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DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

B. Chakrabarti

Chairman-cum-Managing Director

G.C. Chaturvedi, IAS

Dr. A.K. Khandelwal

R.K. Joshi

A.V. Muralidharan

COMPANY SECRETARY & FINANCIAL ADVISOR

A.R. Sekar

GENERAL MANAGERS

A.V. Muralidharan

N.S.R. Chandra Prasad

S.K. Mutneja

A.R. Sekar

G. Srinivasan

APPOINTED ACTUARY

A.R. Prabhu

CHIEF VIGILANCE OFFICER

Gopa Ray (Mrs.)

DEPUTY GENERAL MANAGERS

T.V.S. Prasad

Dr. B. Sundar Raman

M. Selvakumar

P. Manokaran

N. Toppo

B.C. Gupta

M.A. Kharat

H.P. Singh

V. Dhanaraj

N.K. Singh

Dr. A.P. Mittal

Sudip Sinha

K.G. Arora

Dr. A.K. Saxena

P.G. Joshi

R.P. Samal

B.K. Samant

A.G. Krishnan

R. Sengupta

Asha Nair (Mrs.)

R. Raghavan

INVESTMENT COMMITTEE

G.C. Chaturvedi, IAS

A.V. Muralidharan

R.K. Joshi

A.R. Prabhu

Dr. A.K. Khandelwal

A.R. Sekar

AUDIT COMMITTEE

G.C. Chaturvedi, IAS

R.K. Joshi

Dr. A.K. Khandelwal

A.V. Muralidharan

AUDITORS

Khandelwal Jain & Co.

Chartered Accountants

Sharp & Tannan

Chartered Accountants

B.K. Khare & Co.

Chartered Accountants

REGISTERED OFFICE

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

www.newindia.co.in



Report  junction.com



DIRECTORS' REPORT 2005-06

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 87th Annual Report together with the Audited Statement of Accounts and Balance Sheet of the Company for the year ended 31st March, 2006.

I. CLASS-WISE PERFORMANCE SUMMARY

(Rs. in Crores)

		Year	Fire	Marine	Misc.	Total
Gross Direct Premium	In India	2005-06	839.63	299.78	3652.08	4791.49
			6.43	18.73	15.23	13.79
		2004-05	788.88	252.49	3169.44	4210.81
			1.76	-2.60	5.25	4.08
Percentage Growth	Outside India	2005-06	263.86	49.55	570.64	884.05
			-3.99	1.68	0.33	-0.93
		2004-05	274.83	48.73	568.79	892.35
			-6.04	4.95	5.95	1.89
Total		2005-06	1103.49	349.33	4222.72	5675.54
			3.74	15.97	12.96	11.22
		2004-05	1063.71	301.22	3738.23	5103.16
			-0.37	-1.45	5.36	3.69
Reinsurance Premium Accepted	In India	2005-06	24.93	0.74	19.64	45.31
		2004-05	62.82	11.16	25.68	99.66
	Outside India	2005-06	255.40	6.14	25.28	286.82
		2004-05	178.70	10.38	25.84	214.92
	Total	2005-06	280.33	6.88	44.92	332.13
		2004-05	241.52	21.54	51.52	314.58
Reinsurance Premium Ceded	In India	2005-06	416.03	169.25	846.24	1431.52
		2004-05	346.24	134.40	825.81	1306.45
	Outside India	2005-06	137.03	22.58	73.88	233.49
		2004-05	127.99	19.76	68.43	216.18
	Total	2005-06	553.06	191.83	920.12	1665.01
		2004-05	474.23	154.16	894.24	1522.63



CLASS-WISE PERFORMANCE SUMMARY (Contd..)

(Rs. in Crores)

	Year	Fire	Marine	Misc.	Total
Net Premium In India	2005-06	448.53	131.27	2825.48	3405.28
Percentage increase over previous year		-11.26	1.56	19.25	13.36
Percentage to Gross Premium		53.42	43.79	77.37	71.07
	2004-05	505.46	129.25	2369.31	3004.02
		2.24	-7.01	7.21	5.65
		64.07	51.19	74.75	71.34
Outside India	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
	2004-05	325.54	39.35	526.20	891.09
		19.56	15.84	8.44	12.58
		118.45	80.75	92.51	99.86
Total	2005-06	830.76	164.38	3347.52	4342.66
		-0.03	-2.50	15.61	11.49
		75.28	47.06	79.27	76.52
	2004-05	831.00	168.60	2895.51	3895.11
		8.39	-2.53	7.43	7.16
		78.12	55.97	77.46	76.33
Increase in Unexpired Risk Reserves	2005-06	-0.12	-4.22	226.00	221.66
Percentage to Net Premium		-0.01	-2.57	6.75	5.10
	2004-05	32.16	-4.37	100.15	127.94
		3.87	-2.59	3.46	3.28
Net Premium Earned	2005-06	830.88	168.60	3121.52	4121.00
	2004-05	798.84	172.97	2795.36	3767.17
Net Incurred Claims	2005-06	601.51	115.25	2915.25	3632.01
Percentage to Net Premium		72.40	70.11	87.09	83.64
	2004-05	327.02	98.50	2479.46	2904.98
		39.35	58.42	85.63	74.58
Net Commission	2005-06	71.78	8.22	296.28	376.28
Percentage to Net Premium		8.64	5.00	8.85	8.66
	2004-05	71.19	15.79	244.90	331.88
		8.57	9.37	8.46	8.52
Operating Expenses related to insurance business including Foreign Taxes & Exchange Gain/Loss	2005-06	306.95	59.01	946.07	1312.03
Percentage to Net Premium		36.95	35.90	28.26	30.21
	2004-05	290.76	53.90	844.22	1188.88
		34.99	31.97	29.16	30.52



CLASS-WISE PERFORMANCE SUMMARY (Contd..)

(Rs. in Crores)

	Year	Fire	Marine	Misc.	Total
Underwriting Results	2005-06	-149.36	-13.88	-1036.08	-1199.32
Percentage to Net Premium		-17.98	-8.44	-30.95	-27.62
	2004-05	109.87	4.78	-773.22	-658.57
		13.22	2.83	-26.70	-16.91
Investment Income apportioned, including Profit on realisation of Investments [Net of Provision for Non Performing Assets (NPAs)]	2005-06	168.94	64.04	1002.37	1235.35
Percentage to Net Premium		20.34	38.96	29.94	28.45
	2004-05	120.96	50.23	720.16	891.35
		14.56	29.79	24.87	22.88
Surplus/Deficit (-) in Policyholders' Account	2005-06	19.58	50.16	-33.71	36.03
Percentage to Net Premium		2.36	30.51	-1.01	0.83
	2004-05	230.83	55.01	-53.06	232.78
		27.78	32.63	-1.83	5.98

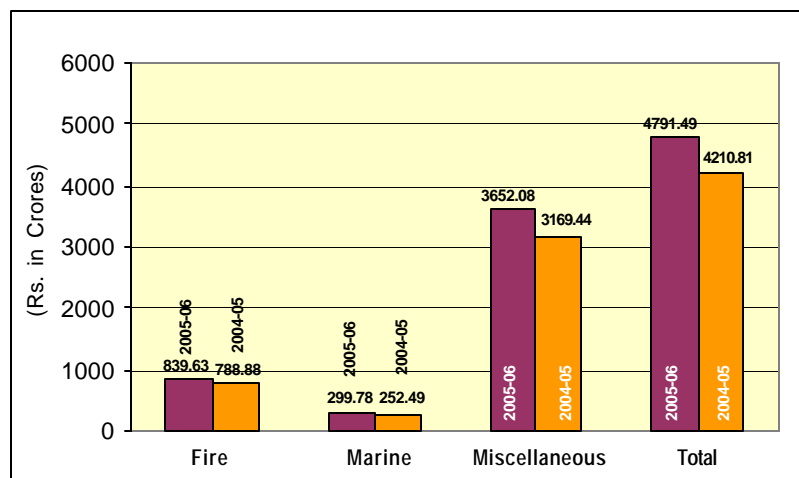
II. PERFORMANCE REVIEW:

(Rs. in Crores)

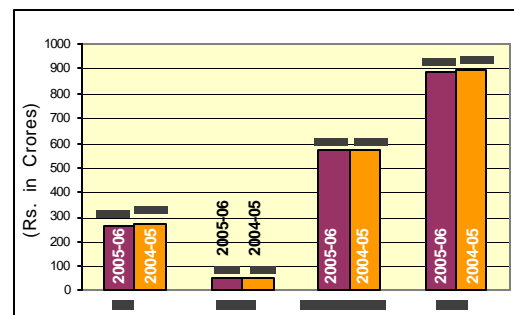
A. Gross Direct Premium

	2005-06	2004-05
In India	4791.49	4210.81
Percentage change over previous year	13.79	4.08
Outside India	884.05	892.35
Percentage change over previous year	-0.93	1.89
Total	5675.54	5103.16
Percentage change over previous year	11.22	3.69

Indian Gross Premium



Foreign Gross Premium

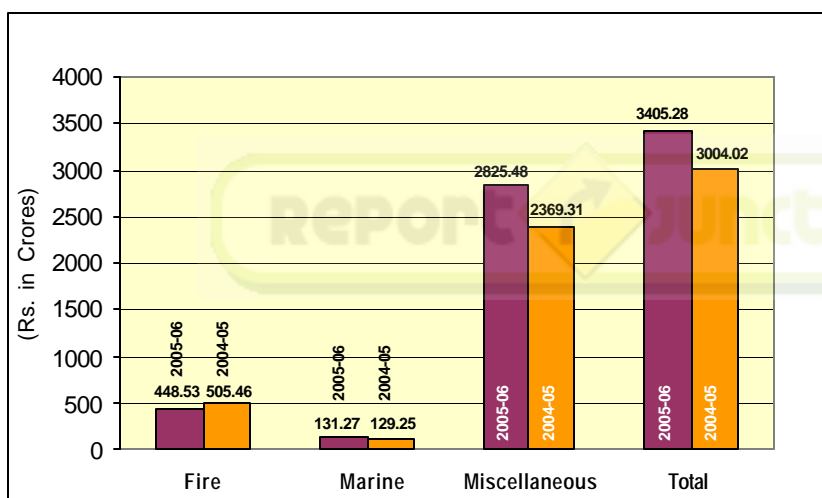




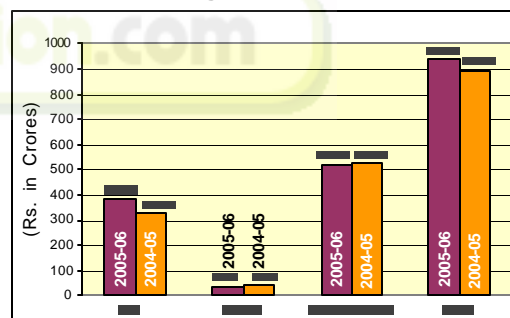
The Company recorded a growth of 13.79% in the Indian business in the year 2005-06 as against 4.08% in the previous year. The figure is the highest recorded growth rate by the Company in the recent past. The growth rate outside India showed a marginal decline of 0.93% compared to the previous year. This is mainly due to softening of the direct premium rates and strengthening of Rupee against major currencies. The overall growth recorded was 11.22% as compared to 3.69% in the previous year. It is worth noting that the Company registered a positive growth in fire, marine and miscellaneous portfolios. Last year, there was negative growth in fire and marine classes. The Company continues to retain its position as market leader in the year 2005-06 too.

	(Rs. in Crores)	
	2005-06	2004-05
B. Net Premium	4342.66	3895.11
Percentage change over previous year	11.49	7.16

Indian Net Premium



Foreign Net Premium



The net premium grew by Rs.447.55 crores to Rs.4342.66 crores in the year 2005-06. The retention ratio stands at 76.52% as compared to 76.33% of last year. The slight improvement in the retention ratio is due to increased retention in business outside India.

C. Additional Un-expired Risk Reserves	221.66	127.94
Percentage to Net Premium	5.10	3.28

The Company reserved Rs. 2253.51 crores towards unexpired risk reserves as on 31st March 2006 as against Rs. 2031.85 crores as on 31st March 2005. The good business growth contributed to a strain of Rs. 221.66 crores in the year 2005-06. As per IRDA guidelines, there was no premium deficiency in the major segments of Fire, Marine and Miscellaneous classes. However, there was premium deficiency of Rs. 341.13 crores in Motor Third Party portfolio, Rs. 12.55 crores in aviation and Rs.36.26 crores in Urban and Non-Traditional Business (UNTB). As there is no premium deficiency in Miscellaneous Department as a whole, no premium deficiency reserve has been created.

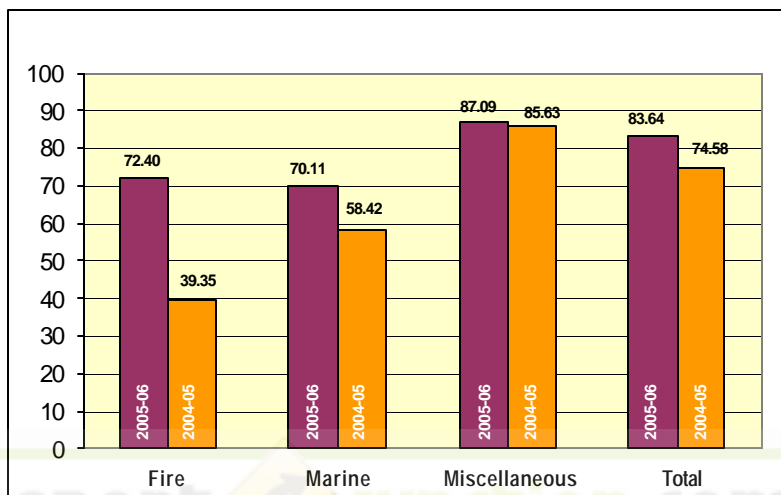


D. Incurred Claims

Percentage to Net Premium

(Rs. in Crores)	
2005-06	2004-05
3632.01	2904.98
83.64	74.58

Incurred Claims (%)



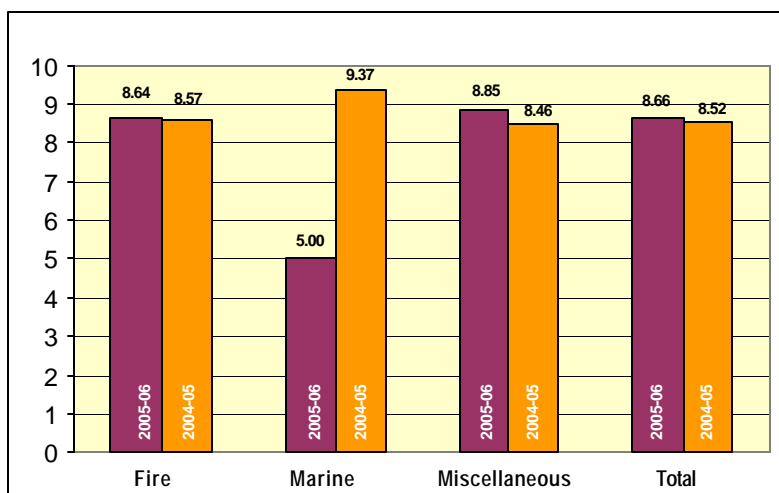
The net incurred claims ratio was 83.64% as at 31st March 2006 as compared to 74.58% for the same period last year. The increase in the ratio on net basis was contributed by Fire and Marine portfolios (the ratios increased from 39.35% to 72.40% and from 58.42% to 70.11% respectively). Also, the provisioning for Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) as valued by Appointed Actuary increased to Rs.934 crores as against Rs.636 crores, which caused the net incurred claims to rise by Rs. 298 crores.

E. Commission

Percentage to Net Premium

2005-06	2004-05
376.28	331.88
8.66	8.52

Commission (%)



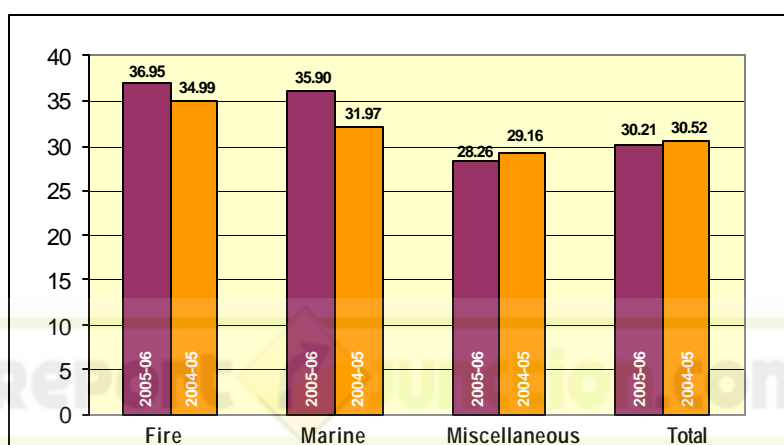


(Rs. in Crores)
2005-06 2004-05

The outgo on account of commission continues to increase due to increased booking of business through intermediaries, especially brokers. The quantum increase in total commission was Rs.44.40 crores, though there was marginal increase in the ratio from 8.52% to 8.66%.

F. Operating Expenses relating to Insurance Business including Foreign Taxes	1312.03	1188.88
Percentage to Net Premium	30.21	30.52

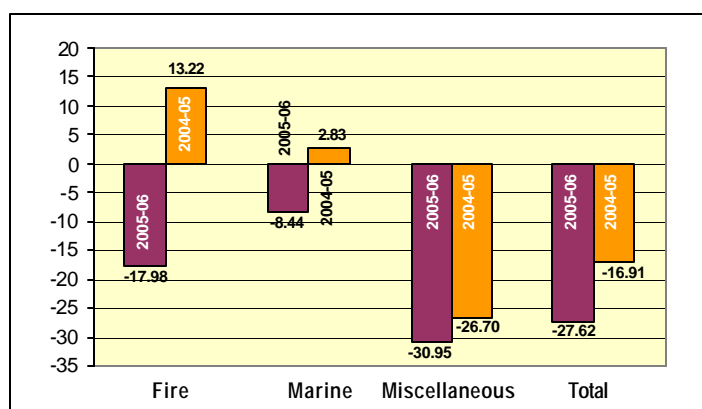
Operating Expenses (%)



The operating expenses increased by Rs.123.15 crores to Rs.1312.03 crores in the year 2005-06. However, as a percentage to net premium, it shows a slight reduction at 30.21%. The provision for wage arrears to Class II employees (Rs.55 crores), increased contribution to gratuity fund and pension fund (Rs.50 crores), payment of ex-gratia arrears to SVRS optees (Rs.24 crores) and increased wage bill due to wage revision for Class I, III & IV employees are the major contributors to the increase in the expenses.

G. Underwriting Result	-1199.32	-658.57
Percentage to Net Premium	-27.62	-16.91

Underwriting Result (%)





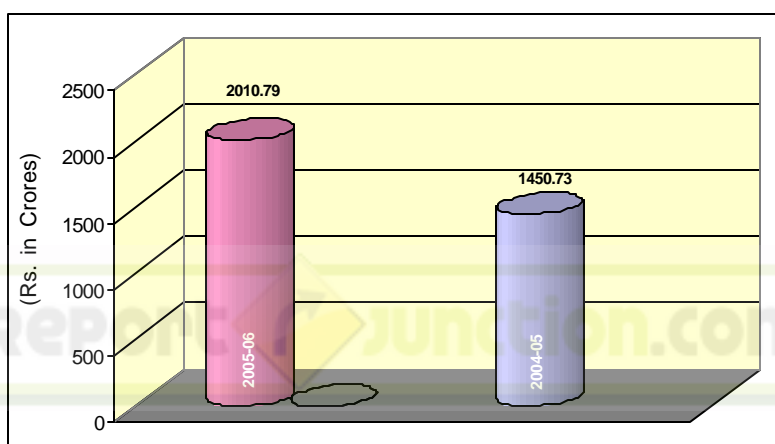
(Rs. in Crores)
2005-06 2004-05

Though there was an increase of Rs. 447.55 crores in the net premium, the underwriting deficit increased due to increase in net incurred claims (Rs. 727.03 crores), reserve strain (Rs. 93.72 crores) and commission and operating expenses (Rs. 167.55 crores).

H. Investment Income (Less Provisions)

a) Apportioned to Policyholders	1235.35	891.35
b) Apportioned to Shareholders	775.44	559.38
Total	2010.79	1450.73

Investment Income



The tremendous growth in investment income was contributed by the increase in profit on sale of investments (Rs. 1138.43 crores as against Rs. 641 crores last year). The mean yield on funds (with profit on sale of investments) improved to 21.11% from 17.23%. The net NPA (Non Performing Assets) percentage was 3.03 as against 4.04 in the previous year.

I. Revenue Account Result [after crediting investment income less Provisions apportioned to Policyholders' Account as detailed above in paragraph H(a)]	36.03	232.78
Percentage to Net Premium	0.83	5.98

The reduction in surplus in the Fire portfolio from Rs. 230.83 crores to Rs. 19.58 crores has pulled down the overall surplus to Rs. 36.03 crores from Rs. 232.78 crores of last year. The deficit in Miscellaneous class improved to Rs. 33.71 crores from Rs. 53.06 crores of previous year.

J. Other Incomes (Outgo)	44.10	5.72
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The income other than premium and investment income increased to Rs. 44.10 crores from Rs. 5.72 crores. Other income consists of sundry balances written back, profit/loss on sale of assets, interest on tax etc.

K. Profit Before Tax	855.57	797.88
L. Profit After Tax	716.38	402.23