



Royal Sundaram

General Insurance



Annual Report 2013 - 2014

Royal Sundaram Alliance Insurance Company Limited

Board of Directors

P M Venkatasubramanian	Chairman
S Viji	Director
T T Srinivasaraghavan	Director
Paul Whittaker	Director
S Prasad	Director
Srinivas Acharya	Director
M S Sundara Rajan	Director
Harsha Viji	Director
Christopher John Colahan	Director
Gareth Morgan Roberts	Director
Alexander Stephan Lay	Director
Ajay Bimbhet	Managing Director

Audit Committee

S Prasad	Chairman
P M Venkatasubramanian	Director
Srinivas Acharya	Director
Gareth Morgan Roberts	Director

Company Secretary & Chief Compliance Officer

S R Balachandher

Joint Statutory Auditors

M/s Sundaram & Srinivasan, Chartered Accountants,
New No.4, Old No.23, CP Ramaswamy Road, Alwarpet, Chennai 600 018
M/s Suri & Co., Chartered Accountants,
New No.4, Old No.55A, Chevalier Sivaji Ganesan Road, South Boag Road, T Nagar, Chennai 600 017

Information Security Assurance Services

M/s Tejas Brainware Systems (P) Ltd,
New No.28, Old No.19, II Main Road, C.I.T. Colony, Mylapore, Chennai 600 004

Internal Auditors

M/s N C Rajagopal & Co., Chartered Accountants,
22, V.Krishnaswamy Avenue, Luz Church Road, Mylapore, Chennai 600 004

Concurrent Auditors (Investments)

M/s R G N Price & Co., Chartered Accountants,
Simpsons Buildings, 861 Anna Salai, Chennai 600 002

Registered Office

21, Patullos Road, Chennai 600 002

Corporate Office

Vishranthi Melaram Towers, 2/319, Rajiv Gandhi Salai (OMR), Karapakkam, Chennai 600 097
Tel : 044-7117 7117, 1860 425 0000 Email : customer.services@royalsundaram.in
Website: www.royalsundaram.in
IRDA Regn. No. 102 | CIN: U67200TN2000PLC045611

Regional Offices

Chennai, Gurgaon, Kolkata & Mumbai.

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DIRECTORS' REPORT

Dear Members,

The Board of Directors of your Company are happy to present the 14th Annual Report on the Business, Operations and the Audited Financial Statements of your Company for the year ended 31st March 2014.

Review of the Financial Performance for 2013-2014

The highlights of the Financial Results of the Company are:

(₹ in lakhs)

Particulars	2013-14	2012-13
Gross Written Premium	143,704	156,000
Net Written Premium	124,955	129,377
Net Earned Premium	129,320	114,333
Net Incurred Claims	89,985	72,548
Net Commission Outgo/(Income)	4,809	3,617
Expenses of Management	35,732	37,380
Underwriting Profit /(Loss)	(1,206)	789
Investment Income - Policyholders	12,624	10,764
General Insurance Results Profit /(Loss)	11,417	11,553
Investment Income - Shareholders	4,526	4,120
Other Income/(Outgo)	(53)	(1,130)
Profit Before Tax & Motor Pool Losses	15,891	14,543
Motor Pool & DR Pool Losses	(5,807)	(8,216)
Provision for taxation	(3,260)	(859)
Profit/(Loss) After Tax	6,824	5,467

For the year 2013-14, your Company achieved a Gross Written Premium of ₹1437.04 cr. (previous year ₹1560 cr.) showing a drop in growth by about 8%. The reduction in the Gross Written Premium had been due to severe competition in the market and your Company's continued focus on achieving profitable growth.

During 2013-14, economic activity in most emerging markets across the globe had remained below par. Indian economy too witnessed a sluggish growth that resulted in a deceleration in the industrial growth. Automobile sector during 2013-14 continued to face weak consumer sentiments that resulted in lower off take of vehicles both in the passenger car as well as in the Commercial Vehicle segments.

The Commercial business market continued to witness increased competition and pricing of major risks continued to be aggressive thereby impacting overall growth and profitability. A few more players had entered the general insurance market during the year and their approach in building up volumes also impacted your Company's top line growth.

Market Developments

The year 2013-14 for many general insurance companies is the final year of the 3-year term mandated for absorption of the remaining portion of the unabsorbed losses of the Motor Third Party Pool that started from 2011-12 onwards. Your Company had opted to go for absorption of the losses in 3 tranches as that would help them to consolidate their position over a period of time. Accordingly, your Company had absorbed the maximum amount of losses as possible during 2011-12 and 2012-13 and the remaining losses of ₹ 29.26 cr. were absorbed during the current financial year.

Effective from 1st April 2012, the dismantled Motor Third Party Pool (the 'declined risk pool') has been in operation. All the insurance companies have entered into an agreement with the Pool Administrator M/s General Insurance Corporation of India, agreeing on the principles on which the declined pool mechanism will be operating. The Pool Administrator had announced an ultimate loss ratio (ULR) of 210% for the year 2013-14 which the participating companies had to build in their books. This also to an extent affected the profitability of your Company.

The market continued to be challenging during the year with all insurance companies vying with each other to either retain or grow their market share. Your Company adopted a cautious and conscious approach of not chasing top line but ensuring that the growth was on profitable lines.

Commercial Insurances

The Commercial Insurance Business including Commercial Motor Business recorded a reduction in growth by approximately 6%, ending at a Gross Written Premium of ₹ 472 cr. for the year 2013-14 as against ₹ 503 cr. in 2012-13.

Your Company's Commercial Insurance business is always driven on the fundamental principles of prudent underwriting and risk management. The focus has always been to ensure profitable growth in underwriting.

Personal Insurances

The Personal Insurance GWP for 2013-14 was at ₹ 965.17 cr. as against ₹ 1057.47 cr. in 2012-13, registering a drop in growth of about 10%. As stated earlier, the lower off take of passenger cars during the year had an adverse impact on the growth of this portfolio.

Your Company continues to enjoy the trust and maintains a good relationship with all its key Bancassurance partners and manufacturing tie-ups.

Rural and Social Sector

Since inception, your Company has been able to achieve and surpass its obligations in the Rural and Social sector. During this year too, it achieved a premium of ₹ 131.77 cr. as against the Regulatory requirement of ₹ 100.59 cr. Further, in the Social sector, we covered 12,76,532 lives as against the Regulatory requirement of 55,000 lives.

Claims

Your Company is well tuned to the requirements of its customers. One of the main areas of customer satisfaction is prompt and efficient settlement of claims. Your Company therefore continues its focus on prompt, efficient and timely settlement of claims. Settlement of claims within the prescribed Turn-around time (TAT) has been possible through expeditious settlement of simple and standard claims and also by constantly empowering and encouraging the employees to go for quick settlement to the satisfaction of the claimants.

During the year under review, your Company had streamlined the Motor Own Damage claims settlement process by implementing a work-flow software. The new work flow application helped to eradicate some of the overlapping of the processes thereby facilitating the faster assessment and settlement of the claim on the spot of survey itself by providing hardware and connectivity to all the field people. We expect that the new application will stabilise further resulting in improvements in the turn-around time in the settlement of claims.

Investments

Your Company earned an investment income of ₹ 195.31 cr. including a loss on sale of investments to the tune of ₹ 0.15 cr. for the year ended 31st March 2014 as against ₹ 171.09 cr. including a profit on sale of investments of ₹ 1.28 cr. in the previous year. The yield on daily average funds was at 8.66% compared to 8.67% in the previous year.

The Investment portfolio had increased from ₹ 2084.36 cr. in 2012-2013 to ₹ 2223.40 cr. in 2013-2014 - an increase of 7%.

Your Company continues to adopt a cautious approach to equity investments due to continued volatile market conditions. The overall exposure to equities was less than 1% of the total Investment Assets.

Technology

Your Company has always endeavored to upgrade and maintain high levels of technological support in delivering the best of our services to our customers (internal as well as external) and partner.

As indicated earlier, during the year under review, your Company has developed a new technological platform for speedier settlement of the Motor Own Damage Claims. This software is expected to not only speed up the settlement process but also likely to bring down the number of man days considerably.

During this year too, your Company bagged the “Celent Model Insurer Asia Award”, at an award ceremony held at Singapore. This is reaffirmation of our commitment to have the best in class technological support to all our business requirements.

Outlook for 2014-15

The outlook for year 2014-15 may not change dramatically. Companies will continue to have a cautious approach in underwriting with focus being on profitability. The way in which insurance is currently being sold is likely to witness some changes with the Regulator contemplating allowing agents to deal with multiple insurance companies. With a new and stable Government in place, the industry is hopeful that the economy will look up in the near future, which coupled with an expected good off-take of vehicles, should augur well for the future growth of the insurance companies.

With the Motor TP pool losses being accounted for and done away with during the financial year 2013-14, the focus of the Companies had been to grow and consolidate the business on profitable lines. However, the performance of the declined pool continues to be a cause for concern and arresting the increase in the loss ratios every year, is going to be a major challenge.

Prudent selection of risks and pricing them adequately continues to be one of the major challenges for the industry all through. Profitable growth will continue to engage the attention of your Company in future too.

General Insurance industry is now set for greater growth and improved penetration levels in the years to come. There has been increased focus both by the Government as well as the Regulator in developing the health insurance business.

Based on a study carried out by a Consultant, your Company had identified developing the Agency, Retail Health and Commercial Business as the main areas of growth for future while at the same time continuing the growth in the Motor Business. Necessary key recruitments to augment the strength in these functions had been completed. Your Company is also focussing on having a separate product factory to develop innovative health products tailor made to suit the requirements of specific customers segments. These initiatives are expected to help your Company to grow its business during this financial year and help it to consolidate its position in the insurance market.

People

An important parameter to organisational performance is the employees' contribution. As on 31st March 2014, your Company had employee strength of 1557.

Employee Engagement continues to remain one of the priorities for your Company. This was also reflected in the recent Employee Survey results that continue to put your Company in the top quartile. Your Company monitors employee productivity as one of the key parameters to measure growth. The Company's performance management systems are used effectively to improve staff capabilities in areas such as leadership, team building and productivity enhancement. Extensive in-house training programmes were conducted during the year to upgrade the skills of employees and achieve functional effectiveness.

In addition, where required, executives were deputed for various external training programmes and seminars including at foreign locations. New employees and agents are put through an induction programme that covers business requirements, process orientation, regulatory and compliance related aspect and personality development.

The Company encourages employees to avail of the benefit of e-learning (Learning Zone) for which it had tied up with a global firm that focuses on the fundamentals of insurance and on various management techniques.

During the year under review, your Company shifted its Corporate Office from “Sundaram Towers” to a more spacious office building at “Vishranthi Melaram Towers” at Karapakkam, OMR. This move had helped the Company to bring in the various teams together under one roof for greater synergy and effective team work. The employees have settled down quite well at the new office location.

Infusion of Capital

Your Company's authorized capital is ₹ 350 cr. In view of the Company achieving the prescribed solvency margin requirements, there had been no further infusion of capital during the year under review. Your Company's paid up capital stands at ₹ 315 cr.

Dividend

Considering the need to conserve the capital for future growth, your Directors do not recommend any dividend on equity shares for the year under review.

Board of Directors

Messrs. M S Sundara Rajan, (Independent Director), P M Venkatasubramanian, S Viji and Ajay Bimbhet, Directors of your Company, retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

Your Company has 2 independent directors as per IRDA Guidelines on Corporate Governance and also the requirements of the Companies Act, 2013. The Independent Director, as per the requirements of the Companies Act, 2013, can be reappointed for a term of 5 years and will not be liable to retire by rotation.

Mr M S Sundara Rajan is one of the independent director on the Board and in terms of Section 149 of the Companies Act, 2013, he is eligible to be appointed for an initial term of 5 years and is not liable to retire by rotation during the said term.

In the opinion of the Board, the Independent Directors fulfil the conditions specified in the Companies Act, 2013 and Rules made there under and are independent of the Management.

During the year 2013-14, Mr. David Patrick Coughlan, Director resigned from the Board. Your Directors record their deep sense of gratitude and appreciation to the guidance and insight provided by him to your Company during his term.

Mr. Alexander Stephan Lay, was appointed as an Additional Director during the year under review. He holds office until the date of the current Annual General Meeting and will be eligible for reappointment as a Director liable to retire by rotation.

Corporate Governance

Your Company has complied with the Guidelines on Corporate Governance for Insurance Companies issued by the Insurance Regulatory and Development Authority (IRDA) effective from April 1, 2010. A detailed report on our compliance is attached as part of this Report.

Meetings of the Board/Committees held during the year:

Board (11.04.2013, 14.05.2013, 01.08.2013, 12.11.2013, 13.02.2014)	5
Audit Committee (11.04.2013, 13.05.2013, 06.09.2013, 12.11.2013, 11.02.2014, 31.03.2014)	6
Investment Committee (04.04.2013, 01.08.2013, 12.11.2013, 13.02.2014)	4
Risk Management Committee (09.04.2013, 13.05.2013, 03.09.2013, 30.12.2013)	4
Policyholders' Protection Committee (12.07.2013, 21.10.2013, 06.02.2014, 25.03.2014)	4
Executive Committee (non-mandatory) (04.04.2013, 27.06.2013, 31.07.2013, 24.09.2013, 22.01.2014, 13.03.2014)	6
HR Committee (non-mandatory) (11.04.2013, 17.05.2013, 24.09.2013, 13.03.2014)	4

Internal Audit

M/s N.C.Rajagopal & Co., Chartered Accountants, Chennai, were appointed as Internal Auditors of the Company for the year. During the year under review, to carry out an effective internal audit, your Company has constituted an in-house internal audit department. This audit team will work in tandem with the internal auditors and will review all the internal control and risk management measures, highlight areas that require attention and report their main findings and recommendations to the Audit Committee of the Board. The Audit Committee regularly reviews the audit findings and actions taken thereon, as well as the adequacy and effectiveness of the internal systems and controls.

Investment Audit

M/s R G N Price & Co., Chartered Accountants, appointed as concurrent auditors carried out the concurrent audit of the investment transactions, investment management systems, processes and transactions of the Company for the year 2013-14.

Information Security Assurance Services

The Company's operations are highly automated, taking advantage of advances in modern information technology. M/s Tejas Brainware Systems Limited provides the information security assurance services to the Company for the past many years whose recommendations have led to the introduction of several additional safeguards in operational and IT security related areas.

Statutory Auditors

M/s Sundaram & Srinivasan, Chartered Accountants, Chennai (Registration Number 004207S), and M/s Suri & Co., Chartered Accountants, Chennai (Registration Number 004283S), were appointed as the Joint Statutory Auditors of your Company for 2013-14 at the Annual General Meeting held on August 1, 2013 and will retire at the conclusion of the forthcoming Annual General Meeting.

Both the Auditors, being eligible, offer themselves for reappointment.

The Auditors have confirmed that their reappointment will be in accordance with the conditions prescribed under Section 139(1) of the Companies Act, 2013 and the Rules made there under (including the criteria provided under Section 141 of the Companies Act, 2013) and that they comply with the guidelines issued by IRDA pertaining to the reappointment of the Joint Statutory Auditors.

Management Report

In accordance with Part IV, Schedule B of the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2002, the Management Report forms part of the financial statements.

Particulars of employees under Section 217(2A) of the Companies Act, 1956

Particulars of Employees as per Section 217(2A) of the Companies Act, 1956 are set out in the annexure to this Directors' Report. The Report and accounts are being sent to all the Shareholders of the Company excluding the said information. Any Shareholder interested in obtaining the said particulars may write to the Company Secretary.

Information as per Section 217(1)(e) of the Companies Act, 1956 relating to particulars regarding Conservation of Energy or Technology Absorption, Foreign exchange and outgo

Your Company does not have any activities relating to conservation of energy or technology absorption as stated under Section 217(1)(e) of the Companies Act, 1956.

The Company had foreign exchange earnings equivalent to ₹ 10.35 cr. and the outgo amounted to ₹13.07 cr for the year ended 31st March 2014.

Public Deposits

As in the past, your Company has not accepted any deposits from Public under the relevant provisions of the Companies Act, 2013.

Directors' Responsibility Statement

In accordance with the requirements of 217(2AA) of the Companies Act, 1956 and in accordance with the Insurance Act, 1938, with respect to Directors' Responsibility statement, it is hereby confirmed :

- a) that in the preparation of the annual accounts for the financial year ended 31st March 2014, the applicable accounting standards, principles and policies have been followed, along with a proper explanation relating to material departures if any;
- b) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the operating profit and the net profit of the Company for the year ended 31st March 2014;
- c) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the applicable provisions of the Insurance Act, 1938 (4 of 1938) / Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) that the Directors have prepared the annual accounts on a going concern basis.
- e) that the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively;
- f) that an Internal Audit system, commensurate with the size and nature of the business, exists and is operating effectively.

Acknowledgement

Your Company sincerely thanks all the policyholders for their continued patronage and faith reposed in our capabilities.

Our thanks are also due to our Bankers, Distribution Partners, Reinsurers, Agents and Brokers for all their support and co-operation extended to the Company to consolidate its growth.

The Directors thank the Shareholders who have been a constant source of support and strength.

We acknowledge with thanks the continued support and guidance of all the Members and Officials of the Insurance Regulatory and Development Authority (IRDA) and the General Insurance Council.

We extend our sincere appreciation to the Management and employees of the Company for their continued commitment, teamwork and contribution, during the year.

Date: 9th May 2014
Place: Chennai

For and on behalf of the Board

P M Venkatasubramanian
Chairman

REPORT ON CORPORATE GOVERNANCE

In August 2009, the Insurance Regulatory and Development Authority (IRDA) issued the Corporate Governance Guidelines for Insurance Companies, which came into force from April 1, 2010.

Your Company has complied with these guidelines for the Financial Year 2013-14 and a Report is furnished hereunder:-

I. Board of Directors

All the Members of the Board are eminent persons with considerable expertise and varied experience in Insurance, Finance, Transport, Automobile, Engineering and Banking sectors. The Company has been immensely benefitted by the range of experience and skills that the Directors bring to the Board.

The Board, currently comprises of twelve members of which eleven are Non-Executive Directors. Mr Ajay Bimbhet, Managing Director, is the only Executive Director. The Board is chaired by Mr P.M.Venkatasubramanian, a Non-Executive Director with more than 4 decades of experience in the General Insurance industry.

Mr.S.Prasad and Mr M S Sundara Rajan are the two independent Directors and the composition of the Board is in conformity with the IRDA guidelines on Corporate Governance.

All Directors had executed the Deed of Covenant as required by the Corporate Governance guidelines issued by IRDA.

II. Board Meetings

The Board of Directors are actively involved in formulating the broad business and operational policies and deciding on the strategic issues concerning the Company. The Board periodically reviews the performance of the Company.

During the year under review, 5 meetings of the Board of Directors were held on 11.4.2013, 14.5.2013, 01.08.2013, 12.11.2013 and 13.02.2014.

The details of attendance at Board Meetings held during the year and details of other Directorships, Committee Chairmanships/ memberships held by the Directors are as follows:

Name of Director	Board Meetings attended	Directorships (other than Royal Sundaram Alliance Insurance Company Limited)		Committees in which Chairman/Member (of other Public Limited Companies)	
		Chairman	Director	Chairman	Member
P M Venkatasubramanian	5	-	5	4	5
S Viji	5	2	8	1	3
T T Srinivasaraghavan	5	1	9	5	2
Paul Whittaker	1	-	-	-	-
Srinivas Acharya	4	-	9	2	5
Gareth Morgan Roberts	4	-	-	-	-
S Prasad	5	-	5	3	3
David Patrick Coughlan *	2 [#]	-	-	-	-
M S Sundara Rajan	4	-	11	2	7
Christopher John Colahan	5 [#]	-	-	-	-
Harsha Viji	3	-	5	-	2
Alexander Stephan Lay**	2	-	-	-	-
Ajay Bimbhet	5	-	1	-	-

* resigned in August 2013 ** appointed in August 2013 # 1 meeting through VC

III. Audit Committee

The Audit Committee reviews the financial accounting policies, adequacy of internal control systems and interacts with the Statutory Auditors, Internal Auditors, Concurrent Auditors for investment and Systems Auditors. Senior Executives and functional heads are invited to attend the meetings, where required.

Mr S Prasad, an independent Director, is the Chairman of the Audit Committee. The Composition of the Audit Committee and attendance of the members at the Committee Meetings held during the year are as follows:

Name of the Members		No.of meetings attended	Meeting dates
S Prasad	Chairman	6	11.04.2013, 13.05.2013, 06.09.2013, 12.11.2013, 11.02.2014, 31.03.2014 (6 meetings)
P M Venkatasubramanian	Member	6	
Srinivas Acharya	Member	5	
Gareth Morgan Roberts	Member	5 [#]	

[#]1 meeting through VC

IV. Investment Committee

The Company's Investment Committee is constituted in accordance with the IRDA (Investment) Regulations, 2000. The Composition of the Investment Committee and attendance of the members at the Committee Meetings held during the year are as follows:

Name of the Members		No.of meetings attended	Meeting date
P M Venkatasubramanian	Chairman	4	04.04.2013, 01.08.2013 12.11.2013, 13.02.2014 (4 meetings)
S Viji*	Member	3	
M S Sundara Rajan	Member	4	
Gareth Morgan Roberts	Member	3	
Harsha Viji **	Member	1	
Ajay Bimbhet	Managing Director	4	
Tania Chakrabarti	Appointed Actuary	4	
M S Sreedhar	Chief Operating Officer	4	
Venkatachalam Sekar	Financial Controller (CFO)	4	

*Member till 12.11.2013 ** inducted as member on 12.11.2013

V. Risk Management Committee

The Risk Management Committee constituted in accordance with the Corporate Governance Guidelines issued by IRDA for Insurance Companies.

The Composition of the Risk Management Committee and attendance of the members at the Committee Meetings held during the year are as follows:

Name of the Members		No. of meetings attended	Meeting dates
P M Venkatasubramanian	Chairman	4	09.04.2013, 13.05.2013, 03.09.2013, 30.12.2013 (4 meetings)
David Patrick Coughlan*	Member	2	
Ajay Bimbhet	Member	4	
Alexander Stephan Lay**	Member	2 [#]	

*Member till 01.08.2013; ** inducted as member on 01.08.2013; # Participated by call

VI. Policyholders' Protection Committee

The Policyholders' Protection Committee constituted in accordance with the Corporate Governance Guidelines issued by IRDA for Insurance Companies, comprises of the following Members:

Name of the Members		No. of meetings attended	Meeting dates
M S Sundara Rajan	Chairman	4	12.07.2013, 21.10.2013, 06.02.2014, 25.03.2014 (4 meetings)
T T Srinivasavaraghavan	Member	4	
Ajay Bimbhet	Member	4	

VII. Executive Committee of Directors (Non-mandatory)

As on 31st March 2014, the Executive Committee consisted of the following 8 Members, viz.,

1. T T Srinivasaraghavan, Chairman
2. S Viji
3. Paul Whittaker
4. Srinivas Acharya
5. Christopher John Colahan
6. Gareth Roberts
7. Harsha Viji
8. Ajay Bimbhet

The Committee reviews the Annual Business Plan, the strategy to be adopted by the Company including any subsequent modifications and recommends the same for the approval of the Board. Further, the Committee also reviews the performance of the Company and claims in excess of ₹1 cr. (gross loss our share).

The Committee met 6 times during the year.

VIII. HR Committee (Non-Mandatory)

As at 31st March 2014, the HR Committee consisted of the following members, viz.,

1. T T Srinivasaraghavan, Chairman
2. Christopher John Colahan
3. Ajay Bimbhet (on invitation)

The Committee reviews the remuneration and performance pay payable to the Managing Director and recommends the same for approval to the Board. The Committee also broadly reviews the increment and performance pay payable to the other employees in the Company in addition to approving any policy changes.

The Committee had met 4 times during the year.

S R Balachandher, Company Secretary and Chief Compliance Officer acts as Secretary for the Board and all the above Committees.

IX. Annual General Meetings

The following table shows when and where the last three Annual General Meetings were held:

Financial Year	Date of Meeting	Time	Venue
2012-13	August 01, 2013	10.30 a.m.	Sundaram Towers, 45 & 46 Whites Road, Chennai 600 014
2011-12	July 26, 2012	10.00 a.m.	
2010-11	August 10, 2011	10.00 a.m.	

X. Remuneration of Directors

The Executive Director (Managing Director) is appointed based on terms approved by the Shareholders. His remuneration comprises of salary, allowances and perquisites as indicated in Notes to Accounts. The remuneration paid to him has been approved by IRDA.

The Non-Executive Directors are paid a sitting fee of ₹10,000/- each, for every meeting of the Board/Committees attended by them. The Directors representing Royal & SunAlliance Insurance plc on our Board, had agreed to waive off payment of sitting fees to them effective from October 2012.

XI. Chief Compliance Officer

S R Balachandher, Company Secretary is the Chief Compliance Officer.

Date: 9th May 2014
Place: Chennai

For and on behalf of the Board
P M Venkatasubramanian
Chairman

Certification of compliance of the Corporate Governance Guidelines for 2013-14

I, S R Balachandher, Company Secretary and Chief Compliance Officer of Royal Sundaram Alliance Insurance Company Limited, hereby certify that the Company has complied with the Corporate Governance Guidelines as stated above, for insurance companies for 2013-14, as amended from time to time, and nothing has been concealed or suppressed.

S R Balachandher
Company Secretary & Chief Compliance Officer

INDEPENDENT AUDITORS' REPORT

To the Members of Royal Sundaram Alliance Insurance Company Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of ROYAL SUNDARAM ALLIANCE INSURANCE COMPANY LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and Revenue Accounts, the Profit and Loss Account and Receipts and Payments Statement of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.
2. In accordance with the provisions of Section 11 of the Insurance Act, 1938 ("the Insurance Act") read with the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ("the Regulations") and the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956 ("the Companies Act"), the Balance Sheet, the Revenue Accounts and the Profit and Loss Account are not required to be, and are not, drawn up in accordance with Schedule VI of the Companies Act. The Balance Sheet, the Revenue Accounts and the Profit and Loss Account, are, therefore, drawn up in conformity with the Regulations.

Management's Responsibility for the Financial Statements

3. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and Receipts and Payments Statement of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211, provisions of sub sections (1), (2) and (5) of Section 211 and sub section (5) of Section 227 of the Companies Act, provisions of Section 11 of the Insurance Act read with the IRDA Regulations/Guidelines/Circulars/orders. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

4. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

5. In our opinion and to the best of our information and according to the explanations given to us, the financial statements are prepared in accordance with the requirements of the Insurance Act, 1938, The Insurance Regulatory and Development Act, 1999 and The Companies Act, 1956 to the extent applicable and give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
 - b) in the case of Revenue Accounts, of the operating profit for the year ended on that date;
 - c) in the case of Profit and Loss Account, the profit for the year ended on that date;
 - d) in the case of Receipts and Payments Statement, receipts and payments for the year ended on that date.
 - e) Investments of the Company have been valued in accordance with the Provisions of the Insurance Act and the Regulations
 - f) The Accounting policies selected by the insurer are appropriate and are in compliance with the applicable Accounting Standards and with the Accounting Principles, as prescribed in the regulations or any order or direction issued by the Authority in this behalf.

Report on Other Legal and Regulatory Requirements - As required under provisions of Section 227(3) of the Companies Act, 1956 and IRDA regulations

6. We report that
- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books
 - the Balance Sheet, the Revenue Accounts, Profit and Loss Account, and Receipts and Payments Statement dealt with by this Report are in agreement with the books of account.
 - the financial accounting system of the Company is centralised and therefore accounting returns are not required to be submitted by branches
 - in our opinion, the Balance Sheet, Profit and Loss Account, and Receipts and Payments Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 read together with IRDA Regulations/Circulars/Orders
 - The estimate of claims Incurred But Not Reported [IBNR] and claims Incurred But Not Enough Reported [IBNER] has been certified by the Company's appointed actuary. The appointed actuary has certified to the Company that the assumptions used for such are appropriate and are in accordance with the requirements of the Insurance Regulatory and Development Authority [IRDA] and Actuarial Society of India in concurrence with IRDA. We have relied on the appointed Actuary's certificate in this regard
 - on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
7. Further, according to the information and explanations given to us and to the best of our knowledge and belief, we certify that:
- We have reviewed the Management Report attached to the financial statements for the financial year ended March 31, 2014 and there is no apparent mistake or material inconsistency therein with the financial statements
 - The Company has complied with the terms and conditions of registration stipulated by IRDA vide their letter dated July 15, 2002
 - We have verified the cash balances at the corporate office of the Company and investments of the Company
 - The Company is not a trustee of any trust
 - No part of the assets of the policyholders' funds have been directly or indirectly applied in contravention of the provisions of the Insurance Act relating to application and investment of policyholders' funds
 - All expenses of management in respect of Fire, Marine and Miscellaneous Insurance Business have been fully debited to the respective Revenue Accounts

For Sundaram & Srinivasan
Chartered Accountants
Registration No: 004207S

S Usha
Partner
Membership No: 211785

For Suri & Co.
Chartered Accountants
Registration No: 004283S

R Mahesh
Partner
Membership No: 024775

Place : Chennai
Date : May 09, 2014

Form B - RA
REVENUE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2014 (FIRE BUSINESS)

Registration No. and Date of Registration with the IRDA : 102/23.10.2000

(₹ '000)

Particulars	Schedule	31st March 2014	31st March 2013
1 Premiums earned (Net)	1A	167,769	140,000
2 Profit/(Loss) on sale/redemption of Investments		(49)	370
3 Others		-	-
4 Interest, Dividend and Rent [Net of amortisation] [Gross Interest and Dividend ₹ 85,565 thousand (Previous Year: ₹ 72,823 thousand)] (Refer note 19 of Schedule 17)		85,602	72,625
Total (A)		253,322	212,995
1 Claims Incurred (Net)	2A	77,705	55,969
2 Commission	3A	(21,839)	(26,772)
3 Operating Expenses related to Insurance Business	4	47,027	127,039
4 Premium Deficiency		-	-
Total (B)		102,893	156,236
Operating Profit/(Loss) from Fire Business C = (A-B)		150,429	56,759
Appropriations			
Transfer to Shareholders' Account		150,429	56,759
Transfer to Catastrophe Reserve		-	-
Transfer to Other Reserves		-	-
Total (C)		150,429	56,759
Significant accounting policies	16		
Notes to financial statements	17		

As required by Section 40C(2) of the Insurance Act, 1938, we hereby certify that all expenses of management in respect of Fire Business have been fully debited in the Fire Business Revenue Account as expenses.

Per our report of even date attached

For and on behalf of the Board of Directors

For Sundaram & Srinivasan
 Chartered Accountants
 Registration No.004207S

For Suri & Co.
 Chartered Accountants
 Registration No.004283S

P M Venkatasubramanian
 Chairman

Ajay Bimbhet
 Managing Director

S Usha
 Partner
 Membership No: 211785

R Mahesh
 Partner
 Membership No: 024775

Gareth Morgan Roberts
 Director

S Prasad
 Director

 Place : Chennai
 Date : May 09, 2014

Venkatachalam Sekar
 Financial Controller

S R Balachandher
 Company Secretary

Form B - RA

REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2014 (MARINE BUSINESS)

Registration No. and Date of Registration with the IRDA : 102/23.10.2000

(₹ '000)

Particulars	Schedule	31st March 2014	31st March 2013
1 Premiums earned (Net)	1B & 1C	95,753	111,087
2 Profit/(Loss) on sale/redemption of Investments		(10)	100
3 Others - Exchange Gain		136	-
4 Interest, Dividend and Rent [Net of amortisation] [Gross Interest and Dividend ₹ 11,454 thousand (Previous Year: ₹ 11,747 thousand)] (Refer note 19 of Schedule 17)		11,461	11,694
Total (A)		107,340	122,881
1 Claims Incurred (Net)	2B & 2C	73,171	55,822
2 Commission	3B & 3C	(14,546)	(1,062)
3 Operating Expenses related to Insurance Business	4	26,033	41,617
4 Premium Deficiency		-	-
Total (B)		84,658	96,377
Operating Profit/(Loss) from Marine Business C = (A-B)		22,682	26,504
Appropriations			
Transfer to Shareholders' Account		22,682	26,504
Transfer to Catastrophe Reserve		-	-
Transfer to Other Reserves		-	-
Total (C)		22,682	26,504
Significant accounting policies	16		
Notes to financial statements	17		

As required by Section 40C(2) of the Insurance Act, 1938, we hereby certify that all expenses of management in respect of Marine Business have been fully debited in the Marine Business Revenue Account as expenses.

Per our report of even date attached

For Sundaram & Srinivasan
Chartered Accountants
Registration No.004207S

For Suri & Co.
Chartered Accountants
Registration No.004283S

S Usha
Partner
Membership No: 211785

R Mahesh
Partner
Membership No: 024775

Place : Chennai
Date : May 09, 2014

For and on behalf of the Board of Directors

P M Venkatasubramanian
Chairman

Ajay Bimbhet
Managing Director

Gareth Morgan Roberts
Director

S Prasad
Director

Venkatachalam Sekar
Financial Controller

S R Balachandher
Company Secretary

Form B - RA
REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2014 (MISCELLANEOUS BUSINESS)

Registration No. and Date of Registration with the IRDA : 102/23.10.2000

(₹ '000)

Particulars	Schedule	31st March 2014	31st March 2013
1 Premiums earned (Net)	1D	12,893,658	12,155,169
2 Profit/(Loss) on sale/redemption of Investments		(989)	8,849
3 Others - Transfer fee and Duplicate fee		828	1,279
4 Interest, Dividend and Rent [Net of amortisation] [Gross Interest and Dividend ₹ 1,403,699 thousand (Previous Year: ₹ 1,210,000 thousand)] (Refer note 19 of Schedule 17)		1,404,452	1,205,257
Total (A)		14,297,949	13,370,554
1 Claims Incurred (Net)	2D	9,890,981	9,132,443
2 Commission	3D	517,301	389,509
3 Operating Expenses related to Insurance Business	4	3,501,776	3,596,961
4 Premium Deficiency		-	-
Total (B)		13,910,058	13,118,913
Operating Profit/(Loss) from Miscellaneous Business C = (A-B)		387,891	251,641
Appropriations			
Transfer to Shareholders' Account		387,891	251,641
Transfer to Catastrophe Reserve		-	-
Transfer to Other Reserves		-	-
Total (C)		387,891	251,641
Significant accounting policies	16		
Notes to financial statements	17		

As required by Section 40C(2) of the Insurance Act, 1938, we hereby certify that all expenses of management in respect of Miscellaneous Business have been fully debited in the Miscellaneous Business Revenue Account as expenses.

Per our report of even date attached

For and on behalf of the Board of Directors

For Sundaram & Srinivasan
 Chartered Accountants
 Registration No.004207S

For Suri & Co.
 Chartered Accountants
 Registration No.004283S

P M Venkatasubramanian
 Chairman

Ajay Bimbhet
 Managing Director

S Usha
 Partner
 Membership No: 211785

R Mahesh
 Partner
 Membership No: 024775

Gareth Morgan Roberts
 Director

S Prasad
 Director

 Place : Chennai
 Date : May 09, 2014

Venkatachalam Sekar
 Financial Controller

S R Balachandher
 Company Secretary

Form B - PL

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2014

Registration No. and Date of Registration with the IRDA : 102/23.10.2000

(₹ '000)

Particulars	Schedule	31st March 2014	31st March 2013
1 OPERATING PROFIT/(LOSS)			
a) Fire Insurance		150,429	56,759
b) Marine Insurance		22,682	26,504
c) Miscellaneous Insurance		387,891	251,641
2 INCOME FROM INVESTMENTS			
a) Interest, Dividend and Rent [Net of amortisation] [Gross Interest and Dividend ₹ 452,724 thousand (Previous Year: ₹ 410,367 thousand)] (Refer note 19 of Schedule 17)		453,018	408,529
b) Profit on sale of investments		2,450	3,516
Less : Loss on sale of investments		(2,836)	(386)
3 OTHER INCOME			
i) Profit on Sale of Assets		-	525
ii) Interest on Staff Loan and Other income		2,914	724
iii) Income arising out of enrollment process of Aadhaar		-	-
Total (A)		1,016,548	748,198
4 PROVISION (Other than taxation)			
a) For diminution in the value of investments		-	-
b) For doubtful debts		-	-
c) Others		-	-
5 OTHER EXPENSES			
a) Expenses other than those related to Insurance business:			
(i) Expenses arising out of enrollment process of Aadhaar		-	-
b) Employees' remuneration and welfare benefits (Refer note 15 of Schedule 17)		2,701	2,641
c) Bad debts written off (Investments)		-	112,144
d) Others (Expenses of Investment & Penalty etc.)		1,334	773
e) Loss on Sale of Assets		4,199	-
Total (B)		8,234	115,558
Profit/(Loss) Before Tax (A - B)		1,008,314	632,640
Provision for Taxation			
- Current [including Wealth Tax ₹ 85 thousand (Previous Year - ₹ 58 thousand)]		(275,179)	(230,758)
- Deferred		(50,773)	144,857
Profit/(Loss) after tax		682,362	546,739
Appropriations			
(a) Interim dividends paid during the year		-	-
(b) Proposed final dividend		-	-
(c) Dividend distribution tax		-	-
(d) Transfer to any Reserves or Other Accounts		-	-
Balance of Profit/(Loss) brought forward from last year		785,415	238,676
Balance carried forward to Balance Sheet		1,467,777	785,415
Significant accounting policies	16		
Notes to financial statements	17		
Earning per Share (Basic and Diluted)		2.17	1.88

Per our report of even date attached

For Sundaram & Srinivasan
Chartered Accountants
Registration No.004207S

For Suri & Co.
Chartered Accountants
Registration No.004283S

S Usha
Partner
Membership No: 211785

R Mahesh
Partner
Membership No: 024775

Place : Chennai
Date : May 09, 2014

For and on behalf of the Board of Directors

P M Venkatasubramanian
Chairman

Ajay Bimbhet
Managing Director

Gareth Morgan Roberts
Director

S Prasad
Director

Venkatachalam Sekar
Financial Controller

S R Balachandher
Company Secretary

Form B - BS
BALANCE SHEET AS AT 31st MARCH 2014

Registration No. and Date of Registration with the IRDA : 102/23.10.2000

(₹ '000)

Particulars	Schedule	31st March 2014	31st March 2013
SOURCES OF FUNDS			
SHARE CAPITAL	5	3,150,000	3,150,000
RESERVES AND SURPLUS	6	2,107,777	1,425,415
FAIR VALUE CHANGE ACCOUNT		(4,142)	(16,438)
BORROWINGS	7	-	-
TOTAL		5,253,635	4,558,977
APPLICATION OF FUNDS			
INVESTMENTS	8	22,233,970	20,843,567
LOANS	9	-	-
FIXED ASSETS	10	346,507	147,122
Deferred Tax Assets - Net (Refer note 7 of Schedule 17)		152,512	203,285
CURRENT ASSETS			
Cash and Bank Balances	11	503,000	523,523
Advances and Other Assets	12	1,971,426	1,876,042
Sub- Total (A)		2,474,426	2,399,565
CURRENT LIABILITIES			
PROVISIONS	14	6,729,648	7,199,265
Sub - Total (B)		19,953,780	19,034,562
NET CURRENT ASSETS (C)=(A-B)		(17,479,354)	(16,634,997)
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	15	-	-
DEBIT BALANCE IN PROFIT AND LOSS ACCOUNT		-	-
TOTAL		5,253,635	4,558,977
Significant accounting policies	16		
Notes to financial statements	17		

Per our report of even date attached

For Sundaram & Srinivasan
 Chartered Accountants
 Registration No.004207S

S Usha
 Partner
 Membership No: 211785

 Place : Chennai
 Date : May 09, 2014

For Suri & Co.
 Chartered Accountants
 Registration No.004283S

R Mahesh
 Partner
 Membership No: 024775

For and on behalf of the Board of Directors

P M Venkatasubramanian
 Chairman

Gareth Morgan Roberts
 Director

Venkatachalam Sekar
 Financial Controller

Ajay Bimbhet
 Managing Director

S Prasad
 Director

S R Balachandher
 Company Secretary

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(₹ '000)

Particulars	31st March 2014	31st March 2013
SCHEDULE 1A		
PREMIUM EARNED (NET) — FIRE BUSINESS		
Premium from direct business written	671,691	925,305
Add: Premium on reinsurance accepted	38,570	40,329
Less: Premium on reinsurance ceded	(506,751)	(516,889)
Net Premium	203,510	448,745
Adjustment for change in reserve for unexpired risks	(35,741)	(308,745)
Total Premium Earned (Net)	167,769	140,000
SCHEDULE 1B		
PREMIUM EARNED (NET) — MARINE CARGO BUSINESS		
Premium from direct business written	287,534	277,687
Add: Premium on reinsurance accepted	-	-
Less: Premium on reinsurance ceded	(188,615)	(186,767)
Net Premium	98,919	90,920
Adjustment for change in reserve for unexpired risks	(4,000)	20,081
Total Premium Earned (Net)	94,919	111,001
SCHEDULE 1C		
PREMIUM EARNED (NET) — MARINE HULL BUSINESS		
Premium from direct business written	23,118	15,506
Add: Premium on reinsurance accepted	-	-
Less: Premium on reinsurance ceded	(21,923)	(14,672)
Net Premium	1,195	834
Adjustment for change in reserve for unexpired risks	(361)	(748)
Total Premium Earned (Net)	834	86
SCHEDULE 1D		
PREMIUM EARNED (NET) — MISCELLANEOUS BUSINESS		
Premium from direct business written	13,388,056	14,381,547
Add: Premium on reinsurance accepted	199,624	271,867
Less: Premium on reinsurance ceded	(1,204,732)	(1,992,904)
Net Premium	12,382,948	12,660,510
Adjustment for change in reserve for unexpired risks	510,710	(505,341)
Total Premium Earned (Net)	12,893,658	12,155,169

All premium written, less reinsurance, is from business in India.

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(₹ '000)

Particulars	31st March 2014	31st March 2013
SCHEDULE 2A		
CLAIMS INCURRED (NET) — FIRE BUSINESS		
Claims paid		
Direct	431,989	212,303
Add: Reinsurance accepted	(40)	182
Less: Reinsurance ceded	(381,494)	(161,641)
Net Claims paid	50,455	50,844
Add: Claims outstanding at the end of the year	127,445	100,195
Less: Claims outstanding at the beginning	(100,195)	(95,070)
Total Claims Incurred	77,705	55,969
SCHEDULE 2B		
CLAIMS INCURRED (NET) — MARINE CARGO BUSINESS		
Claims paid		
Direct	148,811	116,641
Add: Reinsurance accepted	-	-
Less: Reinsurance ceded	(92,764)	(73,055)
Net Claims paid	56,047	43,586
Add: Claims outstanding at the end of the year	84,014	67,084
Less: Claims outstanding at the beginning	(67,084)	(54,854)
Total Claims Incurred	72,977	55,816
SCHEDULE 2C		
CLAIMS INCURRED (NET) — MARINE HULL BUSINESS		
Claims paid		
Direct	409	-
Add: Reinsurance accepted	-	-
Less: Reinsurance ceded	(399)	-
Net Claims paid	10	-
Add: Claims outstanding at the end of the year	190	6
Less: Claims outstanding at the beginning	(6)	-
Total Claims Incurred	194	6
SCHEDULE 2D		
CLAIMS INCURRED (NET) — MISCELLANEOUS BUSINESS		
Claims paid		
Direct	8,058,688	7,759,995
Add: Reinsurance accepted	511,526	292,139
Less: Reinsurance ceded	(673,437)	(702,136)
Net Claims paid	7,896,777	7,349,998
Add: Claims outstanding at the end of the year	11,278,754	9,278,476
Less: Claims outstanding at the beginning	(9,284,550)	(7,496,031)
Total Claims Incurred	9,890,981	9,132,443

All claims paid, less reinsurance, are to claimants in India.

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(₹ '000)

Particulars	31st March 2014	31st March 2013
SCHEDULE 3A		
COMMISSION — FIRE BUSINESS		
Commission paid		
Direct	52,328	55,329
TOTAL	52,328	55,329
Add: Commission on Reinsurance Accepted	-	-
Less: Commission on Reinsurance Ceded	(74,167)	(82,101)
Net Commission	(21,839)	(26,772)
Break-up of the expenses (Gross) incurred to procure business :		
Agents	10,872	11,507
Brokers	27,858	28,612
Corporate Agency	13,598	15,210
Referral	-	-
Others	-	-
TOTAL	52,328	55,329
SCHEDULE 3B		
COMMISSION — MARINE CARGO BUSINESS		
Commission paid		
Direct	39,444	30,427
TOTAL	39,444	30,427
Add: Commission on Reinsurance Accepted	-	-
Less: Commission on Reinsurance Ceded	(51,316)	(29,714)
Net Commission	(11,872)	713
Break-up of the expenses (Gross) incurred to procure business :		
Agents	5,532	4,011
Brokers	26,305	19,442
Corporate Agency	7,607	6,974
Referral	-	-
Others	-	-
TOTAL	39,444	30,427

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(₹ '000)

Particulars	31st March 2014	31st March 2013
SCHEDULE 3C		
COMMISSION — MARINE HULL BUSINESS		
Commission paid		
Direct	680	649
TOTAL	680	649
Add: Commission on Reinsurance Accepted	-	-
Less: Commission on Reinsurance Ceded	(3,354)	(2,424)
Net Commission	(2,674)	(2,424)
Break-up of the expenses (Gross) incurred to procure business :		
Agents	-	-
Brokers	680	649
Corporate Agency	-	-
Referral	-	-
Others	-	-
TOTAL	680	649
SCHEDULE 3D		
COMMISSION — MISCELLANEOUS BUSINESS		
Commission paid		
Direct	762,724	766,976
TOTAL	762,724	766,976
Add: Commission on Reinsurance Accepted	-	-
Less: Commission on Reinsurance Ceded	(245,423)	(377,467)
Net Commission	517,301	389,509
Break-up of the expenses (Gross) incurred to procure business :		
Agents	139,492	153,392
Brokers	374,511	340,085
Corporate Agency	248,721	273,499
Referral	-	-
Others	-	-
TOTAL	762,724	766,976

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

Break up Schedule for All Business

(For the year ended 31st March 2014)

Particulars	Fire Revenue Account						Marine Revenue Account						Miscellaneous Revenue Account												Grand Total		
	Fire		Marine Cargo		Marine Hull		Marine Total		Motor		Workmen's Compensation / Employers Liability		Public / Product Liability		Engineering		Personal Accident		Health Insurance		Others		Miscellaneous Total				
	31st March 2014	31st March 2013	31st March 2014	31st March 2013	31st March 2014	31st March 2013	31st March 2014	31st March 2013	31st March 2014	31st March 2013	31st March 2014	31st March 2013	31st March 2014	31st March 2013	31st March 2014	31st March 2013	31st March 2014	31st March 2013	31st March 2014	31st March 2013	31st March 2014	31st March 2013	31st March 2014	31st March 2013	31st March 2014		
Premium Earned (Net)	671,691	925,305	287,534	277,687	23,118	15,506	310,652	293,193	10,224,618	11,056,697	35,785	32,551	113,462	187,653	381,473	508,857	417,321	508,857	2,135,166	2,144,247	93,268	70,069	13,388,056	14,381,547	14,370,399	15,600,045	
Premium from direct business written	38,570	40,329	-	-	-	-	-	-	191,081	263,265	-	-	-	-	8,543	8,602	-	-	-	-	-	-	199,624	271,867	238,194	312,196	
Add: Premium on reinsurance accepted	(506,751)	(516,889)	(188,615)	(186,767)	(21,923)	(14,672)	(210,538)	(201,439)	(598,996)	(1,201,229)	(3,928)	(4,905)	(73,656)	(141,576)	(329,642)	(62,227)	(42,464)	(40,862)	(128,409)	(214,425)	(40,862)	(58,900)	(1,204,732)	(1,992,904)	(1,922,021)	(2,771,232)	
Less: Premium on reinsurance ceded	203,530	448,745	98,919	90,920	1,195	834	100,114	91,754	9,816,703	10,118,733	31,857	27,646	39,806	46,077	60,562	44,633	374,857	446,630	2,006,757	1,929,822	52,406	31,169	12,382,948	12,660,510	12,686,572	13,201,009	
Adjustment for change in reserve for unexpired risks	(35,741)	(308,745)	(4,000)	20,081	(3,61)	(748)	(4,361)	19,333	414,276	(253,412)	(408)	(1,196)	6,864	(1,149)	2,821	1,525	41,000	(77,052)	53,520	(171,559)	(7,363)	(2,498)	510,710	(505,341)	470,608	(794,753)	
Total Premium Earned (Net)	167,769	140,000	94,919	111,001	834	86	95,753	111,087	10,230,979	9,865,321	31,449	26,450	46,670	44,928	63,383	61,958	415,857	369,578	2,060,277	1,758,263	45,043	28,671	12,893,658	12,155,169	13,157,180	12,406,256	
Claims Incurred (Net)																											
Claims paid	431,989	212,303	148,811	116,641	409	-	149,220	116,641	6,514,296	6,619,748	3,830	6,060	5,205	3,385	97,290	56,384	183,613	174,011	1,232,319	879,602	22,135	20,805	8,058,688	7,759,995	8,639,897	8,088,839	
Add: Reinsurance accepted	(40)	182	-	-	-	-	-	-	511,263	291,679	-	-	-	-	263	460	-	-	-	-	-	-	-	511,526	292,139	511,486	292,321
Less: Reinsurance ceded	(381,494)	(161,641)	(92,764)	(73,055)	(399)	-	(93,163)	(73,055)	(457,576)	(546,291)	(463)	(644)	(523)	(354)	(83,467)	(40,863)	(18,319)	(18,635)	(105,334)	(88,098)	(7,755)	(7,271)	(673,437)	(702,136)	(1,148,094)	(936,832)	
Net Claims paid	50,455	50,844	56,047	43,586	10	-	56,057	43,586	6,567,983	6,365,136	3,367	5,416	4,682	3,031	14,086	15,981	165,294	155,396	1,126,085	791,504	14,380	13,534	7,896,777	7,349,998	8,005,289	7,444,428	
Add: Claims remaining unpaid at the end of the year	127,445	100,195	84,014	67,084	190	6	84,204	67,090	10,627,695	8,670,439	12,385	10,207	14,110	16,063	57,644	64,365	250,688	255,031	276,252	227,109	39,980	35,262	11,278,754	9,278,476	11,490,403	9,445,761	
Less: Claims remaining unpaid at the beginning of the year	(100,195)	(95,070)	(67,084)	(54,854)	(6)	-	(67,090)	(54,854)	(8,676,513)	(6,994,176)	(10,207)	(12,421)	(16,063)	(10,034)	(64,365)	(64,196)	(255,031)	(229,534)	(227,109)	(153,744)	(55,262)	(31,926)	(9,284,550)	(7,496,031)	(9,451,835)	(7,645,955)	
Total Claims Incurred	77,705	55,969	72,977	55,816	194	6	73,171	55,822	8,519,165	8,041,399	5,545	3,202	2,729	9,060	7,365	16,150	160,951	180,893	1,176,128	864,869	19,098	16,870	9,890,981	9,132,443	10,041,857	9,244,234	
NIC/NEP	46%	40%	77%	50%	23%	7%	76%	50%	83%	82%	18%	12%	6%	20%	12%	26%	39%	49%	57%	49%	42%	59%	77%	77%	76%	75%	
Commissions																											
Commission paid																											
Direct	52,328	55,329	39,444	30,427	680	649	40,124	31,076	457,213	482,642	2,925	2,699	9,674	12,684	34,684	30,248	48,384	55,951	202,247	180,172	7,597	2,580	7,62,724	7,66,976	853,176	853,381	
TOTAL	52,328	55,329	39,444	30,427	680	649	40,124	31,076	457,213	482,642	2,925	2,699	9,674	12,684	34,684	30,248	48,384	55,951	202,247	180,172	7,597	2,580	7,62,724	7,66,976	853,176	853,381	
Add: Commission on reinsurance accepted																											
Less: Commission on reinsurance ceded	(74,167)	(82,101)	(51,316)	(29,714)	(3,354)	(2,424)	(54,670)	(32,138)	(83,693)	(191,508)	(560)	(744)	(12,470)	(22,858)	(104,369)	(9,468)	(7,669)	(12,679)	(28,863)	(45,023)	(7,799)	(8,187)	(245,423)	(377,467)	(374,260)	(491,706)	
Net commission	(21,839)	(26,772)	(11,872)	(713)	(2,674)	(1,775)	(14,546)	(1,062)	(373,520)	(291,134)	2,365	1,955	(2,796)	(10,174)	(69,685)	(66,220)	(40,715)	(43,272)	173,384	135,149	(202)	(5,007)	(517,301)	(389,509)	(480,916)	(361,675)	
Operating Expenses	47,027	127,039	25,863	39,903	170	1,714	26,033	41,617	2,695,078	2,857,634	5,196	4,405	6,076	21,154	13,187	51,090	83,984	86,977	690,141	566,704	8,114	8,997	3,501,776	3,596,961	3,574,886	3,765,617	

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(₹ '000)

Particulars	31st March 2014	31st March 2013
SCHEDULE 4		
OPERATING EXPENSES RELATED TO INSURANCE BUSINESS		
1 Employees' remuneration and welfare benefits	848,239	813,919
2 Travel, conveyance and vehicle running expenses	68,437	63,287
3 Training expenses	16,492	8,334
4 Rents, rates and taxes	125,395	115,318
5 Repairs and maintenance	29,555	28,671
6 Printing and stationery	36,445	43,558
7 Communication	60,121	58,460
8 Legal and professional charges	49,809	13,870
9 Auditors' fees and expenses		
(a) as auditors	1,500	1,500
(b) as adviser or in any other capacity, in respect of		
(i) Taxation matters	200	200
(ii) Insurance matters	-	-
(iii) Management services	-	-
(c) in any other capacity - certification	771	525
(d) out of pocket expenses	22	17
10 Advertisement and publicity	35,742	35,645
11 Bank charges	19,442	20,122
12 Others		
- Data processing and outsourcing expenses	1,522,436	1,866,218
- Marketing and related expenses	396,139	389,570
- Software and Hardware maintenance charges	181,341	140,319
- Policy Stamp expenses	1,077	1,242
- Directors' sitting fees	760	780
- Miscellaneous expenses	52,766	69,190
13 Depreciation	97,995	68,511
14 Service tax on premium	30,152	26,361
	3,574,836	3,765,617
Allocation of expenses (per accounting policy 12, Schedule 16)		
Revenue Account – Fire Business	47,027	127,039
Revenue Account – Marine Business	26,033	41,617
Revenue Account – Miscellaneous Business	3,501,776	3,596,961
	3,574,836	3,765,617

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(₹ '000)

Particulars	31st March 2014	31st March 2013
SCHEDULE 5		
SHARE CAPITAL		
1 Authorised Capital 350,000,000 (31st March 2013 - 350,000,000) Equity shares of ₹ 10/- each	3,500,000	3,500,000
2 Issued Capital 315,000,000 (31st March 2013 - 315,000,000) equity shares of ₹ 10/- each, fully paid up	3,150,000	3,150,000
3 Subscribed Capital 315,000,000 (31st March 2013 - 315,000,000) equity shares of ₹ 10/- each, fully paid up	3,150,000	3,150,000
4 Called-up Capital 315,000,000 (31st March 2013 - 315,000,000) equity shares of ₹ 10/- each, fully paid up	3,150,000	3,150,000
Less: Calls unpaid	-	-
Add: Equity Shares forfeited (Amount originally paid-up)	-	-
Less: Par Value of Equity Shares bought back	-	-
Less: Preliminary Expenses (to the extent not written off)	-	-
Total	3,150,000	3,150,000

SCHEDULE 5A

SHARE CAPITAL
PATTERN OF SHAREHOLDING
[As certified by the Management]

Shareholder	31st March 2014		31st March 2013	
	Number of Shares	% of holding	Number of Shares	% of holding
Promoters				
Indian	233,100,000	74%	233,100,000	74%
Foreign	81,900,000	26%	81,900,000	26%
	315,000,000	100%	315,000,000	100%
Others	-	-	-	-
Total	315,000,000	100%	315,000,000	100%

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(₹ '000)

Particulars	31st March 2014	31st March 2013
SCHEDULE 6		
RESERVES AND SURPLUS		
1 Capital Reserve	-	-
2 Capital Redemption Reserve	-	-
3 Share Premium	640,000	640,000
4 General Reserves	-	-
Less: Debit balance in Profit and Loss Account		
Less: Amount utilized for Buy-back		
5 Catastrophe Reserve	-	-
6 Other Reserves	-	-
7 Balance of Profit in Profit & Loss Account	1,467,777	785,415
Total	2,107,777	1,425,415
SCHEDULE 7		
BORROWINGS		
1 Debentures / Bonds	-	-
2 Banks	-	-
3 Financial Institutions	-	-
4 Others	-	-
Total	-	-

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(₹ '000)

Particulars	31st March 2014	31st March 2013
SCHEDULE 8		
INVESTMENTS		
LONG TERM INVESTMENTS		
1 Government securities and Government guaranteed bonds including Treasury Bills*	5,346,362	4,611,197
2 Other Approved Securities	-	699,605
3 Other Investments		
(a) Shares		
(aa) Equity	87,673	98,511
(bb) Preference	-	-
(b) Mutual Funds	-	-
(c) Derivative Instruments	-	-
(d) Debentures / Bonds	3,893,666	3,245,828
(e) Other Securities	-	-
(f) Subsidiaries	-	-
(g) Investment in Properties-Real Estate	-	-
4 Investments in Infrastructure and Social Sector	5,409,731	4,957,349
5 Other than Approved Investments - Equity Shares	-	1,092
SHORT TERM INVESTMENTS		
1 Government securities and Government guaranteed bonds including Treasury Bills	1,066,394	1,134,590
2 Other Approved Securities	699,778	200,000
3 Other Investments		
(a) Shares		
(aa) Equity	-	-
(bb) Preference	-	-
(b) Mutual Funds	-	-
(c) Derivative Instruments	-	-
(d) Debentures / Bonds	2,049,756	2,195,663
(e) Other Securities-Certificate of Deposit/CBLO	1,335,094	2,249,140
(f) Subsidiaries	-	-
(g) Investment in Properties-Real Estate	-	-
4 Investments in Infrastructure and Social Sector	2,345,516	1,450,592
5 Other than Approved Investments	-	-
Total	22,233,970	20,843,567
Aggregate market value of quoted investments other than Equity Shares	20,424,350	18,496,296
Aggregate book value of quoted investments other than Equity Shares	20,712,473	18,494,823
Historical cost of Equity Shares valued on fair value basis	91,815	116,041
Historical cost of Mutual funds valued on fair value basis	-	-
Aggregate book value of unquoted investments	1,433,824	2,249,140

* Includes Government securities of book value ₹ 102,625 thousand (31st March 2013: ₹ 106,689 thousands), held under Section 7 of the Insurance Act, 1938.

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(₹ '000)

Particulars	31st March 2014	31st March 2013
SCHEDULE 9		
LOANS		
1 SECURITY-WISE CLASSIFICATION		
<i>Secured</i>		
(a) On mortgage of Property	-	-
(aa) In India	-	-
(bb) Outside India	-	-
(b) On Shares, Bonds, Government Securities	-	-
(c) Others	-	-
<i>Unsecured</i>	-	-
Total	-	-
2 BORROWER-WISE CLASSIFICATION		
(a) Central and State Governments	-	-
(b) Banks and Financial Institutions	-	-
(c) Subsidiaries	-	-
(d) Industrial Undertakings	-	-
(e) Others	-	-
Total	-	-
3 PERFORMANCE-WISE CLASSIFICATION		
(a) Loans Classified as standard	-	-
(aa) In India	-	-
(bb) Outside India	-	-
(b) Non-performance loans less provisions	-	-
(aa) In India	-	-
(bb) Outside India	-	-
Total	-	-
4 MATURITY-WISE CLASSIFICATION		
(a) Short-Term	-	-
(b) Long-Term	-	-
Total	-	-

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

SCHEDULE 10

FIXED ASSETS

(₹ '000)

Particulars	Cost/Gross Block			Depreciation			Net Block			
	Opening	Additions	Deductions	Closing	Upto 31st March 2013	For the year	On sales / adjustments	Upto 31st March 2014	As at 31st March 2014	As at 31st March 2013
Goodwill	-	-	-	-	-	-	-	-	-	-
Intangibles - Information Technology Software	226,684	35,144	-	261,828	175,307	23,285	-	198,592	63,236	51,377
Land-Freehold	-	-	-	-	-	-	-	-	-	-
Leasehold Property	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-
Furniture and Fittings	16,702	10,703	-	27,405	14,106	2,277	-	16,383	11,022	2,596
Improvements to Leased premises	150,421	124,448	42,357	232,512	116,670	15,330	38,158	93,842	138,670	33,751
Information Technology Equipment	361,586	75,128	18,789	417,925	323,572	47,610	18,568	352,614	65,311	38,014
Vehicles	13,107	5,672	1,865	16,914	4,502	2,883	1,679	5,706	11,208	8,605
Office Equipment	74,022	51,396	5,246	120,172	61,609	6,610	5,107	63,112	57,060	12,413
TOTAL	842,522	302,491	68,257	1,076,756	695,766	97,995	63,512	730,249	346,507	146,756
Work in progress	366	-	366	-	-	-	-	-	-	366
Grand Total	842,888	302,491	68,623	1,076,756	695,766	97,995	63,512	730,249	346,507	147,122
As at 31st March 2013	767,987	94,984	20,083	842,888	643,119	68,511	15,864	695,766	147,122	

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(₹ '000)

Particulars	31st March 2014	31st March 2013
SCHEDULE 11		
CASH AND BANK BALANCES		
1 Cash (including cheques, drafts and stamps)	63,129	68,004
2 Bank Balances		
(a) Deposit Accounts		
(aa) Short-term (due within 12 months)	-	-
(bb) Others	-	-
(b) Current Accounts	439,871	455,519
(c) Others	-	-
3 Money at Call and Short Notice		
(a) With Banks	-	-
(b) With other Institutions	-	-
4 Others	-	-
Total	503,000	523,523
Included in Bank balances -- current accounts, are balances held outside India amounting to ₹ 427 thousand (31st March 2013 - ₹ 372 thousand) with non-scheduled banks and the other bank balances are with scheduled banks.		
SCHEDULE 12		
ADVANCES AND OTHER ASSETS		
ADVANCES		
1 Reserve deposits with ceding companies	-	-
2 Application money for investments	-	-
3 Prepayments	31,590	35,418
4 Advances to Directors/Officers	-	-
5 Advance tax paid and taxes deducted at source [Net of provision for tax amounting to ₹ 728,524 thousand (Previous Year: ₹ 453,524 Thousand)]	159,933	129,517
6 Others – Deposits for premises and advance rent	70,575	59,360
– Service Tax unutilised credit / Advance Payments	181,497	179,066
– Other Advances	13,889	22,159
Total (A)	457,484	425,520
OTHER ASSETS		
1 Income accrued on investments	787,476	683,055
2 Outstanding Premiums	138,367	242,728
3 Agents' Balances	-	-
4 Foreign Agencies Balances	-	-
5 Due from other entities carrying on insurance business (including reinsurers)	13,295	15,177
6 Due from subsidiaries / holding Company	-	-
7 Deposit with Reserve Bank of India [Pursuant to section 7 of the Insurance Act, 1938]	-	-
8 Others		
– Balance with Terrorism Pool	434,519	364,593
– Balance with Declined Risk Pool (IMTPDRIP)	140,118	144,969
– Investment Related Receivables	167	-
Total (B)	1,513,942	1,450,522
Total (A+B)	1,971,426	1,876,042

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(₹ '000)

Particulars	31st March 2014	31st March 2013
SCHEDULE 13		
CURRENT LIABILITIES		
1 Agents' Balances	59,515	50,359
2 Balances due to other insurance companies	79,593	457,915
3 Deposits held on re-insurance ceded	-	-
4 Premiums received in advance	117,946	157,209
5 Unallocated Premium	179,584	52,691
6 Sundry creditors	898,854	1,059,841
7 Sundry Creditors - Due to Policyholders	361,614	342,598
8 Due to subsidiaries / holding company	-	-
9 Claims Outstanding	11,490,403	9,451,835
10 Due to Officers / Directors	5,952	6,093
11 Others — Service Tax payable	16,458	23,911
12 Due to Other Members of TP Pool (IMTPIP)	14,213	232,845
Total	13,224,132	11,835,297
SCHEDULE 14		
PROVISIONS		
1 Reserve for Unexpired Risk	6,718,623	7,189,231
2 For taxation (less advance tax paid and taxes deducted at source)	-	-
3 For proposed dividends	-	-
4 For dividend distribution tax	-	-
5 Others - Employee Benefits - gratuity	4,524	4,279
- Leave compensated absence	6,501	5,755
Total	6,729,648	7,199,265
SCHEDULE 15		
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		
1 Discount Allowed in issue of shares / debentures	-	-
2 Others	-	-
Total	-	-

SIGNIFICANT ACCOUNTING POLICIES

SCHEDULE 16

1. Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention, in accordance with the generally accepted accounting practices and accounting requirements prescribed by the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ('the Accounting Regulations') and amendments if any, the Insurance Act, 1938, the Insurance Regulatory and Development Authority Act, 1999, Orders / Circulars / Notifications issued by IRDA from time to time, the Accounting Standards issued [by the Institute of Chartered Accountants of India ('ICAI')] under Section 211 (3C) of the Companies Act, 1956 ('the Companies Act') and the other requirements of the said Act, to the extent applicable.

The preparation of the financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amount of assets and liabilities as at the Balance Sheet date, reported amounts of revenues and expenses during the year and disclosure of contingent liabilities as at that date. The estimates and assumptions used in these financial statements are based upon the management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from those estimates, and any changes arising there from are accounted for prospectively.

The Company follows the mercantile system of accounting and recognises items of income and expenditure on accrual basis.

2. Revenue recognition for insurance business

Premium (net of service tax) is recognized as income over the contract period or period of risk, as appropriate and for installment cases, it is recognized on installment due dates after adjusting for unearned premium (unexpired risk) and premium deficiency, if any. For Government sponsored Health Scheme (RSBY), premium is recognized based on enrollment of lives and acknowledgement of the invoices by the Government. Subsequent revisions to or cancellations of premium are accounted for in the year in which they occur. Premium received in advance represents premium received prior to commencement of the risk.

Premium deficiency is recognised whenever expected claims cost, related expenses and maintenance cost exceed related reserve for unexpired risk in Fire, Marine and Miscellaneous Revenue Accounts.

The reserve for unexpired risks represents the proportion of premium written relating to periods of insurance subsequent to the Balance Sheet date, calculated principally on a daily pro-rata basis and is subject to a minimum of 50% as stipulated in the Insurance Act, 1938. However, in respect of Marine Cargo and Marine Hull business a fixed percentage of 50 and 100 respectively on Net Written Premium of the year, is adopted.

3. Claims

- (a) Claims paid include claims settlement costs, comprising survey, legal and other directly attributable expenses.
- (b) Estimated liability for outstanding claims in respect of direct business is provided on the basis of claims reported till the end of the financial year.
- (c) Estimated liability for claims incurred but not reported ('IBNR') and claims incurred but not enough reported ('IBNER') is based on available statistical data and is as certified by the Appointed Actuary.
- (d) Premium deficiency if any is calculated based on actuarial valuation duly certified by the Appointed Actuary.
- (e) Salvage is accounted for, on realisable basis.

4. Reinsurance

Reinsurance premium ceded is accounted for in the year in which the risk commences and over the period of risk in accordance with the treaty arrangements with the reinsurers. Unearned premium on reinsurance ceded is carried forward to the period of risk and set off against related unearned premium.

Premium on excess of loss reinsurance cover is accounted as per the reinsurance arrangements.

Claims recoverable from reinsurers are accounted for in the same period as Claims.

Commission on reinsurance ceded is recognised as income during the year in which the reinsurance premium is ceded. Profit commission is accounted when due.

SIGNIFICANT ACCOUNTING POLICIES

5. Indian Market Terrorism Risk Insurance Pool

The Company has subscribed to a pool created by Indian non life insurers for insurance of terrorism risk ('the Pool') from 1st April 2002, managed by General Insurance Corporation of India ('the Pool Manager'). In terms of the Pool agreement, the Company reinsures the entire terrorism risk underwritten by it with the Pool and the Pool Manager is required to protect the portfolio for common account and retrocede it back to all Pool members including the Pool Manager, in proportion to their accepted share.

Accordingly, based on statements received from the Pool Manager up to the finalisation of financial statements, the Company combines its proportionate retrocession share of the Pool's income and expenses with similar items in its financial statements, on a line-by-line basis.

A reserve for unexpired risks is recorded at 100 per cent of the net premium retroceded to the Company from the Pool during the year.

6. Indian Motor Third Party Pool

The Company was a member of the Indian Motor Third Party Insurance Pool under which it collectively, mandatorily and automatically participated in a pooling arrangement to share all motor third party insurance business underwritten between 1st April 2007 to 31st March 2012, in respect of commercial vehicles.

IRDA had vide its Orders IRDA /NL/ORD/MPL/277/12/2011 dated 23rd December 2011 and IRDA/NL/ORD/MPL/003/01/2012 dated January 3, 2012 directed dismantling of the IMTPIP with effect from March 31, 2012. The dismantling of the pooling arrangement of IMTPIP implies that the insurers liability on motor third party insurance on commercial vehicles gets restated from industry market share basis to actual policy issued basis.

(Refer note 10 of Schedule 17)

7. Indian Motor Third Party Declined Risk Insurance Pool (DR Pool)

In accordance with the directions of IRDA, the Company, together with other non-life insurance companies, participates in the Indian Motor Third Party Declined Risk Insurance Pool [DR Pool], a multilateral reinsurance arrangement in respect of specified commercial vehicles and where the policy issuing member insurer cede the insurance premium to the DR pool (based on underwriting policy approved by IRDA). The DR Pool is administered by General Insurance Corporation of India ('GIC').

In terms of the DR Pool agreement, the company shall underwrite, net of reinsurance, a minimum percentage of "Act only" premium of specified commercial vehicles which is in proportion to the sum of fifty per cent of the company's percentage share in total gross premium and fifty per cent of the total motor premium of the industry for the financial year. 70% of the premium written by the member insurer is to be ceded to the DR Pool. The fulfillment or shortfall of the mandatory obligations shall be determined based on actual premium written (net of reinsurance) by the Company and premium retained with respect to the business ceded to the DR Pool. The DR Pool shall be extinguished at the end of every financial year on a clean cut basis, based on the statement of accounts drawn by the Pool Administrator.

Accordingly, based on the statements received for the period ended December 31, 2013 the Company combines its proportionate share of the premium, claims and pool administrator fees with similar items in its financial statements, on a line-by-line basis. For the calendar quarter ended 31st March 2014, the premium, claims and pool administrator fees have been considered based on the management estimate. The difference, if any, between the estimates and the actual for the said quarter shall be recognized in the calendar quarter in which the Pool Administrator makes available the audited statement.

8. Investments

- (a) Investments are made in accordance with the Insurance Act, 1938 and the Insurance Regulatory & Development Authority (Investment) (Amendment) Regulations, 2001.
- (b) Investments maturing within or intended to be held for a period of less than twelve months from the Balance Sheet date are classified as 'Short term investments' while those maturing beyond or intended to be held for a period of twelve months or above are classified as 'Long term investments'.
- (c) Investments are recorded at cost including acquisition charges (such as brokerage, transfer stamps etc), if any, and exclude interest paid on purchase.
- (d) Investments though not so separately classified in the accounts, are identified on an aggregate basis with the Policyholders' and Shareholders' Funds on the same lines as Investment income, as stated in item 9 herein below.

SIGNIFICANT ACCOUNTING POLICIES

(e) Debt securities

- i. Debt securities, which include government securities are considered as 'held-to-maturity' and are measured at historical cost. The premium / discount, if any, on purchase of debt securities is amortised over the period to maturity based on their intrinsic yield. Acquisition charges such as brokerage, transfer stamps etc., are amortised in the year of acquisition.
- ii. The net realised gains or losses on debt securities are the differences between the net sale consideration and the amortized cost, which is computed on a weighted average basis.
- iii. The difference between the acquisition price and the maturity value of money market instruments is recognised as income in the Revenue Accounts or the profit and loss account, as the case may be, over the remaining term of these instruments on a yield to maturity basis.

(f) Equity securities that are traded in active markets

- i. Measured at each Balance Sheet date at the fair value, being the last quoted closing prices available on the Balance Sheet date on the National Stock Exchange.
- ii. Any unrealised gains or losses arising due to changes in the fair value at each Balance Sheet date are accounted in "Fair Value Change – Equity Account" and carried to the Balance Sheet.
- iii. Profit/loss on actual sale of a particular security shall include the accumulated fair value change thereof and is recycled to the Profit and Loss account.
- iv. At each Balance Sheet date the company assesses impairment if any in the value, by examining if the investee company has been making losses continuously for the last three years and also its net worth is eroded, and recognizes the resultant impairment as an expense in the Revenue/Profit and Loss account.

(g) Mutual funds – Liquid Funds / Gilts / Debt Funds

- i. Measured at each Balance Sheet date at the fair value, being the realisable Net Asset Value.
- ii. Any unrealised gains or losses arising due to changes in the fair value at each Balance Sheet date are accounted in "Fair Value Change- Mutual Fund Account" and carried to the Balance Sheet.
- iii. Profit/loss on actual sale of units of a particular mutual fund shall include the accumulated fair value change thereof and is recycled to the Profit and Loss account.
- iv. At each Balance Sheet date the company assesses impairment if any in the value, by examining if the realisable net asset value of each mutual fund is lower than the weighted average cost thereof, and recognizes such impairment as an expense in the Revenue/Profit and Loss account.

9. Investment income

- i. Investment income other than that from pool accounts (including profit/loss on sale of investments) is allocated to the respective Revenue Accounts and the Profit and Loss Account based on the ratio of average "Technical Funds" and "Shareholders' Funds" respectively (average of funds at the beginning and end of the year).
- ii. "Technical Funds" in relation to policyholders' funds are the aggregate of outstanding claims, estimates for IBNR (including IBNER) and reserve for unexpired risk excluding the technical funds relating to pool accounts. "Shareholders' Funds" are the aggregate of funds available to the Company's shareholders, i.e., net worth of the Company.
- iii. Investment income arising from pool accounts is allocated directly to respective Revenue Accounts.
- iv. Dividend is accounted for as income as and when the right to receive is established.

10. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation.

Depreciation:

Asset	Method of Depreciation	Rate of Depreciation
Information Technology Software	Straight Line Method	Equally over a period of three years *
Furniture and Fittings	Written Down Value Method	18.1%
Improvements to leased premises	Straight Line Method	Equally over the maximum period of lease initially agreed upon and in case of Improvement to existing leased premises, over the balance lease period
Information Technology Equipment	Written Down Value Method	60%
Vehicles (both owned and leased)	Straight Line Method	25% on 90% of the cost
Office Equipment	Straight Line Method	Equally over a period of five years *
Assets costing less than ₹ 5000 each	Written down to ₹ 1 in the year of acquisition	

* Based on a technical valuation

SIGNIFICANT ACCOUNTING POLICIES

11. Impairment of Assets other than investments

The carrying amounts of assets are reviewed at each Balance Sheet date to ascertain impairment based on internal / external factors. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is higher of the net selling price of the assets and their value in use.

12. Operating expenses

- (a) Operating expenses, in the nature of acquisition costs, are expensed as incurred.
- (b) Operating expenses relating to insurance business are assigned to respective business segments as follows:
 - (i) Expenses directly identifiable to the business segments are allocated on an actual basis.
 - (ii) Other expenses, which are not directly identifiable, are apportioned on the basis of the Net Written Premium - Direct in each business segment during the year.

13. Operating Leases

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments for the non-cancellable period of the operating leases are recognised as an expense over the lease term.

14. Employee Benefits

- (a) Defined Contribution Plans- superannuation, Employee State Insurance and Provident Fund contributions are charged to as expenses on accrual.
- (b) Defined Benefit Plans- Retirement gratuity liability is funded with an Insurance Company through contributions to an approved gratuity trust. Liability therefore at each Balance sheet date is arrived at by external actuarial valuation by the fund manager using the projected unit credit method. Differential liability therefore is recognized in the accounts each year.
- (c) Costs of the Company's accumulating Compensated Absence Plans are valued and accounted for based on actuarial assumptions at each Balance Sheet date.
- (d) Costs of the Company's Retention Awards are valued and accounted for based on actuarial assumptions at each Balance Sheet date.
- (e) Actuarial gains/losses are recognized in the Revenue Accounts.

15. Income-tax

Tax expense comprises current and deferred. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961. Deferred income-tax reflects the impact of current year timing difference between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognised on carried forward unabsorbed depreciation and tax losses only if there is a virtual certainty that such deferred tax assets can be realised against future taxable profits. Other deferred tax assets of earlier years are reassessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which, such deferred tax assets can be realised.

16. Transactions in foreign exchange

- (a) Transactions in foreign currency are recorded at the rate of exchange on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the year-end.
- (b) Exchange differences arising on foreign currency transactions are recognised as income or expense in the year in which they arise.

17. Provision for Contingencies

In accordance with Accounting Standard 29 – 'Provisions, Contingent Liabilities and Contingent Assets', to the extent applicable to the Company, provisions are created in respect of obligations as a result of past events and it is probable that an outflow of resources will be required to settle the obligations, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on management estimate required to settle the obligation at the Balance Sheet date. These will be reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

18. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

NOTES TO FINANCIAL STATEMENTS

SCHEDULE 17

1. The assets of the Company are free from encumbrances.
2. a) Contingent liabilities

	(₹ '000)	
	31 st March 2014	31 st March 2013
Partly paid investments	Nil	Nil
Underwriting commitments relating to investment activities	Nil	Nil
Claims, other than those under policies, not acknowledged as debts	Nil	Nil
Guarantees given by or issued on behalf of the Company	Nil	Nil
Statutory demands/liabilities in dispute, not provided for –		
– Disputed Income Tax Liability	785,374*	554,551*
– Disputed Service tax Liability (Including of penalty of ₹394,400 thousands)	857,868**	857,868**
Reinsurance obligations, to the extent not provided for in the accounts	Nil	Nil

* The contested Income Tax Demands have been ascertained taking into consideration the relief allowed by the Commissioner of Income Tax (Appeals) and the principles adopted vide orders of CIT (Appeals) on similar disputed issues in the previous assessment years.

** Excluding interest under Rule 14 of the CENVAT Credit Rules, 2004. The Company has filed an appeal with Customs, Excise and Service Tax Appellate Tribunal, Chennai (CESTAT) against the commissioner of service tax order. Based on legal opinion and the recent amendment made in CENVAT Credit Rules 2004, in the opinion of the management, no liability is ultimately envisaged on this issue.

- b) Commitments made for Investments and Fixed Assets

	(₹ '000)	
	31 st March 2014	31 st March 2013
Commitments made and outstanding for Loans and Investments	Nil	Nil
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	49,053	34,887

3. The disclosures in respect of operating leases are as follows :

	(₹ '000)	
	31 st March 2014	31 st March 2013
Lease payments debited to the Profit and Loss Account	107,475	102,382
Future minimum lease payments		
– Not later than one year	84,851	60,648
– Later than 1 year but not later than 5 years	174,351	112,248
– Later than 5 years	70,848	24,249

4. Ageing of Gross Outstanding Claims - Direct:

	(₹ '000)			
	31 st March 2014		31 st March 2013	
	Nos.	Amount	Nos.	Amount
Claims outstanding for a period exceeding six months	21,079	4,156,811	12,898	5,267,275
Other Claims (less than 6 months)	25,266	4,847,610	10,086	2,024,020
Total	46,345	9,004,421	22,984	7,291,295

The claims were outstanding predominantly due to non-submission of essential documents by the insured and in respect of motor third party claims due to legal process involved. As at the year end March 31, 2014, there are Nil claims (Previous Year – Nil) outstanding for a period exceeding six months from the date when settlement has been agreed.

NOTES TO FINANCIAL STATEMENTS
5. Investments

a)	(₹ '000)	
	31 st March 2014	31 st March 2013
Contracts for sales where payments are overdue	Nil	Nil
Contracts for Purchases due for delivery on the Balance Sheet date	Nil	Nil
b)	(₹ '000)	
	31 st March 2014	31 st March 2013
Non-performing investment	Nil	Nil

6. A) Employee Benefits - Gratuity

Disclosures as required under Accounting Standard 15 "Employee Benefits - Gratuity".

a) The amounts recognized in the Balance Sheet	(₹ '000)	
	31 st March 2014	31 st March 2013
Present value of obligations as at the end of the year	54,814	45,999
Fair value of plan assets as at the end of the year	50,290	41,720
Funded status (Liability)	(4,524)	(4,279)
Net Asset/(Liability) recognised in the Balance Sheet	(4,524)	(4,279)
b) Expenses recognised in Revenue Accounts	(₹ '000)	
	31 st March 2014	31 st March 2013
Current Service cost	9,058	7,036
Interest Cost	4,330	3,131
Expected return on plan assets	(3,409)	(3,759)
Net Actuarial loss recognized in the year	(342)	1,698
Expenses to be recognised in Revenue Accounts	9,637	8,106
c) Reconciliation of Benefit Obligation & Plan Assets for the period	(₹ '000)	
i) Changes in present value of obligations	(₹ '000)	
	31 st March 2014	31 st March 2013
Present value of obligations as at the beginning of the year	45,999	39,142
Interest cost	4,330	3,131
Current Service Cost	9,058	7,036
Benefits Paid	(5,076)	(5,008)
Actuarial (gain)/loss on obligation	503	1,698
Present value of obligations as at the end of the year	54,814	45,999

NOTES TO FINANCIAL STATEMENTS

ii) Changes in the fair value of plan assets – LIC Fund

(₹ '000)

	31 st March 2014	31 st March 2013
Fair value of plan assets at the beginning of the year	41,720	42,948
Expected return on plan assets	3,409	3,760
Contributions	9,392	20
Benefits paid	(5,076)	(5,008)
Actuarial gain on plan assets	845	Nil
Fair value of plan assets at the end of the year	50,290	41,720

d) Asset Information

Category Assets (% Allocation)	Period Ended			
	31 st March	31 st March	31 st March	31 st March
	2014	2013	2014	2013
	%	%	(₹ '000)	(₹ '000)
Government of India Securities	0%	0%	-	-
Corporate Bonds	0%	0%	-	-
Special Deposit Scheme	0%	0%	-	-
Equity Shares of Listed Companies	0%	0%	-	-
Property	0%	0%	-	-
Insurer Managed Funds	100%	100%	50,290	41,720
Others	0%	0%	-	-
Grand Total			50,290	41,720

e) Experience Adjustments

(₹ '000)

	Period Ended				
	31 st March	31 st March	31 st March	31 st March	31 st March
	2010	2011	2012	2013	2014
Defined benefit Obligation	-	28,792	39,142	45,999	54,814
Plan Assets	-	34,519	42,948	41,720	50,290
Surplus / (Deficit)	-	5,727	3,806	(4,279)	(4,524)
Exp. Adj. on Plan Liabilities	-	-	3,382	1,990	3,282
Exp. Adj. on Plan Assets	-	-	-	-	845

f) Assumptions:

(₹ '000)

	31 st March 2014	31 st March 2013
i) Discount rate	9.35%	8.05%
ii) Salary Escalation	9.00%	8.00%
iii) Expected return on plan assets	7.50%	7.50%

iv) Rates of leaving service at specimen ages are as shown below

Age (Years)	Rates p.a
21-30	10%
31-40	5%
41-50	3%
51-59	2%

B) Employee Benefits – Compensated absence

The present value of obligations towards compensated absences as at 31.03.2014 as per Actuarial Certificate is ₹ 6,501 thousands (Previous Year: ₹ 5,755 thousands) and is provided for in the books of Accounts. The basis of provision for compensated absences is as follows:

(i) Changes in present value of obligations

	(₹ '000)	
	31 st March 2014	31 st March 2013
Present value of obligations as at the beginning of the year	5,755	5,021
Interest cost	-	-
Current Service Cost	746	734
Benefits paid	-	-
Actuarial (gain)/loss on obligation	-	-
Present value of obligations as at the end of the year	6,501	5,755

(ii) Assumptions

	31 st March 2014	31 st March 2013
Discount rate	9.35%	8.05%
Salary Escalation	9.0%	8.0%
Earned leave	As per Company rules	
Retirement age	60 Years	60 Years

C) Employee Benefits – Retention Awards

The present value of obligations towards retention awards as at 31.03.2014 as per Actuarial Certificate is ₹ 26,830 thousands and is provided for in the books of Accounts. The basis of provision for retention awards is as follows:

(i) Changes in present value of obligations

	(₹ '000)	
	31 st March 2014	31 st March 2013
Present value of obligations as at the beginning of the year	-	-
Interest cost	-	-
Current Service Cost	26,830	-
Benefits paid	-	-
Actuarial (gain)/loss on obligation	-	-
Present value of obligations as at the end of the year	26,830	-

(ii) Assumptions

	31 st March 2014
Discount rate	8.75%
Increase in Incentive Amount	0.0%
Retirement age	60 Years
Mortality rate Table	Nil
Leaving Service	21%
Disability	Nil

7. Deferred Tax Assets

The details of Deferred Tax Assets are as follows :

	(₹ '000)	
	31 st March 2014	31 st March 2013
Reserve for Unexpired risk	135,892	184,845
Depreciation	14,411	16,484
Accumulating Compensated Absence	2,210	1,956
Net Deferred Tax Asset	152,512	203,285

8. Participation in Indian Terrorism Risk Insurance Pool

The Company has accounted for the retro cession for 4 Quarters upto December 2013 during the year.

	(₹ '000)	
	31 st March 2014	31 st March 2013
Due from the Pool Manager, beginning of the year	364,593	292,465
Premium on reinsurance accepted	47,113	48,931
Investment Income	35,191	35,894
Premium on reinsurance ceded	(6,973)	(7,067)
Claims paid on reinsurance accepted	(223)	(642)
Operating expenses related to insurance business	(5,182)	(4,988)
Profit Commission on XL	Nil	Nil
Due from the Pool Manager, end of the year	434,519	364,593
Claims outstanding, end of the year	(1,000)	(1,000)
Reserve for Unexpired risk, end of the year	(40,139)	(41,864)
Reserve for Unexpired risk, beginning of the year	41,864	31,390

9. Indian Motor Third Party Declined Risk Insurance Pool (DR Pool)

In accordance with the directions of IRDA, the Company, together with other non-life insurance companies, participates in the Indian Motor Third Party Declined Risk Insurance Pool [DR Pool], a multilateral reinsurance arrangement in respect of specified commercial vehicles. The company has accounted for the retro cession for 3 Quarters, upto 31-Dec-2013, based on the audited statement received from the pool administrator & the 4th Quarter based on management estimate.

(₹ '000)

	31 st March 2014	31 st March 2013
Premium on reinsurance accepted	191,081	251,300
Incremental Reserve for unexpired risk	34,110	(125,650)
Claims Paid on Reinsurance Accepted	511,263	170,410
Claims Outstanding, end of the year	55,093	54,722
Claims Outstanding, beginning of the year	54,722	-
Claims Incurred	511,634	225,132
Operating expenses related to DR Pool	1,648	1,251
Profit / (Loss) from Pool	(288,091)	(100,733)

10. Indian Motor Third Party Pool

- a) IRDA had vide its Orders IRDA /NL/ORD/MPL/277/12/2011 dated 23rd December 2011 and IRDA/NL/ORD/MPL/003/01/2012 dated January 3, 2012 directed dismantling of the IMTPIP with effect from March 31, 2012. The dismantling of the pooling arrangement of IMTPIP implied that the insurers liability on motor third party insurance on commercial vehicles got restated from industry market share basis to actual policy issued basis.
- b) Based on Actual statements from the Pool received for the period from April 2007 to March 2012, the company has recognized an amount of ₹ 905,726 thousands (including interest thereon amounting to ₹ 27,915 thousands) as Due to Members of the Pool with a corresponding reduction in the outstanding claims. Of which, the Company has effected the settlement for the underwritten years 2007-08 and 2008-09 amounting to ₹ 668,710 thousands (including interest of ₹ 7,499 thousands) in Financial Year 2012-13 & Settlement for the underwriting year 2009-10 amounting to ₹ 235,131 thousands (including interest of ₹ 3,843 thousands) in Financial Year 2013-14. The balance amount of ₹ 1,885 thousands for underwriting years 2010-11 and 2011-12 is payable in Financial Year 14-15.
- c) IRDA, vide Order No IRDA/F&A/ORD/MTPP/070/03-2012 dated March 22, 2012, amongst other things, had provided an option to insurers for a deferred absorption of the differential liability subject to certain conditions listed in the said Order. The Company, having exercised the option, has recognized
 - (i) ₹ 381,435 thousands in its Miscellaneous Revenue Account for the year ended March 31, 2014 representing the current year's share & the final installment of actuarially estimated liability as of 31st March 2012 relating to the underwriting year 2011-12.

(₹ '000)

	31 st March 2014	31 st March 2013
Premium on reinsurance accepted	-	11,965
Incremental Reserve for unexpired risk	-	(835,347)
Claims incurred	531,720	1,764,343
Our share of Commission Outgo	-	-
Our share of Pool Manager's fee	-	290
Our share of other Income	-	-
Our share of investment Income	239,151	170,726
Profit / (Loss) from Pool	(292,569)	(746,595)
Due from the Pool Manager, beginning of the year	(232,845)	(696,686)
Due from/(Due to) the Pool Manager, end of the year	(14,213)	(232,845)
Claims outstanding, end of the year	3,598,621	4,296,114
Reserve for Unexpired risk, end of the year	-	-

11. Solatium Fund

(₹ '000)

	31 st March 2014	31 st March 2013
Contribution to the Solatium Fund @ 0.1% of the Gross Written Premium of Motor Third Party Business	2,928	2,891

12. The Sector-wise Gross Written Premium Direct

(₹ '000)

	31 st March 2014		31 st March 2013	
	Amount	%	Amount	%
Rural Sector (including Social Sector)	1,317,686	9.17	1,506,428	9.66
Other Sectors	13,052,713	90.83	14,093,617	90.34
Total Gross Written Premium	14,370,399	100.00	15,600,045	100.00

	31 st March 2014	31 st March 2013
Social Sector		
No. of Lives Covered	1,276,532	977,533
No. of Policies Issued	88	48

*The business written under rural / social sector is higher than the stipulated target set out in the IRDA Regulations.

13. Premium Recognition on Varying Risk Pattern

Premium income recognised based on varying risk pattern is Nil (Previous Year : Nil)

14. Risk retention / reinsurance

	31 st March 2014	31 st March 2013
Risk retained (%)	88	85
Risk reinsured (%)	12	15

15. Remuneration to Managing Director (as approved by IRDA)

(₹ '000)

	31 st March 2014	31 st March 2013
Salary	4,806	4,725
Allowances and perquisites	12,895	12,916
Total	17,701	17,641

16. Related Party Transactions

a) Particulars of related parties

I. JOINT VENTURE PROMOTERS

Sundaram Finance Limited

Royal & SunAlliance Insurance plc

II. KEY MANAGERIAL PERSONNEL

Mr. Ajay Bimbhet (Managing Director)

b) Transactions with related parties and balances

(₹ '000)

Particulars	Joint Venture Promoters				Key Managerial Personnel	
	Sundaram Finance Ltd		RSA		Mr. Ajay Bimbhet	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Income						
Insurance Premium Received	9,609	8,290			41	46
Claims on Re-Insurance			14,067	14,350		
Commission on reinsurance ceded			30,252	36,657		
Rent Received	-	358				
Interest on Investment	54,796	32,172				
Expenses						
Rent	20,804	23,293				
Payment for Services Received	38,873	28,610	18,105	6,043		
Agency Commission	34,985	42,681				
Remuneration to Managing Director					17,701	17,641
Reinsurance Premium			209,205	261,814		
Insurance Claims	2,628	3,063				
Purchase						
Software Licences	-	776				
Investment	304,635	200,000				
Redemption						
Investment	50,000	200,000				
Contribution Received towards						
Rights Issue						
Receivable	-	199,600		104,000		
Other Receivables	38,413	15,626	43,880	25,654		
Investments Held	705,326	446,652				
Rent Deposit	7,493	7,493				
Payable						
Other Payable	432	58	141,631	153,009	5,952	6,093
Insurance Deposit	5,000	5,000				
Share Capital	1,571,850	1,571,850	819,000	819,000		

17. Penal Actions by various statutory authorities

(For the year ended 31st March 2014)

Amount in ₹

Sl No.	Authority		Non-Compliance Violation	Penalty Awarded	Penalty Paid	Penalty Waived/Reduced
1	Insurance Regulatory and Development Authority	In respect of not meeting obligatory target towards IMTPDRIP		500,000	500,000	Nil
2	Service Tax Authorities		Nil	Nil	Nil	Nil
3	Income Tax Authorities		Nil	Nil	Nil	Nil
4	Any other Tax Authorities		Nil	Nil	Nil	Nil
5	Enforcement Directorate/ Adjudicating Authority/ Tribunal or any Authority under FEMA		Nil	Nil	Nil	Nil
6	Registrar of Companies/ NCLT/CLB/ Department of Corporate Affairs or any Authority under Companies Act, 1956		Nil	Nil	Nil	Nil
7	Penalty awarded by any Court/ Tribunal for any matter including claim settlement but excluding compensation		Nil	Nil	Nil	Nil
8	Securities and Exchange Board of India		Nil	Nil	Nil	Nil
9	Competition Commission of India		Nil	Nil	Nil	Nil
10	Any other Central/State/Local Government / Statutory Authority		Nil	Nil	Nil	Nil

(For the year ended 31st March 2013)

Amount in ₹

Sl No.	Authority	Non-Compliance Violation	Penalty Awarded	Penalty Paid	Penalty Waived/Reduced
1	Insurance Regulatory and Development Authority	Nil	Nil	Nil	Nil
2	Service Tax Authorities	Wrong Availment of CENVAT Credit	Refer Note 2(a)	Nil	Nil
3	Income Tax Authorities	Nil	Nil	Nil	Nil
4	Any other Tax Authorities	Nil	Nil	Nil	Nil
5	Enforcement Directorate/ Adjudicating Authority/ Tribunal or any Authority under FEMA	Nil	Nil	Nil	Nil
6	Registrar of Companies/ NCLT/CLB/ Department of Corporate Affairs or any Authority under Companies Act, 1956	Nil	Nil	Nil	Nil
7	Penalty awarded by any Court/ Tribunal for any matter including claim settlement but excluding compensation	Nil	Nil	Nil	Nil
8	Securities and Exchange Board of India	Nil	Nil	Nil	Nil
9	Competition Commission of India	Nil	Nil	Nil	Nil
10	Any other Central/State/Local Government / Statutory Authority	Nil	Nil	Nil	Nil

18. Segment Reporting

The Company carries on non-life insurance business in India. The Company has provided primary segmental information, in Annexure I, as required by Accounting Standard 17 – ‘Segment Reporting’ issued by ICAI, read with Accounting Regulations.

19. Interest earned on investments is shown net of amortisation of premium / (discount) on securities. The details of such amortisation are as below:

Particulars	(₹ '000)	
	31 st March 2014	31 st March 2013
Revenue Account – Policyholders’ Funds		
Fire	(37)	197
Marine	(7)	53
Miscellaneous	(753)	4,712
Profit and Loss Account – Shareholders’ Funds	(294)	1,872
Total	(1,091)	6,834

20. Summary of Financial Statements and Accounting Ratios

A summary of financial statements and Accounting Ratios as per the formats prescribed by the IRDA in its master circular dated 5th Oct, 2012 & subsequent clarification thereon dated 3rd July, 2013 are provided in Annexure 2 and Annexure 3

21. The liability of IBNR & IBNER (Excluding IMTPIP) for the year ending March 31, 2014 has been estimated by the appointed actuary in compliance with the guidelines issued by the IRDA. The IBNR has been recognized in the books of accounts based on the submission of IBNR details to IRDA as per the guidelines.

22. Details of Outsourcing Expenses:

(₹ '000)

Nature of Outsourcing	31 st March 2014	31 st March 2013
Data processing and outsourcing expenses	1,522,436	1,866,218
Marketing and related expenses	396,139	389,570
Total	1,918,575	2,255,788

23. Statement showing the Age-wise Analysis of the Unclaimed Amount of the Policyholders

(For the year ended 31st March 2014)

(₹ '000)

Particulars	Total Amount	Age-Wise Analysis						
		1-6 Months	7-12 Months	13-18 Months	19-24 Months	25-30 Months	31-36 Months	Beyond 36 Months
Claims Settled but not paid to the policyholders	223,186	223,186						
Excess Premium / Refunds (Due to the insured)	11,576	1,671	3,328	170	262	461	215	5,469
Cheques issued but not encashed by the Policyholder/Insured	442,980*	332,812	19,113	27,905	9,882	8,050	6,093	39,125

* The items forming part of the amount given under 1-6 months category consists of "Cheques issued but not encashed by the policyholder/insured" amounting to ₹ 316,128 thousands which are pending in Bank Reconciliation Statements & hence to the extent would differ from the amount given under the head "Sundry Creditor – Due to Policyholders" in Schedule 13.

(For the year ended 31st March 2013)

(₹ '000)

Particulars	Total Amount	Age-Wise Analysis						
		1-6 Months	7-12 Months	13-18 Months	19-24 Months	25-30 Months	31-36 Months	Beyond 36 Months
Claims Settled but not paid to the policyholders	248,381	248,381						
Excess Premium / Refunds (Due to the insured)	8,943	2,150	269	729	326		18	5,451
Cheques issued but not encashed by the Policyholder/Insured	388,645*	315,731	13,480	10,011	8,518	6,360	4,732	29,813

* The items forming part of the amount given under 1-6 months category consists of "Cheques issued but not encashed by the policyholder/insured" amounting to ₹ 303,371 thousands which are pending in Bank Reconciliation Statements & hence to the extent would differ from the amount given under the head "Sundry Creditor – Due to Policyholders" in Schedule 13.

24. In accordance with the regulatory guidelines, there is no premium deficiency on an overall basis in miscellaneous segment, however there is a premium deficiency in respect of sub-segment within miscellaneous segment as under:

(₹ '000)

Particulars	31 st March 2014	31 st March 2013
Motor TP (Including Declined Risk)	353,000	178,000

25. Earning Per Share (EPS)

(For the year ended 31st March 2014)		(Amount in ₹)
Particulars		31st March 2014
Profit/(Loss) after tax	- A	682,362,405
No. of Shares		315,000,000
Weighted avg. no. of Shares - B (315,000,000 Shares)		315,000,000
EPS – Basic & Diluted	- (A / B)	2.17
(For the year ended 31st March 2013)		(Amount in ₹)
Particulars		31st March 2013
Profit/(Loss) after tax	- A	546,738,669
No. of Shares		315,000,000
Weighted avg. no. of Shares - B (290,000,000 Shares for 1st April 2012 to 27th March 2013 & 315,000,000 Shares for 28th March to 31st March 2013)		290,273,973
EPS – Basic & Diluted	- (A / B)	1.88

26. During the year the foreign exchange gain/(loss) included in the Revenue account of the Company is ₹ (148) thousands (Previous year ₹ (733) thousands).

27. Expenses not directly identifiable to business segments, apportioned to Revenue Accounts:

(₹ '000)

Product Segment	31st March 2014*		31st March 2013*	
	Investment Expenses	Other Expenses	Investment Expenses	Other Expenses
Fire	105	24,273	81	102,300
Marine Cargo	21	14,067	22	30,701
Marine Hull	-	170	0	1,714
Miscellaneous	2,134	1,732,702	1,945	1,589,997
Total	2,260	1,771,212	2,049	1,724,712
*Basis of Allocation	Mean Tech Fund	NWP - Direct	Mean Tech Fund	GWP - Direct

28. Pursuant to IRDA circular No. IRDA/F&A/CIR/FA/126/07/2013 dated July 3, 2013, the Company has changed the accounting policy in relation to the following:

- recognition of Enrollment Fee of RSBY scheme as premium & claims as compared to previous year's method of routing it through TPA fee receivable & payable control accounts. Consequent to the change, the profit of the year & receivable from reinsurers is higher by ₹ 661 thousands.
- allocation of indirect management expenses to the respective revenue accounts in proportion to their Net Written Premium - Direct as against Gross Written Premium followed up to the previous year and therefore previous year figures are not comparable.
- The method of calculating UPR at 1/365 method for Fire & Miscellaneous segments subject to minimum of 50% of Net Written Premium of Unexpired Policies as compared to previous year's method of calculating UPR at 1/365 method subject to minimum of 50% of Net Written Premium. Consequent to the change, the profit of the year is higher and reserve for unexpired risks is lower by ₹ 80,874 thousands.

29. Previous Year figures have been reclassified / regrouped, wherever necessary, to conform with the current year's classification. The summary of the regroupings of the previous year's figures is as follows:

Sl No.	Sch	Particulars	Previous year figures reported in current year	Reported in previous year	Difference	Reason
1	8	Investments - Short Term - Government securities and Government guaranteed bonds including Treasury Bills	1,134,589	1,123,076	11,514	Re-grouped for appropriate presentation
2	8	Investments - Short Term - Other Securities-Certificate of Deposit/CBLO	2,249,140	2,213,086	36,054	
3	12	Other Assets - Income accrued on investments	683,056	730,623	(47,568)	
4	12	Advance tax paid and taxes deducted at source	129,517	179,128	(49,611)	
5	12	Service Tax unutilised credit/ Advance Payments	179,066	129,455	49,611	

Per our report of even date attached

For Sundaram & Srinivasan
Chartered Accountants
Registration No.004207S

For Suri & Co.
Chartered Accountants
Registration No.004283S

S Usha
Partner
Membership No: 211785

R Mahesh
Partner
Membership No:024775

Place : Chennai
Date : May 09, 2014

For and on behalf of the Board of Directors

P M Venkatasubramanian
Chairman

Ajay Bimbhet
Managing Director

Gareth Morgan Roberts
Director

S Prasad
Director

Venkatachalam Sekar
Financial Controller

S R Balachandher
Company Secretary

18. SEGMENT REPORTING

- The Company's business is organised on a National basis and caters to the non-life insurance business. Accordingly, the Company has provided primary segmental information, as per Accounting Standard 17 - 'Segment Reporting' issued by ICAI, read with the Accounting Regulations.
- Segment revenues are either directly attributed to or, in the case of bundled products, allocated to the individual segments. There are no inter segment revenues.
- Operating expenses are attributed to the business segments in line with accounting policy 12 in Schedule 16.
- Investments and other Assets and liabilities are identified with the respective segments in the ratio of Shareholders and Technical Funds as defined in Policy 8 of Schedule 16
- Since the business operations of the Company are entirely in India, the same is considered as one geographical segment.

(For the year ended 31st March 2014)

(₹ '000)

Particulars	Fire	Marine Cargo	Marine Hull	Motor OD	Motor TP	Motor Total	Workmens Compensation / Employers Liability	Public / Product Liability	Engineering	Personal Accident	Health Insurance	Others	Investment of Share-holders funds	Total Excluding Motor TP Pool	Motor Pool & Declined Pool	Total Including Motor TP Pool
Gross Direct Premium	671,691	287,534	23,118	7,296,418	2,928,200	10,224,618	35,785	113,462	368,436	417,321	2,135,166	93,268		14,370,399		14,370,399
Premium inward	38,570					8,543								47,113	191,081	238,194
Net Written Premium	203,510	98,919	1,195	6,886,414	2,739,208	9,625,622	31,857	39,806	60,562	374,857	2,006,757	52,406		12,495,491	191,081	12,686,572
Premium earned (net)	167,769	94,919	834	7,223,095	2,782,693	10,005,788	31,449	46,670	63,383	415,857	2,060,277	45,043		12,931,989	225,191	13,157,180
Profit on sale / redemption of investments	(49)	(10)	-	(346)	(493)	(839)	(2)	(3)	(8)	(32)	(100)	(5)	(386)	(1,434)	-	(1,434)
Others		136												136		136
Interest (net of amortisation)	85,602	11,358	103	407,398	577,444	984,842	2,065	3,298	15,319	37,855	116,865	5,057	453,018	1,715,382	239,151	1,954,533
Total segmental revenue	253,322	106,403	937	7,630,147	3,359,644	10,989,791	33,512	49,965	78,694	453,680	2,177,042	50,095	452,632	14,646,073	464,342	15,110,415
Claims incurred (net)	(77,705)	(72,977)	(194)	(4,075,671)	(3,400,141)	(7,475,812)	(5,545)	(2,729)	(7,365)	(160,951)	(1,176,128)	(19,098)		(8,998,504)	(1,043,353)	(10,041,857)
Commission received / (paid), net	21,839	11,872	2,674	(373,520)	-	(373,520)	(2,365)	2,796	69,685	(40,715)	(173,384)	202		(480,916)	-	(480,916)
Operating expenses related to insurance business	(47,027)	(25,863)	(170)	(2,302,838)	(390,592)	(2,693,430)	(5,196)	(6,076)	(13,187)	(83,984)	(690,141)	(8,114)		(3,573,188)	(1,648)	(3,574,836)
Total segmental expenses	(102,893)	(86,968)	2,310	(6,752,029)	(3,790,733)	(10,542,762)	(13,106)	(6,009)	49,133	(285,650)	(2,039,653)	(27,010)	-	(13,052,608)	(1,045,001)	(14,097,609)
Segmental (loss) / profit	150,429	19,435	3,247	878,118	(431,089)	447,029	20,406	43,956	127,827	168,030	137,389	23,085	452,632	1,593,465	(580,659)	1,012,806
Other income	-	-	-	828	-	828	-	-	-	-	-	-	2,914	3,742	-	3,742
Unallocated corporate expenses	-	-	-	-	-	-	-	-	-	-	(8,234)	-	(8,234)	(8,234)	-	(8,234)
Provision for taxation	-	-	-	-	-	-	-	-	-	-	-	-	(325,952)	(325,952)	-	(325,952)
Net profit (Loss) for the year	150,429	19,435	3,247	878,946	(431,089)	447,857	20,406	43,956	127,827	168,030	137,389	23,085	121,360	1,263,021	(580,659)	682,362
Segment Assets	1,093,208	147,895	1,317	5,224,220	7,404,783	12,629,002	26,490	42,288	195,239	485,425	1,636,971	64,850	5,681,308	22,003,994	3,050,909	25,054,903
Segment Liabilities	762,705	168,384	4,192	5,197,673	7,825,463	13,023,136	28,011	45,083	144,180	437,973	1,522,727	72,135	-	16,208,526	3,745,254	19,953,780
Capital Expenditure	14,139	6,052	487	1,53,587	61,637	215,224	753	2,388	7,755	8,784	44,944	1,963	-	302,491	-	302,491
Amortisation of premium & discount	(37)	(7)	-	(265)	(375)	(640)	(1)	(2)	(6)	(25)	(76)	(3)	(294)	(1,091)	-	(1,091)
Depreciation	4,580	1,961	158	49,756	19,968	69,724	244	774	2,512	2,846	14,560	636	-	97,995	-	97,995
Non-Cash Expenditure other than depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note : Aviation Segment Business for 2013-14 - Nil.

(For the year ended 31st March 2013)

(₹ '000)

Particulars	Fire	Marine Cargo	Marine Hull	Motor OD	Motor TP	Motor Total	Workmens Compensation / Employers Liability	Public / Product Liability	Engineering	Personal Accident	Health Insurance	Others	Investment of Share-holders funds	Total Excluding Motor TP Pool	Motor Pool & Declined Pool	Total Including Motor TP Pool
Gross Direct Premium	925,305	277,687	15,506	8,165,360	2,891,337	11,056,697	32,551	187,653	381,473	508,857	2,144,247	70,069		15,600,045		15,600,045
Premium inward	40,329								8,602					48,931	263,265	312,196
Net Written Premium	448,745	90,920	834	7,317,760	2,537,708	9,855,468	27,646	46,077	60,433	446,630	1,929,822	31,169		12,937,744	263,265	13,201,009
Premium earned (net)	140,000	111,001	86	7,280,794	1,611,564	8,892,358	26,450	44,928	61,958	369,578	1,758,263	28,671		11,433,293	972,963	12,406,256
Profit on sale / redemption of investments	370	100	-	3,856	3,501	7,357	19	31	89	328	986	39	3,516	12,835	-	12,835
Others																
Interest (net of amortisation)	72,625	11,647	47	448,049	406,827	854,876	2,159	3,653	16,593	38,135	114,534	4,581	408,529	1,527,379	170,726	1,698,105
Total segmental revenue	212,995	122,748	133	7,732,699	2,021,892	9,754,591	28,628	48,612	78,640	408,041	1,873,783	33,291	412,045	12,973,507	1,143,689	14,117,196
Claims incurred (net)	(55,969)	(55,816)	(6)	(4,168,981)	(1,925,882)	(6,094,863)	(3,202)	(9,060)	(16,150)	(180,893)	(864,869)	(16,870)		(7,297,698)	(1,946,536)	(9,244,234)
Commission received / (paid), net	26,772	(713)	1,775	(291,134)	-	(291,134)	(1,955)	10,174	66,220	(43,272)	(135,149)	5,607		(361,675)	-	(361,675)
Operating expenses related to insurance business	(127,039)	(39,903)	(1,714)	(2,535,662)	(320,431)	(2,856,093)	(4,405)	(21,154)	(51,090)	(86,977)	(566,704)	(8,997)		(3,764,076)	(1,541)	(3,765,617)
Total segmental expenses	(156,236)	(96,432)	55	(6,995,777)	(2,246,313)	(9,242,090)	(9,562)	(20,040)	(1,020)	(311,142)	(1,566,722)	(20,260)	-	(11,423,449)	(1,948,077)	(13,371,526)
Segmental (loss) / profit	56,759	26,316	188	736,922	(224,421)	512,501	19,066	28,572	77,620	96,899	307,061	13,031	412,045	1,550,058	(804,388)	745,670
Other income	-	-	-	1,279	-	1,279	-	-	-	-	-	-	1,249	2,528	-	2,528
Unallocated corporate expenses	-	-	-	-	-	-	-	-	-	-	-	-	(115,558)	(115,558)	-	(115,558)
Provision for taxation	-	-	-	-	-	-	-	-	-	-	-	-	(85,901)	(85,901)	-	(85,901)
Net profit (Loss) for the year	56,759	26,316	188	738,201	(224,421)	513,780	19,066	28,572	77,620	96,899	307,061	13,031	211,835	1,351,127	(804,388)	546,739
Segment Assets	887,443	158,801	620	6,004,641	5,452,196	11,456,837	28,931	49,059	203,554	511,156	1,778,164	61,422	5,419,500	20,555,486	3,038,053	23,593,539
Segment Liabilities	760,130	155,149	3,219	5,762,947	5,483,930	11,246,878	26,074	68,915	167,518	510,721	1,596,856	59,481	-	14,594,942	4,439,620	19,034,562
Capital Expenditure	5,634	1,691	94	49,716	17,604	67,321	198	1,143	2,323	3,098	13,056	427	-	94,984	-	94,984
Amortisation of premium & discount	197	53	-	2,053	1,864	3,917	10	17	47	175	525	21	1,872	6,834	-	6,834
Depreciation	4,064	1,220	68	35,860	12,698	48,558	143	824	1,675	2,235	9,417	308	-	68,511	-	68,511
Non-Cash Expenditure other than depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note : Aviation Segment Business for 2012-13 - NIL

ANNEXURES TO NOTES TO FINANCIAL STATEMENTS

SUMMARY OF FINANCIAL STATEMENTS

Annexure 2

(₹ in Lakhs)

Sl No	Particulars	2013-14	2012-13	2011-12	2010-11	2009-10
OPERATING RESULTS						
1	Gross Premiums Written-Direct	143,704	156,000	147,979	114,399	91,311
2	Net Premium Income#	126,866	132,010	124,909	96,250	75,460
3	Income from investments (net)@	15,005	12,989	10,413	7,217	6,971
4	Other income -Transfer fee etc	10	13	9	17	9
5	Total Income	141,880	145,012	135,330	103,484	82,441
6	Commissions (net)	4,809	3,617	2,224	2,081	3,077
7	Operating Expenses	35,748	37,656	35,318	30,471	23,397
8	Net Incurred Claims	100,419	92,442	86,559	66,022	50,907
9	Change in Unexpired Risk Reserve	(4,706)	7,948	14,406	8,630	3,974
10	Operating Profit/loss	5,610	3,349	(3,176)	(3,721)	1,086
NON OPERATING RESULT						
11	Total income shareholders' account	4,473	2,977	3,130	2,233	2,315
12	Profit/(loss) before tax	10,083	6,326	(46)	(1,488)	3,401
13	Provision for tax	(3,260)	(859)	68	(526)	(304)
14	Profit/(loss) after tax	6,824	5,467	22	(2,014)	3,097
MISCELLANEOUS						
15	Policyholders' Account (1)					
	Total funds	182,090	166,350	148,916	110,883	62,787
	Total investments	170,240	158,923	142,116	105,185	64,507
	Yield on investments	8.7%	8.7%	8.2%	7.6%	9.0%
16	Shareholders' Account					
	Total funds	52,536	45,590	36,121	29,839	25,316
	Total investments	52,100	49,037	41,937	33,087	26,132
	Yield on investments	8.7%	8.7%	8.2%	7.6%	9.0%
17	Paid up equity capital	31,500	31,500	29,000	25,000	21,000
18	Net worth	52,536	45,590	36,121	29,839	25,316
19	Total assets	252,074	235,935	206,791	158,152	124,515
20	Yield on total investments	8.7%	8.7%	8.2%	7.6%	9.0%
21	Earnings per share (₹)*	2.17	1.88	0.01	(0.96)	1.47
22	Book Value per share (₹)	16.68	14.47	12.46	11.94	12.06
23	Total Dividend	-	-	-	-	-
24	Dividend per share (₹)	-	-	-	-	-
	# Net of reinsurance					
	@ Net of losses					
	* EPS has been calculated in accordance with AS-20 Basic & Diluted (Face Value ₹10/- each)					
	Profit / (Loss) for the year	6,824	5,467	22	(2,014)	3,097
	Weighted Average Number of Shares at the end of the year	315,000,000	290,273,973	250,218,579	210,328,767	210,000,000

Note: (1) The Company continues to determine the Policyholders' Fund and the Shareholders' Fund on the same basis as determined in the earlier years (Refer Point 8 of Schedule 16 relating to Accounting Policy), due to practical difficulty in determining the Policyholders' Fund in accordance with IRDA Circular INV/CIR/008/2008-09 dt. 22nd Aug 2008 (annexure II) and hence have allocated the Investment and associated income on the same basis.

ANNEXURES TO NOTES TO FINANCIAL STATEMENTS

Annexure 3

Ratios for Non-life Insurance Companies

Sl No	Performance Ratio	2013-14	2012-13
1.	Gross premium growth rate (segment wise) (Gross premium for the current year divided by gross premium for the previous year)	Schedule 1	Schedule 1
2.	Gross premium to shareholders' fund ratio: (Gross premium for the current year divided by the paid up capital plus free reserves)	2.74	3.42
3.	Growth rate of shareholders' funds: (Shareholders' funds as at the current balance sheet date divided by the shareholders' funds at the previous balance sheet date)	15.24%	26.22%
4.	Net retention ratio (segment wise) (Net premium divided by gross premium)	Schedule 2	Schedule 2
5.	Net commission ratio (segment wise) (Commission net of reinsurance for a class of business divided by net premium)	Schedule 3	Schedule 3
6.	Expenses of Management to gross direct premium ratio (Expenses of Management divided by the total gross direct premium)	30.83%	29.61%
7.	Expenses of Management to Net Written Premium ratio (Expenses of Management divided by the net written premium)	34.92%	34.99%
8.	Net Incurred Claims to Net Earned Premium	76.32%	74.51%
9.	Combined ratio: (Net Insured Claims divided by Net Earned Premium plus Expenses of Management divided by Net Written Premium)	108%	106%
10.	Technical reserves to net premium ratio (Reserve for unexpired risks plus premium deficiency reserve plus reserve for outstanding claims divided by net Written premium)	1.44	1.26
11.	Underwriting balance ratio (segment wise) (Underwriting profit divided by net premium for the respective class of business)	Schedule 4	Schedule 4
12.	Operating profit ratio (Underwriting profit plus investment income divided by net Written premium)	4.26%	2.70%
13.	Liquid assets to liabilities ratio (Liquid assets of the insurer divided by the policy holders' liabilities)	0.44	0.47
14.	Net earnings ratio (Profit after tax divided by net Written premium)	5.38%	4.14%
15.	Return on networth (Profit after tax divided by net worth)	12.99%	11.99%
16.	Available Solvency Margin(ASM) to Required Solvency Margin (RSM) Ratio	1.61	1.44

ANNEXURES TO NOTES TO FINANCIAL STATEMENTS

Accounting Ratios - Schedule 1

Gross premium growth rate

Segment	Growth (%)	
	2013-14	2012-13
Fire	-27%	81%
Marine	6%	-7%
Motor	-8%	4%
Workmen's Compensation/ Employers Liability	10%	21%
Public/Product Liability	-40%	16%
Engineering	-3%	4%
Personal Accident	-18%	35%
Health Insurance	0%	-7%
Others	33%	20%
Total	-8%	5%

Accounting Ratios - Schedule 3

Net commission ratio

Segment	% to NWP	
	2013-14	2012-13
Fire	-11%	-6%
Marine	-15%	-1%
Motor	4%	3%
Workmen's Compensation/ Employers Liability	7%	7%
Public/Product Liability	-7%	-22%
Engineering	-115%	-110%
Personal Accident	11%	10%
Health Insurance	9%	7%
Others	0%	-18%
Total	4%	3%

Accounting Ratios - Schedule 2

Net retention ratio

Segment	% to GWP	
	2013-14	2012-13
Fire	30%	48%
Marine	32%	31%
Motor	96%	92%
Workmen's Compensation/ Employers Liability	89%	85%
Public/Product Liability	35%	25%
Engineering	16%	16%
Personal Accident	90%	88%
Health Insurance	94%	90%
Others	56%	44%
Total	88%	85%

Accounting Ratios - Schedule 4

Underwriting balance ratio

Segment	% to NEP	
	2013-14	2012-13
Fire	0.39	-0.12
Marine	0.12	0.13
Motor	-0.13	-0.13
Workmen's Compensation/ Employers Liability	0.58	0.64
Public/Product Liability	0.87	0.55
Engineering	1.78	0.98
Personal Accident	0.31	0.16
Health Insurance	0.01	0.11
Others	0.40	0.29
Total	-0.07	-0.08

MANAGEMENT REPORT

In accordance with Part IV Schedule B of the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002, the following Report is submitted by the Management:

1. We confirm that the Certificate of Registration granted by the Insurance Regulatory and Development Authority, to transact general insurance business, continues to be valid. The fee for renewal of the Certificate of Registration has been paid for 2013/2014 and the Company has received the Certificate of Renewal of Registration.
2. We certify that all dues payable to the Statutory Authorities have been duly paid.
3. We confirm that the shareholding pattern during the year ended 31st March 2014 has been in accordance with the Statutory/Regulatory requirements.
4. We declare that the funds of the holders of policies issued in India have not been directly or indirectly invested outside India.
5. The Company has maintained the required solvency margins.
6. The values of all the assets have been reviewed on the date of the Balance Sheet and in our belief the assets set forth in the Balance Sheet are shown in the aggregate at amounts not exceeding their realisable or market value under the headings 'Investments', 'Interest, Dividends and Rents accruing but not due', 'Amounts due from other persons or Bodies carrying on insurance business', 'Cash' and the several items specified under 'Other Accounts', except debt securities which are shown at amortised cost.
7. The Company is exposed to a variety of risks such as quality of risks underwritten, fluctuations in the value of assets, operational risks and higher expenses.

The Company through an appropriate reinsurance programme has kept its risk exposure at a level commensurate with its capacity.

During the year under report, the Company has exceeded the Management expense limit prescribed in Rule 17E of the Insurance Rules. The Company has, directly & through the General Insurance Council, represented to the IRDA, under Section 64M of the Insurance Act, to revise the limits in its case.

The Company during the year was not able to collect the full premium from the Government of India in respect of Health Insurance Covers to BPL families of various States under the RSBY scheme within 30 days from the date of intimation of the premium to the Government as per Rule 59(a) of the Insurance Rules. We have represented through General Insurance Council to IRDA for a relaxation of norms for RSBY scheme due to practical difficulties.

The Company monitors these risks closely and effective remedial action is taken wherever required.

8. The Company does not have operations in other countries and hence related country/currency fluctuation risk is not applicable.
9. The trend in average claim settlement time for various Segments for the past 5 years are given hereunder: -

Ageing as on 31st March 2014

Business Class	Upto 30 days		31 days to 6 months		6 months - 1 year		1 year to 5 years		5 years and above		Total No.	Total Amt
	No.	Amt	No.	Amt	No.	Amt	No.	Amt	No.	Amt		
Fire	125	47,261	342	142,102	121	70,957	36	173,854	-	-	624	434,174
Marine cargo	1,955	24,584	2,107	74,962	84	39,338	15	9,925	-	-	4,161	148,810
Marine Hull	1	37	2	364	1	8	-	-	-	-	4	409
Motor Workmen compensation	175,564	2,019,272	41,780	2,284,645	4,012	640,944	5,142	1,429,899	386	98,069	226,884	6,472,829
Liability	-	-	20	1,098	8	733	1	1,114	3	885	32	3,830
Engineering	12	303	37	3,891	11	827	1	183	-	-	61	5,205
PA	20	9,157	66	20,551	47	48,951	24	18,116	2	23	159	96,797
Health	518	22,047	839	116,779	122	24,094	43	19,680	2	1,013	1,524	183,613
Others	76,944	672,792	51,125	585,160	1,180	10,811	272	4,224	28	940	129,549	1,273,926
	344	7,146	93	10,483	14	1,400	6	1,276	-	-	457	20,304
Total	255,483	2,802,599	96,411	3,240,035	5,600	838,062	5,540	1,658,272	421	100,929	363,455	8,639,897

Ageing as on 31st March 2013

(₹ '000)

Business Class	Upto 30 days		31 days to 6 months		6 months - 1 year		1 year to 5 years		5 years and above		Total No.	Total Amt
	No.	Amt	No.	Amt	No.	Amt	No.	Amt	No.	Amt		
Fire	127	6,507	320	106,106	130	71,441	36	28,049	2	201	615	212,303
Marine cargo	867	37,510	2,981	58,542	84	12,854	24	7,948	3	212	3,953	116,641
Marine Hull	-	-	-	-	-	-	-	-	-	-	-	-
Motor Workmen compensation	175,397	2,114,505	59,594	2,579,715	3,894	658,360	4,683	1,183,938	309	83,231	243,877	6,619,749
Liability	4	126	19	4,354	5	169	4	1,032	1	379	33	6,060
Engineering	6	247	22	2,203	9	620	1	316			38	3,385
PA	26	4,240	92	11,362	63	12,661	78	26,812	3	1,309	262	56,384
Health	465	15,525	623	122,338	64	18,461	18	16,128	2	1,560	1,172	174,011
Others	19,701	549,643	10,408	319,130	193	6,373	52	3,802	2	654	30,356	879,602
Total	445	13,985	92	2,313	32	2,280	12	2,226			581	20,805
Total	197,038	2,570,939	74,151	3,216,495	4,474	783,218	4,908	1,270,249	316	87,121	280,887	8,088,940

Ageing as on 31st March 2012

(₹ '000)

Business Class	Upto 30 days		31 days to 6 months		6 months - 1 year		1 year to 5 years		5 years and above		Total No.	Total Amt
	No.	Amt	No.	Amt	No.	Amt	No.	Amt	No.	Amt		
Fire	143	8,938	297	58,720	97	28,665	35	65,640	2	332	574	162,294
Marine cargo	663	30,950	2,747	71,317	114	17,060	19	10,774	(20)	(4,434)	3,523	125,667
Marine Hull	-	-	-	-	-	-	-	-	-	-	-	-
Motor Workmen compensation	165,459	1,924,873	63,832	2,285,277	4,059	606,158	4,800	1,032,103	355	83,243	238,505	5,931,654
Liability	6	62	17	3,368	5	525	6	2,076			34	6,031
Engineering	16	973	24	3,331	6	452	2	173			48	4,929
PA	66	1,582	150	13,573	77	32,480	36	38,304			329	85,939
Health	426	20,602	543	72,938	59	9,360	21	15,090			1,049	117,989
Others	23,749	734,396	9,861	326,604	213	6,902	58	4,982	3	473	33,884	1,073,357
Total	1,186	12,882	170	3,212	35	4,458	9	3,751			1,400	24,303
Total	191,714	2,735,256	77,641	2,838,339	4,665	706,061	4,986	1,172,893	340	79,614	279,346	7,532,163

Ageing as on 31st March 2011

(₹ '000)

Business Class	Upto 30 days		31 days to 6 months		6 months - 1 year		1 year to 5 years		5 years and above		Total No.	Total Amt
	No.	Amt	No.	Amt	No.	Amt	No.	Amt	No.	Amt		
Fire	166	24,658	261	61,943	92	29,194	47	75,951	-	-	566	191,746
Marine cargo	1,485	21,098	1,848	56,642	361	21,515	140	13,971	5	(95)	3,839	113,131
Marine Hull	-	-	-	-	-	-	-	-	-	-	-	-
Motor Workmen compensation	142,229	1,554,717	47,557	1,603,374	3,492	402,178	3,435	565,369	326	54,400	197,039	4,180,038
Liability	-	-	-	-	-	-	-	-	-	-	-	-
Engineering	4	20	26	2,687	7	1,459	-	37			37	4,204
PA	133	10,334	177	25,297	111	24,308	72	17,285	2	1,256	495	78,480
Health	444	29,815	380	68,900	36	8,516	22	10,206	4	920	886	118,358
Others	14,987	429,255	12,122	336,459	606	18,445	84	3,785	-	-	27,799	787,943
Total	4,050	117,249	453	14,958	62	3,143	13	1,002			4,578	136,352
Total	163,498	2,187,146	62,824	2,170,260	4,767	508,759	3,813	687,606	337	56,480	235,239	5,610,252

Ageing as on 31st March 2010

(₹ '000)

Business Class	Upto 30 days		31 days to 6 months		6 months - 1 year		1 year to 5 years		5 years and above		Total No.	Total Amt
	No.	Amt	No.	Amt	No.	Amt	No.	Amt	No.	Amt		
Fire	245	10,017	537	31,799	179	35,200	67	23,539	1	1,509	1,029	102,064
Marine cargo	1,710	18,419	5,330	81,744	422	52,832	195	9,107	4	4,150	7,661	166,253
Marine Hull	-	-	-	-	-	-	-	-	-	-	-	-
Motor	133,328	1,487,175	39,142	1,344,309	3,319	274,245	1,916	311,951	141	21,275	177,846	3,438,955
Workmen compensation	-	-	-	-	-	-	-	-	-	-	-	-
Liability	6	768	36	4,258	21	12,419	11	2,762	-	-	74	20,207
Engineering	101	12,792	306	27,823	212	40,949	94	23,449	2	13,432	715	118,446
PA	485	14,374	377	60,249	64	12,401	45	17,828	4	262	975	105,114
Health	12,252	300,737	8,786	224,523	375	6,538	153	6,340	-	-	21,566	538,138
Others	3,370	55,433	376	10,211	59	1,126	12	310	-	-	3,817	67,080
Total	151,497	1,899,715	54,890	1,784,917	4,651	435,711	2,493	395,286	152	40,629	213,683	4,556,257

10. We certify that

- The Investments in Government Securities and other debt securities have been considered as 'held to maturity' and have been measured at historical cost subject to amortisation.
- The market values of debt securities including Government Securities have been ascertained by reference to the quotations published for the last working day of the Financial Year by the Stock Exchange/Fixed Income Money Market and Derivatives Association of India (FIMMDA). The market values of debt securities including Government Securities which were not quoted on the last working day of the Financial Year have been ascertained on the basis of prevailing yield to maturity provided by FIMMDA.
- The market values of quoted equity investments have been ascertained by reference to the last quoted closing prices available on the Balance Sheet date on the National Stock Exchange.
- The market value of Mutual Fund Investments have been ascertained based on the NAV declared by the Asset Management Companies as on Balance Sheet date.

11. The Company has adopted a prudent investment policy with emphasis on optimising return with minimum risk. Significant weighting of the assets has been made towards low risk/liquid investments such as Government securities, Treasury bills and other good quality debt instruments. Fair value of investments is computed for quoted investments, on the basis of the last available market price/yield-to-maturity valuation.

The average yield on investments after considering the profit on sale and amortisation of costs of investments is 8.66%. All investments in our portfolio as at 31st March 2014 are performing investments.

12. Directors' Responsibility Statement:

- In the preparation of financial statements, the applicable Accounting Standards, principles and policies have been followed. To the best of our knowledge there were no material departures from such standards during the year under report.
- The Management has adopted accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the net profit of the Company for the year ended 31st March 2014.
- The Management has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the applicable provisions of the Insurance Act, 1938, (4 of 1938) / Companies Act, 1956, (1 of 1956), for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The Management has prepared the financial statements on a going concern basis;
- The Management has ensured that an internal audit system commensurate with the size and nature of the business exists and is operating effectively.

13. Particulars of payment other than those arising in the normal course of the Company's Insurance business, made to individuals, firms, companies and organizations in whom / which the directors of the company are interested is as under.

(₹ '000)

Sl No.	Entity in which Director is interested	Name of the Director	Interested as	Amount	Nature of Payments
1.	Sundaram Finance Ltd	S. Viji	Director		
		T.T. Srinivasaraghavan	Director	21,722	Rent
		Srinivas Acharya	Director	1,210	Tax Advisory & Training
		S. Prasad	Director	37,663	Information Technology
2.	Sundaram BNP Paribas Home Finance Limited	Harsha Viji	Director		
		S. Viji	Director		
		T.T. Srinivasaraghavan	Director	1,770	Rent
		Srinivas Acharya	Director		

For and on behalf of the Board of Directors

P M Venkatasubramanian
Chairman

Ajay Bimbhet
Managing Director

Gareth Morgan Roberts
Director

S Prasad
Director

Place : Chennai
Date : May 09, 2014

Venkatachalam Sekar
Financial Controller

S R Balachandher
Company Secretary

RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31stMARCH, 2014

(Registration No. and date of registration with IRDA : 102 / 23.10.2000)

(₹ '000)

Particulars	31st March 2014	31st March 2013
Cash flows from operating activities		
Premium received from policyholders, including advance receipts & Service Tax	16,335,335	16,802,048
Other receipts	3,744	2,005
Payments to the re-insurers, net of commissions and claims	(989,346)	(1,166,426)
Payments to co-insurers, net of claims recovery	(3,045)	(6,028)
Payments of claims	(8,896,097)	(8,879,723)
Payments of commission and brokerage	(845,737)	(848,012)
Payments of other operating expenses	(3,717,082)	(3,380,713)
Preliminary and pre-operative expenses	-	-
Deposits, advances and staff loans	2,766	4,663
Income taxes paid (Net)	(305,593)	(240,002)
Service tax paid	(1,746,677)	(1,844,006)
Other payments		
Cash flows before extraordinary items		
Cash flow from extraordinary operations		
Net cash flow from operating activities	<u>(161,732)</u>	<u>443,806</u>
Cash flows from investing activities		
Purchase of fixed assets	(296,278)	(57,502)
Proceeds from sale of fixed assets	546	1,705
Purchases of investments	(6,530,337)	(7,394,874)
Loans disbursed	-	-
Sales of investments	4,069,637	4,398,000
Repayments received	-	-
Rents/Interests/Dividends received	1,715,438	1,631,174
Investments in money market instruments and in liquid mutual funds (Net)	1,185,161	402,841
Expenses related to investments	(3,094)	(2,821)
Net cash flow from investing activities	<u>141,073</u>	<u>(1,021,477)</u>
Cash flows from financing activities		
Proceeds from issuance of share capital	-	400,000
Proceeds from borrowing		
Repayments of borrowing		
Interest/dividends paid		
Net cash flow from financing activities	-	400,000
Effect of Foreign exchange rates on Cash and Cash Equivalents, net	136	(165)
Net increase in cash and cash equivalents	<u>(20,523)</u>	<u>(177,836)</u>
Cash and Cash equivalents at the beginning of the year	523,523	701,359
Cash and cash equivalents at the end of the year	<u>503,000</u>	<u>523,523</u>

Per our report of even date attached

For Sundaram & Srinivasan
Chartered Accountants
Registration No.004207S

For Suri & Co.
Chartered Accountants
Registration No.004283S

S Usha
Partner
Membership No: 211785

R Mahesh
Partner
Membership No: 024775

Place : Chennai
Date : May 09, 2014

For and on behalf of the Board of Directors

P M Venkatasubramanian
Chairman

Ajay Bimbhet
Managing Director

Gareth Morgan Roberts
Director

S Prasad
Director

Venkatachalam Sekar
Financial Controller

S R Balachandher
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:

(Statement pursuant to Part IV of Schedule VI to the Companies Act, 1956)

1. Registration Details:

Registration No.	1	8	-	4	5	6	1	1
State Code							1	8
Balance Sheet Date	3	1	-	0	3	-	1	4

2. Capital raised during the year: (Amount in ₹ 000)

Public Issue						N	I	L
Rights Issue						N	I	L
Bonus Issue						N	I	L
Private Placement						N	I	L

3. Position of mobilisation and deployment of funds: (Amount in ₹ 000)

Total Liabilities		5	2	5	3	6	3	5
Total Assets		5	2	5	3	6	3	5

Source of Funds:

Paid-up Capital		3	1	5	0	0	0	0
Reserves and Surplus		2	1	0	7	7	7	7
Fair Value Change Account					(4	1	4	2)
Secured Loans						N	I	L
Unsecured Loans						N	I	L

Application of Funds:

Net Fixed Assets			3	4	6	5	0	7
Investments	2	2	2	3	3	9	7	0
Net Deferred Tax Assets			1	5	2	5	1	2
Net Current Assets	(1	7	4	7	9	3	5	4)
Miscellaneous Expenditure						N	I	L
Accumulated Losses						N	I	L

4. Performance of Company: (Amount in ₹ 000)

Turnover	1	5	1	1	4	1	5	7
(Net Earned Premium, income from Investments and other incomes)								
Total Expenditure	1	4	1	0	1	6	4	4
Profit before Tax		1	0	0	8	3	1	4
Profit after Tax			6	8	2	3	6	2
Earnings per share (₹)					2	.	1	7
Dividend Rate (%)						N	I	L

5. Generic names of 3 principal products, services of the Company (as per monetary terms):

Item Code No.	N	.	A													
Product Description	G	E	N	E	R	A	L	I	N	S	U	R	A	N	C	E

For and on behalf of the Board of Directors

P M Venkatasubramanian
Chairman

Ajay Bimbhet
Managing Director

Gareth Morgan Roberts
Director

S Prasad
Director

Venkatachalam Sekar
Financial Controller

S R Balachandher
Company Secretary

Place : Chennai
Date : May 09, 2014

NOTES :



Royal Sundaram

General Insurance

Royal Sundaram Alliance Insurance Company Limited

Corporate Office: Vishranthi Melaram Towers, No.2/319, Rajiv Gandhi Salai (OMR), Karapakkam, Chennai - 600097.

Registered Office: 21, Patullos Road, Chennai - 600002.

IRDA Regn. No. 102 | CIN: U67200TN2000PLC045611

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Motor



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Accident



Travel



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