



# **Apollo Munich Health Insurance Company Limited**

## **\<sup>th</sup> Annual Report**

### **201 V M X**

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# Corporate Information

## Board of Directors

Dr. Prathap C Reddy	Chairman
Ms. Shobana Kamineni	Whole Time Director
Ms. Suneeta Reddy	Director
Dr. Wolfgang Strassl	Director
Mr. Wolfgang Diels	Director
Mr. Antony Jacob	Whole Time Director & CEO
Mr. M.B.N. Rao	Independent Director
Mr. Bernhard Steinruecke	Independent Director
Mr. Roberto Leonardi	Alternate Director

## Senior Management

Mr. R. Krishnan	Chief Operating Officer
Mr. Ravi Vishwanath	Chief Marketing Officer
Mr. Srikanth Kandikonda	CFO & Company Secretary
Mr. Sriharsha A Achar	Chief People Officer

## Auditors

M/s. S. Viswanathan  
M/s. S. N. Dhawan & Co.

## Registered Office

Apollo Hospitals Complex,  
Jubilee Hills,  
Hyderabad-500 033.

## Corporate Office

10th Floor, Building No. 10,  
Tower-B, DLF Cyber City,  
DLF Phase-II,  
Gurgaon-122002

## **APOLLO MUNICH HEALTH INSURANCE COMPANY LIMITED**

**Reg. Off: Apollo Hospitals complex, Jubilee Hills, Hyderabad - 500033**

### **DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the seventh Annual Report together with the Audited Statement of Accounts for the year ended 31<sup>st</sup> March, 2013.

#### 1. Industry Overview:

Indian health insurance market has been witnessing tremendous growth since the past few years on account of increasing consumer awareness and rapidly booming healthcare infrastructure. The health insurance has witnessed increased focus and attention from all stakeholders, not only from insurers and IRDA, but also from other entities associated with the ecosystem.

While health insurance has been one of the fastest growing portfolio in the non-life insurance industry, the future outlook of this segment remains positive. The health insurance market in India is among the world's most prolific markets. It is significantly under-penetrated in comparison with other countries thereby possesses immense potential. Despite economic slowdown, the Health Insurance segment managed to hold ground and registered double digit growth of 16 percent in 2012-13 as compared to the growth rate of around 18 percent in the previous year. It continues to be the second biggest segment of the non-life insurance industry and contributes about 22 per cent of the total premium. Health insurance premium collections touched roughly INR 153 Billion in 2012-13, compared with INR 132 Billion in the previous year. Apart from increased public awareness, the growth in the segment is also supported by the Central and State governments' initiatives driving large-scale health insurance programmes to protect the vulnerable population below the poverty line.

The future of health insurance in India is promising and has a big opportunity to expand, given the large population and untapped potential. Analysts believe that Indians across all segments and age groups are presently more prone to lifestyle related ailments and diseases than the previous generations. This fact, undoubtedly sounds negative, but stands as the root cause for the potential growth of the health insurance sector. The factors such as growing per capita healthcare spending, epidemiological transitions and change in the demographic profiles shall also support the health insurance industry to make strong headway and post healthy growth rate.

#### 2. Financial Results:

Your Company completed its fifth full year of operations in a challenging and competitive market. During the year under review, the Company achieved Gross

Written Premium of INR 6200.45 Million as compared to INR 4758.51 Million in 2011-12, a growth of about 30 percent. The income from investments during the year was INR 416.17 Million as compared to INR 298.29 Million in 2011-12. The profit for the year after considering the deferred tax asset was INR 51 Million in comparison to a loss of INR 474 Million during 2011-12. The total incurred claims during the year under review were INR 2619.75 Million as compared to INR 1750.89 Million in 2011-12.

### 3. Company's Outlook:

The economic outlook of the country appears to be grim and the GDP is expected to grow at around 4-5% despite challenges in the current year.

The Health Insurance segment is expected to continue its growth trend given the low penetration of Health Insurance in the country and increased awareness among the consumers towards the necessity of health insurance. The competition has intensified with the entry of more players into the Health Insurance sector. Also the existing players have intensified their focus towards Health Insurance considering its vast potential. Stringent regulations coupled with inadequate pricing will pose several challenges for the health insurance segment as well as for the non-life industry as a whole. However, it is expected that the claims experience will bring back sanity which should eventually result in adequate pricing based on the quality of risks.

To counter the above challenges, the Company's strategy will involve strengthening existing distribution channels, exploring new avenues for distribution, taking advantage of Bancassurance opportunities. It would also continue to focus on launching new products to be able to grow profitably. The Company will also focus on acquiring new accounts wherein the pricing is adequate and will stay away from the loss making accounts. The Company would continue to adopt the strategy of risk based pricing to ensure that the actual cost of the risk is covered by the premium charged.

The Company would continue to balance the twin objectives of growth in topline and bottom line through prudent investments, efficient risk management processes, optimizing customer acquisition cost, controlling expenses of management, designing new products and further leveraging on its business relationships.

We strongly believe that customer service excellence is an essential ingredient for future profitable growth. Keeping the same in view, the Company shall continue its focus on establishing high standards of customer service and shall strive to set new benchmarks for the health insurance segment.

### 4. Capital:

In order to undertake the expansion plan and to meet the solvency requirements, the Company has increased its capital by infusion of funds to tune of INR 816.50 Million during the year. The paid-up equity capital of your Company as on 31.03.2013 was at INR 3089.80 Million.

#### 5. Solvency:

During the year under review, the Company has met the solvency norms specified in Section 64VA of the Insurance Act, 1938 read with the IRDA (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000.

#### 6. IRDA Registration & approvals:

The Company's certificate of registration with Insurance Regulatory and Development Authority, dated 03<sup>rd</sup> August, 2007 has been renewed for the financial year 2013-14.

#### 7. Deposits:

The Company has not accepted any public deposits during the year.

#### 8. ISO Certification:

During the year under review, the Company has retained ISO 9001:2008 certification for its design, distribution & servicing of health insurance products. This certification validates Company's conformity with international standards with respect to quality management and assurance in all its processes & activities.

ISO 9001:2008 is the internationally recognized standard for Quality Management Systems (QMS). It prescribes systematic control of business activities to ensure that the needs and expectations of customers are met. This certification also ensures that a Company's product and services are among the best in class.

#### 9. Underwriting and Portfolio Management:

The Company executed strong underwriting discipline in a competitive environment to achieve planned portfolio results.

#### 10. Products:

The product portfolio of the Company comprises of comprehensive range of products in the health, travel and accident insurance categories.

Health Insurance products:

- Easy Health: With over 3 variants, this product has been considered as the best health insurance product across all its peers with two independent rating agencies having adjudged it as the top rated plan across the year.
- Maxima: The health insurance plan that not only caters to inpatient hospitalization cover but also provides a comprehensive outpatient module to cover all illnesses.

- Optima Restore: The innovative award winning health insurance plan that comprehensively covers inpatient hospitalization benefits with unique features such as the Restore benefit and Multiplier benefit.
- Optima Cash: Daily hospitalization cash benefit is an ideal top up to any health insurance plans providing fixed benefits of everyday spent in hospital.
- Insure Health: An over the counter indemnity based health insurance plan with low premiums.
- Optima Plus: A renewable top-up indemnity based health insurance plan to provide coverage in case of catastrophes.

During the year under review, the Company had introduced the Optima Senior, a policy exclusively designed for the senior citizen and which allows at any age post 61 years. The company has also revised 'Easy Health' plan with enhanced benefits such as AYUSH, increased day care coverage etc.

In the travel insurance, the Company's product 'Easy Travel' offers a wide range of benefits to match any travel offerings in the market. The plan offers solutions to individuals, families and senior citizens with a unique annual multi-trip option for customers who travel frequently in a year. In the current year we have also introduced the product for sale on the online platform.

The Personal Accident product of the Company offers wide range of benefits to cover the liabilities associated with an accident.

With respect to the group insurance products, the Company offers group /corporate cover solutions with tailor made benefits in all categories i.e. health, travel and accident covers depending upon the requirement of the group.

In addition to the above, the Company has developed and filed product solutions to meet hitherto unmet needs and customer segments such as special coverage's for customers suffering from chronic conditions, coverage against for critical illnesses, a more comprehensive top-up cover to existing health insurance and also a unique product platform to meet bancassurance needs allowing multiple product solutions to be provided to various partners.

#### 11. Office network:

The total number of offices of your company stands at 50, comprising of 8 territory offices in major cities, 41 spoke offices across the country, and one corporate office. All the offices are fully functional and networked with the head office over a wide area network. The geographical spread of these offices has improved the visibility and customer base for the Company.

#### 12. Distribution Channels:

In order to expand the business segment, efficient distribution channels are a pre requisite. Right from inception, your Company has been pursuing a strategy of having multichannel distribution. The Company shall use these distribution channels to map the country and make the products available within easy reach

for the customers.

Agency distribution continues to be the primary channel of distribution, well supported by other channels such as corporate agents, strategic partnership, travel portal, sales associates, direct sales force, digital and a dedicated rural distribution.

The current change in insurance regulation favouring Banks to distribute health insurance plans of the pure health insurance companies should work in favour of us. The company is pursuing bancassurance as a channel for the future and would consistently work towards making it efficient while penetrating the untapped potential.

The Company has been constantly encouraging our valued customers to purchase our retail policies online. The business generated through the digital channel has also been growing steadily. During the year the online portal has been made more robust and user friendly to enable the customers to buy, through easy steps, both new policies as well as renew retail policies. We expect that the digital channel will witness significant growth in the coming years and are accordingly geared up to meet the increase in demand.

In line with the long-term strategy, your Company has adopted a prudent approach towards its group business.

The Company believes that, these distribution channels will help in achieving the targets set out in the business plan.

### 13. Rural and Social Sector:

The Company has met its rural and social sector obligations as required under the IRDA (Obligations of Insurers to Rural and Social Sectors) Regulations, 2002 as amended till date for the financial year ended 31<sup>st</sup> March, 2013.

### 14. Claims, Provider Network and Health Management:

The focus of your company is not only on claims cost but also on customer service during claims and efficiency of processing. The company has made progress in many areas during the year to maintain best in class performance. More than 1,15,000 claims worth INR 2584 Million have been settled which is an increase of 48% over the previous year. Despite increase in volumes, the Company was able to maintain settlement commitments to its customers. The move towards NEFT has brought efficiency in the payment process with nearly 50% of payments for providers and 30% of payments for members being done through this mode. The annual survey of providers has been done this year again and has shown that providers rate the Company as the best in the industry as result of Company's partnership with providers.



## 15. Customer Service:

Customer focus has and will always be a key priority for Apollo Munich Health Insurance. In an increasingly competitive market, the ability to differentiate through customer service will be a key competitive advantage. Keeping the same in view, the Company has recently initiated a project on Tiered Service model where by giving differentiated services to different set of Customers. Your Company initiated "Continuous Improvement" drive in all customer facing processes so as to maintain high standards of customer service.

We are pleased to inform that your Company continues to enjoy good customer satisfaction ratings and will strive to maintain this position. During the year under review Customer connect project for customers was also initiated.

It has been the constant endeavor of the Company to provide quality and timely service and redressal to its customers. A complaint handling and redressal process is in place to address the grievances/complaints/queries of customers. The grievances/complaints from policy holders or regulatory authorities are resolved fairly and promptly by the Company. As a part of improving the processes and servicing of customers, root cause analysis of the complaints was also done.

## 16. Information Technology:

Information Technology (IT) continues to enable business growth by providing strategic tools for enhanced customer service, business development and delivering operational excellence. With business growth, this vertical plays a central role in handling scale, providing business continuity and delivering a seamless customer experience across the entire value chain.

Some of the key initiatives delivered during the year were as follows:

- Upgraded Oracle Financials e-Business Suite and enabled automation around the Procurement and Expense Management Process to enhance process standardization and Compliance.
- Developed a mobile application to provide Apollo Munich customers with Health and Lifestyle management capabilities on their hand phones to further strengthen our wellness proposition.
- Developed technology solutions to enhance our partner ecosystem around the "Travel" line of business offering capabilities to seamlessly integrate with Apollo Munich.
- Renewed and upgraded our document management system to meet future business growth and scale requirements.
- Enabled COGNOS based analytics to offer data driven decision support system across our "Retail (Health and Travel)" Line of business.
- Built a web based application to deliver excellence across the "Data Entry" process aimed at improved process productivity.

An Information Security Council (ISC) has been formed to provide direction to Apollo Munich information security initiatives, create, modify and implement

policies and ensure that information security is well co-ordinated across the Company.

The Information Security Policy of the company was also formulated. Apollo Munich is committed to protect the confidentiality and integrity of information assets – customer, company, employee and service provider by implementing an effective Information Security Management System.

Information Security refers to the provision of organizational, technical and social measures necessary to safeguard information assets against unauthorized access, disclosure, duplication, denial of use, modification, diversion, loss, theft or misuse, both malicious and accidental.

The ISC will identify and address compliance, legal and regulatory requirements and contractual security obligations, maintain adequate security by implementing necessary controls; periodically review the effectiveness of security controls and suggest best information security practices to ensure compliance with and adherence to the information security policies and procedures as applicable in the Company.

#### 17. Investments:

Your Company's investment portfolio consists of various securities invested with prudence, while seeking a reasonable yield in line with the market conditions. During the year under review, the Company has focused primarily on increasing cash flows and thereby invested surplus, rather than taking excessive risk on its investment portfolio. The total investments of the Company as on 31st March, 2013 were Rs. 5387.51 Million as against Rs. 4188.28 Million at the end of the previous year, an increase in the investment portfolio of around 28.63 percent. The growth of the investment portfolio indicates strong cash flow generation as well as prudent investment management. During the year, the Company earned an investment income of Rs. 416.17 Million as against Rs. 298.29 Million in the previous year. The average yield on these investments during the year worked out to 9.13 percent as against 8.76 percent earned in the previous year

#### 18. Reinsurance:

The reinsurance programme for the year under review had been designed in accordance with the guidelines laid down by the Insurance Regulatory and Development Authority. The Company met its obligation of ceding the mandatory reinsurance premium to General Insurance Corporation of India.

Further, in order to mitigate the risk arising out of single large loss and/or catastrophe loss affecting Company's net, your Company has also taken a risk cum catastrophe excess of loss cover for personal accident and travel insurance portfolio.

#### 19. Corporate Governance:

Sound Corporate Governance is critical to enhance and retain stakeholders' trust. It has been the constant endeavor of the Company to enhance the

economic value, trust and confidence of all stakeholders through good corporate governance practices. Your Company maintains a highly ethical corporate culture and ensures consistent compliances with all relevant laws and regulations.

A detailed report of the Board of Directors on the compliance of the various provisions of the Corporate Governance Guidelines prescribed by Insurance Regulatory and Development Authority (IRDA) is attached as a part of this report.

#### 20. Directors:

The Board of Directors comprises of eight Directors including two Independent Directors.

During the year, Mr. Antony Jacob was re-appointed as Whole Time Director & CEO of the Company for a further period of 3 years with effect from 01.04.2012. The appointment was confirmed by the shareholders of the Company at the extraordinary general meeting (EGM) held on 11.05.2012.

Besides the above, there was no change in the directorship during the financial year 2012-13.

The Company has received requisite disclosures and undertakings from all the Directors in compliance with the provisions of the Companies Act, 1956 and the provisions of Corporate Governance guidelines notified by IRDA. The Company and the respective Directors have entered into a Deed of Covenant as per the prescribed format.

In accordance with the provisions of Section 255 and 256 of the Companies Act, 1956, Dr. Wolfgang Strassl and Mr. Wolfgang Diels are the Directors who retire by rotation at the ensuing Annual General meeting of the Company and being eligible, offer themselves for re-appointment.

#### 21. Audit Committee:

The Company's Audit Committee currently comprises of four Directors. Four meetings of the Committee were held during the year. All the members of the Committee have requisite financial and management expertise/knowledge. The composition and the role of the Committee are detailed in the corporate governance report attached hereto and forming part of this report.

#### 22. Directors' Responsibility Statement:

In accordance with the requirements of section 217(2AA) of the Companies Act, 1956, the Board of Directors hereby confirms the following:

- a) That in the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March 2013, the applicable accounting standards have been followed along with proper explanations relating to material departures, if any;

- b) That appropriate accounting policies have been selected and applied consistently and such judgments and estimates were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31<sup>st</sup> March, 2013 and of the profit and loss of the Company for that period ended on that date;
- c) That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956, for the safeguarding of the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) That the financial statements have been prepared on a going concern basis.

### 23. 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.

### 24. Certificate from Compliance Officer (under the IRDA Corporate Governance Guidelines):

In compliance with the IRDA Corporate Governance guidelines, a compliance certificate issued by the Company Secretary, designated as the Compliance Officer under Corporate Governance guidelines, is attached to and forms part of the Corporate Governance Report.

### 25. Statutory Auditors:

M/s. S. Viswanathan, Chartered Accountants and M/s. S.N. Dhawan & Co., Chartered Accountants, Joint Statutory Auditors of the Company, will retire at the ensuing annual general meeting and being eligible, offer themselves for re-appointment. A certificate under Section 224 (1B) of the Companies Act, 1956 has been obtained from them. The auditors have further certified that they have subjected themselves for the peer review process of the Institute of Chartered Accountants of India (ICAI) and they hold a valid certificate issued by the 'Peer Review Board' of ICAI.

The shareholders are requested to appoint the auditors for the period from the conclusion of ensuing Annual General Meeting to the conclusion of next Annual General Meeting and to fix their remuneration.

### 26. Human Resource and People Development:

The insurance industry is people centric and the success of the Company in the long-term is dependent on its ability to attract, nurture and retain talent. Workforce diversity and contemporary people practices and competitive compensation are company's target.

In addition to creating a culture of competency based talent processes during the year, the Company focused on harnessing the potential of employees and developing a value proposition for retaining its high calibre employees. Career development opportunities were extended based on fair and transparent performance based culture connecting to the organizational goals set at the start of the business.

Your Company continues to believe in constant training and enhancement of skills of its employees. The learning and development team played a pivotal role in channelizing their deliveries to the strategic needs of sales and operations in the form of need based training and structured induction programmes. Efforts were also directed towards in-house training programmes as well as sponsoring the employees to attend external training and career development programmes for improving functional and managerial effectiveness.

The Company's engagement initiatives revolved around interaction on various facets of the work environment and communication updates on the Company and the industry. In recognition to these efforts, the Company has been adjudged among top 25 best places to work for in 2013 as a part of the study conducted by the Great Places to Work Institute. The Company's sustained growth and performance coupled with the reputation of being the 'employer of choice' reaffirmed the linkages between the Company's aims and its people strategy.

The head count of the Company was 1366 as on 31st March 2013.

27. Employee Stock Option Plan (ESOP):

The Company has introduced "Employees Stock Option Plan-2011 (ESOP 2011)" in the financial year 2012-13 effective from 1<sup>st</sup> April 2012 to enable the key employees of the Company to participate in its future growth and financial success. During the financial year 2012-13, 12,70,000 options were granted to the employees. As per the ESOP, the total number of options to be granted under ESOP - 2011 shall not at any point of time exceed numbers equaling one percent of the fully paid up equity shares of the Company as on the date of the grant. The options granted above vest in tranches i.e. 25 percent on completion of 2 years from grant date. 25 percent at the end of 3 years from grant date and the balance 50 percent on completion of 4 years from the grant date and are exercisable within a period of 5 years from the respective date of vesting. Each option would entitle the employee, on exercise, to acquire (One) equity share each of the Company as per the provisions of the Employee Stock Option Plan. Being the first issue of shares to employees under ESOP, the Company had offered them at the face value (i.e. INR 10/- per share).

The detail of activity under ESOP is summarized below:

<b>Particulars</b>	<b>Year ended March 31<sup>st</sup> 2013</b>
Outstanding at the beginning of the year	-
Add: Granted during the year	1,270,000

Less: Forfeited / lapsed during the year	20,000
Less: Exercised during the year	-
Outstanding at the end of the year	1,250,000
Exercisable at the end of the year	-

## 28. Awards and Recognitions:

During the year under review, the Company won the following awards:-

- Best employer brand award 2012 from Institute of public enterprises for being a role model and exemplary leader in benchmarking talent and HR practices.
- Financial Inclusion Awards 2012 for being rated amongst top 50 in financial inclusion projects during 2011 by SKOCH group
- Effie Awards 2012 by AD club Bombay for the effectiveness exuberated by its marketing campaign – ‘Making Time to Pause’
- TOP Green IT Enterprise Award by CIO & APC for all-round green computing initiatives
- India Insurance Awards by Fintelekt for our Unbelievable product Optima RESTORE in the Best Product Innovation Award category.
- Digiratti Award 2012 by Paul Writer - Silver for Marketing Campaign (Optima RESTORE)
- Innovation of the Year award 2012 by Asia Insurance Review. This award was in recognition of our unbelievable product, Optima RESTORE.
- User Maturity Benchmarking by Fintelekt. Insurance companies use the report ‘Social Media in the Indian Insurance Industry: User Maturity Benchmarking’ to evaluate the overall maturity of their social media usage and benchmark themselves against peers.
- Innovation Award 2012 Finnoviti (coordinated by E&Y) for our unbelievable product Optima RESTORE
- Outlook Money Award 2012 for being best Insurance Provider in the private sector by Outlook Money
- Great Place To Work 2012 by GPTW institutes for being rated amongst Top 50 companies having up to 1000 employees; Best in insurance industry
- 2nd Best Six Sigma Project 2013 by Indian Statistical Institute, Bangalore for Mission Paryapta, being the 2nd Best Six Sigma Project in Service industry (DMAIC & DFSS)
- Brand Leadership awards 2013 by Indira Group of Institutes, Pune for ‘Brand Sustainability’
- Abby's (Bronze) 2013 by AAAI for Best film (Financial Product category)

## 29. Particulars of Employees U/s 217(2A) of the Companies Act, 1956:

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (particular of Employees) Rules, 1975 as amended up to date, the name and other particulars of the employees is set out in the annexure to the Directors’ Report.



However, as per the provisions of Section 219 of the Companies Act, 1956, the Directors Report and the financial statements are being sent to the shareholders of the Company excluding the aforesaid annexure. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the registered office of the Company.

30. Conservation of energy, technology absorption and foreign exchange earning and outgo:

Since the Company does not carry out any manufacturing activity, the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, are not applicable to the Company with respect to conservation of energy or technology absorption.

The details of Foreign exchange earnings and outgo is hereunder:

Earning in Foreign Currency during 2012-13: Nil

Expenditure in Foreign Currency during 2012-13: Rs 7.56 Million

31. Appreciation & Acknowledgment:

The Company is thankful to Insurance Regulatory and Development Authority and other regulatory and statutory authorities for their continued support, guidance and co-operation.

The Directors wish to thank all the policyholders, intermediaries, channel partners, bankers and other constituents for their support during the period and look forward to their continued support.

The Directors also wish to place on record their sincere appreciation for the sustained and dedicated efforts put in by employees of the Company at all levels.

**For and on behalf of the Board**

A handwritten signature in black ink, appearing to read "Prathap C Reddy".

**Dr. Prathap C Reddy  
(Chairman)**

**Place: Chennai  
Date :12.09.2013**

## APOLLO MUNICH HEALTH INSURANCE COMPANY LIMITED

Reg. Off: Apollo Hospitals complex, Jubilee Hills, Hyderabad - 500033

### Corporate Governance Report

#### **Company's philosophy on Corporate Governance:**

Apollo Munich Health Insurance Company Limited ('the Company') is fully committed to adopt the sound governance practices and its adherence in true spirit, at all times. Our Governance practices stems from an inherent desire to improve, innovate and reflect the culture of trusteeship that is deeply ingrained in our value system and forms part of the strategic thought process.

Accordingly the Corporate Governance philosophy has been scripted as under:  
"As a responsible corporate citizen, the Company is committed to sound corporate practices based on its vision, values and principles in building confidence of its various stakeholders, thereby paving the way for its long term success and sustenance."

The Company's philosophy on Corporate Governance is based on following principles:

- Lay solid foundation for management
- Structure the Board to add value
- Promote ethical and responsible decision-making
- Safeguard integrity in financial reporting
- Make timely and balanced disclosures
- Recognize and manage business risks
- Respect the rights of the shareholders
- Encourage enhanced performance
- Remunerate fairly and responsibly
- Recognize the legitimate interest of the stakeholders
- Legal and statutory compliances in its true spirit

With the aforesaid principles the Company continues to focus on building trust with shareholders, policyholders, employees, customers, channel partners, statutory authorities and other stakeholders. The Company's Governance processes continuously reinforce and help actualize the Company's belief in ethical corporate citizenship and is manifested through exemplary standards of ethical behavior, both within the organization as well as in external relationships.

#### **The Governance Structure:**

The Company has a three-tier governance structure, comprising the Board of Directors at the apex and followed by the Management Committee and the heads of various departments/initiatives/verticals.

- Strategic supervision – by the Board of Directors
- Strategic management – by the CEO and Management Committee



- Executive management – by Executive Committee and the vertical/department heads

This three-tier governance structure ensures that the strategic supervision on behalf of the shareholders being free from the task of strategic management can be conducted by the Board with objectivity thereby sharpening accountability of the management. Further, strategic management being free from the task of day-to-day executive management, remains focused and energized. The structure also ensures that the executive management of the divisions, being free from the collective strategic responsibilities for the Company as a whole, is focused on enhancing the quality, efficiency and effectiveness of the functional areas.

### **1. Board of Directors ('BOARD'):**

At Apollo Munich Health, the Directors are elected/ nominated by the shareholders of the Company with a responsibility to set strategic objectives for the management and to ensure that the long term interests of all stakeholders are served by adhering to and enforcing the principles of sound Corporate Governance. The Board functions either as a full Board or through various Committees constituted to oversee specific operational areas.

All the members of the Board are eminent persons with considerable expertise and experience in insurance, health care, finance & banking sectors. The Company is immensely benefitted by the range of experience and skills that the Directors bring to the Board.

As on the date of report, the Company's Board of Directors comprised of eight Directors (excluding alternate director), of which six (75 percent) are Non-executive Directors. Ms. Shobana Kamineni, Whole Time Director and Mr. Antony Jacob, Whole Time Director & CEO are the Executive Directors. The Board is chaired by Dr. Prathap C Reddy, a Non-executive Director.

Mr. MBN Rao and Mr. Bernhard Steinruecke are the Independent Directors and the composition of the Board is in conformity with the IRDA guidelines on Corporate Governance.

#### **1.1 Composition of Board of Directors:**

The Company is a joint venture company between the Apollo Hospitals Group and Munich Health Holding AG (Munich Re Group). The Board comprises of three nominees Directors from Apollo Hospitals Group, two from Munich Health Holding AG, two Independent Directors besides a Whole Time Director & CEO who is a joint nominee of Apollo Hospitals Group and Munich Health Holding AG.

There is an appropriate mix of executive, non-executive and independent Directors to maintain the professionalism and independence of the Board. The independent Directors are eminent personalities with significant expertise in the fields of finance, banking, strategy, insurance and economics.

The Board believes that the current size is appropriate, based on the current circumstances.

Name of the Director	Category	Qualification	Field of Specialization	No of other Directorships*
Dr. Prathap C Reddy	Chairman, Non-executive	MD, FRCS, FCCP, FICP	Health Care Industry	13
Shobana Kamineni	Executive	BA (Economics), MBA	Insurance and Health Care Industry	10
Suneeta Reddy	Non-executive	BA (Economics & Marketing), DFM-IFMR, OPM -Harvard Business School, Boston USA	Finance	10
Dr. Wolfgang Strassl**	Non-executive	Doctorate in economics, Masters in philosophy by university of Cambridge	Insurance	0
Wolfgang Diels	Non-executive	Degree in Law	Insurance	0
MBN Rao	Non-executive, Independent	B. SC ( AG), ACIB ( London), FIIB, DCS (Cambridge), IDCS (London)	Finance, Banking and Insurance	14
Bernhard Steinruecke	Non-executive, Independent	Degree in Law	Finance, Banking and Insurance	4
Antony Jacob	Executive	B.COM, ACA	Finance and Insurance	0
Rob Leonardi	Alternate Director	Chartered Accountant	Finance and Insurance	0

\*Other directorships do not include alternate directorships, directorship held in foreign companies, private limited companies and companies under Section 25 of the Companies Act, 1956.

\*\*Mr. Roberto Leonardi was appointed as alternate director to Dr. Wolfgang Strassl.

## 1.2 Tenure:

The Non-executive Directors of the Company are liable to retire by rotation. One third of the said Directors are liable to retire every year and if eligible, offer themselves for reappointment.

### **1.3 Responsibilities:**

The Board of Directors represents the interests of the Company's shareholders and policyholders in optimizing long-term value by providing the management with guidance and strategic direction on the shareholders' behalf. The Board of Directors of the Company oversees the Company's strategic direction, review corporate performance, authorize and monitor strategic investments, ensure regulatory compliance and safeguard interests of all stakeholders.

### **1.4 Role of Independent Directors:**

Independent Directors play a key role in the decision-making process of the Board as they contribute to the overall strategy of the Company and oversee the performance of management. The independent Directors of the Company are committed to act in the best interest of the Company and its stakeholders. The Independent Directors bring to the Company a wide range of experience, knowledge and judgment as they draw on their varied proficiencies in finance, law and corporate strategy. This wide knowledge helps foster varied, unbiased, independent and experienced perspectives. The Company benefits immensely from their inputs in achieving its strategic direction. Board members ensure that their work in other capacities do not impinge on their responsibilities as Directors of the Company.

## **2 Board Meetings:**

The meetings of the Board of Directors are normally held at the corporate office of the Company at Gurgaon. As a good practice, a yearly meetings calendar is prepared and circulated to all the Directors well in advance before the commencement of the relevant financial year, so that they can adequately plan their schedule.

The Company holds atleast four Board meetings in a year, one in each quarter to review the quarterly performance, financial results and other agenda items. The gap between the two Board meetings do not exceed four calendar months. Urgent matters are also approved by the Board through circulation.

During the year under review, the Board met four (4) times on April 27<sup>th</sup>, 2012, July 27<sup>th</sup>, 2012, November 1<sup>st</sup>, 2012 and February 4<sup>th</sup>, 2013. The Board also met on April 23<sup>rd</sup>, 2013 for approval of annual accounts of the Company for the financial year 2012-13. The gap between any two meetings never exceeded four calendar months as stipulated in the IRDA corporate governance guidelines. The details of attendance and the sitting fee paid to the Directors are set out in the following table:

Name of the Director	Number of Board Meetings		Sitting fees paid (in INR)
	Held	Attended	
Dr. Prathap C Reddy	4	2	NIL
Shobana Kamineni	4	4	NIL
Suneeta Reddy	4	2	NIL
Dr. Wolfgang Strassl	4	3	NIL
Wolfgang Diels	4	4	NIL
MBN Rao	4	1	20,000
Bernhard Steinruecke	4	4	80,000
Antony Jacob*	4	4	NIL

\*Reappointed as Whole Time Director & CEO w.e.f. 01.04.2012

### **3. Agenda and minutes:**

The Company Secretary in consultation with the Whole Time Director and the Principal Officer prepares a detailed agenda for the meetings. The Agenda papers, containing all the necessary documents and explanatory notes, are circulated to the Directors and Committee members well in advance before the meeting. In case it is not practicable to send the relevant information/documents as a part of Agenda papers, the same are tabled at the meeting. The members of the Board have access to all information of the Company. The members of the Board are also free to recommend inclusion of any matter in the agenda for discussion. Senior management is invited to attend the Board meetings so as to provide additional inputs to the items being discussed by the Board.

The Company Secretary while preparing the agenda and minutes of the Board/Committee meeting is required to ensure the adherence to the applicable provisions of the law including the Companies Act, 1956, Insurance laws and regulations. The draft minutes of the proceedings of each meeting are circulated to the Directors for their comments and thereafter, confirmed by the Board in its next meeting. The Board also takes note of the minutes of the Committee meetings duly approved by their respective chairman.

All material information is incorporated in the agenda papers for facilitating meaningful and focused discussions at the meeting. The information regularly supplied to the Board inter-alia includes the following:

- Business strategy and updates;
- Annual operating plans and budgets, and any updates thereon;
- Capital budgets and updates;
- Performance reports along with the executive summary;
- Quarterly financial results;
- Minutes of the meetings of all committees;
- Statutory compliances report and certificate;
- Update on change in statutory regulations;
- Update on tax related matters;
- Updates on opening of offices/places of business;
- Show cause, demand notices and penalty notices, if any;
- Report of the policyholder's protection committee;

- Performance of investment portfolio and approval of investment policy;
- Annual reinsurance programme ;
- Action taken report on the implementation of decisions/suggestions of the Board/Committees during previous meetings;
- Other statutory agenda.

#### **4. Board Committees:**

The Board has constituted six (6) committees for smooth and efficient discharge of its responsibilities, namely:-

- Audit Committee
- Investment Committee
- Risk Management Committee
- Policyholders Protection Committee
- Remuneration Committee
- Management Committee

The constitution and terms of reference of the aforesaid Committees are determined by the Board from time to time. All the recommendations of the committees are placed before the Board for approval. The minutes of the committee meetings are placed before the Board for its information.

The role and composition of these committees, including the number of meetings held during the year under review and the attendance of the members are provided below:

#### **4.1 Audit Committee:**

The Company has set up an Audit Committee in compliance with the provisions of Section 292A of the Companies Act, 1956 and the corporate governance guidelines issued by IRDA.

Composition: The Audit Committee comprises of four (4) Directors. The chairperson of the Committee is an Independent Director. The Committee invites representatives of Internal Auditors, Statutory Auditors, other directors and senior officials, as it considers appropriate to be present at the meeting of the committee. All the members of the Committee have requisite financial and management expertise/knowledge. The Company Secretary is the secretary to the Committee.

The Audit Committee is responsible for enhancement and restoration of shareholders' confidence by promoting accountability and also by acting as a catalyst for effective financial and auditing practices in the Company. The Committee also monitors the compliance function and the Company's risk profile in respect of Compliance with external laws and regulations and internal policies.

The function of Audit Committee inter-alia includes the following:

- Oversight of the Company’s financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Review of accounting policies and financial operating system of the Company
- Review of legislative and regulatory compliances
- Recommending the appointment and fees/remuneration for Internal and Statutory Auditors
- Reviewing with the management, external and internal auditors, the adequacy of internal control system
- Discussion with auditors any significant findings and follow up thereon
- To review key transactions involving conflict of interest

During the year under review, the Audit Committee met four (4) times on April 27<sup>th</sup>, 2012, July 26<sup>th</sup>, 2012, October 31<sup>st</sup>, 2012 and February 4<sup>th</sup>, 2013. The details of the composition of the Audit Committee, attendance and the sitting fee paid to the members are set out in the following table:

Name of the Member	Number of AC Meetings		Sitting fees paid (in INR)
	Held	Attended	
MBN Rao	4	3	60,000
Bernhard Steinruecke	4	4	80,000
Shobana Kamineni	4	3	NIL
Wolfgang Diels	4	4	NIL

#### **4.2 Investment Committee:**

The Company has set up an Investment Committee which is responsible for laying down an overall Investment Policy and operational framework for the investment operations of the Company.

Composition: The Investment Committee comprises of eight (8) members - two non-executive Directors, two whole time Directors (Including CEO), Chief Investment Officer, Chief Financial Officer, Chief Operating Officer and Appointed Actuary. The chairperson of the Committee is a Non-executive Director. The composition of the committee is in accordance with the provisions of the IRDA (Investment) Regulations, 2000, as amended and the corporate governance guidelines issued by IRDA. The Committee invites other directors and senior officials, as it considers appropriate to be present at the meeting of the committee. All the members of the committee are fully conversant with the various responsibilities entrusted on them under IRDA regulations and guidelines. The Company Secretary is the secretary to the Committee.

The function of Investment Committee inter-alia includes the following:

- Implement the annual investment policy as approved/modified by the Board of Directors of the Company from time to time
- Invest the funds of the Company in accordance with the annual investment policy of the Company

- Review investment strategies adopted from time to time and provide suitable direction as needed in the best interests of the company.
- Update to Board on investment activities of the Company
- Compliance with regulatory norms on investments.

During the year under review, the Investment Committee met four (4) times on April 26<sup>th</sup>, 2012, July 26<sup>th</sup>, 2012, October 31<sup>st</sup>, 2012 and February 4<sup>th</sup>, 2013. The details of the composition of the Investment Committee, attendance and the sitting fee paid to the members are set out in the following table:

Name of the Member	Number of IC Meetings		Sitting fees paid (in INR)****
	Held	Attended	
Suneeta Reddy	4	1	NIL
Wolfgang Diels	4	4	NIL
Shobana Kamineni	4	3	NIL
Antony Jacob ( WTD & CEO)	4	4	NIL
R. Krishnan (COO)*	4	4	NIL
K.Srikanth (CFO)	4	4	NIL
Sanjay Kulshrestha (CIO)**	3	2	NIL
Vishwanath Mahendra***	2	1	NIL

\*Mr. R. Krishnan was CIO of the Company. Effective from 27.04.2012 he was appointed as member, in the capacity of Chief Operating Officer of the Company.

\*\*Designated as Chief Investment officer and appointed as member w.e.f. 27.04.2012

\*\*\* Appointed as member w.e.f. 27.07.2012

\*\*\*\*Members are not eligible to receive any sitting fees for attending the meetings of the committee.

### **4.3 Risk Management Committee:**

The Company has set up a Risk Management Committee to administer the Company's Risk Management Strategies. The Committee assists the Board in effective operation of the risk management system by performing specialized analyses and quality reviews.

Composition: The Risk Management Committee comprises of three (3) Directors. The chairperson of the Committee is a Non-executive Director. The Chief Risk Officer appointed by the Board reports to the Committee and is a permanent invitee at the Committee meetings. The composition of the committee is in accordance with the provisions of corporate governance guidelines issued by IRDA. The Committee invites other directors and senior officials, as it considers appropriate to be present at the meetings of the committee. The Company Secretary is the secretary to the Committee.

The function of Risk Management Committee inter-alia includes the following:

- Implementation of Enterprise Risk Management framework
- Laying down risk management strategy to manage risks across the organization



- To review the key risks associated with the business of the Company, its root causes and the efficacy of the measures in place to mitigate the same
- Report to the Board, the details on the risk exposure and the action taken to manage the exposures.
- Assisting the Board in effective operation of the risk management system by performing specialized analysis and quality reviews

During the year under review, the Risk Management Committee met four (4) times on April 26<sup>th</sup>, 2012, July 26<sup>th</sup>, 2012, October 31<sup>st</sup>, 2012 and February 4<sup>th</sup>, 2013. The details of the composition of the Risk Management Committee, attendance and the sitting fee paid to the members are set out in the following table:

Name of the Member	Number of RMC Meetings		Sitting fees paid (in INR)*
	Held	Attended	
Wolfgang Diels	4	4	NIL
Shobana Kamineni	4	2	NIL
Antony Jacob ( WTD & CEO)	4	4	NIL

\* Members are not eligible to receive any sitting fees for attending the meetings of the committee.

#### **4.4 Policyholders Protection Committee:**

In tandem with IRDA’s Corporate Governance Guidelines, the Company has set up a Committee called Policyholders Protection Committee. The Committee looks into the broader aspects of protection of policyholders’ interests, ensuring adequacy of the adherence to the Company’s grievance redressal framework as well as ensuring adequate and correct disclosures to customers. The Policyholders Protection Committee assists and provides advice to the Board in relation to the protection of interest of Policyholders.

Composition: The Policyholders Protection Committee comprises of four (4) members, One Non-executive Director, two executive Directors (including CEO) and Chief Operating Officer of the Company. The chairperson of the Committee is an executive Director. The composition of the committee is in accordance with the provisions of corporate governance guidelines issued by IRDA. The Committee invites other directors and senior officials, as it considers appropriate to be present at the meetings of the committee. The Company Secretary is the secretary to the Committee.

The function of Policyholders Protection Committee inter-alia includes the following:

- Approval and implementation of grievance redressal procedure and mechanism to address complaints and grievances of policyholders
- Evaluating the efficacy of the existing mechanism in place/process being followed and suggest changes for speedy redressal of complaints/grievances
- Review the status of policyholders complaints at periodic intervals



- Provide guidance to improve the overall satisfaction level of customers
- Ensuring the compliance with the regulatory framework pertaining to policyholders' protection

The Policyholders Protection committee submits the grievance disposal report on a quarterly basis to the Board inter-alia with regard to complaints/grievance received and resolved.

During the year under review, the Policyholders Protection Committee met four (4) times on April 26<sup>th</sup>, 2012, July 26<sup>th</sup>, 2012, October 31<sup>st</sup>, 2012 and February 4<sup>th</sup>, 2013. The details of the composition of the Policyholders Protection Committee, attendance and the sitting fee paid to the members are set out in the following table:

Name of the Member	Number of PPC Meetings		Sitting fees paid (in INR)*
	Held	Attended	
Shobana Kamineni	4	2	NIL
Antony Jacob ( WTD & CEO)	4	4	NIL
Wolfgang Diels	4	4	NIL
R.Krishnan (COO)	4	4	NIL

\* Members are not eligible to receive any sitting fees for attending the meetings of the committee.

#### **4.5 Remuneration Committee:**

The Company has set up a Remuneration Committee to administer the overall policy on remuneration/compensation and the other terms of employment of executive Directors and senior management officials of the Company. The Committee recommends/approves the remuneration package of Executive Directors by reference to individual performance, experience and market conditions with a view to provide a package which is appropriate for the responsibilities involved.

The Company has set up a Remuneration Committee. The role of the Remuneration Committee includes nominating the Directors on the Board and fixing their remuneration. It also approves the appointment and compensation of Whole Time Directors and senior management officials.

Composition: The Remuneration Committee comprises of four (4) Directors. Two Independent Directors, one Non-executive Director and one executive Director. The chairperson of the Committee is an Independent Director. The Committee invites other directors and senior officials, as it considers appropriate to be present at the meeting of the committee. The Company Secretary is the secretary to the Committee.

The function of Remuneration Committee inter-alia includes the following:

- Recommendation/approval of the remuneration and other terms of the compensation package for the senior management officials of the Company with the positions of president and above
- Administration and approval of the quantum of performance/deferred bonus payable to the employees
- Review the HR activities of the company including deliberation on attrition rate and providing necessary direction
- Framing of guidelines for the Employees Stock Option Scheme

During the year under review, the Remuneration Committee met four (4) times on April 26<sup>th</sup>, 2012, July 26<sup>th</sup>, 2012, October 31<sup>st</sup>, 2012 and February 4<sup>th</sup>, 2013.

The details of the composition of the Remuneration Committee, attendance and the sitting fee paid to the members are set out in the following table:

Name of the Member	Number of RC Meetings		Sitting fees paid (in INR)*
	Held	Attended	
Bernhard Steinruecke	4	4	80,000
MBN Rao	4	2	40,000
Shobana Kamineni	4	2	NIL
Wolfgang Diels	4	4	NIL

\*Except Independent Director, none of the members are eligible to receive sitting fees for attending the meetings of the committee.

#### **4.6 Management Committee:**

The Company has set up a Management Committee to manage all aspects of the day to day business operations of the Company and ensure the delivery of the Company's Business Plan.

Composition: The Management Committee comprises of five (5) senior management officials (CXOs) of the Company namely Chief Executive Officer, Chief Operating Officer, Chief Marketing Officer, Chief Financial Officer and Chief People Officer. The Committee is chaired by the CEO of the Company. The Committee invites Whole Time Director and senior officials, as it considers appropriate, to be present at the meeting of the committee.

The Committee meets on a monthly basis to review and discuss the performance of the Company vis-à-vis the annual and strategic business plan and other matters within the terms of reference.

The function of Management Committee inter-alia includes the following:

- Drafting of Annual Operating Plan and submission to Board of Directors for approval
- Review of financial performance of the company on regular intervals
- Review the operations of the company
- Review of competition landscape and peer analysis with respect to financial performance, products launched, counter action plan, etc

Being executives of the Company, the members are not eligible to receive any sitting fees for attending the meetings of the committee.

## **5. Remuneration of Directors:**

**5.1 Executive Directors:** During the year under review, the remuneration paid to the executive Directors is recommended and approved by the Remuneration Committee by virtue of delegation by the Board of Directors subject to the approval of shareholders in the general meeting and IRDA, as the case may be.

**5.2 Non-executive Directors:** During the year under review, the Company has not paid any remuneration to any of its non-executive Directors other than the Independent Directors.

During the year under review, the Independent Directors are paid by way of sitting fee for the meeting of the Board and the Committees (as the case may be), attended by them and the associated traveling and boarding expenses. Other than the aforesaid sitting fees, traveling and boarding expenses, the Company has not paid any remuneration to any of its Independent Directors.

## **6. Related party transaction:**

There were no materially significant related party transactions with the Directors, the management or relatives of the Directors that have a potential conflict with the interests of the Company at large. Transactions with related parties entered into by the Company in the normal course of business were placed quarterly before the Audit Committee. There were no material individual transactions with related parties, which were not in the normal course of business nor were there any material transactions with related parties or others, which were not on an arm's length basis. Details of related party transactions entered into by the Company in the normal course of business are included in the Notes to the Accounts.

## **7. Code of Conduct:**

The Company has laid down a code of Conduct for the Board Members and Senior Management officials of the Company. All Board Members and Senior Management officials have affirmed compliance with the Code of Conduct for the year under review.

## **8. Whistle Blower Policy:**

The company has a whistle blower policy which is designed and implemented to provide its employees a channel for communicating instances of breach in the Code of Conduct, legal violations, actual or suspected frauds and other irregularities. The framework of the policy is designed to promote responsible and secure whistle blowing. The mechanism has been communicated and posted on the Company's intranet.

**9. Pecuniary relationship or transaction of Non-executive directors vis-à-vis the Company:**

The Company does not have any pecuniary relationship/transaction with any of its non-executive Directors.

**10. Statutory and Regulatory Compliance:**

In accordance with the compliance Policy of the company, quarterly confirmation on statutory, regulatory as well as internal process compliances is obtained from the respective business heads. A statutory compliance report duly signed by the CEO & Whole Time Director is placed before the Board every quarter, confirming the details of compliances as well as instances of non-compliance, if any, along with the steps taken to rectify the non-compliance and prevention of the occurrence in future.

**11. Name and other details of the Compliance Officers:**

	Area of Compliance	
	IRDA Corporate Governance Guidelines	Rest all the Statutory and Regulatory Compliances
<b>Name of Compliance Officer</b>	Mr. Srikanth Kandikonda	Mr. Sameer Bhatnagar
Designation	CFO & Company Secretary	VP -Legal & Compliances
Address	Building No. 10, Tower-B, DLF Cyber City, DLF City Phase-2, Gurgaon-122002.	Building No. 10, Tower-B, DLF Cyber City, DLF City Phase-2, Gurgaon-122002.
e-mail ID	srikanth.k@apollomunichinsurance.com	sameer.bhatnagar@apollomunichinsurance.com

**12. Annual General Meetings:**

Details of the Annual General Meetings held during the last five years are provided below:

Financial Year	Date	Venue
2007-08	20.08.2008	Apollo Hospitals Complex, Jubilee Hills, Hyderabad- 500033
2008-09	14.09.2009	Apollo Hospitals Complex, Jubilee Hills, Hyderabad- 500033
2009-10	03.08.2010	Apollo Hospitals Complex, Jubilee Hills, Hyderabad- 500033
2010-11	05.08.2011	Apollo Hospitals Complex, Jubilee Hills, Hyderabad- 500033
2011-12	08.08.2012	Apollo Hospitals Complex, Jubilee Hills, Hyderabad- 500033

All the resolutions in the Annual General Meeting, including the special resolutions set out in the respective notices were passed by the requisite majority of the shareholders.

### **13. Means of communication:**

As per the IRDA guidelines on public disclosures, the insurance companies are required to disclose their financials (Balance sheet, Profit & Loss account, Revenue Account and Key analytical ratios) in the news paper publications and also on their website within the stipulated timelines.

Accordingly, the disclosures are hosted on the Company's website ([www.apollomunichinsurance.com](http://www.apollomunichinsurance.com)) and adequate steps have been taken to ensure publication of requisite disclosure in news papers.

### **14. Internal Audit Framework:**

The Internal Audit of the functions (departments) is undertaken by the Internal Audit team of Apollo Munich and certain functions by the External Auditor – M/s S C Vasudeva.

The Company has designed its internal control framework to provide reasonable (not absolute) assurance to ensure compliance with internal policies and procedures, regulatory matters and to safeguard reliability of the financial reporting and its disclosures. The Board and the Audit Committee considers that the internal control framework is appropriate to the business.

The internal audit is designed to review what a company is doing in order to identify potential threats to the organization's health and profitability, and designated internal auditors help with the suggestions for mitigating the risk associated with those threats in order to minimize costs.

The key internal audit findings, recommendations and compliance status of the previous key audit findings are reported to the Audit Committee. The Audit Committee actively monitors the implementation of its recommendations.

### **15. Risk Management Framework:**

The Company has formulated a Risk Management Framework, which lays the procedures for risk assessment and mitigation. These Risks are assessed by considering their likelihood and impact, measured against a risk framework which outlines the risk appetite of our organization as defined by the Board. The outcomes are rated from very high to very low. These ratings determine the intensity of management response.

The financial year 2012-13 was the first full year of ERM implementation. During the year the Risk Officers Committee reviewed the Risks every quarter and regularly monitored the movement of Risks basis performance and efficacy of identified mitigation measures and also evaluated all the new risks that were identified by various business units. This regular review and reporting helped exercise better control over the identified risks thereby protecting the associated business objectives. As a part of the Risk Review, the committee also monitored progress of the Claims data quality project, Business Continuity plan and adherence of the compliance calendar.

The Risk Management Committee was also updated on the procedures adopted by the Company to assess risks and their mitigation mechanisms on periodic intervals.

**For and on behalf of the Board**

A handwritten signature in black ink, appearing to read "Prathap C Reddy".

**Dr. Prathap C Reddy  
(Chairman)**

**Place: Chennai  
Date : 12.09.2013**

**CERTIFICATE FOR COMPLIANCE OF THE CORPORATE GOVERNANCE  
GUIDELINES FOR 2012-13**

I, Srikanth Kandikonda, CFO & Company Secretary of Apollo Munich Health Insurance Company Limited (the Company) hereby certify that the Company has complied with the provisions of Corporate Governance Guidelines for insurance companies notified by IRDA, as amended from time to time and to the extent applicable, during the financial year 2012-13 and confirm that, to the best of my knowledge and belief, nothing has been concealed or suppressed.



Place: Gurgaon  
Date: 12.09.2013

**Srikanth Kandikonda**  
**CFO & Company Secretary**

**S. N. Dhawan & Co.**  
**Chartered Accountants**  
C-37, Connaught Place,  
New Delhi – 110001

**S. Viswanathan**  
**Chartered Accountants**  
# 17. Bishop Wallers Avenue (West)  
CIT Colony,  
Mylapore  
Chennai – 600004

**Independent Auditors' Report**

**TO THE MEMBERS OF  
APOLLO MUNICH HEALTH INSURANCE COMPANY LIMITED**

***Report on the Financial Statements***

We have audited the accompanying financial statements of **Apollo Munich Health Insurance Company Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2013, the Revenue account, the Profit and Loss account and the Receipts and Payment Account for the year then ended, and a summary of significant accounting policies and other explanatory information.

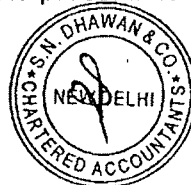
***Board of Director's Responsibility for the Financial Statements***

Board of Directors is responsible for the preparation and fair presentation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in conformity with the accounting principles generally accepted in India, as applicable to general insurance companies which includes the requirements of the Insurance Act 1938, the Insurance Regulatory and Development Act, 1999, Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 and the Companies Act, 1956, to the extent applicable and in the manner so required. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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. 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**

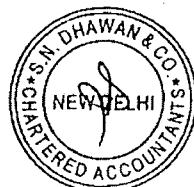
In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Insurance Act 1938, the Insurance Regulatory and Development Act, 1999, Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 and the Companies Act, 1956, to the extent applicable and give a true and fair view in conformity with the accounting principles generally accepted in India, as applicable to Insurance Companies:

- a. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- b. in the case of the Revenue Account, of the deficit for the year ended on that date.
- c. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- d. in the case of the Receipts and Payments Account, of the receipts and payments of the Company for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**


**As required by Schedule C of The Insurance regulatory and Development Authority (Preparation of Financial Statements and Auditor's report of Insurance Companies) Regulations, 2002, and Section 227(3) and other provisions of the Companies Act, 1956, to the extent applicable:**

- a. 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;
- b. 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
- c. As the Company's accounting system is centralized, no returns for the purpose of our audit are prepared at the branches and other offices.
- d. The Balance Sheet, Miscellaneous revenue account, Profit and Loss Account, and Receipts and Payments Account dealt with by this Report are in agreement with the books
- e. In our opinion, the accounting policies selected by the Company are appropriate and are in compliance with the applicable accounting standards The accounting policies selected by the Company are appropriate and are in compliance with the applicable Accounting Standards referred to under sub section 3C of Section 211 of the Act and with the accounting principles prescribed by the Regulations and orders/ directions issued by IRDA in this behalf;



- f. The Balance Sheet, the Revenue Account, the Profit and Loss Account and the Receipts and Payment Account referred to in this report are in compliance with the accounting standards referred to under sub section 3C of Section 211 of the Act, to the extent applicable;
- g. Investments of the Company have been valued in accordance with the provisions of the Insurance Act, 1938, the Regulations and orders/directions issued by IRDA in this behalf;
- h. The actuarial valuation of liabilities in respect of Claims Incurred But Not Reported (IBNR) and Claims Incurred But Not Enough Reported (IBNER) as on 31 March, 2013 has been duly certified by the Company's appointed actuary. The appointed actuary has also certified to the Company that the assumptions used for such valuations are appropriate and are in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority ('IRDA') and the Institute of Actuaries of India;
- i. We have reviewed the management report and there is no apparent mistake or material inconsistencies with the financial statements;
- j. Based on the information and explanations received during the normal course of our audit and management representations, nothing has come to our attention which causes us to believe that the Company has not complied with the terms and conditions of registration.
- k. On the basis of written representations received from the directors as on March 31, 2013; and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.;
- l. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.


*S. N. Dhawan & Co.*  
**For S. N. Dhawan & Co.**  
 Chartered Accountants  
 (Registration No. 000050N)

  
**Rajeev K Saxena**  
 Partner  
 (Membership No. 77974)



23 APR 2013

**For S Viswanathan**  
 Chartered Accountants  
 (Registration No. 004770S)

  
**V C Krishnan**  
 Partner  
 (Membership No. 22167)



**S. N. Dhawan & Co.**  
**Chartered Accountants**  
C-37, Connaught Place,  
New Delhi - 110001

**S. Viswanathan**  
**Chartered Accountants**  
# 17, Bishop Wallers Avenue (West)  
CIT Colony,  
Mylapore  
Chennai - 600004

**Auditors' Certificate**

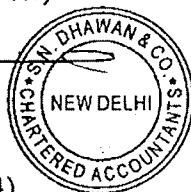
In accordance with the information and explanations given to us and to the best of our knowledge and belief and based on our examination of the books of account and other records maintained by **Apollo Munich Health Insurance Company Limited** ('the Company') for the year ended 31 March 2013, we certify that:

- (a) We have verified the cash balances and investments of the Company as at 31 March, 2013. The Company had no secured loans.
- (b) According to the information and explanations given to us, the Company is not a trustee of any trust.
- (c) In our opinion and according to the information and explanations given to us, no part of the assets of the policyholders' funds has been directly or indirectly applied in contravention of the provisions of the Insurance Act, 1938 relating to the application and investments of the policyholders funds.

This certificate is issued to comply with Schedule C of Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ('the Accounting Regulations'), read with Regulation 3 of the Accounting Regulations and may not be suitable for any other purpose.

*S. N. Dhawan & Co.*  
**For S. N. Dhawan & Co.**  
Chartered Accountants  
(Registration No. 000050N)

*Rajeev K Saxena*  
**Rajeev K Saxena**  
Partner  
(Membership No. 77974)



23 APR 2013

**For S Viswanathan**  
Chartered Accountants  
(Registration No. 004770S)

*V C Krishnan*  
**V C Krishnan**  
Partner  
(Membership No. 22167)



**APOLLO MUNICH HEALTH INSURANCE COMPANY LIMITED**  
**Registration No. 131 dated 3rd August 2007**  
**Miscellaneous Business Revenue Account for the year ended 31 March 2013**

Sl. Particulars No.	Schedule	Year ended 31.03.13 (Rs. in '000)	Year ended 31.03.12 (Rs. in '000)
1. Premium Earned (net)	1	4,421,296	3,008,239
2. Profit/(Loss) on sale/redemption of Investments		13,865	6,508
3. Others			
4. Interest, Dividend & Rent (Gross)		215,137	141,528
<b>Total (A)</b>		<b>4,650,298</b>	<b>3,156,275</b>
1. Claims Incurred (net)	2	2,619,753	1,750,890
2. Commission	3	422,907	281,339
3. Operating Expenses related to Insurance Business	4	1,891,723	1,741,095
<b>Total (B)</b>		<b>4,934,383</b>	<b>3,773,324</b>
Operating Profit/(Loss) from Miscellaneous Business C=(A-B)		<b>(284,085)</b>	<b>(617,049)</b>
<b>Appropriations</b>			
Transfer to Shareholders' Account		(284,085)	(617,049)
Transfer to Catastrophe Reserve			
Transfer to Other Reserves			
<b>Total (C)</b>		<b>(284,085)</b>	<b>(617,049)</b>

Significant Accounting Policies and Notes to Financial Statements 16

Schedules No. 1 to 16 form an integral part of the Financial Statements

As required by Section 40C of the Insurance Act, 1938, we hereby certify that all the expenses of management in respect of general insurance business transactions in India by the Company have been fully recognised in the revenue account as expenses.

As per our report of even date attached

For and on behalf of the Board

For S. N. Dhawan & Co.  
Chartered Accountants

For S Viswanathan  
Chartered Accountants

Dr. Prathap C Reddy  
Chairman

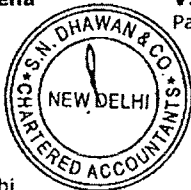
Shobana Kamineni  
Whole Time Director

Rajeev K Saxena  
Partner

V.C. Krishnan  
Partner

Roberto Leonardi  
Alternate Director

Antony Jacob  
Whole Time Director &  
Chief Executive Officer



Place: New Delhi  
Date: 23rd April 2013

Srikanth Kandikonda  
Chief Financial Officer  
& Company Secretary

**APOLLO MUNICH HEALTH INSURANCE COMPANY LIMITED**  
**Registration No. 131 dated 3rd August 2007**  
**Profit and Loss Account for the year ended 31 March 2013**

Sl. No.	Particulars	Schedule	Year ended 31.03.13 (Rs. in '000)	Year ended 31.03.12 (Rs. in '000)
<b>1.</b>	<b>Operating Profit/(Loss)</b>			
(a)	Miscellaneous Insurance		(284,085)	(617,049)
<b>2.</b>	<b>Income from Investments</b>			
(a)	Interest, Dividends & Rent - Gross		165,059	125,710
(b)	Amortisation of Discount / Premium		10,778	17,938
(c)	Add: Profit on sale of Investments		11,332	9,144
	Less: Loss on sale of Investments		-	(2,538)
<b>3.</b>	<b>Other Income</b>			
(a)	Profit on sale of Fixed Assets		1,429	392
(b)	Others		14,568	4,811
	<b>Total (A)</b>		<u>(80,919)</u>	<u>(461,592)</u>
<b>4.</b>	<b>Provisions (Other than Taxation)</b>			
(a)	For diminution in the value of investments		-	-
(b)	For doubtful debts		-	-
(c)	Others		-	-
<b>5.</b>	<b>Other Expenses</b>			
(a)	Expenses other than those related to Insurance Business		17,571	12,540
	<b>Total (B)</b>		<u>17,571</u>	<u>12,540</u>
	<b>Profit/(Loss) Before Tax</b>		<b>(98,490)</b>	<b>(474,132)</b>
	Less: Provision for Taxation			
	Current Tax		-	-
	Deferred Tax (See Note 20)		(149,806)	-
	Wealth Tax		313	140
	<b>Profit/(Loss) After Tax</b>		<b>51,003</b>	<b>(474,272)</b>
	<b>Balance available for appropriation</b>		<u>51,003</u>	<u>(474,272)</u>
	<b>Appropriations</b>			
(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		(3,173,390)	(2,699,118)
	<b>Balance carried forward to Balance Sheet</b>		<u>(3,122,387)</u>	<u>(3,173,390)</u>
	<b>Basic Earning per Share</b>		<b>0.18</b>	<b>(2.29)</b>
	<b>Diluted Earning per Share</b>		<b>0.17</b>	<b>(2.29)</b>
	(Refer Schedule 16 (C) Note 22)			

Significant Accounting Policies and Notes to Financial Statements

16

As per our report of even date attached

For S. N. Dhawan & Co.  
Chartered Accountants

Rajeev K Saxena  
Partner



For S Viswanathan  
Chartered Accountants

V.C. Krishnan  
Partner



For and on behalf of the Board

Dr. Prathap C Reddy  
Chairman

Roberto Leonardi  
Alternate Director

Srikanth Kandikonda  
Chief Financial Officer  
& Company Secretary

Shobana Kamineni  
Whole Time Director

Antony Jacob  
Whole Time Director &  
Chief Executive Officer

Place: New Delhi  
Date: 23rd April 2013

**APOLLO MUNICH HEALTH INSURANCE COMPANY LIMITED**  
 Registration No. 131 dated 3rd August 2007  
 Balance Sheet as at 31 March 2013

Particulars	Schedule	As at 31.03.13 (Rs. in '000)	As at 31.03.12 (Rs. in '000)
<b>Sources of Funds</b>			
Share Capital	5	3,089,800	2,546,500
Share Application Money		-	-
Reserves and Surplus	6	2,336,414	2,063,214
Fair Value Change Account		400	386
Borrowings	7	-	-
<b>Total</b>		<b>5,426,614</b>	<b>4,610,100</b>
<b>Application of Funds</b>			
Investments	8	3,776,357	3,274,970
Deferred Tax Asset		149,806	-
Loans	9	-	-
Fixed Assets	10	156,723	138,805
Current Assets:			
Cash and Bank Balances	11	1,777,690	1,001,513
Advances & Other Assets	12	832,300	620,740
<b>Sub-total (A)</b>		<b>2,609,990</b>	<b>1,622,253</b>
Current Liabilities	13	1,258,364	1,308,825
Provisions	14	3,130,285	2,290,493
<b>Sub-total (B)</b>		<b>4,388,649</b>	<b>3,599,318</b>
<b>Net Current Assets (C) =(A-B)</b>		<b>(1,778,659)</b>	<b>(1,977,065)</b>
Miscellaneous Expenditure (to the extent not written off or adjusted)	15	-	-
Debit Balance in Profit & Loss Account		3,122,387	3,173,390
<b>Total</b>		<b>5,426,614</b>	<b>4,610,100</b>
Significant Accounting Policies and Notes to Financial Statements	16		

Schedules No. 1 to 16 form an integral part of the Financial Statements

As per our report of even  
date attached

For S. N. Dhawan & Co.  
Chartered Accountants

Rajeev K Sawana  
Partner



For and on behalf of the Board

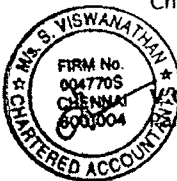
Dr. Prathap C Reddy  
Chairman

Shobana Kamineni  
Whole Time Director

Roberto Leonardi  
Alternate Director

For S Viswanathan  
Chartered Accountants

V.C. Krishnan  
Partner



Antony Jacob  
Whole Time Director &  
Chief Executive Officer

Srikanth Kandikonda  
Chief Financial Officer  
& Company Secretary

Place: New Delhi  
Date: 23rd April 2013

**APOLLO MUNICH HEALTH INSURANCE COMPANY LIMITED**  
 Registration No. 131 dated 3<sup>rd</sup> August 2007  
 Receipts and Payments Account for the year ended 31 March 2013

(Rs. in '000)

Particulars	March 31 2013	March 31 2012
<b>Cash Flows from the Operating Activities:</b>		
Premium received from policyholders, including advance receipts	6,009,984	4,596,523
Other receipts	116,082	(251,883)
Payments to the re-insurers, net of commissions and claims	(252,574)	(252,965)
Payments to co-insurers, net of claims recovery	-	-
Payments of claims	(3,211,880)	(2,006,050)
Payments of commission and brokerage	(532,259)	(368,471)
Payments of other operating expenses	(1,567,105)	(1,291,925)
Preliminary and pre-operative expenses	-	-
Deposits, advances and staff loans	(3,899)	(10,163)
Income taxes paid (Net)	(5,361)	(2,316)
Service tax paid	(345,904)	(224,524)
Other payments	-	-
Cash flows before extraordinary items	207,084	188,226
Cash flow from extraordinary operations	-	-
<b>Net cash flow from Operating Activities</b>	<b>207,084</b>	<b>188,226</b>
<b>Cash flows from Investing Activities:</b>		
Purchase of fixed assets	(96,908)	(68,599)
Proceeds from sale of fixed assets	4,095	392
Purchases of investments	(1,491,036)	(1,267,102)
Loans disbursed	-	-
Sales of investments	850,575	313,700
Repayments received	-	-
Rents/Interests/ Dividends received *	364,350	244,903
Investments in money market instruments and in liquid mutual funds (Net)	139,088	197,395
Expenses related to investments	(17,571)	(10,796)
<b>Net cash flow from Investing Activities</b>	<b>(247,407)</b>	<b>(590,107)</b>
<b>Cash flows from Financing Activities:</b>		
Proceeds from issuance of share capital **	816,500	859,900
Proceeds from borrowing	-	-
Repayments of borrowing	-	-
Interest/dividends paid	-	-
<b>Net cash flow from Financing Activities</b>	<b>816,500</b>	<b>859,900</b>
<b>Effect of foreign exchange rates on cash and cash equivalents, net</b>	<b>-</b>	<b>-</b>
<b>Net Increase/(Decrease) in cash and cash equivalents:</b>	<b>776,177</b>	<b>458,019</b>
Cash and cash equivalents at the beginning of the year	1,001,513	543,494
Cash and cash equivalents at the end of the year	1,777,690	1,001,513

\* Includes Profit on Sale of Mutual Funds amounting to Rs. 25,197 thousands (Previous Year 18,153 thousands)

\*\* Includes Proceeds of Share Premium amounting to Rs. 273,200 thousands (Previous Year 275,400 thousands)

As per our report of even date attached

For and on behalf of the Board of Directors

For S. N. Dhawan & Co.  
Chartered Accountants

For S Viswanathan  
Chartered Accountants

Dr. Prathap C Reddy  
Chairman

Shobana Kamineni  
Whole Time Director

Roberto Leonardi  
Alternate Director

Rajeev K S  
Partner

V.C. Krishnan  
Partner

Antony Jacob  
Whole Time Director &  
Chief Executive Officer

Srikanth Kandikonda  
Chief Financial Officer  
& Company Secretary

Place: New Delhi  
Date: 23rd April 2013

**APOLLO MUNICH HEALTH INSURANCE COMPANY LIMITED**  
Schedules forming part of Revenue Account

Particulars	Year ended 31.03.13 (Rs. in '000)	Year ended 31.03.12 (Rs. in '000)
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**SCHEDULE 1**

**PREMIUM EARNED (NET)**

Premium from direct business written	6,199,862	4,756,402
Add: Premium on reinsurance accepted	588	2,103
Less: Premium on reinsurance ceded	938,688	773,604
<b>Net Premium</b>	<b>5,261,762</b>	<b>3,984,901</b>
Adjustment for change in reserve for unexpired risks	840,466	976,662
<b>Total Premium Earned (Net)</b>	<b>4,421,296</b>	<b>3,008,239</b>

**SCHEDULE 2**

**CLAIMS INCURRED (NET)**

Claims Paid		
Direct	3,160,632	2,048,339
Add: Re-insurance accepted	576	1,290
Less: Re-insurance ceded	563,134	412,318
<b>Net Claims Paid</b>	<b>2,598,074</b>	<b>1,637,311</b>
Add: Claims Outstanding at the end of the year	403,409	381,730
Less: Claims Outstanding at the beginning of the year	381,730	268,151
<b>Total Claims Incurred</b>	<b>2,619,753</b>	<b>1,750,890</b>

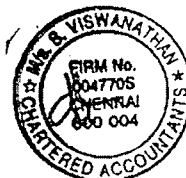
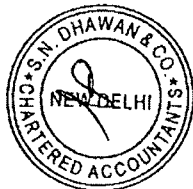
**SCHEDULE 3**

**COMMISSION**

Commission Paid		
Direct	547,803	395,085
Add: Re-insurance accepted	213	762
Less: Re-insurance ceded	125,109	114,508
<b>Net Commission</b>	<b>422,907</b>	<b>281,339</b>

**Break Up of expenses incurred to procure business:**

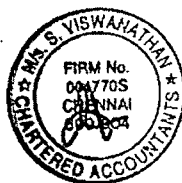
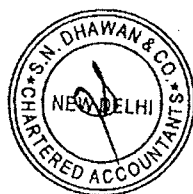
Agents	283,308	196,363
Brokers	95,808	79,293
Corporate Agency	14,339	5,839
Referral		
Others	154,348	113,590
<b>Total</b>	<b>547,803</b>	<b>395,085</b>





**APOLLO MUNICH HEALTH INSURANCE COMPANY LIMITED**  
Schedules forming part of Revenue Account

Particulars	Year ended 31.03.13 (Rs. in '000)	Year ended 31.03.12 (Rs. in '000)
<b>SCHEDULE 4</b>		
<b>OPERATING EXPENSES RELATING TO INSURANCE BUSINESS</b>		
1 Employees' remuneration & welfare benefits	686,398	605,321
2 Travel, conveyance and vehicle running expenses	66,682	64,566
3 Training Expenses	12,722	6,671
4 Rents, rates & taxes	83,052	95,708
5 Repairs & Maintenance	60,244	51,896
6 Printing & Stationery	24,614	26,828
7 Communication	42,795	39,591
8 Legal & Professional charges	146,028	113,892
9 Auditors' fees, expenses etc.		
(a) As Auditors	2,275	2,282
(b) As advisor in any other Capacity		
(i) Taxation Matters	-	-
(ii) Insurance matters	-	-
(iii) Management services	-	-
(c) In any other Capacity	-	-
10 Advertisement and publicity	318,497	332,505
11 Interest & Bank Charges	6,697	5,971
12 Others expenses		
(a) Business Support	106,783	84,206
(b) Information Technology Services	183,767	170,113
(c) Others	72,131	54,942
13 Depreciation	79,038	86,603
<b>Total</b>	<b><u>1,891,723</u></b>	<b><u>1,741,095</u></b>



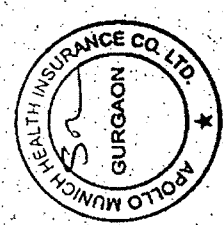
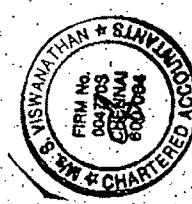
**APOLLO MUNICH HEALTH INSURANCE COMPANY LIMITED**  
Schedules forming part of Revenue Account

Particulars	Year ended 31.03.13			Year ended 31.03.12			Total
	Health	Personal Accident	Others	Health	Personal Accident	Others	
<b>SCHEDULE 1A</b>							
<b>PREMIUM EARNED (NET)</b>							
Premium from direct business written	5,931,784	212,366	55,712	4,541,234	169,025	46,143	4,756,402
Add: Premium on reinsurance accepted	588	588	-	2,103	-	-	2,103
Less: Premium on Reinsurance ceded	853,503	74,790	10,395	709,481	50,279	13,844	773,604
<b>Net Premium</b>	<b>5,078,869</b>	<b>137,164</b>	<b>45,317</b>	<b>3,833,856</b>	<b>118,746</b>	<b>32,299</b>	<b>3,984,901</b>
Adjustment for change in reserve for unexpired risk	823,072	14,253	3,151	968,524	6,466	1,572	976,562
<b>Total Premium Earned (Net)</b>	<b>4,255,797</b>	<b>122,911</b>	<b>42,166</b>	<b>2,865,332</b>	<b>112,280</b>	<b>30,727</b>	<b>3,008,339</b>
<b>SCHEDULE 2A</b>							
<b>CLAIMS INCURRED (NET)</b>							
Claims Paid	3,119,163	29,827	11,642	2,017,907	13,125	17,307	2,048,339
Direct	576	-	-	1,014	276	-	1,290
Add: Re-insurance accepted	548,160	13,156	1,818	399,674	4,533	8,111	412,319
Less: Re-insurance Ceded	2,571,579	16,671	9,824	1,619,247	8,868	9,196	1,637,511
<b>Net Claims Paid</b>	<b>363,243</b>	<b>20,351</b>	<b>19,815</b>	<b>340,668</b>	<b>20,600</b>	<b>20,462</b>	<b>381,730</b>
Add: Claims Outstanding at the end of the year	340,668	20,600	20,462	237,853	17,537	12,761	268,151
Less: Claims Outstanding at the beginning of the year	2,594,154	16,422	9,177	1,722,062	11,931	16,897	1,750,890
<b>Total Claims Incurred</b>	<b>1,349,777</b>	<b>24,529</b>	<b>29,104</b>	<b>1,146,468</b>	<b>49,167</b>	<b>39,460</b>	<b>1,235,135</b>
<b>SCHEDULE 3A</b>							
<b>COMMISSION</b>							
Commission Paid	525,886	17,758	4,159	379,352	12,300	3,433	395,085
Direct	213	-	-	762	-	-	762
Add: Re-insurance Accepted	104,357	19,333	1,419	102,823	10,542	1,443	114,808
Less: Re-insurance ceded	421,747	(1,575)	(2,740)	277,251	(4,786)	(2,290)	281,339
<b>Net Commission</b>	<b>104,357</b>	<b>17,758</b>	<b>4,159</b>	<b>379,352</b>	<b>12,300</b>	<b>3,433</b>	<b>395,085</b>
<b>Break Up of expenses incurred to procure business:</b>							
Agents	268,768	11,363	3,177	186,296	7,517	2,550	196,363
Brokers	85,184	5,641	983	74,518	3,892	883	79,293
Corporate Agency	13,586	753	-	4,948	-	-	5,839
Referral	-	-	-	-	-	-	-
Others	154,348	-	-	113,590	-	-	113,590
<b>Total</b>	<b>521,886</b>	<b>17,757</b>	<b>4,160</b>	<b>379,352</b>	<b>12,300</b>	<b>3,433</b>	<b>395,085</b>



**APOLLO MUNICH HEALTH INSURANCE COMPANY LIMITED**  
Schedules forming part of Revenue Account

Particulars	Year ended 31.03.13			Year ended 31.03.12			Total	(Rs. in '000)
	Health	Personal Accident	Others	Personal Accident	Others	Total		
<b>SCHEDULE 4A</b>								
<b>OPERATING EXPENSES RELATED TO INSURANCE BUSINESS</b>								
1. Employees' remuneration & welfare benefits	6,56,718		6,168	5,77,938	5,872	6,05,321		
2. Travel, conveyance and vehicle running expens	63,799		599	61,646	2,294	64,566		
3. Training Expenses	12,172		114	6,369	65	6,671		
4. Rents, rates & taxes	79,461		2,845	91,378	3,401	95,708		
5. Repairs & Maintenance	57,639		746	60,244	929	61,896		
6. Printing & Stationery	23,550		843	24,614	504	26,828		
7. Communication	40,945		1,466	37,800	260	39,591		
8. Legal & Professional charges	1,39,714		1,312	1,08,740	1,407	1,13,892		
9. Auditors' fees, expenses etc.					1,105			
(a) As Auditors	2,177		20	2,179	22	2,282		
(b) As advisor in any other Capacity								
(i) Taxation Matters								
(ii) Insurance matters								
(iii) Management services								
(c) In any other Capacity								
10. Advertisement and publicity	3,04,725		2,862	3,17,463	11,816	3,32,505		
11. Interest & Bank Charges	6,407		60	5,701	212	5,971		
12. Others expenses								
(a) Business Support	1,02,166		959	80,397	2,992	84,206		
(b) Information Technology Services	1,75,821		1,651	1,62,418	6,045	1,70,113		
(c) Others	69,012		648	52,457	1,953	54,942		
13. Depreciation	35,621		710	82,685	3,078	86,603		
<b>Total</b>	<b>18,09,927</b>	<b>64,801</b>	<b>16,995</b>	<b>16,62,334</b>	<b>61,870</b>	<b>17,43,095</b>		



**APOLLO MUNICH HEALTH INSURANCE COMPANY LIMITED**  
Schedules forming part of Balance Sheet

Sl. No.	Particulars	As at 31.03.13 (Rs. in '000)	As at 31.03.12 (Rs. in '000)
<b>SCHEDULE 5</b>			
<b>SHARE CAPITAL</b>			
1.	<b>Authorised Capital</b> 310,000,000 Equity Shares of Rs. 10 each (Previous year 255,000,000 Equity shares of Rs.10 each)	3,100,000	2,550,000
2.	<b>Issued Capital</b> 309,080,006 Equity Shares of Rs. 10 each (Previous year 254,750,006 Equity Shares of Rs. 10 each)	3,090,800	2,547,500
3.	<b>Subscribed Capital</b> 308,980,000 Equity Shares of Rs. 10 each (Previous year 254,650,000 Equity Shares of Rs. 10 each)	3,089,800	2,546,500
4.	<b>Called-up Capital</b> 308,980,000 Equity Shares of Rs. 10 each (Previous year 254,650,000 Equity Shares of Rs. 10 each)	3,089,800	2,546,500
	Less: Calls Unpaid	-	-
	Add: Equity Shares forfeited (Amount originally paid-up)	-	-
	Less: Par value of Equity Shares bought back	-	-
	Less: Preliminary Expenses	-	-
	Less: Expenses including commission or brokerage on underwriting or subscription of shares	-	-
<b>Total</b>		<b>3,089,800</b>	<b>2,546,500</b>

Out of the above, 198,335,721 (previous year 162,665,721) Equity Shares of Rs. 10 each are held by Apollo Energy Company Limited, the Holding Company.

**SCHEDULE 5A**

**SHARE CAPITAL  
PATTERN OF SHAREHOLDING**  
(As certified by the Management)

Shareholder	As at 31.03.13		As at 31.03.12	
	Number of Shares	% of Holding	Number of Shares	% of Holding
Promoters				
-Indian	229,936,221	74.42%	189,266,221	74.32%
-Foreign	79,043,779	25.58%	65,383,779	25.68%
Others				
<b>Total</b>	<b>308,980,000</b>	<b>100%</b>	<b>254,650,000</b>	<b>100%</b>

**SCHEDULE 6**

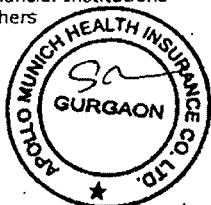
**RESERVES AND SURPLUS**

1.	Capital Reserve	-	-
2.	Capital Redemption Reserve	-	-
3.	Share Premium		
	Opening Balance	2,063,214	1,787,814
	Add: Received during the year	273,200	275,400
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 and Loss Account	-	-
<b>Total</b>		<b>2,336,414</b>	<b>2,063,214</b>

**SCHEDULE 7**

**BORROWINGS**

1.	Debentures/Bonds	-	-
2.	Banks	-	-
3.	Financial Institutions	-	-
4.	Others	-	-
<b>Total</b>		<b>-</b>	<b>-</b>



**APOLLO MUNICH HEALTH INSURANCE COMPANY LIMITED**  
Schedules forming part of Balance Sheet

Sl. No.	Particulars	As at 31.03.13 (Rs. in '000)	As at 31.03.12 (Rs. in '000)
<b>SCHEDULE 8</b>			
<b>INVESTMENTS</b>			
<b>LONG TERM INVESTMENTS (See Note a)</b>			
1.	Government securities and Governments guaranteed bonds including Treasury Bills. {See Note (b)}	1,572,798	1,254,394
2.	Other Approved Securities	-	-
3.	Other Investments	-	-
	(a) Shares	-	-
	(aa) Equity	-	-
	(bb) Preference	-	-
	(b) Mutual Funds	-	-
	(c) Derivative Instruments	-	-
	(d) Debenture/Bonds	600,845	617,063
	(e) Other Securities (Housing Bonds)	371,848	390,905
	(f) Subsidiaries	-	-
	(g) Investment Properties-Real Estate	-	-
4.	Investments in infrastructure and Social Sector	466,409	560,455
5.	Other than Approved Investments	-	-
<b>SHORT TERM INVESTMENTS</b>			
1.	Government securities and Governments guaranteed bonds including Treasury Bills.	59,553	49,783
2.	Other Approved Securities	49,392	194,254
3.	Other Investments	-	-
	(a) Shares	-	-
	(aa) Equity	-	-
	(bb) Preference	-	-
	(b) Mutual Funds	215,621	200,161
	(c) Derivative Instruments	-	-
	(d) Debentures/Bonds	190,174	-
	(e) Other Securities	149,717	-
	(f) Subsidiaries	-	-
	(g) Investment Properties-Real Estate	-	-
4.	Investments in infrastructure and Social Sector	100,000	7,955
5.	Other than Approved Investments	-	-
	<b>Total</b>	<b>3,776,357</b>	<b>3,274,970</b>

**Notes:**

- a. Aggregate amount of Company's investments other than listed equity securities and derivative instruments is Rs.3,776,357 thousand (Previous Year-Rs.3,274,971 thousand ). Market value of such investments as at 31.03.2013 is Rs 3,814,399 thousand (Previous Year-Rs. 3,229,694 thousand).
- b. Government securities include Deposits held under section 7 of Insurance Act 1938, having book value of Rs. 118,683 thousand (Previous Year Rs. 102,859 thousand).

**SCHEDULE 9**

**LOANS**

**1. Security-wise Classification**

Secured

(a) On mortgage of property

(aa) In India

(bb) Outside India

(b) On Shares, Bonds, Govt, Securities, etc.

(c) Others

Unsecured

**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-performing loans less provisions

(aa) In India

(bb) Outside India

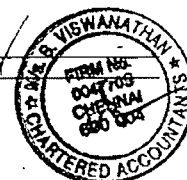
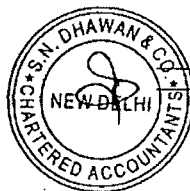
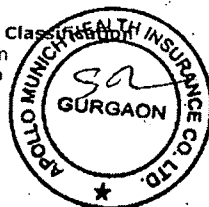
**Total**

**4. Maturity-wise Classification**

(a) Short - Term

(b) Long - Term

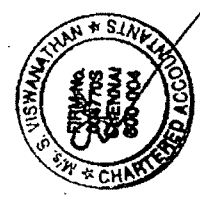
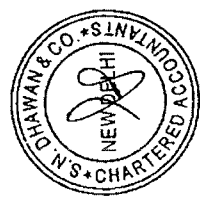
**Total**



**APOLLO MUNICH HEALTH INSURANCE COMPANY LIMITED**  
Schedules forming part of Balance Sheet

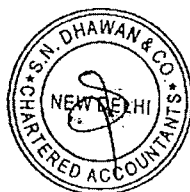
**SCHEDULE 10**  
**FIXED ASSETS**

Particulars	As at		Cost / Gross Block		Depreciation		Net Block	
	01.04.2012	31.03.2013	Additions/ Adjustments	Deductions/ Adjustments	For the Year	On Sales/ Adjustments	To date	As at
					Upto		31.03.2013	31.03.2012
Goodwill	-	-	-	-	-	-	-	-
Intangible Assets								
a) Software	185,262	222,218	36,956	-	112,081	-	149,939	73,181
b) Website	4,700	8,758	4,058	-	3,046	-	4,565	1,654
c) Media Films	22,500	22,500	-	-	16,849	-	22,500	5,651
Land - Freehold	-	-	-	-	-	-	-	-
Leasehold Property	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-
Furniture & Fittings	69,638	85,921	16,283	-	51,685	-	66,219	17,953
Information Technology	-	-	-	-	-	-	-	-
Equipment	68,804	64,825	4,034	(8,013)	61,049	(7,993)	56,972	7,755
Vehicles	22,904	41,470	28,735	(10,169)	10,521	(7,612)	8,607	12,383
Office Equipments	62,257	64,955	3,128	(430)	48,257	(341)	57,778	14,000
Others	-	-	-	-	-	-	-	-
<b>Total</b>	<b>436,065</b>	<b>510,647</b>	<b>93,194</b>	<b>(18,612)</b>	<b>303,488</b>	<b>(15,946)</b>	<b>366,580</b>	<b>132,577</b>
Capital Work-in-progress	-	-	-	-	-	-	12,656	6,228
<b>Grand Total</b>	<b>436,065</b>	<b>510,647</b>	<b>93,194</b>	<b>(18,612)</b>	<b>303,488</b>	<b>(15,946)</b>	<b>366,580</b>	<b>138,805</b>
Previous Year	373,158	436,065	66,776	(3,869)	220,755	(3,869)	303,488	155,621



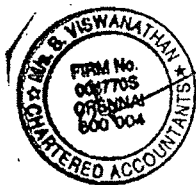
**APOLLO MUNICH HEALTH INSURANCE COMPANY LIMITED**  
Schedules forming part of Balance Sheet

Sl. No.	Particulars	As at 31.03.13 (Rs. in '000)	As at 31.03.12 (Rs. in '000)
<b>SCHEDULE 11</b>			
<b>CASH AND BANK BALANCES</b>			
1.	Cash (including cheques, drafts and stamps)	18,972	20,032
2.	Bank Balances		
	(a) Deposit Accounts		
	(aa) Short term (due within 12 months)	910,622	917,293
	(bb) Others	778,762	24,600
	(b) Current Accounts	69,334	39,588
	(c) Others	-	-
3.	Money at Call and Short Notice		
	(a) With banks	-	-
	(b) With other Institutions	-	-
4.	Others	-	-
	<b>Total</b>	<u><u>1,777,690</u></u>	<u><u>1,001,513</u></u>
Balances with non-scheduled banks included in 2 & 3 above			
<b>SCHEDULE 12</b>			
<b>ADVANCES AND OTHER ASSETS</b>			
<b>Advances</b>			
1.	Reserve deposits with ceding companies	-	-
2.	Application money for investments	-	-
3.	Pre-payments	273,826	219,263
4.	Advances to Directors/Officers	-	-
5.	Advance Tax Paid and Taxes Deducted at Source (Net of provision for tax)	14,369	9,007
6.	Others		
	(a) Advances to Suppliers	1,231	1,459
	(b) Other advances	5,778	7,260
	<b>Total (A)</b>	<u><u>295,204</u></u>	<u><u>236,989</u></u>
<b>Other Assets</b>			
1.	Income accrued on investments	190,797	127,099
2.	Outstanding Premiums	226,556	158,880
3.	Agent's Balances	-	-
4.	Foreign Agencies's Balances	-	-
5.	Due from other entities carrying on insurance business (including re-insurance)	32,987	36,557
6.	Due from subsidiaries/holding company	-	-
7.	Deposit with Reserve Bank of India [Pursuant to section 7 of Insurance Act, 1938]	-	-
8.	Others		
	(a) Rent & other deposits	59,363	55,640
	(b) Service tax on input services (net)	27,393	5,575
	<b>Total (B)</b>	<u><u>537,096</u></u>	<u><u>383,751</u></u>
	<b>Total (A+B)</b>	<u><u>832,300</u></u>	<u><u>620,740</u></u>



**APOLLO MUNICH HEALTH INSURANCE COMPANY LIMITED**  
Schedules forming part of Balance Sheet

Sl. No.	Particulars	As at 31.03.13 (Rs. in '000)	As at 31.03.12 (Rs. in '000)
<b>SCHEDULE 13</b>			
<b>CURRENT LIABILITIES</b>			
1.	Agents' Balances	37,989	30,814
2.	Balances due to other insurance companies	71,468	112,663
3.	Deposits held on re-insurance ceded	-	-
4.	Premiums received in advance	30,995	132,188
5.	Unallocated premium	328,875	211,977
6.	Sundry creditors	92,920	129,111
7.	Due to subsidiaries/holding company	-	-
8.	Claims Outstanding	403,409	381,730
9.	Dues to Officers/Directors	-	-
10.	Others		
	(a) Tax deducted payable	50,773	39,546
	(b) Other statutory dues	4,882	9,746
	(c) Employee related liability	217	4,447
	(d) Expenses Payable	236,836	256,603
	<b>Total</b>	<b>1,258,364</b>	<b>1,308,825</b>
<b>SCHEDULE 14</b>			
<b>PROVISIONS</b>			
1.	Reserve for Unexpired Risk	3,129,515	2,289,049
2.	For Taxation (less advance tax paid and taxes deducted at source)	-	-
3.	For Proposed Dividend	-	-
4.	For Dividend Distribution Tax	-	-
5.	Others		
	(a) For Employee Benefits	-	-
	(b) For Wealth Tax	40	-
	(c) For Doubtful Loans and Advances	730	1,444
	<b>Total</b>	<b>3,130,285</b>	<b>2,290,493</b>
<b>SCHEDULE 15</b>			
<b>MISCELLANEOUS EXPENDITURE</b>			
1.	Discount allowed in issue of shares/debentures	-	-
2.	Others	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>





**APOLLO MUNICH HEALTH INSURANCE COMPANY LIMITED**  
**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS**

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**SCHEDULE 16**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2013**

**A. BACKGROUND**

Apollo Munich Health Insurance Company Limited is a joint venture between Apollo Hospitals Group and Munich Health Holding AG, part of Munich Re group.

The Company was incorporated on 22 November, 2006 and received the certificate of commencement of business on 29 December, 2006.

The Company obtained regulatory approval to undertake general insurance business on 3 August, 2007 from Insurance Regulatory and Development Authority (IRDA) under section 3(2A) of the Insurance Act, 1938. The Company commenced its operations in November, 2007.

The Company is in the business of health insurance. The Company has obtained certificate of renewal of registration from IRDA dated 08 February 2013. The renewed registration is valid upto 31 March, 2014.

**B. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of preparation of financial statements**

The financial statements have been prepared in accordance with generally accepted accounting principles and practices followed in India and conform to the statutory requirements of the Insurance Act, 1938, The Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2002, orders and directions issued by IRDA in this regard, The Companies Act, 1956 to the extent applicable and the accounting standards issued by the Institute of Chartered Accountants of India (ICAI) to the extent applicable. The financial statements have been prepared on historical cost convention and on accrual basis as a going concern.

**(b) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any revision to accounting estimates is recognized prospectively in the period in which results are known.



**(c) Revenue Recognition**

**Premium**

Premium (net of service tax) is recognized as income over the contract period or period of risk, whichever is appropriate. Any subsequent revision or cancellation of premium is accounted for in the year in which they occur.

**Commission on Reinsurance Premium**

Commission on reinsurance ceded is recognized as income in the year of cession of reinsurance premium.

Profit commission under reinsurance treaties, wherever applicable, is recognized in the year of final determination of the profits and as intimated by the reinsurer.

**Premium Deficiency**

Premium deficiency is recognized whenever the ultimate amount of expected claims, related expenses and maintenance costs exceeds related sum of premium carried forward to the subsequent accounting period as reserve for unexpired risk.

**Reserve for Unexpired Risk**

Reserve for unexpired risk represents that part of the net premium (premium net of reinsurance ceded) attributable to the succeeding accounting period subject to a minimum amount of reserves as required by Section 64V (1) (ii) (b) of Insurance Act, 1938.

**Interest Income/ Dividend Income**

Interest income is recognized on accrual basis. Dividend is recognized when the right to receive the dividend is established.

**Accretion / Amortization of Discounts / Premium**

Accretion of discounts and amortization of premium relating to debt securities is recognized over holding / maturity period.

**(d) Reinsurance Premium**

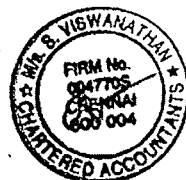
Reinsurance Premium on ceding of risk is accounted in the year in which risk commences and over the period of risk in accordance with the treaty arrangements with the reinsurers. Unearned premium on reinsurance ceded is carried forward to the period of risk and is set off against related unearned premium.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

**(e) Acquisition Cost of Insurance Contracts**

Costs relating to acquisition of new and renewal of insurance contracts viz commission, etc., are expensed in the year in which they are incurred.

**(f) Premium Received in Advance**

Premium received in advance represents premium received in respect of those policies issued during the year where the risk commences subsequent to the Balance Sheet date.



**(g) Claims Incurred**

Estimated liability in respect of claims is provided for the intimations received upto the year end based on assessment made by Third Party Administrator (TPA), information provided by the insured and judgment based on the past experience.

Claims are recorded in the revenue account, net of claims recoverable from reinsurers / coinsurers to the extent there is a reasonable certainty of realization. These estimates are progressively re-valued on availability of further information.

**(h) Claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER)**

IBNR represents that amount of claims that may have been incurred prior to the end of the current accounting period but have not been reported or claimed. The IBNR provision also includes provision, if any, required for claims incurred but not enough reported. IBNR and IBNER liabilities are provided based on actuarial principles and certified by the Appointed Actuary. The methodology and assumptions on the basis of which the liability has been determined has also been certified by the Actuary to be appropriate, in accordance with guidelines and norms issued by the Institute of Actuaries of India and in concurrence with the IRDA.

**(i) Allocation of Investment Income**

Investment income is apportioned to Profit & Loss Account and Revenue Account in the ratio of average of shareholder's funds and policyholders funds at the end of each month.

**(j) Investments**

Investments are made in accordance with the Insurance Act, 1938 and Insurance Regulatory & Development Authority (Investment) Regulations, 2000, as amended from time to time.

Investments are recorded at cost including acquisition charges (such as brokerage, transfer stamps) if any, and exclude interest paid on purchase.

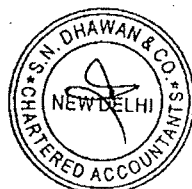
Debt securities, including Government securities are considered as held to maturity and are stated at historical cost adjusted for amortization of premium and/or accretion of discount over the maturity period of securities on straight line basis.

Listed and actively traded securities are measured at fair value as at the Balance Sheet date. For the purpose of calculation of fair value, the lowest value of the last quoted closing price of the stock exchanges is considered wherever the securities are listed. Unrealized gain/ losses due to change in fair value of listed securities is credited / debited to 'Fair Value Change Account'.

Investments in Units of Mutual funds are stated at fair value being the closing Net Asset Value (NAV) at Balance Sheet date. Unrealized gains/losses are credited / debited to the 'Fair Value Change Account'.

**(k) Fair Value Change Account**

'Fair Value Change Account' represents unrealized gains or losses due to change in fair value of traded securities and mutual fund units outstanding at the close of the



year. The balance in the account is considered as a component of shareholder's funds and not available for distribution as dividend.

**(l) Profit / Loss on Sale / Redemption of Investments**

Profit or loss on sale / redemption of investments, being the difference between sale consideration / redemption value and carrying value of investments is credited or charged to Profit and Loss account. The profit / loss on sale of investments include accumulated changes in the fair value previously recognized in 'Fair Value Change Account' in respect of a particular security.

**(m) Long Term / Short Term Investments**

Investments maturing within twelve months from the Balance Sheet date and investments made with specific intention to dispose off within twelve months from the date of acquisition are classified as short term investments. Other investments are classified as long term Investments.

**(n) Fixed Assets and Depreciation/Amortization**

Fixed assets are stated at cost less accumulated depreciation. Cost includes incidental expenses relating to acquisition and installation of assets.

Depreciation/Amortization on Fixed Assets/Intangible Assets is provided on straight line method (SLM) with reference to the management's assessment of the estimated useful life of the asset or rates mentioned in Schedule XIV to Companies Act, 1956, whichever is higher. The depreciation rates used are given below:

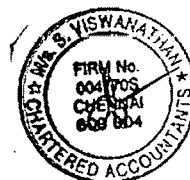
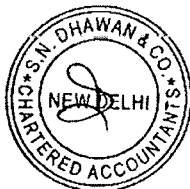
Asset Class	Rate of Depreciation
Information Technology Equipment	25%
Computer Software	20%
Office equipments	25%
Furniture & Fixtures	25% or on the basis of lease term of premises, whichever is higher
Vehicles	20%
Media Films	33%

Assets individually costing up to Rs. 20,000 are fully depreciated in the year of purchase.

Depreciation on assets purchased / disposed off during the year is provided on pro- rata basis with reference to the date of addition / deletion.

**(o) Impairment of Assets**

The carrying amounts of assets are reviewed by the Company at the date of Balance Sheet. If there is any indication of impairment based on internal / external factors, an impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at a rate that reflects current market assessments of the time value of money and the risks specific to the asset, as determined by the management.



**(p) Income Taxes**

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the provisions of the Income Tax Act, 1961. Deferred income tax reflects the impact of current year timing differences 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 recognized only to an extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the Company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realized against future taxable profits.

At each Balance sheet date, the Company re-assesses deferred tax assets / liabilities.

**(q) Employee Benefits**

**Provident Fund**

Contributions to provident fund scheme, a defined contribution plan are made to the Regional Provident Fund Authority at prescribed rates and charged to profit and loss account when due.

**Gratuity**

The Company's liability towards gratuity is covered by a group policy with Life Insurance Corporation of India and Kotak Mahindra Life Insurance Company Limited based on actuarial valuation.

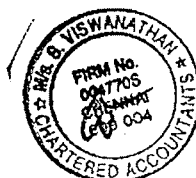
**Deferred Incentive Plan**

The Company has a Deferred Incentive Plan ('DIP') for selected personnel. The plan is a discretionary deferred compensation plan and provision is accrued on the basis of actuarial valuation.

**(r) Provisions and Contingent Liabilities**

A provision is recognized when there is a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.



**(s) Earnings Per Share (EPS)**

The Company reports basic and diluted earnings per share in accordance with Accounting Standard 20 on 'Earnings per Share' issued by the Institute of Chartered Accountants of India. Basic earnings per share are computed by dividing the net profit or loss for the year by weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year as adjusted to the effects of all dilutive potential equity shares, except where results are anti dilutive.

**(t) Leases**

Lease arrangements where the risks and rewards incident to ownership of an asset substantially vest with the lessor are recognized as operating leases. Lease Rent under operating leases are recognized in the profit and loss account in accordance with terms of the lease.

**(u) Foreign Exchange Transactions**

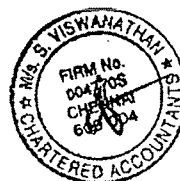
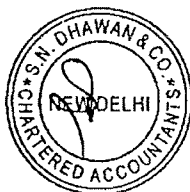
Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currency and outstanding at the Balance Sheet date are translated at the exchange rate ruling on that date. Exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise.

**(v) Allocation of Operating Expenses**

Operating expenses are apportioned to revenue account on the basis of direct written premium in each sub class of business at the end of financial year. Expenses incurred and/or allocable for earning investments income are charged to profit and loss account.

**(w) Employee Stock Option Plan ("ESOP")**

The Company follows the intrinsic method of computing the compensation cost, for options granted under the scheme. The difference if any, between the intrinsic value and the grant price, being the compensation cost is amortized on a straight line basis over the vesting period of the options.



**C. NOTES FORMING PART OF ACCOUNTS**

**1. Contingent Liabilities**

Particulars	<i>(Amount in Rs. '000s)</i>	
	As at 31.03.13	As at 31.03.12
Partly paid up Investments	Nil	Nil
Underwriting commitments outstanding	Nil	Nil
Claims other than against policies, not acknowledged as debts by the Company	Nil	Nil
Guarantees given by or on behalf of the Company	3,780	3,593
Statutory demands / liabilities in dispute, not provided for	7,621	4,264
Reinsurance obligations to the extent not provided for in accounts	Nil	Nil
Others*	109,800	75,750

\*Represents amounts payable on cancellation of a service contract.

**2. Encumbrances**

The Company has all the assets within India. All the assets of the Company are free from any encumbrances except deposits in banks amounting to Rs 3,780 thousands (previous year Rs. 3,593 thousands). The deposits have been placed with banks for the purposes of executing bank guarantees in favour of hospitals towards cash-less arrangements.

**3. Commitments made and outstanding for:**

Particulars	<i>(Amount in Rs. '000s)</i>	
	As at 31.03.13	As at 31.03.12
Loans	Nil	Nil
Investments	Nil	Nil
Fixed Assets	32,081	12,848

**4. Claims, less reinsurance paid to claimants:**

Class of Business	<i>(Amount in Rs. '000s)</i>			
	In India		Outside India	
	Year ended 31.03.13	Year ended 31.03.12	Year ended 31.03.13	Year ended 31.03.12
Miscellaneous	2,596,448	1,630,943	1,626	6,368



5. Age-wise breakup of claims outstanding:

Class of Business	<i>(Amount in Rs. '000s)</i>			
	Outstanding for more than six months		Outstanding for six months or less	
	As at 31.03.13	As at 31.03.12	As at 31.03.13	As at 31.03.12
Miscellaneous*	14,929	9,184	229,407	144,752

\*Excludes IBNR Claims

6. Claims Settled and remaining unpaid for a period of more than six months:

Class of Business	<i>(Amount in Rs. '000s)</i>	
	As at 31.03.13	As at 31.03.12
Miscellaneous	Nil	Nil

7. (a) Premium less reinsurance written during the year :

Class of Business	<i>(Amount in Rs. '000s)</i>			
	In India		Outside India	
	Year ended 31.03.13	Year ended 31.03.12	Year ended 31.03.13	Year ended 31.03.12
Miscellaneous	5,261,762	3,984,901	Nil	Nil

(b) No premium income is recognized on "varying risk pattern" basis.

8. Extent of risk retained and reinsured:

Class of Business	Risk Retained		Risk Reinsured	
	Year ended 31.03.13	Year ended 31.03.12	Year ended 31.03.13	Year ended 31.03.12
	Miscellaneous	85%	84%	15%

9. Value of Contracts in relation to Investments:

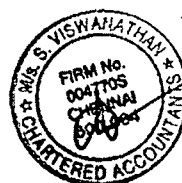
Particulars	<i>(Amount in Rs. '000s)</i>	
	As at 31.03.13	As at 31.03.12
Purchase where deliveries are pending	Nil	Nil
Sales where payments are overdue	Nil	Nil

10. All the investments held by the Company are performing assets.

11. The Company does not have any investment property as at 31 March 2013.

12. The investments as at year-end have not been allocated to Policy Holders & Shareholders accounts since the same are not earmarked separately.

13. The historical cost of investments in mutual funds which have been valued on fair value basis is Rs. 215,220 thousand (previous year Rs. 199,773 thousand).





14. Investments made pursuant to section 7 of Insurance Act, 1938, are as follows:

Particulars	(Amount in Rs. '000s)	
	As at 31.03.13	As at 31.03.12
6.25% GOI CDSS 02-01-2018	75,871	75,003
6.01% GOI CDSS 25-03-2028	5,451	5,381
6.17% GOI CDSS 12-06-2023	14,860	-
7.95% GOI CDSS 28-08-2032	19,497	19,471
8.20% GOI CDSS 15-02-2022	2,005	2,005
8.33% GOI CDSS 07-06-2036	999	999
	<b>118,683</b>	<b>102,859</b>

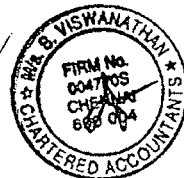
These investments are in the constituent subsidiary general ledger account with Axis Bank Limited.

15. Details of Managerial Remuneration as per terms of appointment are as under:

Particulars	(Amount in Rs. '000s)	
	Year ended 31.03.2013	Year ended 31.03.2012
Salaries and allowances	19,823	17,043
Contribution to Provident Funds	750	715
Perquisites	2,344	1,363
<b>Total</b>	<b>22,917</b>	<b>19,121</b>

Expenses towards gratuity provision are determined actuarially on an overall basis annually and accordingly have not been considered in the above information.

The Managerial remuneration paid to Mr. Antony Jacob, the Chief Executive officer and Whole time Director of the Company is in accordance with the approval accorded by the Insurance Regulatory and Development Authority (IRDA) as per the requirement of Sec 34A of the Insurance Act, 1938. Pursuant to the said approval Rs. 15,000 thousands (Previous Year Rs. 15,000) is charged to Revenue Account, and remaining Rs 3,088 thousands (Previous Year Rs. Nil) is charged to Profit and Loss Account.



## 16. Operating Lease (Non-Cancelable)

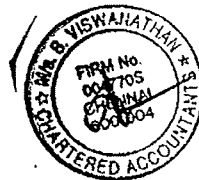
The Company has entered into operating lease agreements for office premises at different locations. The break-up of future minimum lease rentals to be paid towards non-cancellable lease arrangements is as follows:

Particulars	(Amount in Rs. '000s)	
	As at 31.03.13	As at 31.03.12
Payable not later than one year	99	3,573
Payable later than one year but not later than five years	-	7,609
Payable later than five years	-	1,680
<b>Total</b>	<b>99</b>	<b>12,862</b>

Aggregate lease rentals charged to Revenue Accounts is Rs. 84,021 thousand (Previous Year Rs. 80,243 thousand).

## 17. Related Parties & Transactions

Relationship	Names of the Related party
<b>Holding Company</b>	Apollo Energy Company Limited
<b>Associates</b>	Family Health Plan Limited Lifetime Wellness Rx International Limited Apollo Gleneagles Hospitals Limited Indraprastha Medical Corporation Limited Apollo Hospital International Limited Apollo Health Street Limited Apollo Health and Lifestyle Limited Apollo Reach Hospital Enterprise Limited Faber Sindoori Management Services Private Limited Indo-German Chamber of Commerce Dishnet Wireless Limited Imperial Hospital and Research Centre Limited Emed Life Insurance Broking Services Limited Munchener Ruckversicherung Gesellschaft Health Net Global Private Limited HDFC Ergo General Insurance Company Limited Keimed Limited Quintiles Phase One Clinical Trials Private Limited Aargonda Apollo Medical & Educational Research Foundation Samudra Healthcare Enterprises Limited Apollo Health Resources Limited Associated Electrical Agencies Indian Hospitex Private Limited Apex Agencies



**Relationship****Names of the Related party****Joint Venture partners**Apollo Hospitals Enterprise Limited  
Munich Health Holding AG**Key management personnel**Ms Shobana Kamineni, Whole Time Director  
Mr. Antony Jacob, Whole Time Director and CEO

Details of transactions with related parties and balances at year ending 31.03.13 are as follows:

*(Amount in Rs '000s)*

Particulars	Family Health Plan Limited	Apollo Hospitals Enterprise Limited	Lifetime Wellness Rx Intl. Ltd	Apollo Gleneagles Hospitals Limited	Mr. Antony Jacob	Health Net Global Private Limited	Apollo Health Resources Ltd.
Premium Income	3,480 (5,663)	33,105 (15,452)	281 (-)	- (-)	41 (32)	114 (8)	898 (-)
Claim Payments	40,987 (38,169)	108,007 (76,980)	- (-)	19,308 (13,196)	- (-)	- (-)	- (-)
Premium on cessions to re-insurers	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Reinsurance Commission earned	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Losses recovered from Reinsurers	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
TPA Fees	139,586 (87,794)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Management Expenses	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Expenses towards Services Rendered	- (-)	- (-)	5,231 (5,422)	- (-)	18,088 (14,293)	3,000 (5,138)	- (-)
Advance Premium received	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Advance paid	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Payables	16,579 (22,117)	- (-)	100 (-)	- (-)	2 (-)	- (-)	- (-)
Receivables	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)

Previous year amounts have been shown in brackets.



(Amount in Rs '000s)

Particulars	Indraprastha Medical Corporation Ltd	Apollo Hospitals International Ltd.	Munchener Ruckversicherung Gesellschaft	Ms Shobana Kamineni	Imperial Hospital And Research Centre Ltd.	Associated Electrical Agencies
Premium Income	-2,197 (30,494)	4,709 (4,363)	- (-)	- (-)	3,802 (398)	145 (-)
Claim Payments	54,170 (39,633)	6,158 (4,876)	- (-)	- (-)	28,193 (23,043)	- (-)
Premium on cessions to reinsurers	- (-)	- (-)	-2 (9,230)	- (-)	- (-)	- (-)
Reinsurance Commission earned	- (-)	- (-)	27 (10)	- (-)	- (-)	- (-)
Losses recovered from Reinsurers	- (-)	- (-)	654 (6,337)	- (-)	- (-)	- (-)
TPA Fees	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Management Expenses	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Expenses towards Services Rendered	45 (41)	- (-)	- (-)	4,829 (4,800)	7,250 (6,580)	- (-)
Advance Premium received	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Advance paid	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Payables	21 (-)	- (-)	- (384)	- (-)	594 (-)	- (-)
Receivables	- (-)	- (-)	319 (-)	- (-)	- (-)	- (-)

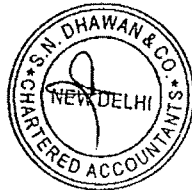
Previous year amounts have been shown in brackets.



(Amount in Rs '000s)

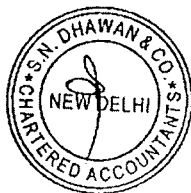
Particulars	Emed Life Insurance Broking Services Ltd.	Apollo Health and Lifestyle Ltd.	Apollo Health Street Limited	Apollo Reach Hospital Enterprise Limited	Faber Sindoori Management Services Private Limited	Dishnet Wireless Limited	Indian Hospite x Private Limited
Premium Income	- (-)	537 (222)	14,601 (749)	401 (292)	2,557 (294)	- (-)	740 (-)
Claim Payments	- (-)	- (16)	92 (204)	291 (44)	163 (386)	- (-)	30 (-)
Premium on cessions to re-insurers	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Reinsurance Commission earned	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Losses recovered from Reinsurers	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
TPA Fees	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Management Expenses	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Expenses towards Services Rendered	7,500 (10,249)	1,080 (3)	- (-)	- (-)	- (-)	6,089 (4,488)	- (-)
Advance Premium received	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Advance paid	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Payables	81 (3,350)	- (-)	- (-)	- (-)	- (-)	201 (-)	- (-)
Receivables	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)

Previous year amounts have been shown in brackets.



Particulars	Indo-German Chamber of Commerce	Keimed Ltd.	Quintiles Phase One Clinical Trials India Pvt. Ltd	Aaragon da Apollo Medical & Educational Research Foundation	Samudra Healthcare Enterprises Limited	HDFC Ergo General Insurance Company Limited	Apex Agencies
Premium Income	- (-)	1,561 (1,672)	258 (299)	- (-)	- (-)	769,901 (584,134)	98 (-)
Claim Payments	- (-)	200 (83)	- (-)	122 (88)	1,031 (419)	138,232 (107,484)	- (-)
Premium on cessions to reinsurers	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Reinsurance Commission earned	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Losses recovered from Reinsurers	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
TPA Fees	- (-)	- (-)	- (-)	- (-)	- (-)	38,432 (29,101)	- (-)
Management Expenses	- (-)	- (-)	- (-)	- (-)	- (-)	307,408 (227,821)	- (-)
Expenses towards Services Rendered	1,153 (7)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Advance Premium received	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Advance paid	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	(-) (-)
Payables	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Receivables	- (-)	- (-)	- (-)	- (-)	- (-)	25,309 (36,271)	- (-)

Previous year amounts have been shown in bracket



## 18. Segment Information

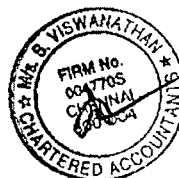
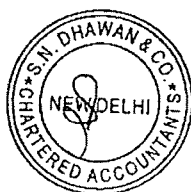
The Company's primary reportable segments are identified in accordance with the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002. The operating expenses and investment and other income have been allocated to various segments as per accounting policies disclosed above. Segment revenue and segment results have been incorporated in the financial statements. However, due to the nature of the business, segment assets and liabilities have been allocated to the various segments to the extent possible. There are no reportable geographical segments during the year. Financial information about the business segment is given below:

**(Amount in Rs '000s)**

Particulars	Year ended 31.03.13			Total
	Health	Personal accident	Others	
<b>Segmental Revenue</b>	4,474,898	131,167	44,233	4,650,298
<b>Segmental Result</b>	(350,924)	51,521	15,318	(284,085)
<b>Segmental Liabilities</b>				
Claims Outstanding (Net)	363,243	20,351	19,815	403,409
Unexpired risk reserve (Net)	3,073,196	47,631	8,688	3,129,515
Premium received in advance	21,617	7,412	1,966	30,995
<b>Segment Assets</b>				
Outstanding Premium	226,556	-	-	226,556

**(Amount in Rs '000s)**

Particulars	Year ended 31.03.12			Total
	Health	Personal accident	Others	
<b>Segmental Revenue</b>	3,006,571	117,541	32,163	3,156,275
<b>Segmental Result</b>	(655,114)	41,979	(3,914)	(617,049)
<b>Segmental Liabilities</b>				
Claims Outstanding (Net)	340,668	20,600	20,462	381,730
Unexpired risk reserve (Net)	2,250,124	33,378	5,547	2,289,049
Premium received in advance	124,971	5,158	2,059	132,188
<b>Segment Assets</b>				
Outstanding Premium	158,880	-	-	158,880



### 19. (a) Defined Contribution Plan

The Company has recognized following amounts towards defined contribution plans as expenses in the Revenue Account:

Particulars	<i>(Amount in Rs '000s)</i>	
	Year ended 31.03.2013	Year ended 31.03.2012
Provident Fund	24,129	20,616
Employee State Insurance	928	1,268
National Pension Scheme	1,410	-

### (b) Gratuity Plan

The gratuity liability arises on retirement, withdrawal, resignation and death of an employee. The aforesaid liability is calculated on the basis of actuarial valuation as per the projected unit credit method. The gratuity plan has been funded through a policy taken from LIC of India and Kotak Mahindra Life insurance Co Limited. Disclosure as per AS-15 (Revised) on 'Employee Benefits' is as under:

#### i. Assumptions Used:

Particulars	31.03.2013	31.03.2012
Mortality	LIC (1994-96) Ult.	LIC (1994-96) Ult.
Discount Rate	8.50%	8%
Rate of increase in compensation	10%	10%
Withdrawal rate	8%	18%
Expected average remaining service	10.19 Yrs	4.49 Yrs

#### ii. Changes in benefit obligations:

Particulars	<i>(Amount in Rs '000s)</i>	
	31.03.2013	31.03.2012
Present value of obligations at the beginning of Period	15,567	8,569
Interest cost	1,226	686
Current Service Cost	11,059	7,697
Past Service Cost	-	175
Benefits Paid	(466)	-
Actuarial (gain)/loss on obligation	793	(1,560)
Present value of obligations at end of period	28,179	15,567





iii. Fair Value of Plan Assets:

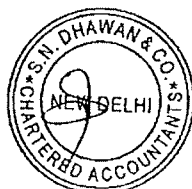
Particulars	(Amount in Rs '000s)	
	31.03.2013	31.03.2012
Fair Value of Planned Assets at beginning of period	19,852	9,877
Adjustments to Opening Balance	(99)	-
Contributions	9,042	8,627
Expected Return on Planned Assets	2,284	1,489
Benefits Paid	(466)	-
Actuarial Gain/(Loss) on Planned Assets	(107)	(141)
Fair Value of Planned Assets at end of period	30,506	19,852

iv. Amounts recognized in Profit & Loss Account:

Particulars	(Amount in Rs '000s)	
	31.03.2013	31.03.2012
Current Service Cost	11,059	7,697
Interest Cost	1,227	686
Past Service Cost(vested benefits)	-	98
Unrecognized Past Service Cost – Non-vested benefits	-	109
Expected Return on Plan Assets	(2,284)	(1,489)
Net Actuarial (Gain)/loss recognized for the period	900	(1,418)
Amount recognized in Profit & loss Account	10,902	5,683

v. Amounts recognized in Balance Sheet:

Particulars	(Amount in Rs '000s)	
	As at 31.03.2013	As at 31.03.2012
Present value of obligations at end of period	28,179	15,567
Fair Value of Plan Assets at end of period	30,506	19,852
Funded Status	2,327	4,285
Unrecognized Past Service Cost – Non-vested benefits	-	-
Net Asset/(Liability) recognized in the balance sheet	2,327	4,285



vi. **Balance Sheet Reconciliation :**

Particulars	(Amount in Rs '000s)	
	Year ended 31.03.2013	Year ended 31.03.2012
Opening Net Liability/(Asset)	(4,285)	(1,341)
Adjustment to Opening Balance	99	-
Expenses as above	10,902	5,683
Contribution Paid	(9,043)	(8,627)
Closing Net Liability/(Asset)	(2,327)	(4,285)

Note: As the Gratuity Fund is managed by Life Insurance Corporation of India (LIC) and Kotak Mahindra Life Insurance Co. Limited details of investments are not available with the Company.

20. The Company has carried out its deferred tax computation in accordance with the mandatory Accounting Standard, AS 22 - 'Taxes on Income' issued by the Institute of Chartered Accountants of India. There has been a net deferred tax asset amounting to Rs. 1,032,820 thousand (Previous Year Rs. 949,020 thousand) on account of accumulated losses, unabsorbed depreciation and other components. The Company has performed reassessment of the deferred tax assets after considering the current year's taxable income as well as Company's ability to generate sufficient taxable income in the future. The deferred tax asset has been created on the Company's eligible tax losses to the extent that there is a virtual certainty supported by convincing evidence from the management about the availability of sufficient future taxable income against which such deferred tax can be realized. The amount of deferred tax asset recognized in books of account is Rs. 149,806 thousand (Previous Year Nil).

**21. Employee Stock Options**

The Company has introduced "Employees Stock Option Plan-2011 (ESOP 2011)" in the financial year 2012-13 effective from 1 April 2012. Under the ESOP 2011, the Company has given options to eligible employees to acquire equity shares in the Company. Each option entitles the eligible employee to acquire one equity share (face value of Rs. 10 each) in the Company.

The options are being granted at Rs. 10 per option. The options will vest over a period of 2 to 4 years from the date of grant and are exercisable over a period of 5 years from the respective date of vesting.

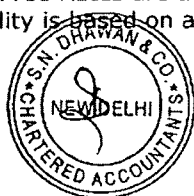
Vesting Percentage	Vesting Period
25%	2 years after the date of grant
25%	3 years after the date of grant
50%	4 years after the date of grant

The Company has adopted intrinsic value method for computing the compensation cost of options granted. As the exercise price is more than the fair value of shares on the date of grant, the value of options is Nil and hence no compensation cost is recognized in the books.

Had the Company followed fair value method (Black Scholes Method) for valuing the stock options, the compensation cost and charges to the profit and Loss account for the year ended 31 March, 2013 would have been higher by Rs. 493 thousands. Consequently the Company's basic and diluted earnings per share would have been Rs. 0.17.

The Key assumptions used to estimate the fair value of options granted during the year ended 31 March 2013 are as under:

- a) Risk- Free Rates are derived from the G Sec of applicable maturity.
- b) Volatility is based on average of 180 days data of BSE and NSE indices.



c) Dividend Yield is assumed to be Zero.  
Movements in the Options under ESOP 2011:

Particulars	As at 31 March 2013
Outstanding at the beginning of the year - As at 1 April 2012	-
Add: Granted during the year	1,270,000
Less: Forfeited / lapsed during the year	20,000
Less: Exercised during the year	-
Outstanding at the end of the year	1,250,000
Exercisable at the end of the year	-

22. Basic earnings per equity share have been computed by dividing net profit (loss) after tax by the weighted average number of equity shares outstanding for the year.

Particulars	Units	Year ended 31.03.2013	Year ended 31.03.2012
a. Net profit/(loss) after tax	Rs in '000s	51,003	(474,272)
b. Weighted average number of equity shares used in computing basic earnings per share	No. of shares in '000s	290,374	207,414
c. Basic earnings per share (a/b)	Rs.	0.18	(2.29)
d. Weighted average number of potential equity shares	No. of shares in '000s	1,266	-
e. Diluted earnings per share (a/{b + d})	Rs.	0.17	(2.29)

23. Expenses relating to outsourcing, business development and marketing support are given below:

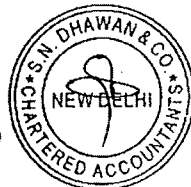
Operating expenses	Year ended 31.03.13	Year ended 31.03.12
Outsourcing Expenses	480,769	509,283
Marketing Support	98,424	173,925
Business Promotion	220,073	158,580
<b>Total</b>	<b>799,266</b>	<b>841,788</b>

(Amount in '000s)

#### 24. Sector Wise Business

Disclosure of sector-wise business based on gross direct written premium (GWP) is as under:

Business Sector	Year ended 31.03.13			Year ended 31.03.12		
	GWP Rs.'000s	No. of Lives	% of GWP	GWP Rs.'000s	No. of Lives	% of GWP
Rural	536,038	696,423	8.65%	536,778	724,304	11.29%



Social	355,906	-1,116,553	5.74%	44,839	64,128	0.94%
Urban	5,307,918	383,249	85.61%	4,174,785	1,015,272	87.77%
<b>Total</b>	<b>6,199,862</b>	<b>2,196,225</b>	<b>100%</b>	<b>4,756,402</b>	<b>1,803,704</b>	<b>100%</b>

**25. Disclosure of Fire and Marine Revenue accounts:**

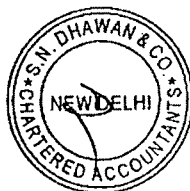
As the Company operates in single insurance business class viz. Miscellaneous Insurance Business, the reporting requirements as prescribed by IRDA with respect to presentation of Fire and Marine Insurance revenue accounts are not applicable.

26. There are no dues outstanding for more than 45 days during the year which are payable to Micro, Small and Medium Enterprises. This information pursuant to the provisions of Micro, Small and Medium Enterprises Development Act, 2006 is determined to the extent such parties have been identified on the basis of information available with the Company.

**27. Summary of Financial Statements is provided as under:**

(Amount in Rs '000s)

S. No.	Particulars	2012-13	2011-12	2010-11	2009-10	2008-09
<b><u>Operating Results:</u></b>						
1	Gross Premium Written	6,200,450	4,758,505	2,834,625	1,146,691	489,793
2	Net Earned Premium Income	4,421,296	3,008,239	1,487,390	699,577	216,392
3	Income from Investments (net)	229,002	148,036	66,964	30,017	9,617
4	Other Income	-	-	-	-	-
5	Total Income	4,650,298	3,156,275	1,554,355	729,594	226,009
6	Commission (Net of Reinsurance)	422,907	281,339	177,424	105,635	35,903
7	Brokerage	95,808	79,293	53,417	52,158	33,652
8	Operating Expenses	1,891,723	1,741,095	1,332,592	983,040	723,781
9	Claims Incurred	2,619,753	1,750,890	921,536	597,360	247,289
10	Operating Profit/Loss	(284,085)	(617,049)	(877,198)	(956,441)	(780,964)
11	Total Income under Shareholders Account	185,595	142,917	82,868	59,464	62,721
12	Profit /(Loss) before tax	(98,490)	(474,132)	(794,330)	(896,978)	(718,243)



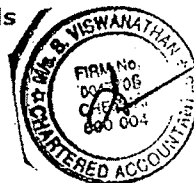
(Amount in Rs '000s)

S. No.	Particulars	2012-13	2011-12	2010-11	2009-10	2008-09
13	Provision for Tax	149,493*	(140)	(84)	(4)	(3,591)
14	Profit/(Loss) after tax	51,003	(474,272)	(794,414)	(896,981)	(721,834)
<b>Miscellaneous:</b>						
Policy holders' Account:						
15	Total Fund					
	Total Investments					Not applicable being General Insurance Co.
	Yield on investments					
Shareholders' Account:						
16	Total Fund					
	Total Investments					Not applicable being General Insurance Co.
	Yield on investments					
17	Paid Up Equity Capital	3,089,800	2,546,500	1,962,000	1,292,999	1,073,700
18	Net Worth	2,303,827	1,436,324	1,050,696	895,438	960,437
19	Total Assets	6,692,876	5,036,028	3,600,011	1,914,206	1,453,942
20	Yield on total investments	9.13%	8.76%	8.20%	8.82%	10.69%
21	Earnings Per Share (Rs.)	0.18	(2.29)	(5.66)	(8.11)	(7.09)
22	Book value per Share(Rs.)	7.46	5.64	5.36	6.80	8.77
23	Total Dividend	Nil	Nil	Nil	Nil	Nil
24	Dividend Per share	Nil	Nil	Nil	Nil	Nil

\* Includes Deferred Tax Asset, Refer Note 20.

**28. Accounting Ratios is provided as under:**

Performance Ratios	2012-2013 (in times)	2011-2012 (in times)
<b>Gross Premium Growth Rate</b> (Gross premium for the current year divided by the gross premium for the previous year)	1.30	1.68
<b>Gross Premium to Shareholders Funds Ratio</b> (Gross premium for the current year divided by paid up capital plus free reserves)	2.69	3.31
<b>Growth Rate of Shareholders Funds</b>	1.60	1.37



Performance Ratios	2012-2013 (in times)	2011-2012 (in times)
(Shareholders' funds as at the current balance sheet date divided by shareholders' funds as at the previous balance sheet date)		
<b>Net Retention Ratio</b> (Net premium divided by gross premium)	0.85	0.84
<b>Net Commission Ratio</b> (Commission net of reinsurance for a class of business divided by net premium)	0.08	0.07
<b>Expenses of Management to Gross Direct Premium</b> (Expenses of management divided by the total gross direct premium)	0.31	0.37
<b>Combined Ratio</b> (Gross claims paid plus Expenses plus Gross Commission divided by Gross premium)	0.90	0.88
<b>Technical Reserves to Net Premium Ratio</b> (Reserve for unexpired risks plus premium deficiency reserve plus reserve for outstanding claims divided by net premium)	0.67	0.67
<b>Underwriting Balance Ratio</b> (Underwriting profit divided by net premium for the respective class of business)	(0.05)	(0.15)
<b>Operating Profit Ratio</b> (Underwriting profit plus investment income divided by net premium)	(0.02)	(0.12)
<b>Liquid Assets to Liability Ratio</b> (Liquid assets of the insurer divided by the policy holders' liabilities)	0.46	0.35
<b>Net Earnings Ratio</b> (Profit after tax divided by net premium)	0.01	(0.12)
<b>Return on Net Worth</b> (Profit after tax divided by net worth)	0.02	(0.33)
<b>Reinsurance Ratio</b> (Risk reinsured divided by gross premium)	0.15	0.16

29. Penal actions taken by various Government Authorities for the year 2012-13.

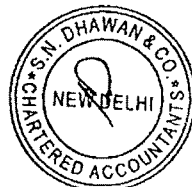
Authority	(Amount in '000s)			
	Non -Compliance / Violation	Penalty Awarded	Penalty Paid	Penalty Waived/ Reduced
Insurance Regulatory and Development Authority	Nil	Nil	Nil	Nil
Service Tax Authorities	Nil	Nil	Nil	Nil



Authority	Non -Compliance / Violation	Penalty Awarded	Penalty Paid	Penalty Waived/ Reduced
Income Tax Authorities	Nil	Nil	Nil	Nil
Any other Tax Authorities	Nil	Nil	Nil	Nil
Enforcement Directorate / Adjudicating Authority / Tribunal or any Authority under FEMA	Nil	Nil	Nil	Nil
Registrar of Companies / NCLT / CLB / Department of Corporate Affairs or any Authority under Companies Act, 1956	Nil	Nil	Nil	Nil
Penalty awarded by any Court / Tribunal for any matter including claim Settlement but excluding Compensation	Nil	Nil	Nil	Nil
Securities & Exchange Board of India	Nil	Nil	Nil	Nil
Competition Commission of India	Nil	Nil	Nil	Nil
Any other Central/ State / Local Government / Statutory Authority	Nil	40	40	Nil

**30. Statement showing the age-wise analysis of the unclaimed amount of Policyholders as on 31 March 2013:**


Particulars	Total amount	Age-wise Analysis (Amount in '000s)						
		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/ insureds due to any reasons except under litigation from the insured/ policyholders								
Sum due to the insured/ policyholders on maturity or otherwise		<b>Not applicable being non-life insurance Company</b>						
Any excess collection of the premium/ tax or any other charges which is refundable to policyholders either as per terms of conditions of policy or as per law or as may be directed by the Authority but not refunded so far	3,383	3,383						
Cheques issued but not encashed by the policyholder/ insured	116,111	103,700	4,245	3,037	2,681	2,222	926	



31. Previous year figures have been reclassified wherever necessary.

As per our report of even date

For **S. N. Dhawan & Co.**  
Chartered Accountants

  
**Rajeev K Saxena**  
Partner  
Membership No. 77974




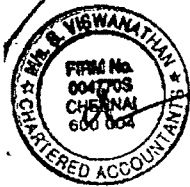
For and on behalf of the Board of Directors


  
**Dr. Prathap C Reddy**  
Chairman


  
**Shobana Kamineni**  
Whole Time Director

For **S Viswanathan**  
Chartered Accountants


  
**V.C. Krishnan**  
Partner  
Membership No. 22167



  
**Roberto Leonardi**  
Alternate Director

  
**Antony Jacob**  
Whole Time Director &  
Chief Executive Officer

Place: New Delhi  
Date: 23rd April, 2013

  
**Srikanth Kandikonda**  
Chief Financial Officer  
& Company secretary



## APOLLO MUNICH HEALTH INSURANCE COMPANY LIMITED

### MANAGEMENT REPORT

In accordance with Part IV of Schedule B of the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, the following report is submitted by the Management for the year ended 31 March 2013:

1. It is confirmed that the registration granted by the Insurance Regulatory and Development Authority (IRDA) has been renewed and the same is valid up to 31 March 2014.
2. It is certified that all the dues payable to the statutory authorities up to 31 March 2013 has been duly paid.
3. It is confirmed that the shareholding pattern and transfer of shares affected during the year is in accordance with the statutory and regulatory requirements.
4. It is declared that the management has not directly or indirectly invested outside India, the funds of the holders of policies issued in India.
5. The required solvency margins under the Insurance Act, 1938, have been maintained.
6. It is certified that the values of all the assets have been reviewed on the date of Balance Sheet and in management's belief, the assets set forth in the Balance sheet are shown in the aggregate at amounts not exceeding their realizable or market value under the heading - "Loans", "Investments", "Agents Balances", "Outstanding Premiums", "Interest, Dividend and Rents Outstanding", "Interest, Dividends and Rents accruing but not due", "Amounts due from other persons or bodies carrying on insurance business", "Sundry Debtors", "Bills Receivable", "Cash" and several items specified under "Other Accounts".
7. The Company is exposed to a variety of risks associated with its insurance business and the investment portfolio. The Company maintains a diversified portfolio between the retail and group business. The Company follows a restrictive underwriting approach ensuring quality business and limits its exposure to certain market conditions. The investment portfolio is diversified within the limits set under IRDA regulations and internal rules of the Company. Major portion of investment funds were deployed in Govt. Securities, AAA and AA+ rated instruments and deposits with scheduled banks.

Operational risks are sought to be managed by a system of limits, internal controls, and segregation of duties, where ever feasible. The Company has engaged a chartered accountant firm to undertake the internal audit function. Internal controls, key operational risks and compliances are reviewed and audited on a regular basis. The Company has covered its risk exposure at the appropriate levels through adequate reinsurance programme.

8. It is confirmed that the Company do not have any operations outside India during the year ended 31 March 2013.



9. Ageing of claims outstanding and trends in settlement of claims in direct business are given below.

Days	As at 31 March 2013	
	No. of Claims	Amount (Rs.'000s)
30 Days	5,440	1,72,295
30 Days – 6 Months	770	57,112
6 Months – 1 Year	38	3,555
1 Year – 5 Years	153	11,374
5 Years & above	-	-

**Trends in Claim Settlement:**

Particulars	2012-13	2011-12	2010-11	2009-10	2008-09
Overall Average Claims Settlement time	18 days	17 days	21 days	22days	20 days

10. As per the IRDA guidelines, all debt securities are considered as held to maturity and valued at historical cost subject to amortization. Further, the market value of debt securities as at 31.03.2013 has been calculated as per guidelines issued by Fixed Income Money Market & Derivatives Association (FIMMDA). The investments in the Mutual Funds are valued at the Net Asset Values (NAV) of these Mutual funds as on the Balance Sheet date. The Company does not have any exposure in stocks and shares.
11. The Company has invested in approved Government securities, AAA or AA+ rated Debt securities, Bank Deposits, Mutual Funds and money market instruments. The primary objective is to generate optimum return while minimizing the risks. The investments are planned based on the cash flow position and liquidity requirements of the Company. There was no delay in servicing of interest or repayment of principal amounts on the investments. Considering the past track record, the Management is confident of maintaining the quality and performance of the investments. All the investments of the Company are performing assets as on 31st March 2013.
12. The details of payments made to entities in which directors are interested are given below:-

Name of the Entity	Nature of Transaction	(Amount in Rs. '000s)	
		2012-13	2011-12
Apollo Gleneagales Hospitals Limited	Claim payments	19,308	13,196
Apollo Hospitals Enterprise Limited	Claim payments	108,007	76,980
Apollo Hospitals International Limited	Claim payments	6,158	4,876
Emed Life Insurance Broking Services Limited	Payment for services rendered	7,500	10,249



Family Health Plan Limited	Claim payments	40,987	38,169
	TPA Fees	139,586	87,794
Indraprastha Medical Corporation Limited	Claim payments	54,170	39,633
	Payment for services rendered	45	41
Lifetime Wellness Rx International Limited	Payment for services rendered	5,231	5,422
Munchener Ruckversicherung Gesellschaft	Payment on Re-Insurance balances (net)	-656	2,893
Health Net Global Pvt Limited	Payment for services rendered	3,000	5,138
Apollo Health and Lifestyle Ltd.	Claims Payments	-	16
	Payment for services rendered	1,080	3
Apollo Reach Hospital Enterprise Limited	Claim Payments	291	44
Dishnet Wireless Limited	Payment for services rendered	6,089	4,488
HDFC ERGO General Insurance Co Limited	Claim Payments	138,232	107,484
	TPA Fees	38,432	29,101
	Management Expenses	307,408	227,821
Indo-German Chamber of Commerce	Payment for services rendered	1,153	7
Aaragonda Apollo Medical & Educational Research Foundation	Claim Payments	122	88
Samudra Healthcare Enterprise Limited	Claim Payments	1,031	419
Apollo Health Street Limited	Claim Payments	92	204
Faber Sindoori Management Services Private Limited	Claim Payments	163	386
Imperial Hospital And Research Centre Ltd	Claim payments	28,193	23,043
	Payment for services rendered	7,250	6,580

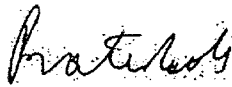


Indian Hospitex Pvt Ltd		30	-
Keimed Limited	Claim payments	200	83

13. It is hereby confirmed that:

- a. In the preparation of the financial statements, the applicable accounting standards, principles and policies have been followed along with proper explanations relating to material departures, if any.
- b. The management has adopted 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 financial year and of the operating profit or loss and of the profit or loss of the Company for the year.
- c. 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), and The Companies Act, 1956, (1 of 1956) for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d. The management has prepared the financial statements on a going concern basis.
- e. The management has ensured that the internal audit system commensurate with the size and nature of business and is operating effectively.

**For and on behalf of the Board of Directors**



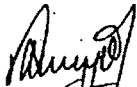
**Dr. Prathap C Reddy**  
Chairman



**Shobana Kamineni**  
Whole Time Director



**Roberto Leonardi**  
Alternate Director



**Antony Jacob**  
Whole Time Director &  
Chief Executive Officer



**Srikanth Kandikonda**  
Chief Financial Officer  
& Company Secretary

Place: New Delhi

Date: 23rd April, 2013

**APOLLO MUNICH HEALTH INSURANCE COMPANY LIMITED**  
**APOLLO HOSPITALS COMPLEX, JUBILEE HILLS, HYDERABAD-500033**  
 Additional information as per Part IV of schedule VI to the Companies Act, 1956  
**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details**

Registration No. 

U	6	6	0	3	0	A	P	2	0	0	6	P	L	C	0	5	1	7	6	0
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Balance Sheet Date 

3	1
---	---

 / 

0	3
---	---

 / 

2	0	1	3
---	---	---	---

 State Code 

0	1
---	---

Date                      Month                      Year

**Capital Raised during the year (Amount in Rs.Thousands)**

Public Issue 

N	I	L
---	---	---

 Right Issue 

N	I	L
---	---	---

  
 Bonus Issue 

N	I	L
---	---	---

 Private Placement 

5	4	3	3	0	0
---	---	---	---	---	---

**II. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)**

Total Liabilities 

5	4	2	6	6	1	4
---	---	---	---	---	---	---

 Total Assets 

5	4	2	6	6	1	4
---	---	---	---	---	---	---

**Source of Funds**

Paid up Capital 

3	0	8	9	8	0	0
---	---	---	---	---	---	---

 Reserves & Surplus (Includes Fair value change account) 

2	3	3	6	8	1	4
---	---	---	---	---	---	---

  
 Secured Loans 

N	I	L
---	---	---

 Unsecured Loans 

N	I	L
---	---	---

  
 Deferred Liability 

N	I	L
---	---	---

**Applications of Funds**

Net Fixed Assets 

1	5	6	7	2	3
---	---	---	---	---	---

 Investments 

3	7	7	6	3	5	7
---	---	---	---	---	---	---

  
 Net Current Assets 

-	1	7	7	8	6	5	9
---	---	---	---	---	---	---	---

 Misc. Expenditure 

N	I	L
---	---	---

  
 Accumulated Losses 

3	1	2	2	3	8	7
---	---	---	---	---	---	---

**III. Performance of the Company (Amount in Rs.Thousands)**

Turnover (Net earned Premium, income from investments and other incomes) 

4	8	5	3	4	6	4
---	---	---	---	---	---	---

 Total Expenditure 

4	9	5	1	9	5	4
---	---	---	---	---	---	---

  
 Loss Before Tax 

9	8	4	9	0
---	---	---	---	---

 Profit After Tax 

5	1	0	0	3
---	---	---	---	---

  
 Earnings per share Rs. 

0	1	8
---	---	---

 Dividend Rate % 

N	I	L
---	---	---

**IV. Generic Names of Three Principal Products / Services of Company (as per monetary Terms)**

Item Code No. 

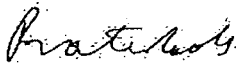
N	A
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(ITC code)

Service 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

  
**Dr. Prathap C Reddy**  
 Chairman

  
**Shobana Kamineni**  
 Whole Time Director

  
**Roberto Leonardi**  
 Alternate Director

  
**Antony Jacob**  
 Whole Time Director &  
 Chief Executive Officer

  
**Srikanth Kandikonda**  
 Chief Financial Officer  
 & Company Secretary

Place : New Delhi  
 Date : 23th April, 2013