Directors and Management

Chairman-Cum-Managing Director



B. CHAKRABARTI

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Directors



TARUN BAJAJ



T. S. NARAYANASAMI



M. RAZZACK



SANJAY GUPTA



SARAT PATTANAYAK



N.S.R.CHANDRA PRASAD



A.R. SEKAR

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General Managers



J. K. GUPTA



V. JAYAPRAKASH



I.S. PHUKELA



S. GOPALKRISHNAN



MRS. ASHA NAIR

CVO



MRS. GOPA RAY

Appointed Actuary



A. R. PRABHU

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Directors' Report 2007-08

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 89th Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March 2008.

I. CLASS-WISE PERFORMANCE SUMMARY:

(Rupees in crores)

			Fire	Marine	Misc	Total
Gross Direct Premium Income	**India**	**CY**	**743.43**	**437.28**	**4096.20**	**5276.91**
		PY	909.98	321.02	3786.20	5017.20
	(% Growth)	**CY**	**-18.30**	**36.22**	**8.19**	**5.18**
		PY	8.38	7.08	3.67	4.71
	Outside India	**CY**	**237.96**	**57.55**	**579.04**	**874.55**
		PY	254.59	49.45	615.54	919.58
	(% Growth)	**CY**	**-6.53**	**16.38**	**-5.93**	**-4.90**
		PY	-3.51	-0.19	7.87	4.02
	Global	**CY**	**981.39**	**494.83**	**4675.24**	**6151.46**
		PY	1164.57	370.47	4401.74	5936.78
	(% Growth)	**CY**	**-15.73**	**33.57**	**6.21**	**3.62**
		PY	5.54	6.05	4.24	4.60
Reinsurance Premium Accepted	**India**	**CY**	**40.90**	**7.99**	**473.10**	**521.99**
		PY	46.41	6.17	28.98	81.56
	Outside India	**CY**	**302.73**	**7.37**	**29.68**	**339.78**
		PY	345.54	5.21	36.22	386.97
	Global	**CY**	**343.63**	**15.36**	**502.78**	**861.77**
		PY	391.95	11.38	65.20	468.53
Reinsurance Premium Ceded	**India**	**CY**	**289.19**	**266.50**	**1325.56**	**1881.25**
		PY	399.81	177.44	852.73	1429.98
	Outside India	**CY**	**148.13**	**11.92**	**57.65**	**217.70**
		PY	103.78	15.85	103.93	223.56
	Global	**CY**	**437.32**	**278.42**	**1383.21**	**2098.95**
		PY	503.59	193.29	956.66	1653.54
Net Premium	**India**	**CY**	**495.14**	**178.77**	**3243.74**	**3917.65**
		PY	556.57	149.75	2962.44	3668.76
	(% Growth)	**CY**	**-11.04**	**19.38**	**9.50**	**6.78**
		PY	24.09	14.08	4.84	7.74
	(% to Gross Premium)	**CY**	**66.60**	**40.88**	**79.19**	**74.24**
		PY	61.16	46.65	78.24	73.12
	Outside India	**CY**	**392.56**	**53.00**	**551.07**	**996.63**
		PY	496.35	38.82	547.83	1083.00
	(% Growth)	**CY**	**-20.91**	**36.53**	**0.59**	**-7.98**
		PY	29.86	17.25	4.94	15.53
	(% to Gross Premium)	**CY**	**164.97**	**92.09**	**95.17**	**113.96**
		PY	194.96	78.50	89.00	117.77

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I. CLASS-WISE PERFORMANCE SUMMARY: (Contd...)

(Rupees in crores)

			Fire	Marine	Misc	Total
Global Net Premium		**CY**	**887.70**	**231.77**	**3794.81**	**4914.28**
		PY	1052.92	188.57	3510.27	4751.76
	(% Growth)	**CY**	**-15.69**	**22.91**	**8.11**	**3.42**
		PY	26.74	14.72	4.86	9.42
	(% to Gross	**CY**	**90.45**	**46.84**	**81.17**	**79.89**
	Premium)	PY	90.41	50.90	79.75	80.04
Addition to Unexpired Risks Reserves		**CY**	**82.61**	**-43.19**	**-142.26**	**-102.84**
		PY	-111.08	-24.20	-81.38	-216.66
	(% to Net	**CY**	**9.31**	**-18.63**	**-3.75**	**-2.09**
	Premium)	PY	-10.55	-12.83	-2.32	-4.56
Earned Premium		**CY**	**970.31**	**188.57**	**3652.54**	**4811.42**
		PY	941.84	164.37	3428.90	4535.11
Incurred Claims Net		**CY**	**601.60**	**158.24**	**3417.64**	**4177.48**
		PY	560.06	62.30	3021.25	3643.61
	(% to Earned	**CY**	**62.00**	**83.92**	**93.57**	**86.82**
	Premium)	PY	59.46	37.90	88.11	80.34
Commission Net		**CY**	**100.23**	**26.69**	**332.31**	**459.23**
		PY	79.33	14.23	297.33	390.89
	(% to Earned	**CY**	**10.33**	**14.15**	**9.10**	**9.54**
	Premium)	PY	8.42	8.66	8.67	8.62
Operating Expenses		**CY**	**196.11**	**56.63**	**766.36**	**1019.10**
		PY	284.62	52.32	816.94	1153.88
	(% to Earned	**CY**	**20.21**	**30.03**	**20.98**	**21.18**
	Premium)	PY	30.22	31.83	23.83	25.44
U/W Results		**CY**	**72.37**	**-52.99**	**-863.77**	**-844.39**
		PY	17.84	35.52	-706.64	-653.28
	(% to Earned	**CY**	**7.46**	**-28.10**	**-23.65**	**-17.55**
	Premium)	PY	1.89	21.61	-20.61	-14.40
Investment Income - Policy Holders		**CY**	**210.99**	**60.65**	**1082.13**	**1353.77**
		PY	215.18	66.46	1108.36	1390.00
Revenue Account Surplus		**CY**	**283.36**	**7.66**	**218.36**	**509.38**
		PY	233.02	101.98	401.72	736.72
Investment Income - Share Holders		**CY**				**990.85**
		PY				861.35
Other Income less Outgo		**CY**				**21.23**
		PY				15.85

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Profit before Tax	**CY**	**1521.46**
	PY	1613.93
Provision for Tax	**CY**	**120.33**
	PY	153.98
Profit after Tax	**CY**	**1401.13**
	PY	1459.95
Dividend (Proposed)	**CY**	**283.00**
	PY	292.00
Dividend Tax	**CY**	**48.10**
	PY	49.63
Transfer to Reserves	**CY**	**1070.03**
	PY	1118.32

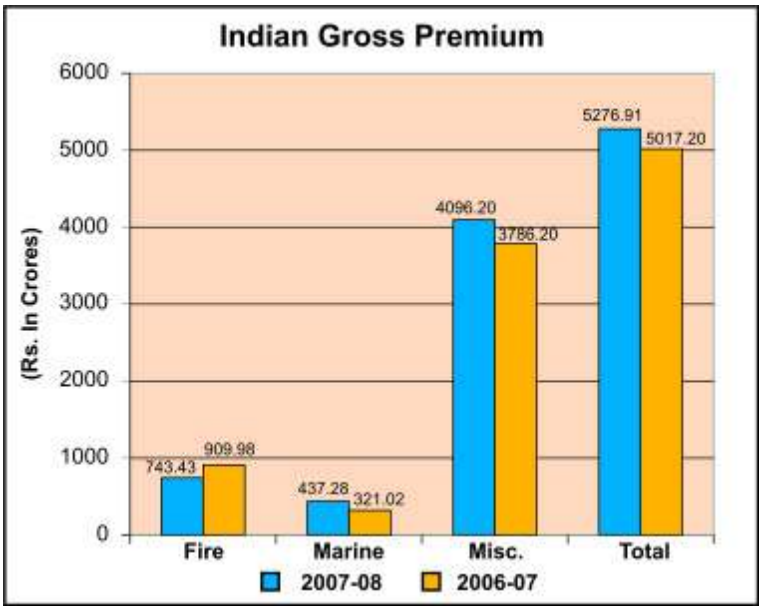
II. PERFORMANCE REVIEW

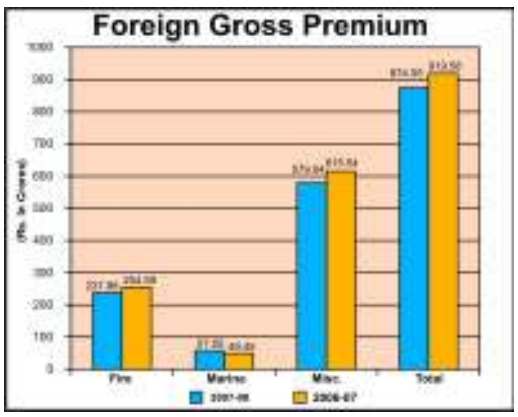
(Rupees in crores)

	2007-08	**2006-07**
A. GROSS DIRECT PREMIUM:	**5276.91**	5017.20
Percentage change over previous year:	**5.18**	4.71

Gross Direct Premium in India has increased from Rs. 5017.20 Cr. in 2006-07 to Rs. 5276.91 Cr. in 07-08 recording a growth of 5.18% as against 4.71% growth registered during 2006-07.

The growth in business, in the backdrop of de-tariffing of Fire, Engineering, Motor OD and W.C. business during the year, which resulted in substantial reduction in the premium rates in these classes of business,

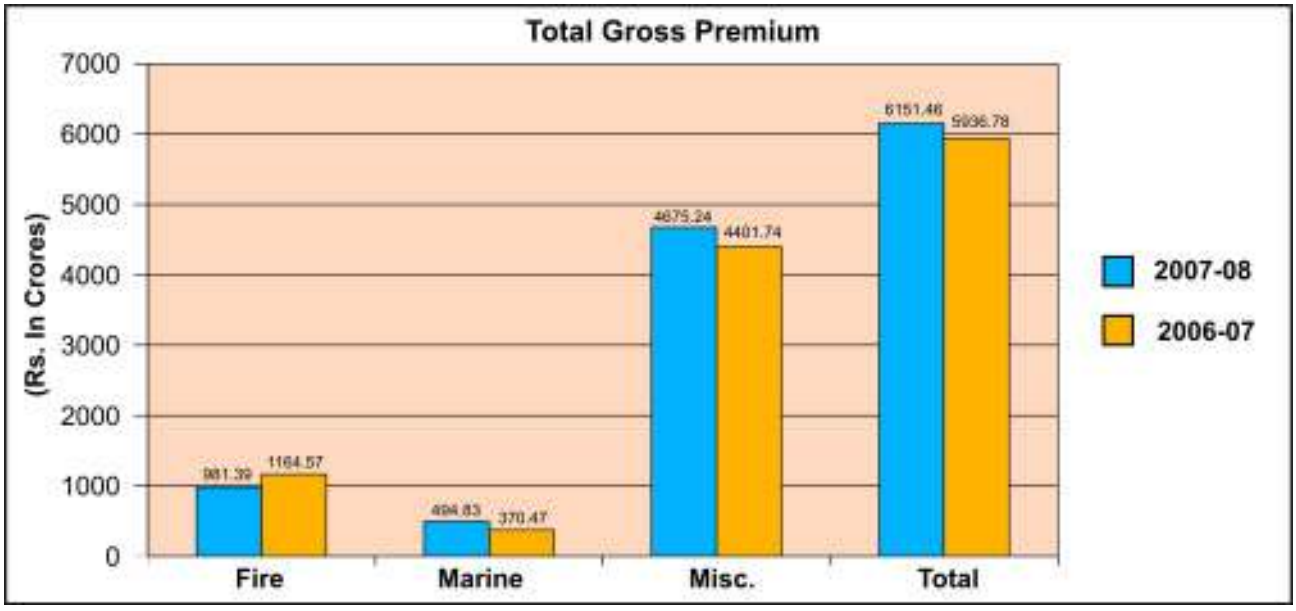




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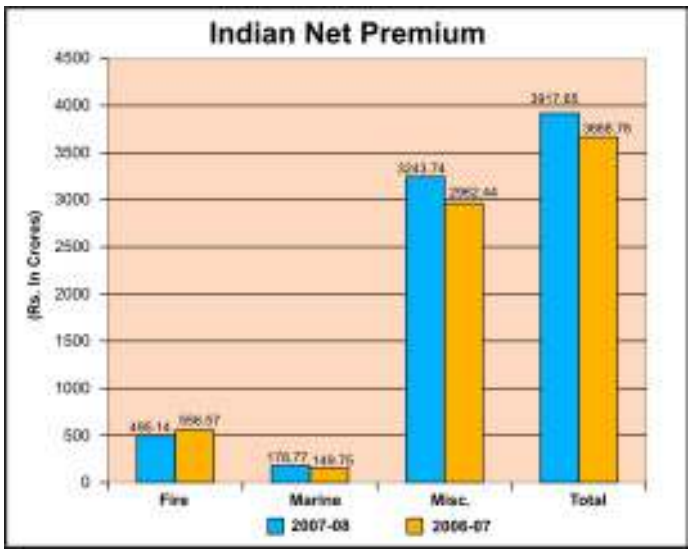
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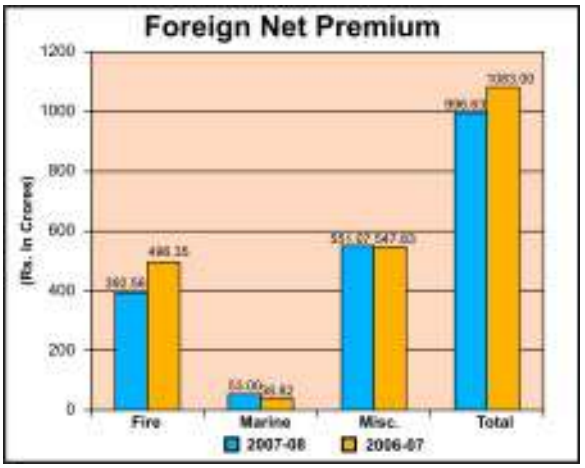


may be considered satisfactory. Marine business (Cargo + Hull) has increased by 36% and Company's market share has reasonably improved in this line of business Health business in India has increased from Rs.765.29 Cr. in 06-07 to Rs.1209.42 Cr. in 07-08 owing to increase in premium rates and an increase in market share of the Company. Foreign (Direct) business has marginally declined from Rs. 919.57 Cr. to Rs. 874.55 Cr. Company has continued to be the market leader during 07-08 in India. With global premium having crossed Rs. 6000 Cr., the Company has crossed yet another milestone during 2007-08.

		(Rupees in crores) 2007-08	2006-07
B.	**NET PREMIUM (GLOBAL)**	**4914.28**	4751.76
	Percentage change over previous year:	**3.42**	9.42

The Net Premium grew from Rs.4751.76 Cr. to Rs. 4914.28 Crs. (i.e. by Rs. 162.52 Crs.) with a stable retention ratio of 79.89% in the current year, against previous year's ratio of 80.04%.

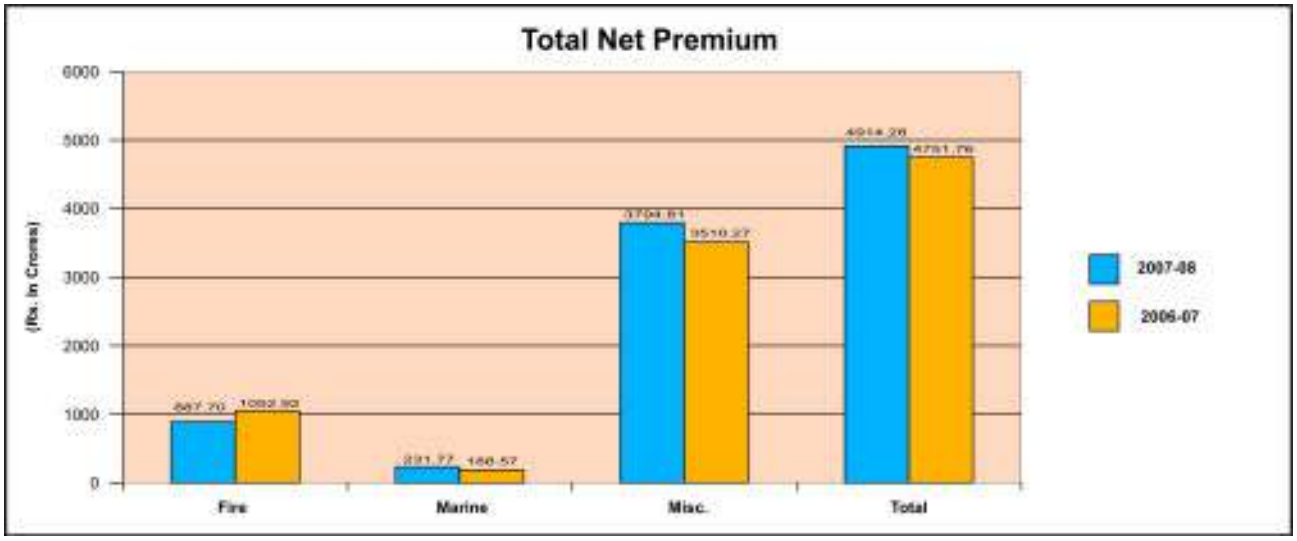




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Directors' Report



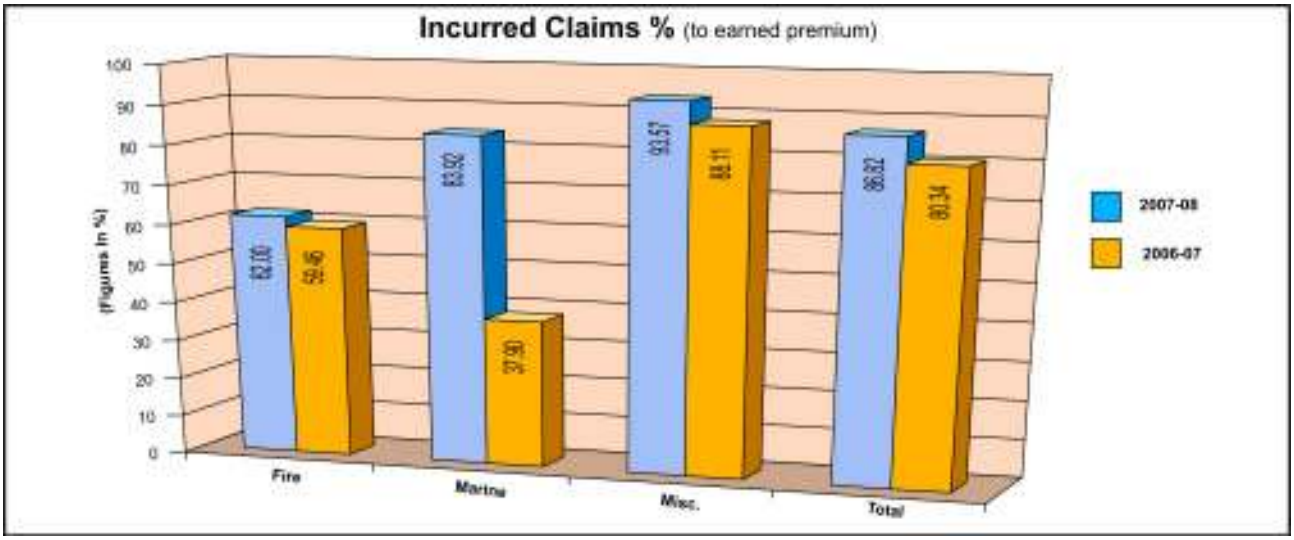
(Rupees in crores)

		2007-08	2006-07
C.	**ADDITIONAL UNEXPIRED RISK RESERVES :**	**102.84**	216.66
	Percentage to Net Premium:	**2.09**	4.56

Unexpired Risk Reserve has increased from Rs. 2470.17 Cr. as at 31.3.07 to Rs.2573.01 Cr. as at 31.3.08 contributing to reserve strain of Rs. 102.84 Cr. during the year. There was a reserve release of Rs. 82.61 Cr. in Fire class of business and reserve strain of Rs. 43.19 Cr. in Marine and Rs. 142.26 Cr. in Miscellaneous class of business.

(Rupees in crores)

		2007-08	2006-07
D.	**INCURRED CLAIMS :**	**4177.48**	3643.61
	Percentage to Net Premium:	**85.01**	76.68



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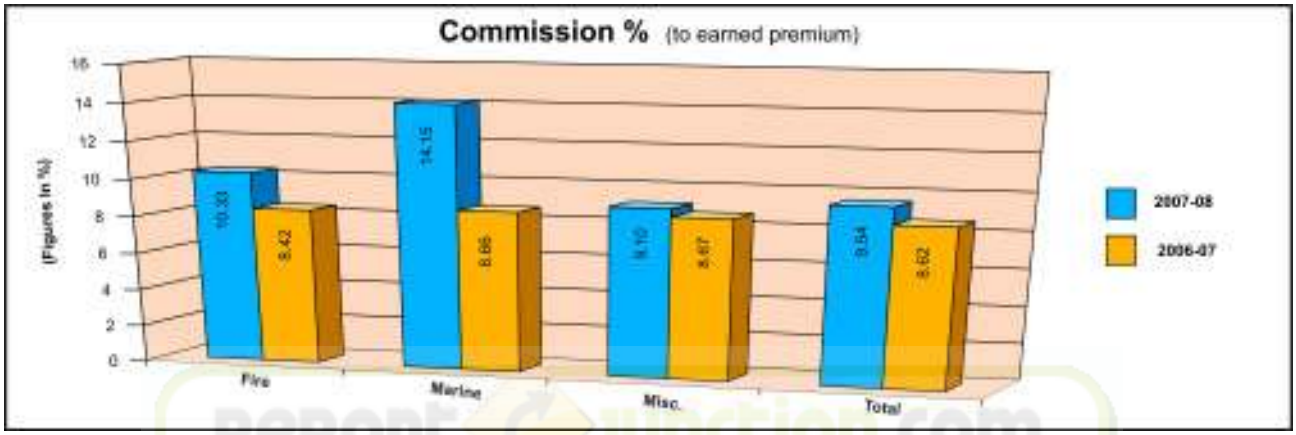
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Global net incurred claims have shown an increase of Rs. 533.87 Cr. comprising of an increase in Indian net incurred claims by Rs. 427.42 Cr. and an increase in foreign net incurred claims by Rs. 106.45 Cr. Incurred claims in Indian Motor Business (Own Damage &Third Party) have shown an increase of Rs. 261 Cr. Incurred claims under Fire Department pertaining to our foreign business has caused an increase to the extent of Rs. 105 Cr. largely due to catastrophic claims in Muscat and Curacao.Owing to an increase in Health Business in India, the claims have also increased by Rs. 87 Cr.

(Rupees in crores)

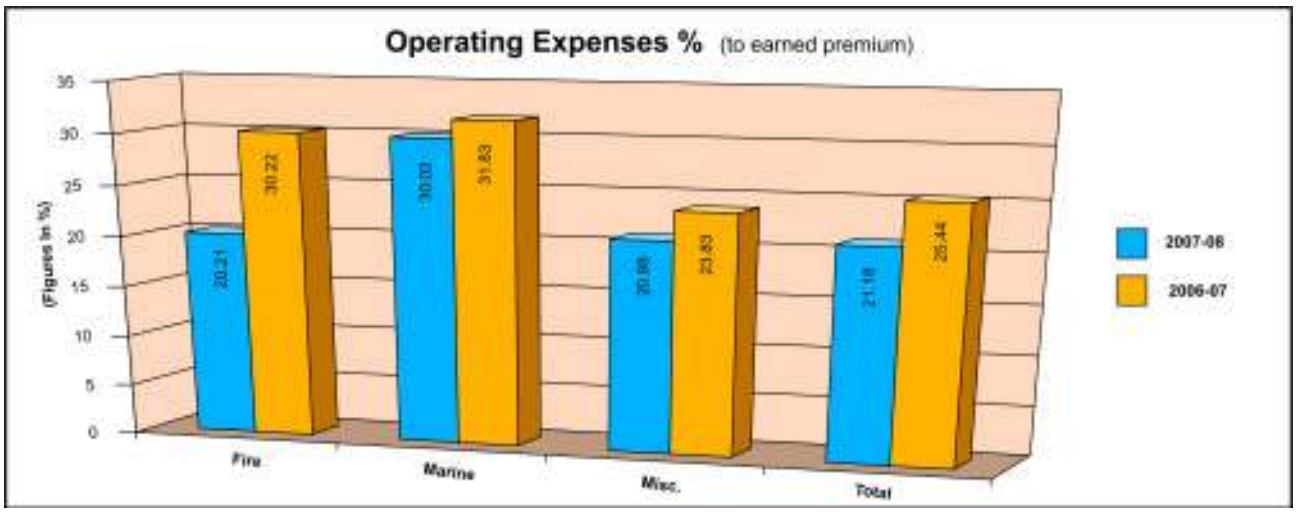
		2007-08	2006-07
E.	**COMMISSION :**	**459.23**	390.89
	Percentage to Net Premium:	**9.34**	8.23



Net acquisition cost of business has gone up by an amount of Rs. 68.34 Cr. Increase in the commission of direct business by Rs. 18.60 Cr. and increase in the commission of RI Accepted business by Rs. 48.57 Cr. are responsible for the increase in the net acquisition cost from 8.23% to 9.34%

(Rupees in crores)

		2007-08	2006-07
F.	**OPERATING EXPENSES :**	**1019.10**	1153.89
	Percentage to Net Premium:	**20.74**	24.28



Operating Expenses declined by Rs. 134.79 Cr., mainly due to the reduction in the employee remuneration and welfare benefits. Operating Expenses constitute 20.74% during 07-08 as against 24.28% during 06-07 against net premium.

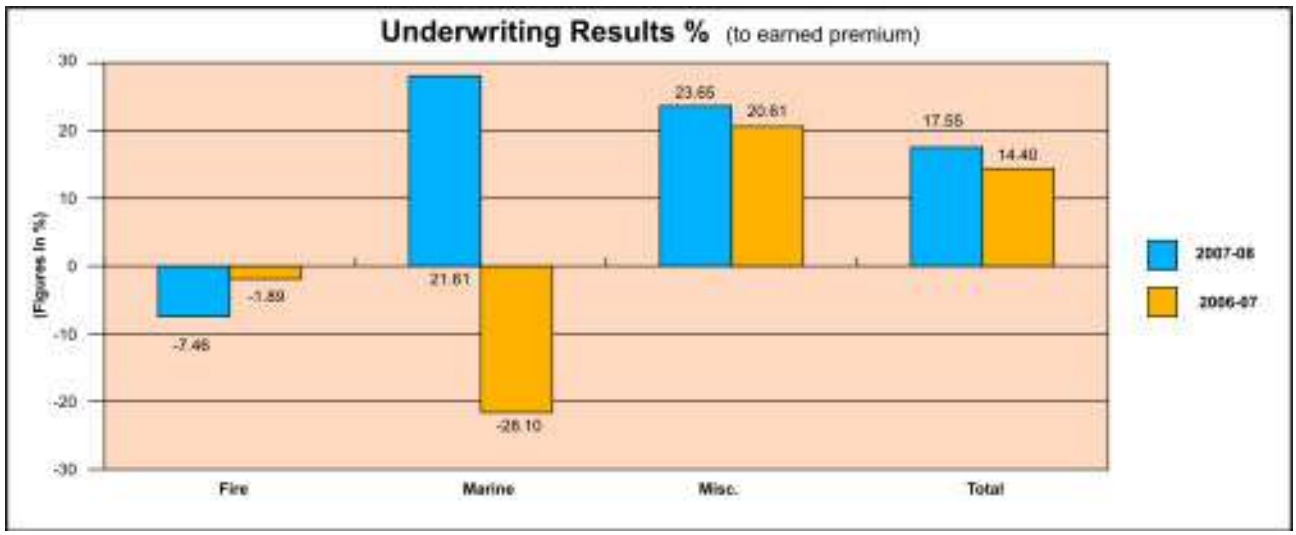
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(Rupees in crores)

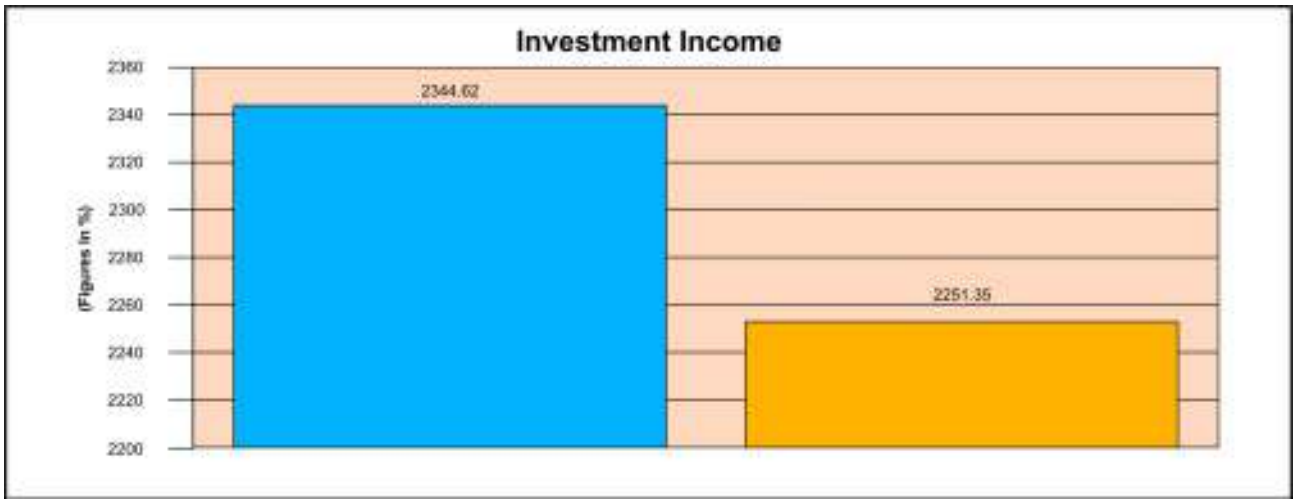
		2007-08	2006-07
G.	**UNDERWRITING RESULTS:**	**-844.39**	-653.27
	Percentage to Net Premium:	**-17.18**	-13.75



Underwriting deficit has gone up from Rs. 653.27 Cr. in 06-07 to Rs. 844.39 Cr. in 07-08 mainly on account of increase in net incurred claims by Rs. 533.87 Cr., which was partially offset by reduction in the expenses and moderate increase in the net premium.

(Rupees in crores)

		2007-08	2006-07
H.	**INVESTMENT INCOME (LESS PROVISIONS)**		
	Apportioned to Policyholders	**1353.77**	1390.00
	Apportioned to Shareholders	**990.85**	861.35
	Total	**2344.62**	2251.35



Continued good investment performance enabled the Company to earn an investment income of Rs. 2344.62 Cr. in the current year against Rs. 2251.35 Cr. of the previous year. The mean yield on funds is 19.56%. The non-performing assets come to Rs.215.34 crores.

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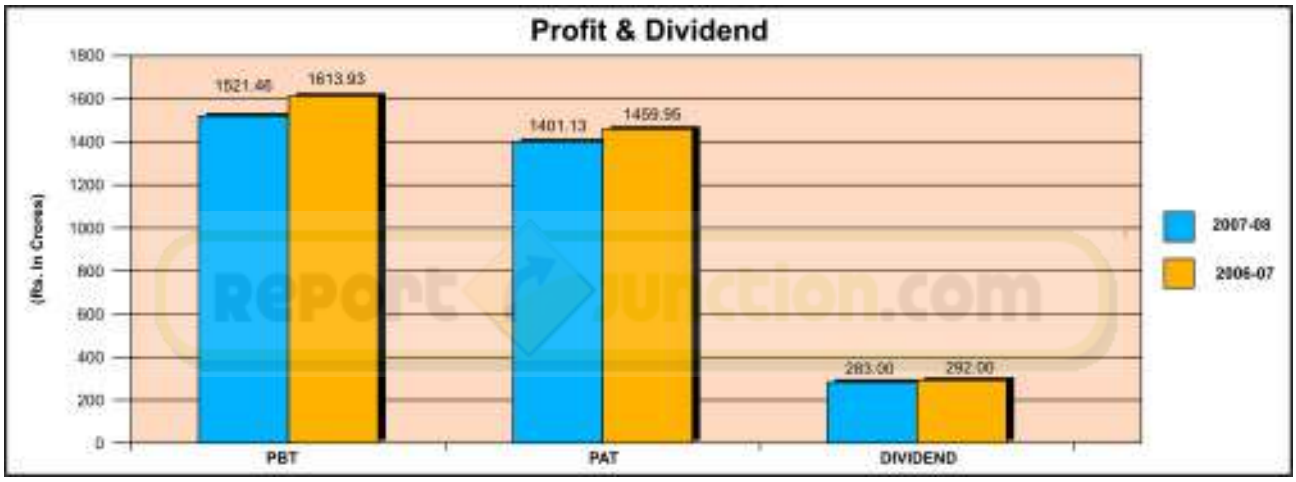
(Rupees in crores)

		2007-08	2006-07
I.	**REVENUE ACCOUNT RESULTS :**	**509.38**	736.72
	Percentage to Net Premium	**10.37**	15.50

The policyholders' account showed a net surplus of Rs.509.38 Crs. In the current year against Rs.736.72 Cr. in the previous year, a reduction of Rs.227.34 Crs.

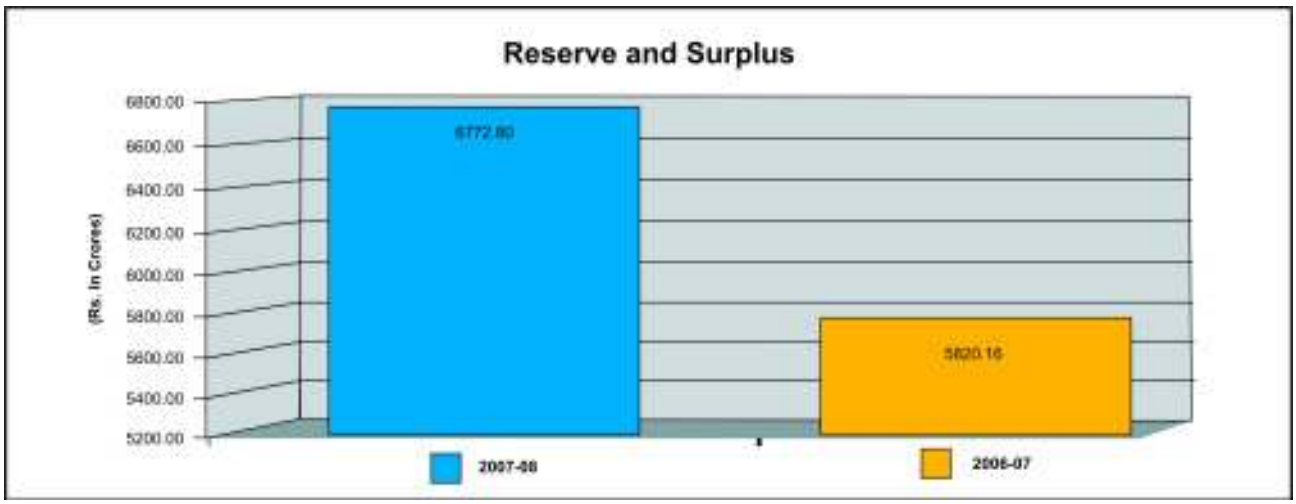
(Rupees in crores)

		2007-08	2006-07
J.	**OTHER INCOME / OUTGO**	**21.23**	15.85
K.	**PROFIT BEFORE TAX**	**1521.46**	1613.93
L.	**PROFIT AFTER TAX**	**1401.13**	1459.95
M.	**PROPOSED FINAL DIVIDEND**	**283**	292



(Rupees in crores)

		2007-08	2006-07
N.	**PAID-UP CAPITAL**	**200**	200
O.	**RESERVES AND SURPLUS**	**6772.80**	5820.16



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