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Directors and Management

| | | |
|---|--|--|
| <div>BOARD OF DIRECTORS</div> <div>B. CHAKRABARTI</div> <div>CHAIRMAN-CUM-MANAGING DIRECTOR</div> <div>G. C. CHATURVEDI, IAS N. S. R. CHANDRA PRASAD</div> <div>T. S. NARAYANASAMI </div> | | |
|---|--|--|

Directors and Management



B. Chakrabarti
Chairman-cum-Managing Director

Directors



G. C. Chaturvedi, IAS



T. S. Narayanasami



N. S. R. Chandra Prasad



A. R. Sekar

General Managers



G. Srinivasan



V. Jayaprakash



I. S. Phukela

CVO



Ms. Gopa Ray

Appointed Actuary



A. R. Prabhu



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DIRECTORS' REPORT 2006-07

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 88th Annual Report together with the Audited Statement of Accounts and Balance Sheet of the Company for the year ended 31st March 2007.

I. CLASS-WISE PERFORMANCE SUMMARY:

(Rupees in Crores)

| | Year | Fire | Marine | Misc. | Total |
|---|----------------|----------------|---------------|----------------|----------------|
| Gross Direct Premium in India | 2006-07 | 909.98 | 321.02 | 3786.20 | 5017.20 |
| Percentage growth | | 8.38 | 7.08 | 3.67 | 4.71 |
| | 2005-06 | 839.63 | 299.78 | 3652.08 | 4791.49 |
| | | 6.43 | 18.73 | 15.23 | 13.79 |
| Gross Direct Premium outside India | 2006-07 | 254.59 | 49.45 | 615.54 | 919.58 |
| Percentage growth | | -3.51 | -0.19 | 7.87 | 4.02 |
| | 2005-06 | 263.86 | 49.55 | 570.64 | 884.05 |
| | | -3.99 | 1.68 | 0.33 | -0.93 |
| Gross Direct Premium Total | 2006-07 | 1164.57 | 370.47 | 4401.74 | 5936.78 |
| Percentage growth | | 5.54 | 6.05 | 4.24 | 4.60 |
| | 2005-06 | 1103.49 | 349.33 | 4222.72 | 5675.54 |
| | | 3.74 | 15.97 | 12.96 | 11.22 |
| Reinsurance Premium Accepted in India | 2006-07 | 46.41 | 6.17 | 28.98 | 81.56 |
| | 2005-06 | 24.93 | 0.74 | 19.64 | 45.31 |
| Reinsurance Premium Accepted outside India | 2006-07 | 345.54 | 5.21 | 36.22 | 386.97 |
| | 2005-06 | 255.40 | 6.14 | 25.28 | 286.82 |
| Reinsurance Premium Accepted Total | 2006-07 | 391.95 | 11.38 | 65.20 | 468.53 |
| | 2005-06 | 280.33 | 6.88 | 44.92 | 332.13 |
| Reinsurance Premium Ceded in India | 2006-07 | 399.81 | 177.44 | 852.73 | 1429.98 |
| | 2005-06 | 416.03 | 169.25 | 846.24 | 1431.52 |
| Reinsurance Premium Ceded outside India | 2006-07 | 103.78 | 15.85 | 103.93 | 223.56 |
| | 2005-06 | 137.03 | 22.58 | 73.88 | 233.49 |

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CLASS-WISE PERFORMANCE SUMMARY (Contd...)

(Rupees in Crores)

| | Year | Fire | Marine | Misc. | Total |
|--|----------------|----------------|---------------|----------------|----------------|
| Reinsurance Premium Ceded Total | 2006-07 | 503.59 | 193.29 | 956.66 | 1653.54 |
| | 2005-06 | 553.06 | 191.83 | 920.12 | 1665.01 |
| Net Premium in India | 2006-07 | 556.57 | 149.75 | 2962.44 | 3668.76 |
| Percentage growth | | 24.09 | 14.08 | 4.85 | 7.74 |
| Percentage to gross premium | | 61.16 | 46.65 | 78.24 | 73.12 |
| | 2005-06 | 448.53 | 131.27 | 2825.48 | 3405.28 |
| | | -11.26 | 1.56 | 19.25 | 13.36 |
| | | 53.42 | 43.79 | 77.37 | 71.07 |
| Net Premium outside India | 2006-07 | 496.35 | 38.82 | 547.83 | 1083.00 |
| Percentage growth | | 29.86 | 17.25 | 4.94 | 15.53 |
| Percentage to gross premium | | 194.96 | 78.50 | 89.00 | 117.77 |
| | 2005-06 | 382.23 | 33.11 | 522.04 | 937.38 |
| | | 17.41 | -15.86 | -0.79 | 5.19 |
| | | 144.86 | 66.82 | 91.48 | 106.03 |
| Net Premium Total | 2006-07 | 1052.92 | 188.57 | 3510.27 | 4751.76 |
| Percentage growth | | 26.74 | 14.72 | 4.86 | 9.42 |
| Percentage to gross premium | | 90.41 | 50.90 | 79.75 | 80.04 |
| | 2005-06 | 830.76 | 164.38 | 3347.52 | 4342.66 |
| | | -0.03 | -2.51 | 15.61 | 11.49 |
| | | 75.28 | 47.05 | 79.27 | 76.52 |
| Increase in Unexpired Risk Reserves | 2006-07 | 111.08 | 24.20 | 81.38 | 216.66 |
| Percentage to net premium | | 10.55 | 12.83 | 2.32 | 4.56 |
| | 2005-06 | -0.12 | -4.22 | 226.00 | 221.66 |
| | | -0.01 | -2.57 | 6.75 | 5.10 |
| Net Premium Earned | 2006-07 | 941.84 | 164.37 | 3428.90 | 4535.11 |
| | 2005-06 | 830.88 | 168.60 | 3121.52 | 4121.00 |
| Net Incurred Claims | 2006-07 | 560.06 | 62.30 | 3021.25 | 3643.61 |
| Percentage to net premium | | 53.19 | 33.04 | 86.07 | 76.68 |
| | 2005-06 | 601.51 | 115.25 | 2915.25 | 3632.01 |
| | | 72.40 | 70.11 | 87.09 | 83.64 |
| Net Commission | 2006-07 | 79.33 | 14.23 | 297.33 | 390.89 |
| Percentage to net premium | | 7.53 | 7.54 | 8.47 | 8.23 |
| | 2005-06 | 71.78 | 8.22 | 296.28 | 376.28 |
| | | 8.64 | 5.00 | 8.85 | 8.66 |
| Operating Expenses related to insurance business including Foreign Taxes & Exchange Gain/Loss | 2006-07 | 284.62 | 52.32 | 816.94 | 1153.89 |
| Percentage to net premium | | 27.03 | 27.75 | 23.27 | 24.28 |
| | 2005-06 | 306.95 | 59.01 | 946.07 | 1312.03 |
| | | 36.95 | 35.90 | 28.26 | 30.21 |



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CLASS-WISE PERFORMANCE SUMMARY (Contd...)

(Rupees in Crores)

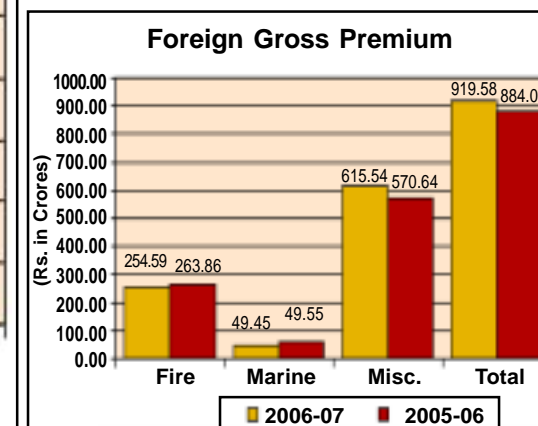
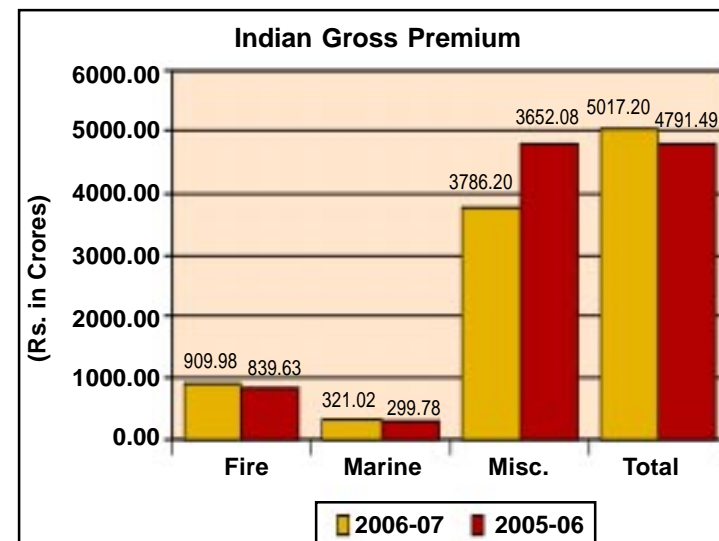
| | Year | Fire | Marine | Misc. | Total |
|---|----------------|---------------|---------------|----------------|----------------|
| Underwriting Results | 2006-07 | 17.84 | 35.52 | -706.64 | -653.27 |
| Percentage to net premium | | 1.69 | 18.83 | -20.13 | -13.75 |
| | 2005-06 | -149.36 | -13.88 | -1036.08 | -1199.32 |
| | | -17.98 | -8.44 | -30.95 | -27.62 |
| Investment Income apportioned to policy holders, including Profit on realisation of Investments (Net of Provision for Non Performing Assets) | 2006-07 | 215.18 | 66.46 | 1108.36 | 1390.00 |
| Percentage to net premium | | 20.44 | 35.24 | 31.57 | 29.25 |
| | 2005-06 | 168.94 | 64.04 | 1002.37 | 1235.35 |
| | | 20.34 | 38.96 | 29.94 | 28.45 |
| Surplus/Deficit(-) in policyholders' account | 2006-07 | 233.02 | 101.98 | 401.72 | 736.72 |
| Percentage to net premium | | 22.13 | 54.08 | 11.44 | 15.50 |
| | 2005-06 | 19.58 | 50.16 | -33.71 | 36.03 |
| | | 2.36 | 30.51 | -1.01 | 0.83 |

II. PERFORMANCE REVIEW:

(Rs.in Crores)

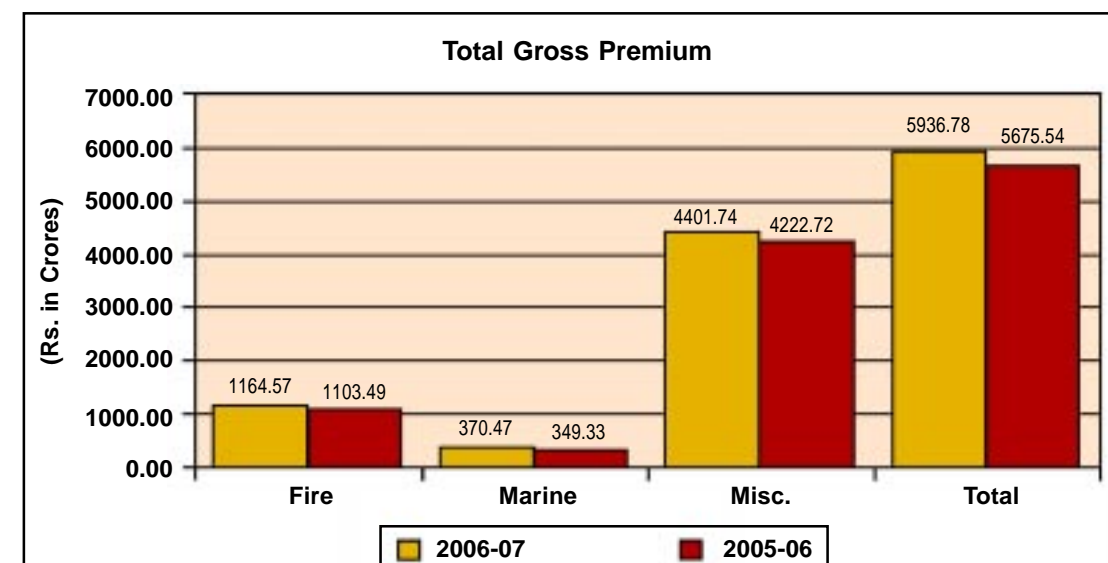
A. Gross Direct Premium

| | 2006-07 | 2005-06 |
|--------------------------------------|---------|---------|
| In India | 5017.20 | 4791.49 |
| Percentage change over previous year | 4.71 | 13.79 |
| Outside India | 919.58 | 884.05 |
| Percentage change over previous year | 4.02 | -0.93 |
| Total | 5936.78 | 5675.54 |
| Percentage change over previous year | 4.60 | 11.22 |



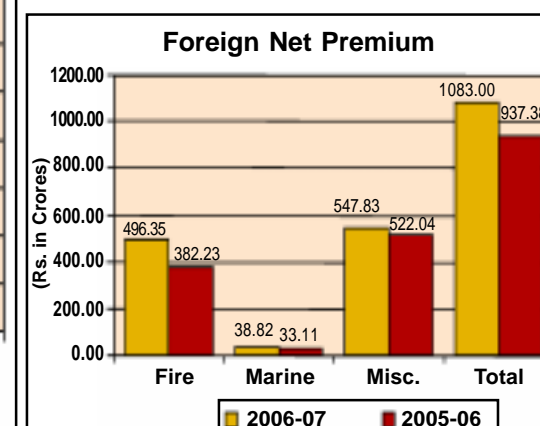
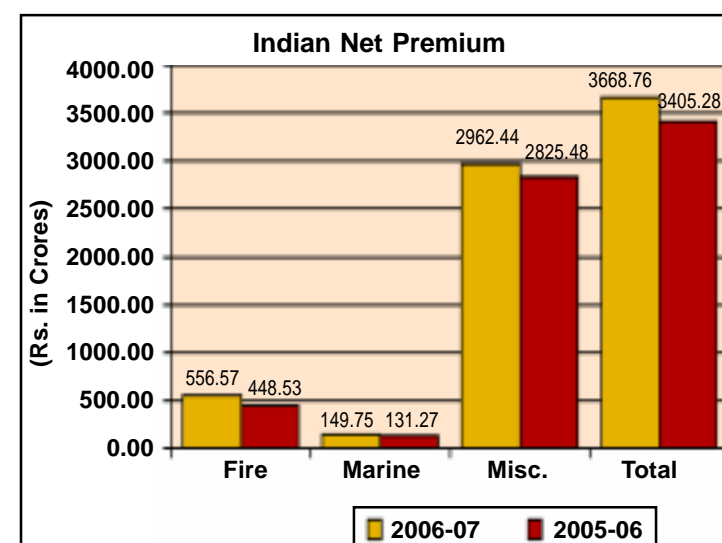
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The Company recorded a growth of 4.71% in the Indian business during the year 2006-07 as against 13.79% in the previous year. The decline in growth rate is due to a conscious decision taken by the Company to weed out loss making business particularly commercial vehicles insurance. In spite of continued softening of the direct premium rates and strengthening of the Rupee against major currencies, the growth rate outside India showed an increase of 4.02% compared to (-) 0.93% in the previous year. The overall growth recorded was 4.60% as compared to 11.22% in the previous year, with positive growth in fire, marine and miscellaneous portfolios. The Company continues to retain its position as market leader in the year 2006-07 also.

| | | (Rs. in crores) | |
|----|--------------------------------------|-----------------|---------|
| | | 2006-07 | 2005-06 |
| B. | Net Premium (Total) | 4751.76 | 4342.66 |
| | Percentage change over previous year | 9.42 | 11.49 |

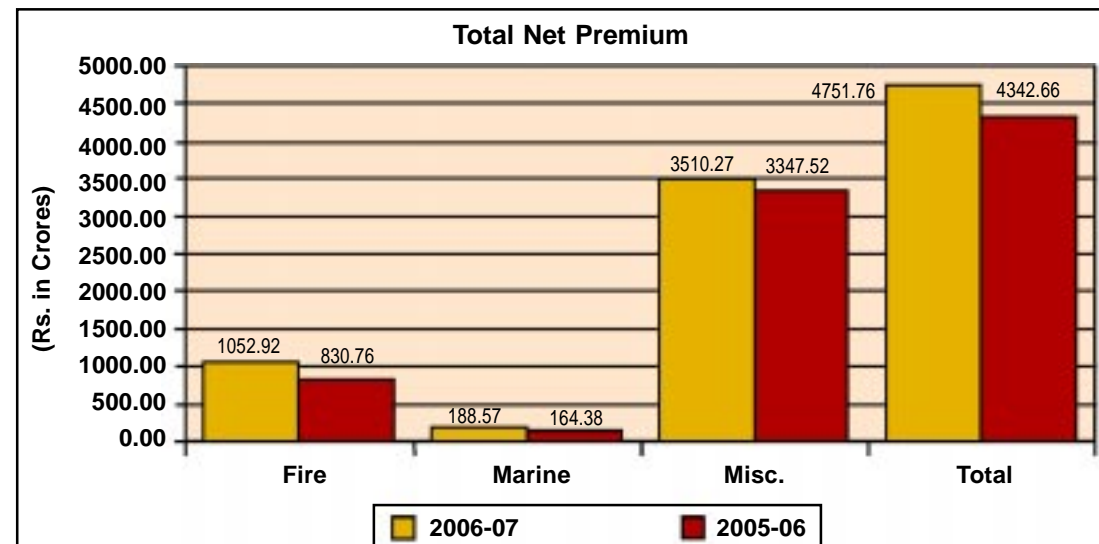




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The net premium grew by Rs.409.10 crores to Rs.4751.76 crores in the year 2006-07. The retention ratio has increased from 76.52% last year to 80.04% in the year 2006-07. The retention ratio in India increased by 2.05% while the foreign retention ratio increased by 11.74%.

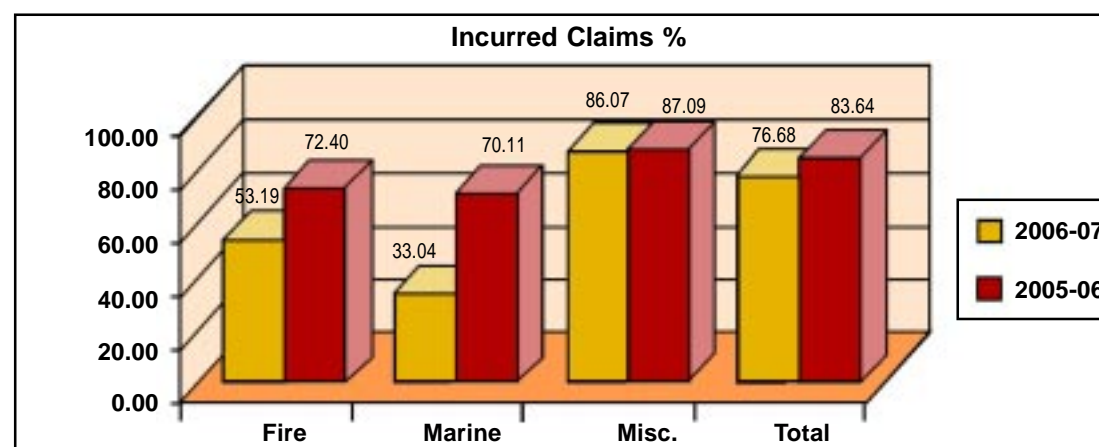
(Rs. in crores)

| | 2006-07 | 2005-06 |
|---|---------------|---------|
| C. Additional Un-expired Risk Reserves | 216.66 | 221.66 |
| Percentage to Net Premium | 4.56 | 5.10 |

The Company reserved Rs.2470.17 crores towards reserve for unexpired risks as on 31.03.2007 as against Rs.2253.51 crores as on 31.03.2006. Although the growth rate in gross premium was less than that of last year, due to higher net retention ratio, the growth rate in total net premium was 9.42% contributing to reserve strain of Rs.216.66 crores. There was no premium deficiency calculated as per IRDA guidelines in the major segments of fire, marine and miscellaneous business. However, there was premium deficiency of Rs.54.15 crores in motor third party portfolio, Rs.293.34 crores in health portfolio and Rs.31.51 crores in aviation portfolio. As there was no premium deficiency in miscellaneous department as a whole, no premium deficiency reserve has been created.

(Rs. in crores)

| | 2006-07 | 2005-06 |
|---------------------------|----------------|---------|
| D. Incurred Claims | 3643.61 | 3632.01 |
| Percentage to Net Premium | 76.68 | 83.64 |

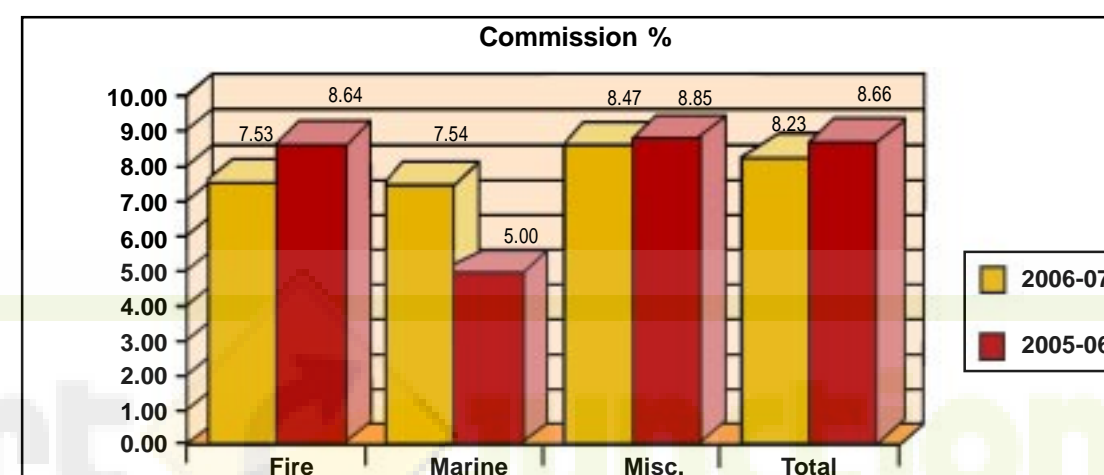


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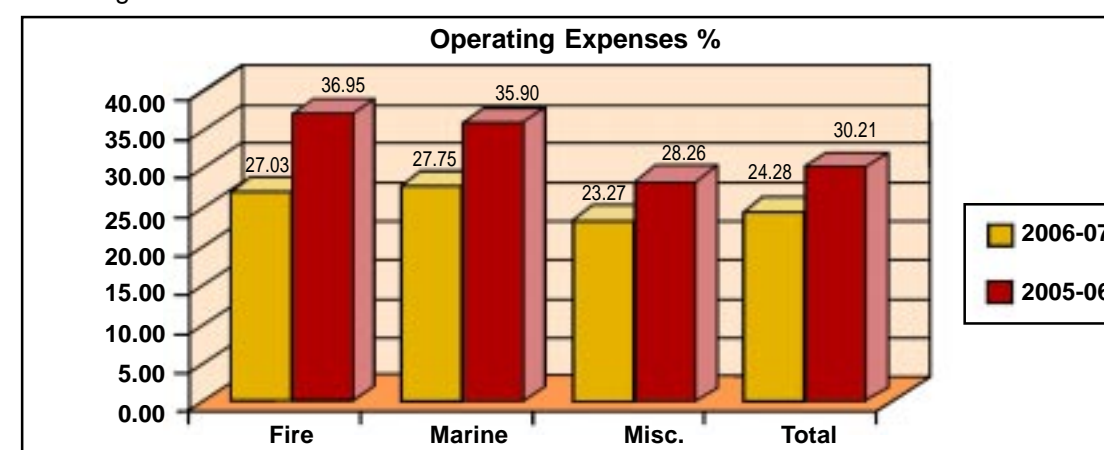
There has been a considerable improvement in the net incurred claims ratio from 83.64% last year to 76.68% in the year 2006-07. As there were no major catastrophic losses except floods in Surat, the claim ratios have declined, particularly in fire department from 72.40% to 53.19% and in marine portfolio from 70.11% to 33.04%. Even miscellaneous department showed a marginal reduction from 87.09% to 86.07% in the year 2006-07, mainly due to the conscious efforts taken by the Company with regard to underwriting of commercial vehicles insurance.

| | | |
|---------------------------|----------------|-----------------|
| | | (Rs. in crores) |
| | 2006-07 | 2005-06 |
| E. Commission | 390.89 | 376.28 |
| Percentage to Net Premium | 8.23 | 8.66 |



Although the quantum increase in net commission is Rs.14.61 crores, there has been a marginal reduction in the commission to net premium ratio from 8.66% to 8.23%.

| | | |
|---|----------------|-----------------|
| | | (Rs. in crores) |
| | 2006-07 | 2005-06 |
| F. Operating Expenses relating to insurance business including foreign taxes | 1153.89 | 1312.03 |
| Percentage to Net Premium | 24.28 | 30.21 |



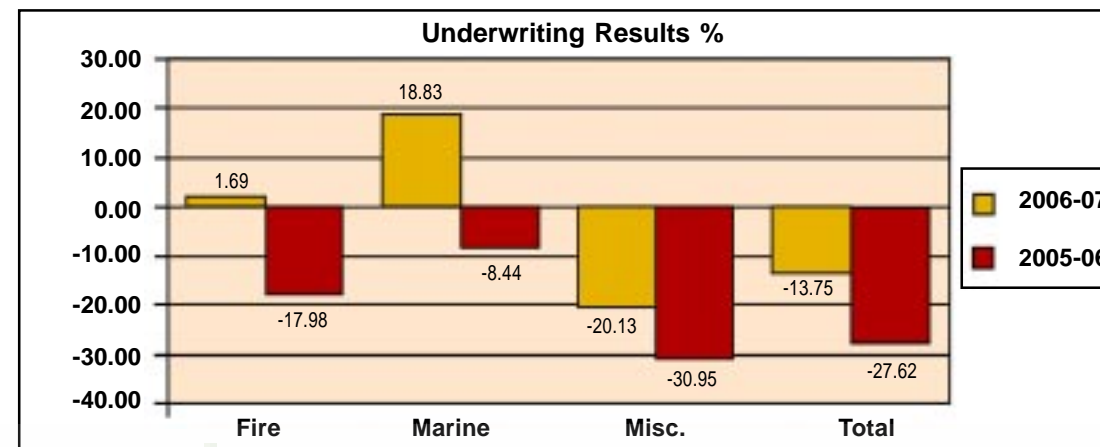
Operating expenses have come down from Rs.1312.03 crores to Rs.1153.89 crores, mainly due to reduction in the expenses relating to employees' remuneration and welfare benefits. In percentage terms, the management expenses ratio has reduced from 30.21% of net premium to 24.28% for 2006-07.



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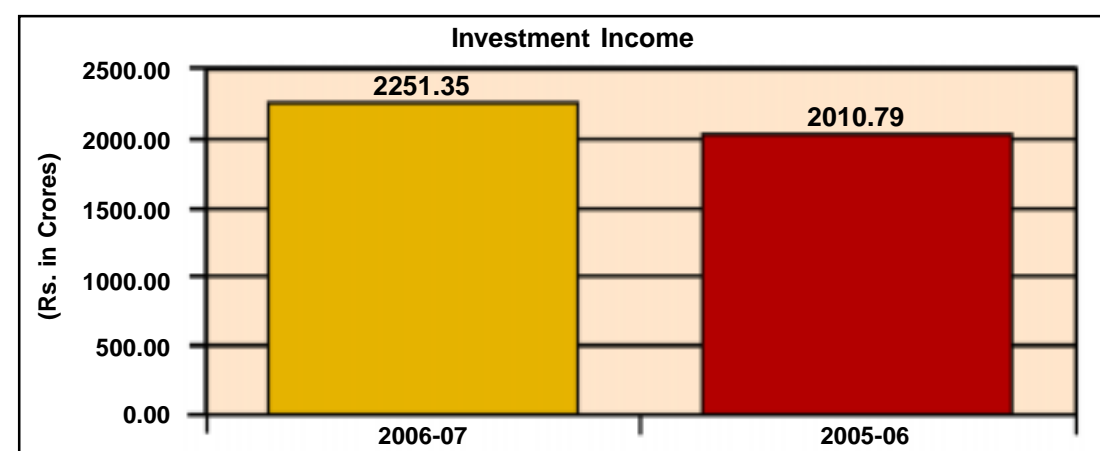
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| | (Rs. in crores) | |
|--------------------------------|-----------------|-----------------|
| | 2006-07 | 2005-06 |
| G. Underwriting Results | -653.27 | -1199.32 |
| Percentage to Net Premium | -13.75 | -27.62 |



The underwriting results have improved significantly due to increase in net premium by Rs.409.10 crores and reduction in management expenses by Rs.158 crores offset by marginal increase in incurred claims by Rs.11.60 crores and commission by Rs.14.61 crores.

| | (Rs. in crores) | |
|---|-----------------|---------|
| | 2006-07 | 2005-06 |
| H. Investment Income (Less Provisions) | | |
| a) Apportioned to Policyholders | 1390.00 | 1235.35 |
| b) Apportioned to Shareholders | 861.35 | 775.44 |
| Total | 2251.35 | 2010.79 |



There was a growth in investment income of Rs.240.56 crores over the previous year due to continued favourable market conditions. The mean yield on funds (with profit on sale of investments) was 20.74% against 21.11%. The net Non Performing Assets percentage improved from 3.03% to 2.16%.