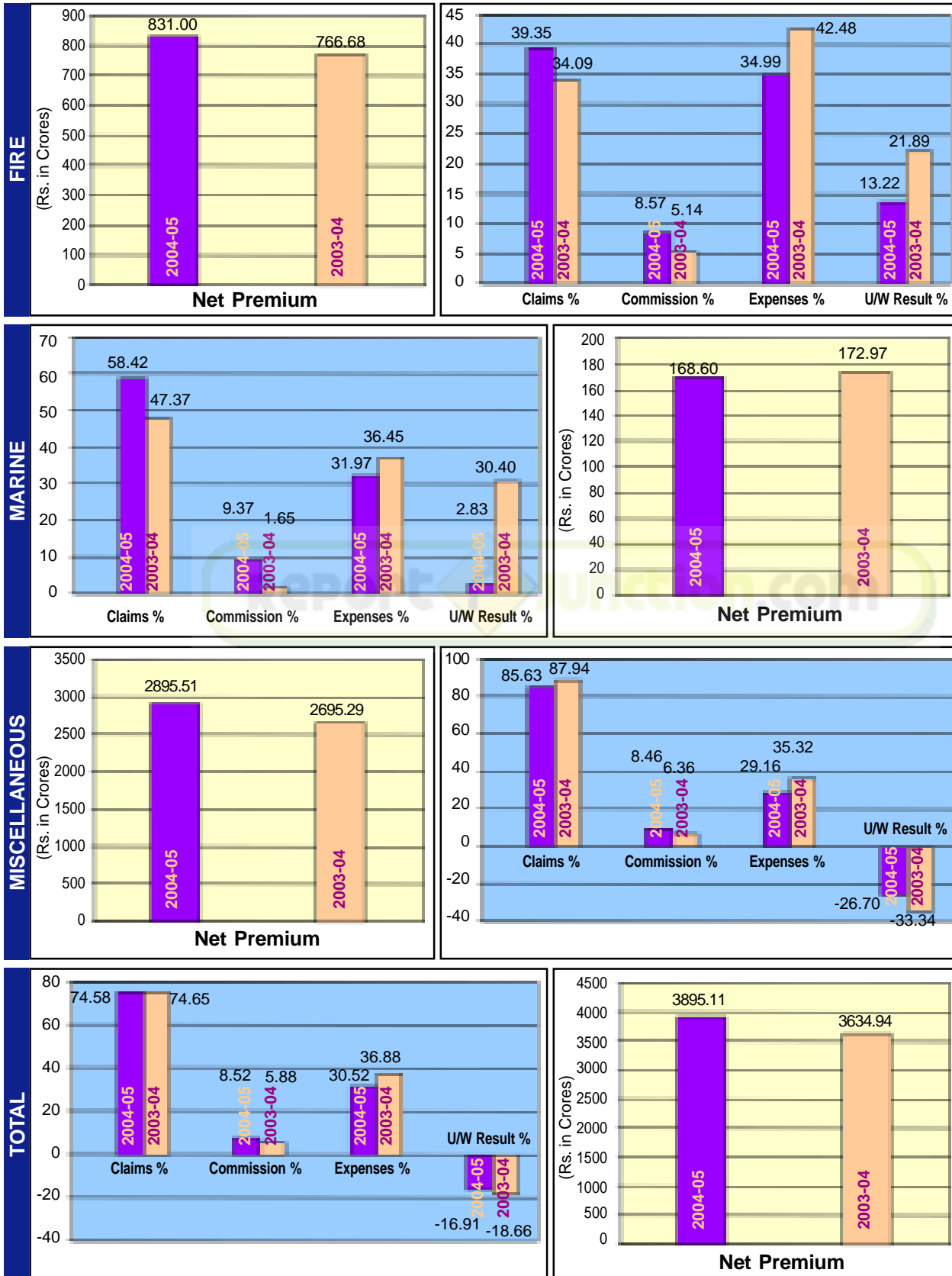
**I. CLASS-WISE PERFORMANCE SUMMARY**

(Rupees in crores)

		Year	Fire	Marine	Misc.	Total
<b>Gross Direct Premium In India</b>		<b>2004-05</b>	<b>788.88</b>	<b>252.49</b>	<b>3169.44</b>	<b>4210.81</b>
	Percentage growth		1.76	-2.60	5.25	4.08
		2003-04	775.20	259.22	3011.26	4045.68
			-10.64	-24.73	11.14	3.17
<b>Gross Direct Premium Outside India</b>		<b>2004-05</b>	<b>274.83</b>	<b>48.73</b>	<b>568.79</b>	<b>892.35</b>
	Percentage growth		-6.04	4.95	5.95	1.89
		2003-04	292.49	46.43	536.87	875.79
			-3.91	35.76	-2.90	-1.77
<b>Gross Direct Premium Total</b>		<b>2004-05</b>	<b>1063.71</b>	<b>301.22</b>	<b>3738.23</b>	<b>5103.16</b>
	Percentage growth		-0.37	-1.45	5.36	3.69
		2003-04	1067.69	305.65	3548.13	4921.47
			-8.89	-19.27	8.76	2.26
<b>Re-Insurance Premium Accepted In India</b>		<b>2004-05</b>	<b>62.82</b>	<b>11.16</b>	<b>25.68</b>	<b>99.66</b>
		2003-04	62.06	6.86	28.16	97.08
		<b>2004-05</b>	<b>178.70</b>	<b>10.38</b>	<b>25.84</b>	<b>214.92</b>
		2003-04	101.07	5.49	20.72	127.28
	<b>Total</b>	<b>2004-05</b>	<b>241.52</b>	<b>21.54</b>	<b>51.52</b>	<b>314.58</b>
		2003-04	163.13	12.35	48.88	224.36
<b>Re-Insurance Premium Ceded In India</b>		<b>2004-05</b>	<b>346.24</b>	<b>134.40</b>	<b>825.81</b>	<b>1306.45</b>
		2003-04	342.87	127.08	829.39	1299.34
		<b>2004-05</b>	<b>127.99</b>	<b>19.76</b>	<b>68.43</b>	<b>216.18</b>
		2003-04	121.27	17.95	72.33	211.55
	<b>Total</b>	<b>2004-05</b>	<b>474.23</b>	<b>154.16</b>	<b>894.24</b>	<b>1522.63</b>
		2003-04	464.14	145.03	901.72	1510.89



Current Year against Previous Year



(Rupees in crores)

	Year	Fire	Marine	Misc.	Total
<b>Net Premium In India</b>	<b>2004-05</b>	<b>505.46</b>	<b>129.25</b>	<b>2369.31</b>	<b>3004.02</b>
Percentage increase over previous year		2.24	-7.01	7.21	5.65
Percentage to gross premium		64.07	51.19	74.75	71.34
	2003-04	494.39	139.00	2210.03	2843.42
		-0.51	-16.63	10.76	6.93
		63.78	53.62	73.39	70.28
<b>Net Premium Outside India</b>	<b>2004-05</b>	<b>325.54</b>	<b>39.35</b>	<b>526.20</b>	<b>891.09</b>
Percentage increase over previous year		19.56	15.84	8.44	12.58
Percentage to gross premium		118.45	80.75	92.51	99.86
	2003-04	272.29	33.97	485.26	791.52
		-16.17	0.80	-2.74	-7.68
		93.09	73.16	90.39	90.38
<b>Net Premium Total</b>	<b>2004-05</b>	<b>831.00</b>	<b>168.60</b>	<b>2895.51</b>	<b>3895.11</b>
Percentage increase over previous year		8.39	-2.53	7.43	7.16
Percentage to gross premium		78.12	55.97	77.46	76.33
	2003-04	766.68	172.97	2695.29	3634.94
		-6.70	-13.70	8.06	3.37
		71.81	56.59	75.96	73.86
<b>Increase in Un-expired Risks Reserves</b>	<b>2004-05</b>	<b>32.16</b>	<b>-4.37</b>	<b>100.15</b>	<b>127.94</b>
Percentage to net premium		3.87	-2.59	3.46	3.28
	2003-04	-27.51	-27.46	100.46	45.49
		-3.58	-15.88	3.73	1.25
<b>Net Premium Earned</b>	<b>2004-05</b>	<b>798.84</b>	<b>172.97</b>	<b>2795.36</b>	<b>3767.17</b>
	2003-04	794.19	200.43	2594.83	3589.45
<b>Net Incurred Claims</b>	<b>2004-05</b>	<b>327.02</b>	<b>98.50</b>	<b>2479.46</b>	<b>2904.98</b>
Percentage to net premium		39.35	58.42	85.63	74.58
	2003-04	261.34	81.94	2370.30	2713.58
		34.09	47.37	87.94	74.65
<b>Net Commission</b>	<b>2004-05</b>	<b>71.19</b>	<b>15.79</b>	<b>244.90</b>	<b>331.88</b>
Percentage to net premium		8.57	9.37	8.46	8.52
	2003-04	39.37	2.86	171.39	213.62
		5.14	1.65	6.36	5.88
<b>Operating Expenses related to Insurance business including Foreign Taxes &amp; Exchange Gain/Loss</b>	<b>2004-05</b>	<b>290.76</b>	<b>53.90</b>	<b>844.22</b>	<b>1188.88</b>
Percentage to net premium		34.99	31.97	29.16	30.52
	2003-04	325.67	63.04	951.85	1340.56
		42.48	36.45	35.32	36.88



(Rupees in crores)

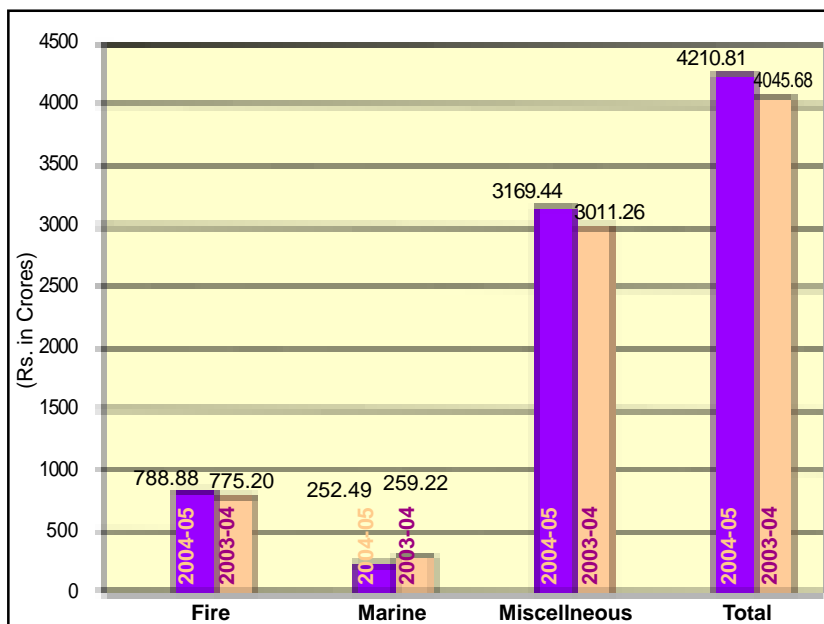
	Year	Fire	Marine	Misc.	Total
<b>Underwriting Results</b>	<b>2004-05</b>	<b>109.87</b>	<b>4.78</b>	<b>-773.22</b>	<b>-658.57</b>
Percentage to net premium		13.22	2.83	-26.70	-16.91
	2003-04	167.81	52.59	-898.71	-678.31
		21.89	30.40	-33.34	-18.66
<b>Investment Income apportioned, including profit on realisation of investments (net of provision for NPAs)</b>	<b>2004-05</b>	<b>120.96</b>	<b>50.23</b>	<b>720.16</b>	<b>891.35</b>
Percentage to net premium		14.56	29.79	24.87	22.88
	2003-04	126.96	57.10	602.79	786.85
		16.56	33.01	22.36	21.65
<b>Surplus / Deficit (-) in Policyholders' Account</b>	<b>2004-05</b>	<b>230.83</b>	<b>55.01</b>	<b>-53.06</b>	<b>232.78</b>
Percentage to net premium		27.78	32.63	-1.83	5.98
	2003-04	294.77	109.69	-295.92	108.54
		38.45	63.42	-10.98	2.99

**II. PERFORMANCE REVIEW FOR THE YEAR 2004-05**

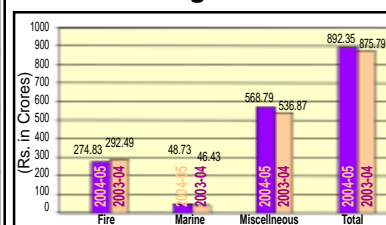
(Rs. in crores)

	2004-05	2003-04
<b>A. Gross Direct Premium</b>		
In India	4210.81	4045.68
Percentage change over previous year	4.08	3.17
Outside India	892.35	875.79
Percentage change over previous year	1.89	-1.77
Total	5103.16	4921.47
Percentage change over previous year	3.69	2.26

**Indian Gross**



**Foreign Gross**



**II. PERFORMANCE REVIEW FOR THE YEAR 2004-05 (Contd.)**

(Rs. in crores)

**2004-05**      2003-04

The performance of the Company during 2004-05 on GDP (Gross Direct Premium) front has shown significant improvement over the previous year in domestic as well as in foreign markets. The domestic market showed a growth rate of 4.08 % against previous year's growth rate of 3.17%. The foreign operations have shown a growth of 1.89% against previous years negative growth of 1.77%. Global growth rate has shown an improvement from 2.26% to 3.69%. During the year the Company achieved another landmark by crossing Rs.5000 crores Gross Direct Premium, and is the first Indian company to achieve this landmark.

Like earlier year Miscellaneous portfolio continues to contribute substantially to the company's overall growth, Marine business has shown a fall. However in the prevailing market conditions the growth of the Indian fire business 1.76% against (-) 10.64% of previous year and its contribution (18.73%) to the Indian gross is worth noting. This shows that the company has been successful in resisting the inroads of private players in this class of business.

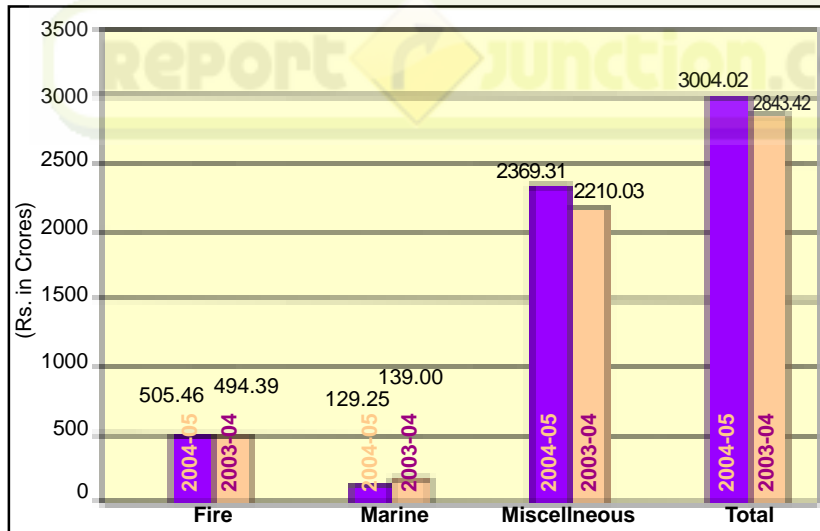
**B. Net Premium**

**3895.11**      3634.94

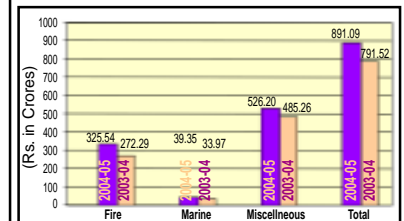
Percentage change over previous year

**7.16**      3.37

**Indian Net**



**Foreign Net**



During the current year Net Premium grew by Rs.251.17 crores though the growth of Gross Direct Premium was Rs 181.69 crores. This indicates increased retention on net account which is also reflected in the increased retention ratio of 76.33% against 73.86% of the previous year.

**C. Additional Un-Expired Risks Reserves**

**127.94**      45.49

Percentage to net premium

**3.28**      1.25

Better business performance of the company has naturally led to the increased provision for un-expired risks reserves. Rs 127.94 crores is provided in the current year for un-expired risks reserves as against Rs 45.49 crores in the previous year. The un-expired risks reserves of the Company on 31.03.2005 stand at Rs.2031.85 crores against corresponding amount of Rs.1903.91 crores on 31.03.2004.