वार्षिक प्रतिवेदन 2001-2002

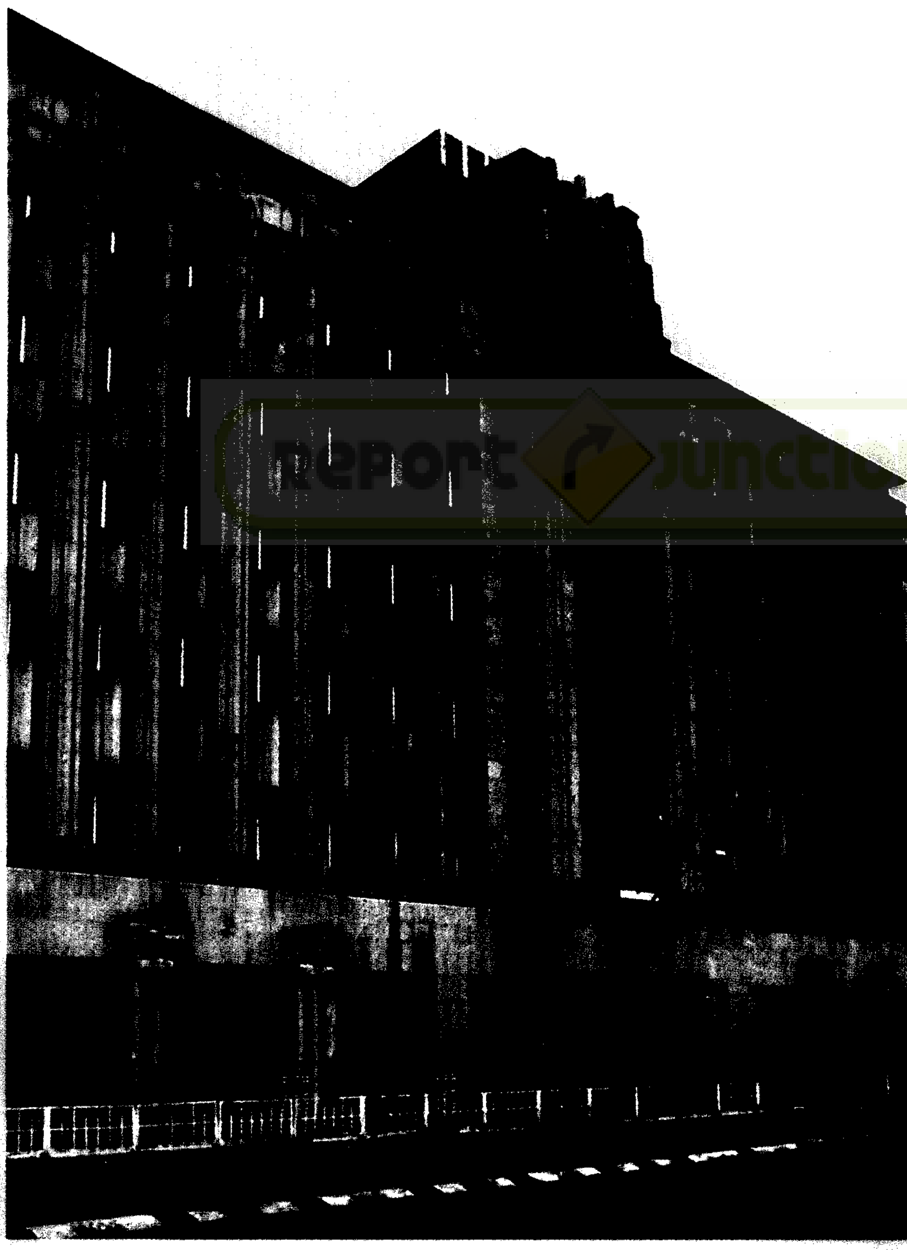
ANNUAL REPORT 2001-2002

The Company in Motion

दि न्यू इंडिया एश्योरन्स कं. लि.

The New India Assurance Company Limited

Adjusting sails, skillfully and professionally for evolving innovative real value insurance solutions to meet customers' existing and emerging needs



Inside

BOARD OF DIRECTORS

R Beri *Current Charge as C M D w.e.f 1.03.02*
Chairman Cum Managing Director w.e.f 21.05.02

K N Bhandari *Chairman Cum Managing Director up to 28-02-02*

A M Sharan IAS
G R Mhaisekar
V Leeladhar
Dr Azfar Shamshi
Nitin Doshi.
Mr R K Joshi.

GENERAL MANAGERS

V K Gupta *IRS*
(G M and F A)
A V Purushothaman
Kumar Bakhru
M D Garde
M K Garg
M Ramadoss
V. Ramakrishnan
(G M and C V O)

APPOINTED ACTUARY

A R Prabhu

ASSISTANT GENERAL MANAGERS

S.Guha Roy
J K Gupta
S S Khadilkar
T V S Prasad
U V Shenoy
A V Muralidharan
R D Variava
S Mamman
M D Damle(Smt)
G P Kaji
M D Jhala
S K Mutneja
P Manokaran
M A Kharat

AGM AND COMPANY SECRETARY

A R Sekar

INVESTMENT COMMITTEE

R Beri
Nitin Doshi
M K Garg
A M Sharan IAS
Dr Azfar Shamshi
V Leeladhar
V K Gupta IRS
A R Prabhu

AUDIT COMMITTEE

A M Sharan IAS
V Leeladhar
Azfar Shamshi.
Nitin Doshi

AUDITORS

M/S S Vishwanathan
Chartered Accountants

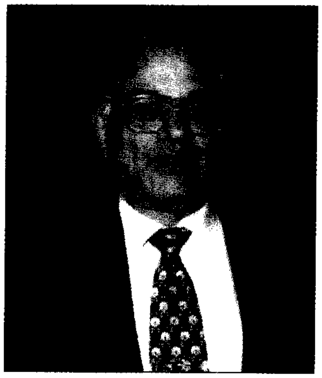
P.S.D. & Associates
Chartered Accountants

Vyas & Vyas
Chartered Accountants

REGISTERED OFFICE

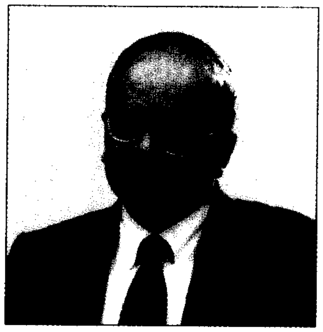
NEW INDIA ASSURANCE BUILDING,
87, M. G. Road, Fort, Mumbai-400 001.
www.niacl.com

BOARD OF DIRECTORS



R Beri
Chairman Cum Managing Director

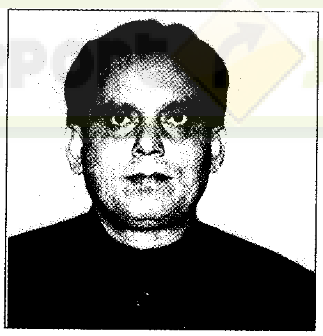
A M Sharan IAS



V Leeladhar

Nitin Doshi

G R Mhaisekar

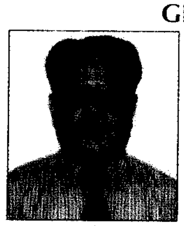


Dr Azfar Shamshi

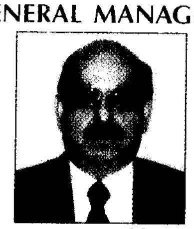
R K Joshi.

GENERAL MANAGERS

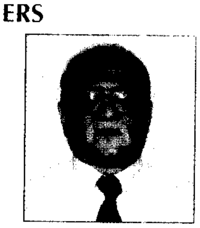
V K Gupta



A V Purushothaman

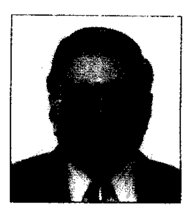


Kumar Bakhru

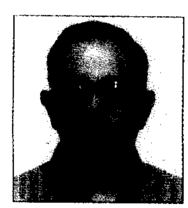


M D Garde

M K Garg



M Ramadoss



V. Ramakrishnan

FROM THE CMD'S DESK

The year 2001-2002 proved to be a difficult year for the Indian economy. The continued global recession coupled with the economic slowdown adversely affected the global economies both of developed as well as developing nations. The terrorist attack on the World Trade Centre on September 11, 2001 and its aftermath of the fight against terrorism further aggravated the recessionary trend. However, the Indian economy registered an appreciable growth rate of 5.4% as against 4% in the year 2000-01, showing great depth and resilience. The mainstay of growth was the agriculture and allied sectors which registered a substantial increase in growth rate of 5.7% as against the growth rate of 0.2% in 2001-02. The industrial sector on the other hand, recorded the lowest growth rate of only 3.3% in line with the global scenario. On a macro level, inflation was under control and was low at 3.7% as against 7.1% of 2000-01.

Looking into the recessionary pressure on economy, the Government of India pushed through various economic reforms such as disinvestments of public sector undertakings, allowing foreign direct investment and various other reforms in telecom, oil and insurance sectors to boost up the economy. The effects of these wide ranging measures have been very positive. In the 1st quarter of 2002-03, the Indian economy has boasted a 6% growth rate as against 3.5% for the same period last year. The signs of recoveries in the 1st quarter are more visible in the traditional mainstays of agriculture, mining, manufacture and construction. Manufacturing, a key indicator of industrial performance has registered 3.81% growth in 1st quarter of 2002-03 as against 2.7% in the same period last year. In the last decade the services sector has been a major driver of growth. This trend continues. Trade, hotels, transport and communication grew at 7.4% as against 4.5% whereas the financial sector grew at 9.7% as against 7% of the same period. In rupee terms the GDP in April/June grew at 6% as compared to the same period of the last year. Though, the late onset of monsoon and deficient rainfall in several parts of the country could have a dampening effect on the growth rate in subsequent quarters, it is hoped that as the growth relates to all key sectors of economy, the Indian economy would be able to withstand the poor monsoon effect and would continue to grow at 6% for the year 2002-03. The inflation rate continues to be low at around 4% , and the foreign exchange reserves of the country remain robust, dispelling any notion of pressure on the Indian currency. The Indian economy appears to have charted out a robust growth curve even when other developed economies still show signs of mild recession.

GENERAL INSURANCE :

The General Insurance Industry was opened up as a result of Economic Reforms in October 2000. The Private Players who entered the Indian market have now completed their first full year of operations.

The General Insurance Industry in India has grown at 12.03% for the year 2001-2002 as against 3.75% in the previous year. The share of the Public Sector Companies during this period constituted 96% of the market with the Private Companies contributing the balance 4%.

The Indian General Insurance Industry witnessed various developments such as categorization of surveyors, introduction of Third Party Administrators in the health sector etc. and more such developments are on the anvil during the current financial year.

Traditionally Terrorism Risk cover was being granted as a package, where rates, terms and conditions were governed by Tariff. Consequent to 11th September, 2002, the TAC imposed an additional surcharge of 10% from 1st October 2001, for Tariff covers excluding motor. A Terrorist Pool has been created from 1st April 2002 to cover risks rated under Tariff, excluding motor for which additional premium is to be charged. This Pool grants a maximum of Rs. 200 crores cover for risk of Terrorism, and in case additional cover is required then it has to be placed facultatively.

The hardening of the worldwide insurance market has seen substantial premium increases across almost all classes of direct insurance, with underwriters closely reviewing the scope of the terms and conditions they are prepared to offer. In the latter half of 2001, there has been a shift in the markets approach to risk transfer which has been driven by:

- A need to underwrite profitably.
- Restrictions imposed by the treaty reinsurance market.
- Pressure from shareholders to improve returns.

As a consequence, there has been a seismic shift in the balance between supply and demand in the market. A year ago, although rates were showing signs of beginning to rise, there were still insurers competing for business to underwrite. Today the situation is completely different, with clients and their brokers competing for whatever capacity available. Even prior to 11th September 2001 market conditions were gradually hardening both in terms of rate increases and coverage restrictions. The US terrorism incidents served to accelerate these changes.

A M Best has estimated that the global insurance market will report a combined loss ratio (i.e. losses plus expenses, as a percentage of premium income) of 117% for the 2001 financial year. This is compared to a combined loss ratio of 110% estimated for the year 2000. This comes at a time of low interest rates and poorly performing stock market. The widespread drought in India will impact agricultural incomes and will have remifications in all sectors. Thus the economic growth rate in the first quarter cannot be expected to accelerate over the year. This will have an impact on the insurance sector as well. On the positive side insurance penetration is likely to increase with the increased competition.

The last year has seen the international market change drastically. The Indian Insurance sector has seen additional changes due to presence of private insurance players 'A challenging time lies ahead.'

DIRECTORS' REPORT 2001-2002

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

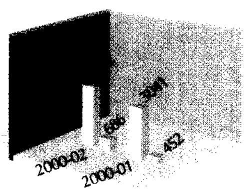
To the Members :

The Directors have pleasure in presenting the 83rd Annual Report together with the Audited Statement of Accounts and Balance Sheet for the Year Ended 31st March, 2002.

PERFORMANCE REVIEW FOR THE YEAR 2001-02.

(Rs in Crores)

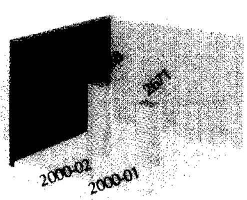
		2001-02	2000-01
A. Gross Direct Premium (Percentage change over previous year)			
	In India	**3512.33**	3041.17
		(15.49%)	(02.07%)
	Outside India	**685.73**	451.88
		(51.75%)	(38.19%)
	Total	**4198.06**	3493.05
		(20.18%)	(05.64%)



2001-02 was another year of impressive growth in which Gross Direct Premium Income grew by Rs 705.01 crores registering a growth of 20.18% over the previous year. New India became the first Indian company to cross 4000 crores mark of premium Income. This growth despite entry of private insurers highlights the inherent strengths of the Company.

The Company's ability to work under competitive conditions is also evident in the remarkable growth rate of 51.75% achieved in the foreign business.

	2001-02	2000-01
B. Net Premium (Percentage change over previous year)	**3068.23**	2671.48
	(14.85%)	(07.83%)



Correspondingly the net premium grew by Rs. 396.75 crores at 14.85% as against previous year's growth of 7.83%. During the year the Company designed reinsurance programme(as against the earlier Industry designed) has increased the retention limits in all classes of business. However as New India wrote the business of Air India and Indian Airlines for the first time for which class retentions being very low the net premium growth rate was affected to some extent.

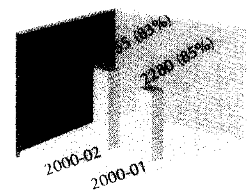
	2001-02	2000-01
C. Additional Un-Expired Risks Reserves (Percentage to net premium)	**209.36**	95.02
	(06.82%)	(03.56%)

With an excellent growth in business, Company was also required to make comparatively higher additional unexpired risk reserves of Rs. 209.36 crores against Rs. 95.02 crores made in previous year. The unexpired risk reserves stood at Rs. 1639.16 crores on 31.3.2002 as aginst Rs. 1429.80 crores on 31.3.2001.

(Rs in Crores)

	2001-02	2000-01
D. Incurred Claims (percentage to net premium)	**2555.14** (**83.28%**)	2279.73 (85.34%)

During the current year the claims reserves were valued by the Appointed Actuary as required under IRDA regulations and additional provisions were made based on the observations of the Actuary. Despite these additional reserves the incurred claims came down by 2.06% amounting to Rs. 63.21 crores owing to improved risk selection and efficient claims management.



	2001-02	2000-01
E. Commission (percentage to net premium)	**79.82** (**02.60%**)	4.80 (00.18%)

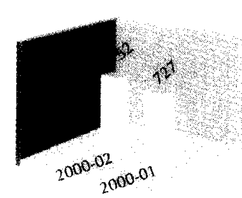
The increase in commission outgo was attributable to increase of 51.75% in foreign operations which inter alia entails higher rates of commission

	2001-02	2000-01
F. Management Expenses (percentage to net premium)	**774.53** (**25.24%**)	740.61 (27.72%)

The impressive business growth coupled with proper controls on spending, has brought down the management expenses ratio from 27.72% to 25.24%, a reduction of 2.48%.

	2001-02	2000-01
G. Foreign Taxes and Exchange (Gain)/Loss	**(21.03)**	7.61
I. Underwriting Result (percentage to net premium less additional unexpired risk reserves)	**-529.60** (**-18.52%**)	-456.29 (-17.71%)
J. Investment Income (less provisions)		
Apportioned to Policy Holders	**445.22**	
Apportioned to Share Holders	**306.78**	
Total	**752.00**	726.77

Viewed in the context of falling interest rates, depressed market conditions and the additional provisioning required under IRDA regulations the performance of Company's investments is quite impressive. Where as the yield on Mean Funds has gone up from 12.06% to 12.32%, the NPA percentage has come down from 11.83% to 11.05%.



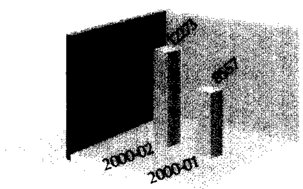
	2001-02	2000-01
K. Other Income (outgo)	**(14.21)**	18.19
L. Profit Before Tax	**208.19**	288.67
M. Profit After Tax	**142.00**	223.67
N. Dividend	**20.00**	20.00

The Directors recommend a dividend of 20% i.e Rs. 2.00 per share for the year despite fall in the profit after tax .

(Rs in Crores)

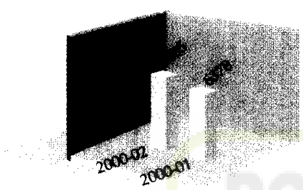
		2001-02	2000-01
O.	**Paid up Capital**	**100.00**	100.00
P.	**General Reserves**	**3088.28**	2966.58

An amount of Rs 122.00 crores representing 85.92% of the net profit after tax has been transferred to General Reserves against a minimum of 10% required under Rule 2 of the Companies (Transfer of profit to Reserves) Rules, 1975.



		2001-02	2000-01
Q.	**Total Assets**	**12273.02**	8556.94

The total assets of the company increased by Rs 3716.08 crores of which the Fair Value Change Account created under IRDA regulations contributed Rs 2730.46 crores and balance Rs 985.62 crores was contributed by the real growth of assets.



		2001-02	2000-01
R.	**Investments**	**6884.57**	6377.62

The Investment portfolio in India stood at Rs 6884.57crores against Rs. 6377.62 crores of previous year, showing an increase of Rs. 506.95 crores. Investments in socially oriented sectors comprising Government Securities, Government Guaranteed Bonds mainly of various Water Supply Projects and loans to State Governments for Housing/Fire fighting equipment amounted to Rs. 2918.95 crores as against Rs. 2682.21 crores as at the end of the previous year.

S. Solvency Margin

	2001-02	2000-01
Required Solvency Margin Under IRDA regulations	**867.26**	730.42
Available Solvency Margin	**2372.52**	2875.15

The company has strong solvency ratio of 2.74 against the required (under IRDA regulations) solvency ratio of 1. During the year the solvency ratio has come down from 3.94 to 2.74. This is mainly due to the increase in required Solvency and additional reserves, both resulting from the substantial growth in business achieved during the year.

T. Compliance with section 40 (c)

	2001-02	2000-01
Percentage of expenses prescribed under the act	**19.52%**	19.49%
Company's actual percentage of expenses	**18.88%**	20.84%

Company is well within the limits relating to expenses prescribed under section 40 C of the Insurance Act 1938.